DEPENDENT COVERAGE

What are the rules for extending dependent coverage to age 26?

Beginning September 23, 2010, the PPACA has required all health plans to provide coverage without limits to dependents until their 26th birthday.*

The PPACA Extended Dependent Coverage rule applies to all health insurance plans, including medical, behavioral and pharmacy benefits. The rule does not apply to "excepted benefits" under the Health Insurance Portability and Accountability Act such as dental or vision benefits offered separately from medical health benefits.

Health care reform also requires employee health plans to reimburse medical care expenses to any covered dependents until their 26th birthday, or the scheduled termination date determined by the plan (such as end of month or end of year following the 26th birthday). Spouses and children of dependents are not eligible unless the health plan already covered them.

In addition, young adults qualify for this coverage even if they no longer live with a parent, are not a dependent on a parent's tax return, or are no longer students. Both married and unmarried young adults can qualify for the dependent coverage extension, although that coverage does not extend to a young adult's spouse or children. Student, military or marital status does not affect dependent eligibility.

According to a changed tax code rule, we interpret a dependent for purposes of this requirement to mean a son, daughter, stepson, stepdaughter or eligible foster child of the taxpayer.

Until 2014, grandfathered plans are not required to cover dependents that have access to their own employer-sponsored coverage. Beginning January 1, 2014, all health insurance plans must cover dependents to age 26, even if they have access to coverage through their own employer.

Health care insurance reform requires that adult dependents be treated the same as all other dependents. For example, employers can't charge more for adult dependents.

**Some states require that insurance policies provide dependent coverage beyond age 26; these rules and any associated restrictions apply after age 26.*

Can people use their flexible spending account, health reimbursement arrangement and health savings account funds for dependents up to age 26?
Health care reform does allow people to use money from their health reimbursement arrangement and flexible spending accounts on dependent children (up to age 26, or when their health plan coverage ends, after their birthday).

Giving flexible spending account coverage to dependents may be an employer's option under health care reform law. We advise clients to check with their legal counsel.

People may not use money from their health savings accounts for their covered dependents, unless their federal income tax returns also list the dependents. If the adult dependent child can't be listed as a tax dependent, any HSA distributions for the dependent would be taxable and subject to an Internal Revenue Service penalty. In this situation, the adult child may open their own health savings account and contribute up to the health plan's allowable family maximum contribution.