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New Research from EBRI:

New Law to Increase Health Coverage of Dependent Children

Estimates of Gain Range from 680,000 to 2.1 million, but May Be Low, Study Says

WASHINGTON—A recent law that requires group health plans and insurers to make dependent coverage available for children until they attain the age of 26 will increase employment-based coverage by estimates ranging from 680,000 to 2.12 million individuals, according to recently released regulations.

However, a study published today by the nonpartisan Employee Benefit Research Institute (EBRI) notes there is reason to believe that estimates of the dependent-child mandate understate the size of the population that might enroll in their parents' employment-based coverage. In addition, the costs of the mandate are expected to increase health insurance premiums about 0.7 percent in 2011, 1 percent in 2012, and 1 percent in 2013, says the study in the August 2010 *EBRI Notes*, available at www.ebri.org

For instance, the EBRI report identifies several shortcomings in regulatory assumptions that the 2.6 million 19–25-year-olds in states that already allow them to enroll in extended coverage are unlikely to enroll under PPACA; it is largely impossible to factor in parents' decisions when it comes to enrolling their children; contrary to regulatory assumptions, about 3 million of the 7.5 million 19–25-year-olds with some other form of coverage (such as Medicaid or Tricare) will be eligible to enroll in the PPACA program; and more adult children are likely to become eligible as they gain employment.

When compared with the population of workers with employment-based health coverage, the uninsured population age 19–25 is more likely to be male, older, Hispanic, and less physically and mentally healthy, the study says. It was also determined that the uninsured population is less likely than the population with employment-based health coverage to use preventive health services, to exercise, and to be of normal weight. The uninsured are more likely to smoke and more likely to have asthma.

The Patient Protection and Affordable Care Act (PPACA) enacted March 23, 2010, and the Health Care and Education Reconciliation Act (HCERA) enacted March 30, 2010, require that group health plans and insurers make dependent coverage available for children until they attain the age of 26 regardless of tax, student, or dependent status as it relates to financial support.

Group plans and insurers also may not limit dependent coverage based on whether the child is married, although the law does not extend the mandate for access to coverage to the married child's spouse and/or children. Grandfathered group health plans are not required to offer coverage to adult children if they currently have their own employment-based coverage or if they are eligible for such coverage.

The mandate to offer coverage to adult children ages 19–25 takes effect for insurance policy years that begin on or after September 23, 2010. However, many insurers have already announced that they will adopt the requirements of the law early.

“It is critical that group plans and insurers understand the size and characteristics of the 19–25-year-old population that might be eligible for their parents’ health coverage in order to determine the impact that this provision of PPACA may have on enrollment and costs of employment-based coverage,” Paul Fronstin, director of the EBRI health research and education program, writes in the conclusion of the study.

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