



SABC FLEXNews May 14, 2010

SOUTHERN ADMINISTRATORS AND BENEFIT CONSULTANTS, INC.

P.O. BOX 2449 * MADISON, MS 39130 601-856-9933 1-800-844-2555

REQUIREMENTS FOR IMPLEMENTING CHILD COVERAGE TO AGE 26 RELEASED

On May 13, 2010 the Dept. of Treasury, Dept of Labor and the Dept. of Health and Human Services released interim final rules relating to adult child coverage. Recent health care reform (see April 28, 2010 FLEXNews) requires group health plans that offer coverage to dependents, to continue offering that coverage for adult children up to age 26. This coverage must be offered for plan years beginning on or after September 23, 2010. The IRS has confirmed that this employer provided coverage can be offered on a tax free basis under a Cafeteria plan. The IRS, DOL, and HHS have jointly issued interim final regulations effective July 12, 2010. The regulations clarify the following:

» Regulations prohibit plans from defining a dependent in terms other than relationship between child and participant. Residency, financial dependence, student status or employment cannot be used in determining a child's eligibility. Grandfathered health plans (plan years beginning before January 1, 2014). Do not need to offer coverage to an adult child under age 26 who is eligible for another employer-provided group health plan. Also, the regulations clarify that the eligibility under a group health plan sponsored by the employer of either parent does not trigger this exception. In other words, If an adult child is eligible under the plans of both parents, neither plan can exclude the child because they are eligible for the other parent's employer.

» Eligible children or children that become eligible to enroll because of this coverage requirement, must be given written notice of their enrollment rights no later than the first day of the plan year beginning on or after September 23, 2010. You can satisfy this requirement by giving notice to the employee. Coverage must be offered to children that were on the plan and aged out, and to children who were not previously enrolled or were not previously eligible. Any adult child enrolling in the plan under this requirement must be treated as a HIPAA special enrollee, and be offered the same benefits offered to similarly situated individuals who did not lose coverage because of loss of dependent status. If the parent must be enrolled in order for the child to be eligible, then the parent must be allowed to enroll to satisfy this requirement. A child under age 26, who is currently on COBRA because of losing dependent status and whose parent is an active employee, must be allowed to enroll in the plan for regular non-COBRA coverage.

PLEASE REFER TO THE FOLLOWING LINKS: Regulations: <http://edocket.access.gpo.gov/2010/pdf/2010-11391.pdf>

Facts: <http://www.dol.gov/ebsa/newsroom/fsdependentcoverage.html>

FAQs: <http://www.dol.gov/ebsa/faqs/faq-dependentcoverage.html>