SIG's HCR Update - Dependent Age to 26

Clients and Friends: **May 19, 2010**

This is a quick update regarding the extension of health insurance coverage to "young adult dependents" under age 26 - a provision of health care reform that will officially take effect for all plans renewing on or after **September 23, 2010.** (This date is six months after the signing of the Act.)

Federal agencies have recently released new information to help clarify how this coverage will be allowed.

To qualify for coverage, these young-adult dependents:

- Must be under age 26
- Cannot be eligible for any other group insurance besides their parent's plan
- Do not need to live with their parents
- Do not need to be a student
- Do not need to be a dependent on the parents' tax return
- Can be married, but if they are married, the dependent's spouse and/or children will not be eligible for coverage.

Even though the new law does not take effect until September, Washington State insurance companies have agreed that any dependent under age 26 who is still enrolled on a parent's plan as of **June 1, 2010** may continue to remain on the plan until (s)he turns 26. This is an early implementation to avoid unnecessary confusion and enrollment issues.

Employees must be given 30 days notice of the change, so we will work with you to make sure that this happens. In addition, young adults must be given eligibility for "all the benefit packages available to similarly situated individuals who did not lose coverage by reason of cessation of dependent status." This argues for increasing the limiting ages for dental, vision, and life insurance to age 26 as well. We will be talking to the various companies about this so that at your plan renewal(s), we'll work to keep everything aligned for you.

Two Notes on Taxes: As noted above, medical coverage may be extended to a young-adult dependent even if (s)he is not listed as a dependent on the parent's tax return. The employee's share of the monthly premium will be tax-free to the parent and can be deducted from the parent's payroll on a pre-tax basis.

In addition, even after the 26-year-old has aged off of the parent's health plan, this tax-favored status may continue for the rest of that tax year, which means that the 26-year-old's health care expenses may be reimbursed through the parent's flexible spending account on a tax-free basis. However, this tax-favored status ends on January 1 of the next year - the year in which the dependent turns 27.

If you have any questions or concerns regarding implementation or how this will affect your group or your employees, please feel free to contact the Benefits Helpline at 206-957-7066 (toll-free 800-946-7066), via e-mail at Questions@SIGinsures.com, or you're welcome to contact your Account Manager.

Thank you, from all of us at SIG. As always, call or email with questions. This and all future HCR updates can be found on our website http://www.siginsures.com/employeebenefits.html. Look for "HCR Updates."