Expanding Coverage for Dependents

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By Christine Barber, Senior Policy Analyst, and Quynh Chi Nguyen, Researcher

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Community Catalyst, Inc.
30 Winter St. 10th Floor
Boston, MA 02108
617.338.6035
Fax: 617.451.5838
www.communitycatalyst.org

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Executive Summary

Young adults are one of the fastest growing groups without health insurance.[1] Those between the ages of 19 and 29 make up about one in three people who are uninsured.[2] Young adults need health coverage to shelter them from medical debt and ensure they get essential care.

One solution is simple: change state laws to allow young people to remain on their parents' health insurance plans beyond age 18. This is a smart strategy during a fiscal crunch, as there is no cost to the state and typically little extra cost to parents and insurers. This policy is particularly important in a time of an economic downturn, when many people are losing jobs and health insurance.

Thirty states have extended the age to which young adults may remain on their parents' insurance. However, most states continue to place restrictions on which dependents are eligible for coverage. [See Chart 1] These restrictions include limiting coverage to those who are students, live with their parents, or do not have access to other insurance.

To cover as many young adults as possible, advocates can work to reduce the number of eligibility restrictions on dependent coverage expansions in their states.

Some useful tactics in campaigns to expand dependent coverage include: building a broad coalition that includes parents and children; developing strong messages about young adults' health needs; and using examples from other states to rebut opponents' arguments. [See Chart 2]

Extending the age that young adults can remain on family health plans is one tool to stem the rising numbers of the uninsured, but it is not a panacea. Other options are discussed in "Rite of Passage? Why Young Adults Become Uninsured and How New Policies Can Help, 2008 Update," a publication by the Commonwealth Fund, which can be found at www.commonwealthfund.org.

The Problem

Nationally, young adults are at higher risk of being uninsured than any other age group.[3,4] Some may feel “invincible” and choose not to purchase insurance. But, in many cases, young people without insurance are in a period of transition; they may be aging out of Medicaid, the State Children’s Health Insurance Program (SCHIP), or their parents’ health plans. In other cases, they may be students without access to affordable health care or entry-level employees without an affordable employer offer of health insurance.

Young adults are often left with few options for coverage. They may purchase a health plan in the individual market, but this is typically more expensive than group coverage and does not carry an employer subsidy.[5]

There are two major reasons to cover uninsured young adults. One is to protect against financial hardship, medical debt, and preventable disease that comes with having health insurance. While young adults are typically in good health, certain medical conditions such as pregnancy, HIV/AIDS, and injury from accidents occur at a higher rate in younger people than in older adults.[6] Contrary to the view that young people do not need health care, the Commonwealth Fund has found that more than half of uninsured young adults report going without necessary health care services.[7] In addition, young adults today are more likely to support universal health coverage than any age group polled in the past 30 years.[8]

The second major reason to cover young adults is their general good health. Young people are relatively inexpensive to insure and can help to spread “risk” in the insurance market, potentially lowering costs for older and sicker people.[9]

One Policy Solution: Legislating Expanded Dependent Coverage

To increase coverage for young adults, lawmakers can extend the age to which dependents may remain on their parents’ health plans. Thirty states have already done this.

For example, Maryland expanded dependent coverage to age 25 in 2007 without advocates mounting a significant campaign. Insurers supported the expansion as a new line of business, according to Patrick Metz**,** a legislative aide for the bill’s sponsor, Delegate Heather Mizeur. There was also little opposition from the business community.[10] In promoting the expansion, advocates used the following message: "Young adults don’t have coverage because it’s not affordable, not because they don’t want it. Many go without needed care.”[11] A new federal law signed in October 2008 requires group health plans to continue coverage for dependent college students on medical leave for one year, or until the date coverage would otherwise end under their plan.

Eligibility Restrictions

States that allow young adults to remain on their parents’ health plans often create loopholes that limit the number of young people actually able to access this benefit.[12] In order to cover as many young adults as possible, states must minimize the number of restrictions. Eligibility is commonly limited to the following:

- Full- or part-time students
- Those living with parents

- Those without children of their own
- Those without access to other insurance

See Chart 1 for a state-by-state list of eligibility criteria.

Limiting coverage to full-time students particularly hurts young adults in lower-income families, who are less likely to be able to pursue college full time.[13]

Restricting dependent coverage based on whether the young person has another offer of insurance can be problematic because the other insurance may not be affordable. To address this problem, policymakers could allow this restriction only if the employer plan offered to the young adult meets minimum standards, such as basic benefits, limited cost-sharing and a given level of employer subsidy.

In Maine, Consumers for Affordable Health Care (CAHC) advocated for a bill to expand dependent coverage to age 30 in 2007. Insurers won changes to restrict coverage to age 25 and included eligibility rules that prevented many from getting coverage. After the bill passed, CAHC's consumer helpline received a number of calls from families and young adults unable to obtain dependent coverage. The bill's original sponsor also received complaints. In the 2008 session, CAHC staff worked on a compromise to strengthen the law for consumers, partnering with the bill sponsor and stakeholders, including Anthem, the state's largest insurer, and the Maine Chamber of Commerce. Insurers and businesses insisted on certain eligibility limits; however, advocates succeeded in allowing dependents to enroll in parents' plans even if they have other coverage options. The new law also requires insurers to notify all policyholders of the dependent coverage expansion through multiple mailings.[14]

Making Coverage for Dependents Optional

Some states expand dependent coverage as a "rider," or an add-on to an insurance policy. A rider can make coverage inaccessible or prohibitively expensive to families for a few reasons. Riders make it optional for employers to offer this coverage to employees. Many employers do not even know about rider options, according to brokers, and others choose not to offer riders. In addition, with a rider, the health insurance risks are spread over a smaller population, which can drive up costs and therefore premiums.

A group of advocates in Kentucky worked on coverage for all dependents up to age 25 as a major priority in the 2008 legislative session. But, in the version that passed the Legislature, dependent coverage is a "mandated offer" by insurers, and, therefore, optional for employers. Advocates note that it is very difficult to organize a constituency to support dependent coverage.[15]

Limitations Posed by Federal Policies

Two federal policies pose potential barriers to expanding dependent coverage.
Any state expansion of the definition of dependent will not aid people covered by self-insured employer health plans, because the Employee Retirement Income Security Act (ERISA) prohibits states from regulating these plans. In 2007, 55 percent of workers across the country were covered by self-insured plans.[16] However, in a number of cases, self-insured plans have

elected to cover older dependents. Policy change at the federal level is needed to change ERISA restrictions.

In addition, federal tax rules may determine how dependent health coverage is counted as income.[17] To qualify as a dependent child for federal tax filing, a person must be under 19 or a full-time student under age 24; the person must live with a parent for at least half of the year; and the person must not have provided for at least half of his or her support for the year.[18] This definition of "dependent" is more limited than that recognized by many states for health insurance coverage.

Generally, health premiums available through an employer are not taxed as part of an employee's income. However, the federal government assesses "imputed income" on certain fringe benefits and counts that as part of the employee's gross income, which is subject to taxation. The value of health insurance benefits for a child who does not qualify as a dependent under federal tax rules will likely count as imputed income.[19] A state may amend its tax code to create identical definitions of dependent for both health insurance and state income tax to fix the state tax situation, but this does not affect federal taxes.

The Massachusetts Department of Revenue amended the state's tax code in this way after the state's comprehensive health reform law expanded dependent coverage in 2006.[20] The state's director of the Bureau of Managed Care at the Division of Insurance said the imputed income tax problem was a surprise to the state.[21]

Countering Opposition Arguments

Many insurers and businesses argue that expanding dependent coverage could significantly increase the cost of insurance. These stakeholders fear that only people who are less healthy and, therefore, have more costly claims would seek insurance under the expansion. However, there is no evidence of this trend.

In Illinois, for example, Blue Cross and Blue Shield of Illinois, the state's largest insurer, said expanding dependent coverage would add just one percent to the cost of group health plans.[22] Policymakers and advocates in other states report no increases in family premiums. And nationally, Mohit Ghose, a spokesperson for America's Health Insurance Plans (AHIP), has said that increasing dependent coverage age limits usually adds less than one percent to the cost of health policies.[23]

Still, some insurers may charge higher rates for this population. To address this issue, New Jersey's dependent coverage law prohibits insurers from charging families significantly more in cases where they extend dependent care.[24]

Many health insurers and businesses argue against dependent coverage expansion as a mandated insurance benefit. Effective messaging and stakeholder engagement can counteract this opposition.

An advocate in New Hampshire reported resistance from insurers and some business leaders to expanding dependent coverage, arguing that this policy would be bad for employers. In 2007, a coalition of advocates and small businesses challenged this negative message and built support for covering young adults by explaining it could reduce the problem of cost-shifting care of the uninsured to people with private insurance. Advocates reported that having small businesses and nonprofit organizations counter the concerns of insurers and larger businesses helped immensely. Parents of young people also mobilized around this effort and succeeded in ensuring coverage of dependents up to age 26.[25]

Campaign Tactics for Expanding Dependent Coverage

Below are some suggested steps for advocates seeking to expand dependent coverage:

- **Create a broad coalition including parents and young people:** Consumer advocates can organize stakeholders such as concerned parents, young people with health conditions, providers, and businesses that understand the value of coverage. A broad coalition will have more advantage in moving this policy through the legislature. Keeping this group organized for future campaigns can bolster support for coverage for young adults.

- **Develop strong messages about health care needs and costs:** Bolster the campaign by including statistics about the high rates of uninsurance and young people going without necessary care. Uninsured young people who have serious illnesses can be strong messengers. In addition, information about negligible premium increases in states that have implemented this law may be helpful.

- **Focus on eligibility:** Getting coverage extended may not be enough if many restrictions are written into law or regulations. States that have significant eligibility constraints greatly diminish the number of young adults able to enroll in health coverage.

Although extending dependent coverage is not a panacea, it does reduce uninsurance and does not add costs to the state. This is a smart strategy in periods of tight state budgets.

Chart 1

States with Expanded Dependent Coverage

State	Age limit	Eligibility criteria
California	**None**	On medical leave of absence from secondary or post-secondary school
Colorado	**25**	Unmarried, financially dependent, or live with policyholder; at employer option*
Connecticut	**26**	None
Delaware	**24**	State resident or full-time student. Premiums may not exceed 102% of the amount charged before dependent turned 18
Florida	**25**	Unmarried; either live with parent or financially dependent on parent**
Idaho	**21; 25**	Unmarried non-student up to age 21; unmarried full-time student up to age 25
Illinois	**26**	Veterans covered up to age 30
Indiana	**24**	None
Iowa	**25**	Full-time student or person with disability; unmarried state resident
Kentucky	**25**	Unmarried, at employer option
Maine	**25**	Without children; must have continued coverage
Maryland	**25**	Unmarried, live with parent; at employer option
Massachusetts	**25**	Two years after leaving full-time school or up to age 25, whichever occurs first
Minnesota	**25**	Unmarried under 25; or person with disability of any age
Missouri	**25**	Person with disability unable to sustain employment
Montana	**25**	Unmarried
New Hampshire	**26**	Unmarried, state resident or student
New Jersey	**30**	Without children, at option of employer. Premium may not exceed 102% of previous premiums.
New Mexico	**25**	None
New York	**23; 25**	Unmarried student up to age 23; unmarried person up to age 25 at employer option
Oregon	**23**	Unmarried
Pennsylvania	**None**	Full-time student, serve in reserves or National Guard
Rhode Island	**19; 25**	Unmarried up to age 19; financially dependent students up to age 25
South Dakota	**24: 29**	Enrolled in school up to age 24; full-time student up to age 29, at employer option
Tennessee	**24**	Unmarried, financially dependent on parent
Texas	**25**	Unmarried, qualify as dependent for federal income tax
Utah	**26**	Unmarried
Vermont	**18+**	On medical leave of absence from school, covered for 24 months

Virginia	**25**	Full-time student on medical leave, covered for up to 12 months
Washington	**25**	At employer option
West Virginia	**25**	None

* Where policy is offered as a rider, noted as "at employer option"

******Implementation of Florida's dependent coverage law is on hold until the Office of Insurance Regulation can provide clarity on the details of the law. Specifically, it is unclear if the benefit is at the employer's option.

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Chart 2

State Advocates' Experiences Expanding Dependent Coverage

Colorado	In 2005, Colorado Consumer Health Initiative (CCHI) worked on legislation to expand eligibility for dependents to 26 for all insurance policies. However, insurance companies got the policy changed to a rider. The insurers used arguments they usually make with any new insurance mandate in Colorado -- that premiums would increase. Few people know about the rider option; there has been very little take-up. Colorado advocates advise using such messages as: "Young adults are the largest group of uninsured; family coverage is one of the best ways to keep them insured; and young adults typically have lower health costs.
Illinois	In 2007, the Illinois Health Care Task Force recommended expanding dependent coverage to age 29. Advocates advanced that proposal, but it did not pass. In 2008, lawmakers tried again to cover dependents to age 25. However, business leaders and insurers who were concerned about adverse selection opposed the bill. Late in the legislative session, the governor enacted an expanded dependent coverage law though an "amendatory veto." Advocates report that they were not able to organize consumers around this issue. Rather, it rose to the surface because legislators heard from their constituents. Illinois advocates suggest pursuing dependent coverage as a relatively easy win and a small, targeted building block toward health reform.
Kentucky	In 2008, a group of advocates worked on extending coverage for dependents to age 25 during the legislative session. An important tenet for the coalition was that *all* dependents would be covered, regardless of other eligibility factors. However, in the enacted bill, dependent coverage is a "mandated offer" by insurers, and therefore an employer option. In late 2008, the advocates were studying implementation of the law before planning further action. They suggest working to forge compromises with other stakeholders. Advocates note that it is very difficult to organize a constituency to support dependent coverage. Advocates report that the press was helpful; reporters in Kentucky have done a good job describing gaps in coverage, especially for young people.
Maine	In 2007, Maine Consumers for Affordable Health Care (CAHC) advocated for a bill to expand dependent coverage to age 30. Insurers amended the bill to cover dependents to age 25 and included numerous eligibility restrictions. After the bill passed, CAHC's consumer helpline received a number of calls from families and young adults unable to access this coverage. The original bill sponsor also received complaints. In the 2008 legislative session, CAHC staff worked on a compromise to strengthen consumer protections, working with the bill sponsor and stakeholders, including Anthem, the state's largest insurer, and the state Chamber of Commerce. Insurers and business leaders insisted on eligibility restrictions: the policy is an employer option and dependents must be unmarried, not have children, and be either Maine residents or students. However, advocates were successful in

	allowing dependents to enroll in their parents' plans even if they have other coverage (for instance, individual coverage or Medicaid). Advocates also succeeded in requiring insurers to notify all individual policyholders of dependent coverage through multiple mailings. CAHC advises working with stakeholders to find compromises. CAHC also organized young adults with serious health conditions to testify at public hearings.
Maryland	In 2007, lawmakers passed expanded dependent coverage without a need for advocates to mount a significant campaign. An aide to the bill sponsor found insurers helpful in getting the law passed. The insurers saw dependent coverage as a new line of business for people with good health risks. There was no opposition from the larger business community. The aide reports using the message, "Young adults don't have coverage because it's not affordable, not because they don't want it. Many go without needed care." Also, the aide said it was important to explain that this was just one way to cover young adults. Others suggested organizing young people on college and high school campuses.
Massachusetts	The legislative staff person who worked on expanding dependent coverage (enacted as part of the 2006 comprehensive health care reform law) said that this policy did not concern insurers. Massachusetts insurers do not report premium rates to the Division of Insurance, but the state's director of the Bureau of Managed Care, Nancy Schwartz, said that she has not heard about premium increases due to this change from either insurers or consumers. This may be because the policy affects a small population with good health risks, she said. Advocates at Health Care for All in Massachusetts also said that insurers and businesses have been supportive of expanded dependent coverage, and that there have not been reports of premium increases.
New Hampshire	An advocate in New Hampshire reported resistance in 2007 to expanding dependent coverage from insurers and large businesses, who argued that this policy would be bad for employers. A coalition of advocates and small businesses challenged the negative messages from insurers. Advocates argued that covering young adults would reduce the problem of cost shifting for care of the uninsured to people with private insurance. The strategy that worked best was having individual, one-on-one meetings with legislators. Using small business and nonprofit organizations as messengers to counter concerns of insurers and larger businesses also helped immensely.
Washington	Advocates report that they did not mount a campaign and did not face insurer opposition when the Legislature expanded dependent coverage in 2007. However, a Senate staff member said insurers and businesses objected to potential increases in costs from what they labeled a new insurance mandate. The opposition was successful in amending the policy to allow insurers to charge higher rates for dependents up to age 25.

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