

Young Adult Dependent Coverage

Revised Feb 2011

Note: This information was developed to provide consumers with general information and guidance about insurance coverages and laws. It is not intended to provide a formal, definitive description or interpretation of Department policy. For specific Department policy on any issue, regulated entities (insurance industry) and interested parties should contact the Department.

Parents often want or need to elect dependent coverage for their young adult dependent children.

Effective beginning June 1, 2009, all individual and group health insurance and HMO contracts must abide by the provisions of Public Act 95-0958 (215 ILCS 356z.12; the “Young Adult Dependent Coverage Law”), a new Illinois law giving parents with insurance policies that cover dependents the right to elect coverage for qualifying dependents up to age 26 and up to age 30 for military veteran dependents. Below are the basic facts about the new law.

UPDATE: The federal Patient Protection and Affordable Care Act (P.L. 111-148; the “Affordable Care Act”), signed by President Obama on March 23, 2010, contains a section similar to Illinois’ Young Adult Dependent Coverage Law. According to guidance issued by federal agencies, the requirements of the Affordable Care Act exceed those of the Young Adult Dependent Coverage Law in some respects. **As a result, young adults in Illinois will have greater access to health insurance coverage through a parent’s policy.** The information below has been updated to account for changes made by the Affordable Care Act.

For additional information about the dependent coverage requirements of the Affordable Care Act, please see the U.S. Department of Labor’s [Fact Sheet](#) and list of [Frequently Asked Questions](#).

What is the Effective Date of the Law?

The Illinois Young Adult Dependent Coverage Law became effective **June 1, 2009**. New policies issued after June 1, 2009, were required to immediately include coverage required by the Law. For policies issued prior to June 1, 2009, the Law’s effective date varied depending on when the policy was first amended or renewed after June 1, 2009. For example, if your policy renews every year on January 1st, your policy was required to include the mandated coverage by January 1, 2010.

The dependent coverage requirements of the federal Affordable Care Act will be effective for plan years beginning on or after **September 23, 2010**.

Which Health Insurance Policies Must Offer Dependent Coverage for Young Adults?

All individual and group health insurance policies and HMO contracts (including dental and vision)* that offer dependent coverage must abide by the Illinois Young Adult Dependent Coverage Law. Health coverage provided to state (5 ILCS 375/6.11), county (55 ILCS 5/5-1069.3), and municipal (65 ILCS 5/10-4-2.3) employees (and employees subject to the Schools Code (105 ILCS 5/1-1 *et seq.*)) must also meet the young adult dependent coverage requirements.

*Effective January 1, 2011, Public Act 096-1034 (215 ILCS 5/356z.16) exempted short-term travel, disability income, long-term care, accident only, or limited or specified disease policies from the Young Adult Dependent Coverage law. Dental and vision policies issued, amended delivered or renewed January 1, 2011 or after are not required to abide by the Young Adult Dependent Coverage law.

NOTE: Neither the Illinois Young Adult Dependent Coverage Law nor the federal Affordable Care Act requires an employer to offer health insurance benefits or to offer dependent coverage benefits to employees. Neither law requires individual policies to include dependent coverage.

The Illinois Young Adult Dependent Coverage Law Does Not Apply to:

- Individual or group health insurance policies or HMO contracts that do not include dependent coverage.
- Short-term travel, disability income, long-term care, accident only, or limited (including dental and vision) or specified disease policies. (Effective January 1, 2011 Public Act 096-1034)
- Self-insured, non-public employers.
- Self-insured health and welfare plans, such as union plans.
- Insurance policies or trusts issued in other states, except for HMO contracts written outside of Illinois, if the HMO member is an Illinois resident and the HMO has established a provider network in Illinois.

NOTE: The federal Affordable Care Act applies to all group health plans, including self-insured plans, as well as to individual and group health insurance policies and HMO contracts.

Who is Eligible for Coverage Under the Illinois Young Adult Dependent Coverage Law?

Under the Young Adult Dependent Coverage Law, health insurance policies and HMO contracts that provide dependent coverage must allow coverage for young adults who:

1. Are under age 26 (or age 30 for military veterans*);
2. Are unmarried; and
3. Meet other eligibility requirements that may apply.
 - Under the Young Adult Dependent Coverage Law, health insurance companies are allowed to apply additional eligibility requirements (*e.g.*, that the young adult has the same permanent mailing address as the parent) provided that those requirements do not act as a substitute for age or student status.

Under the federal Affordable Care Act, however, health insurance companies and self-insured group health plans may not use any criteria other than age and familial relationship (e.g., child, step-child, adopted child, etc.) when defining eligibility for dependent coverage.

As a result, some previously ineligible young adults—for example, those who are married—may become eligible for health coverage under a parent’s policy once the federal Affordable Care Act becomes effective for that policy. In general, the requirement will become effective for plan years beginning on or after September 23, 2010. However, many insurance companies have voluntarily agreed to implement the requirement early. Please check with your insurance agent, employer or insurance company to learn when you may be able to enroll a newly eligible young adult under your policy.

* To be eligible, a veteran must:

- Be an Illinois resident;
- Have served in the active or reserve components of the U.S. Armed Forces, including the National Guard;
- Have received a release or discharge other than a dishonorable discharge; and
- Submit proof of service using a DD2-14 (Member 4 or 6) form, otherwise known as a “Certificate of Release or Discharge from Active Duty.” This form is issued by the federal government to all veterans. For more information on how to obtain a copy of a DD2-14, the veteran can call the Illinois Department of Veterans’ Affairs at 1-800-437-9824 or the U.S. Department of Veterans’ Affairs at 1-800-827-1000.

NOTE: A group health plan in force as of March 23, 2010, and considered a “grandfathered” plan under the Affordable Care Act, may restrict coverage for those adult children who are eligible to purchase other employer based health insurance (for example, if the young adult’s own employer offers coverage). Grandfathered group plans may require such young adults to be unmarried and to meet other permissible eligibility requirements, as described in (3a) above.

Can My Child Be Eligible for Young Adult Dependent Coverage If I Can No Longer Claim Her as a Dependent for Tax Purposes?

Yes. A child can be eligible for dependent coverage under the Illinois Young Adult Dependent Coverage Law and/or the federal Affordable Care Act even if she cannot be claimed as a dependent on a parent’s income tax return. Health insurance policies and HMO contracts subject to the laws must provide coverage for dependents up to age 26 (or age 30 for military veterans), regardless of student status. The IRS definition of dependent excludes children over the age of 18, or over the age of 23 for full-time students.

NOTE: As a result of changes made by the federal Affordable Care Act, health coverage provided to an adult child—even a child who does not meet the IRS definition of dependent—under an employer-sponsored health

plan is now generally tax-free to the employee. Please consult with a tax specialist or check with your employer if you have additional questions about the tax implications of adding a young adult dependent to your group policy.

When Can I Enroll My Dependents?

Initial 90-Day Enrollment Period

The Illinois Young Adult Dependent Coverage law required insurance companies to establish an initial 90-day enrollment period to allow eligible dependents who had previously “aged out” of, or were previously ineligible for, an existing policy the opportunity to enroll. The timing of the initial enrollment period varied depending on the date a policy was issued, amended or renewed. For example, if your policy renews every year on January 1st, the initial enrollment period for your policy would have begun on January 1, 2010. During the initial 90-day enrollment period, requirements for creditable coverage, continuous coverage or breaks in coverage may not be applied.

Similarly, the federal Affordable Care Act requires health plans (including self-insured plans) to establish a 30-day enrollment period for adult children who aged out of, or who were previously ineligible for, health coverage because the limiting age under the coverage was less than 26. For such plans, the 30-day enrollment period must begin not later than the first day of the first plan year beginning on or after September 23, 2010. Check with your employer group for the date on which your 30-day enrollment period will begin.

Adding Coverage after the Initial 90-Day Enrollment Period

Annual Enrollment Period: Under the Illinois Young Adult Dependent Coverage Law, group and individual policies must provide enrollment for eligible dependents during the annual open enrollment period or at the policy’s renewal or anniversary date. Check with your employer group or your insurer for the date on which the annual enrollment period will begin. To be added during this time, eligible dependents may be required to have been previously insured for a period of 90 continuous days and not have been uninsured for more than 63 days prior to the date of enrollment.

Adding Coverage at Other Times During the Year:

For **group policies**, eligible dependents may be added if a “special enrollment” event occurs, such as loss of other coverage. Please see [Facts about HIPAA – Preexisting Conditions](#) for more information regarding special enrollment. The dependent must be enrolled within 30 days of the event that qualified him or her for special enrollment.

For **individual policies**, a dependent may be added outside of the annual enrollment period but can be declined coverage due to his or her health status.

Can the Insurer Decline Coverage for Eligible Dependents Due to Health Conditions?

Group policies: Dependents added during the initial 90-day enrollment, annual enrollment, or special enrollment periods may not be declined coverage due to health status.

Individual policies: Under the Illinois Young Adult Dependent Coverage Law, dependents added during an **annual enrollment** period may not be declined coverage due to health status, if the dependent has been previously insured for a period of 90 continuous days and has not been uninsured for more than 63 days prior to the date of enrollment. If a parent seeks to add a dependent at a time other than the annual enrollment period, the dependent may be denied coverage if he or she does not meet the company's underwriting guidelines.

NOTE: Under the federal Affordable Care Act, non-grandfathered individual policies (*i.e.*, policies issued on or after March 23, 2010) will not be allowed to decline coverage to any individual due to health status beginning January 1, 2014. The U.S. Department of Health and Human Services will provide guidance as to whether non-grandfathered individual policies will be allowed to decline coverage to dependent children **under age 19** due to health status beginning **September 23, 2010**.

Can Insurers Deny Claims for Preexisting Conditions?

Group policies: Dependents may be subject to preexisting condition limitations contained in the policy. Group policies must apply "creditable coverage" as defined under HIPAA to any preexisting condition waiting period. For an explanation of these terms, please see the Department's fact sheet entitled "[Facts about HIPAA – Preexisting Conditions](#)." (See Note below for dependents under age 19.)

Individual policies: Dependents added to an individual policy during the **initial 90-day enrollment** period may be subject to preexisting condition limitations contained in the policy. Individual policy preexisting condition waiting periods can last up to two years and need not be reduced based on a dependent's history of continuous creditable coverage. (See Note below for dependents under age 19.)

Dependents added to an individual policy during an **annual enrollment period** may be subject to preexisting condition limitations. However, preexisting condition waiting periods must be reduced by the amount of a dependent's prior creditable coverage as defined under HIPAA. For example, if a dependent has 14 months of continuous creditable coverage, and was not uninsured for more than 63 days prior to the date of enrollment, the maximum preexisting condition waiting period that can be applied is 10 months. (See Note below for dependents under age 19.)

Dependents added to an individual policy at a time other than the initial 90-day enrollment or annual enrollment periods may be subject to preexisting condition limitations contained in the policy. For these dependents,

insurers must apply creditable coverage at the time of the next annual enrollment period provided under the policy.

NOTE: Under the federal Affordable Care Act, group health insurance policies and non-grandfathered individual health insurance policies (*i.e.*, policies issued on or after March 23, 2010) will not be allowed to impose any preexisting condition limitations beginning January 1, 2014. For **children under 19**, group health insurance policies and non-grandfathered individual health insurance policies will not be allowed to impose any preexisting condition limitations beginning **September 23, 2010**.

“Exclusion riders”—riders that may be attached to individual health insurance policies stating that the insurance company will not pay for benefits related to a specific health condition—attached to individual policies issued on or after March 23, 2010, must be removed for children under age 19.

How Much Will Coverage Cost?

For employer group plans, the Young Adult Dependent Coverage Law states that employers are not required to pay the cost of dependent coverage for young adults. You may be responsible for the full cost of the coverage.

For other group plans and individual plans – Illinois law does not restrict the rates insurance companies charge for these plans. Parents who seek to add dependents to these policies may find that the insurance company offer is unaffordable.

How Can I Cover My Young Adult Dependents Until My Initial 90 Day Enrollment Period?

If you have employer based group coverage and your dependent is terminated due to attainment of the maximum age, the policy should offer federal or state continuation coverage. Ask your employer about your dependent’s continuation rights, or see the Department’s fact sheet, “[Continuation Rights – Dependent Children](#)” for more information.

If you have an individual policy and your dependent is terminated due to attainment of the maximum age, you should seek coverage on the open market. If your dependent has a health condition that precludes coverage on the open market, please contact the Comprehensive Health Insurance Plan at www.chip.state.il.us or 866-851-2751.

For More Information

Call the Department of Insurance Consumer Services Section at (312) 814-2420 or our Office of Consumer Health Insurance toll free at (877) 527-9431 or visit us on our website at <http://insurance.illinois.gov/>

Related Information

- [HIPAA – Preexisting Conditions](#)
- [Continuation Rights – Dependent Children](#)