

Date: October 2008

TO: IBBP Health Plan Administrator

From: Chris Wehde

RE: Extended Coverage for Young Adults over the Age of 19 – Culver Law

To help reduce the number of uninsured Iowans and improve the affordability and accessibility of health care coverage, Iowa has enacted new legislation that expands eligibility for young adult children on their parent's health coverage.

Extended Coverage for Young Adults

The new law states the unmarried children will be permitted to remain covered on their parent's health insurance plan either up to the age of 25 or as long as they remain a full-time student.

Attached is a question and answer memo IBIS distributed this past summer.

This question and answer memo explains how we will reinstate a dependent child who do to loss of eligibility prior to January 1, 2009 was no longer able to stay on their parents plan.

Important additional Information

There are tax consequences to provide coverage to a child who is not a dependent. Because Federal Law defines who is a dependent, with the age of a child being one of the qualifying tests. Any portion of premiums paid by an employer for coverage of a child that does not meet the definition of a dependent under federal law will be included in the employee's gross income as reported on the employee's W-2.

This means that for those dependents that are no longer a student and who has attained the age of 19 or 24 if the child is a student, the employee will no longer be able to pre-tax the premium associated with this child's coverage.

To determine the amount of premium associated with this child's coverage, we have been directed to use the fair market value of single coverage and must be paid by the employee with after tax dollars.

Please see the Attached Notice that must be completed by an employee if they choose to extend coverage for their child.

Date: June 2008

To: Iowa Bankers Health Plan Administrators

From: Chris Wehde, Vice-President, IBIS

RE: Memo on New State Law Requiring Continuation of Dependent Coverage to Age 25

1. Background

Governor Culver signed legislation on Tuesday, May 13, concerning continuation of dependent health insurance coverage. The legislation, **HF2539**, applies to policies or contracts that renew in Iowa on or after July 1, 2008.

The Iowa Bankers Benefit Plan renews on January 1, 2009. This means that the IBBP will comply with this regulation on January 1, 2009.

2. Coverage for a dependent can be continued as follows.

A. For as long as the unmarried child maintains full time status as a student in an accredited institution of post secondary education;

B. If the child is not a full-time student as outlined in bullet point A above, coverage can be continued until the earliest of the following occurs:

- Marriage (coverage **must** be continued through the end of the Plan year on or after the date of marriage).
- Child ceases to be a resident of Iowa (We are not requiring as we do not house a dependent address).
- Child reaches the age of 25.

3. Rules for Reenrolling Dependents on Parent's Contract.

The parent/guardian **must** request re-enrollment and the dependent must meet eligibility requirements:

A. The dependent must be unmarried;

B. The dependent must be under the age of 25.

4. Reinstatement for Dependents Who Have Cancelled Prior to January 1, 2009.

A. For dependents terminated prior to January 1, 2009, or after because of reaching the dependent maximum age 19 or no longer a full-time student reaching the age of 25, coverage can be reinstated **EFFECTIVE JANUARY 1, 2009**, if they meet the eligibility requirements of **HF2539**. This is subject to the following guidelines:

- If a dependent has no other existing coverage; he/she may be reinstated on his/her parent's health insurance plan effective January 1, 2009. **The request for reinstatement must be received by IBIS by December 31, 2008.**
- If a dependent has other existing coverage (Short Term Major Medical, COBRA, or other health coverage), he/she can be added to his/her parent's health insurance coverage effective January 1, 2009. **Again, the request for reinstatement must be received by IBIS by December 31, 2008.**

Please contact your human resource representative and request an IBBP change form.

5. Here Are Some Anticipated IBBP Member Questions:

Q #1: How long can an unmarried dependent stay on his/her parent's coverage?

A #1: The dependent is allowed to remain on his/her parent's coverage:

- Until the dependent child reaches age 25 and is not a full-time student; or
- The dependent child is a full-time student; or
- The dependent child is totally and permanently disabled, either physically or mentally. The disability must have existed prior to the dependent reaching the maximum allowable age or while the dependent was a full-time student. The child must have been continuously covered without a 63-day or longer break in creditable coverage.

Q #2: If a dependent between the ages of 19 and 25 returns to school full-time, would he/she be eligible for coverage?

A #2: Yes, a dependent under the age of 25 is eligible for coverage regardless of student status; Full-time students are eligible beyond the maximum age of 25.

Q #3: If an unmarried person from ages 19 to age 25 lives independently or with their parents and has a job that offers health coverage benefits, do they have to take their employer's health coverage or can they stay on their parent's plan?

A#3: They may choose to be on their parent's plan, they can enroll in their employer's plan, or they could enroll in both. Standard coordination of benefit rules will apply. Please see the Summary Plan Description

Q #4: If parents are divorced and each has coverage, is it up to the parent which coverage the child would use?

A #4: Unless a court order is in effect, the parents could decide.

Q #5: When a dependent marries, what date is the dependent removed from the coverage?

A #5: The December 31 after the date the dependent marries. Examples:

<u>Marriage Date</u>	<u>Group Renewal Date</u>	<u>Cancellation Date</u>
January 23, 2009	January 1, 2010	December 31, 2009
October 13, 2009	January 1, 2010	December 31, 2009

Q #6: When a dependent marries and isn't removed from the coverage until December 31, can the spouse and/or children of the dependent be added for coverage until termination?

A #6: No, The regulation does not require this.

Q #7: Does the legislation allow for a dependent of a dependent to be covered?

A#7: No, unless the dependent is an eligible grandchild (for example, the grandparent has custody).

Q #8: Is dental coverage effective by this new regulation?

A #8: Yes, the same rules apply.

Q #9: Are parents required to add their dependents to their coverage?

A #9: No. It is the right of the parent to ***not*** add the dependent.

Q #10: Is marriage the only event for which coverage will be continued through to December 31 or the end of the Plan year?

A #10: Yes.

Q #11: What is the cancellation date for dependents that reach maximum age or are no longer a full-time student?

A#11: The cancellation date is the first of the month following the date the dependent reaches age 25 or if a full-time student past the age of 25 the first of the month following the date of graduation.

Q #12: May a dependent currently covered under COBRA re-enroll on their parent's coverage?

A #12: Yes, **unmarried** children covered by COBRA may re-enroll on their parent's coverage provided they meet the eligibility criteria. This change does not affect the dependents future COBRA rights. Please refer to the previous page item #4, second bullet point.

Q #13: Did the regulation affect coverage for disabled dependents?

A #13: No.

Q #14: Can a child request reinstatement on a parent's coverage policy?

A #14: No, the employee has the right to determine if a dependent is reinstated.

Q #15: Does the dependent child need to be a resident of Iowa in order to be reinstated on a contract?

A #15: No, the dependent child does not need to be a resident of Iowa. That is part of the legislation but IBBP does not currently accept or track an address for a child.

Q #16: If a non-enrolled dependent returns to school between the ages of 19 and 25, would that dependent be eligible for coverage?

A #16: The dependent returning to school between the ages of 19 and 25 would be considered a special enrollee/event not requiring underwriting and would be eligible for coverage on his/her parent's coverage effective the first of the month after the date the dependent returns to school.

Q #17: Will IBIS update the Plan Summary Plan Descriptions?

A #17: Yes, IBIS will update all Summary Plan Descriptions within 90 days from January 1, 2009.

Q #18: Does the regulation affect other types of insurance coverage such as dependent life?

A#18: No