



HEALTH CARE REFORM OUR UPDATE & ADVICE

MORRIS & REYNOLDS INSURANCE PRESENTS ADVICE & ANSWERS ON AMERICA'S HEALTH CARE REFORM

YOUNG ADULTS' COVERAGE



INSURING AMERICA'S YOUNG ADULTS

"This change is long overdue. For years getting a diploma meant losing your health insurance. And whether you went to college or not, it was hard to find affordable coverage. People in their twenties were twice as likely to go without insurance as older Americans."

Kathleen Sebelius
HHS Secretary

30% of young American adults are uninsured, more than one in five of our nation's uninsured. And more than any other group in our Country. Thankfully a key, initial, part of the Patient Protection and Affordable Care Act law March 30th allows millions of young adult's access to insurance.

We believe this will help young adults protect themselves and will benefit employers by including people who generally have a positive impact to rates and claim results.

Historically young adults have had the lowest rate of access to health insurance. As young adults transition into the workplace, they often have entry-level jobs, part-time jobs, or jobs that often do not offer health insurance.

The uninsured rate among employed young adults is one-third higher than older employed adults. Contrary to the idea that young people don't need health insurance or get sick, one in six young adults have a chronic illness such as cancer, diabetes or asthma.

RELIEF FOR YOUNG ADULTS

The law requires plans and issuers that offer coverage to children on their parents' plan to make the coverage available until the adult child reaches the age of 26. Many parents and children who worried about losing health insurance after the children moved away from home or graduated from college no longer need to worry. The Departments of Health and Human Services, Labor, & Treasury have issued regulations on the law by expanding coverage for **adult children up to age 26**. Key provisions of the law include:



WHO, WHEN & HOW

The goal of this new policy is to cover as many young adults under the age of 26 as possible. Plans that offer dependent coverage must offer coverage to enrollees' **adult children until age 26, even if the young adult no longer lives with his or her parents, is not a dependent on a parent's tax return, or is no longer a student. The law applies to married and unmarried children, but not their spouses or children.**

EFFECTIVE SEPTEMBER 23, 2010.

The new law begins with plan's that start on or after September 23, 2010 but **the government has called on insurers to allow voluntary coverage before that date**. Early implementation would avoid gaps in coverage for new college graduates and others, as well as save on insurers administrative costs.

Nearly 100 insurers have responded by saying that they will voluntarily continue coverage for young adults who graduate or *age off* their parents' insurance before September 23, 2010. Insurers allowing early use of the new broader provisions include;

- Aetna
- Blue Cross
- Cigna
- Humana
- NHP
- United

SPECIAL ENROLLMENT.

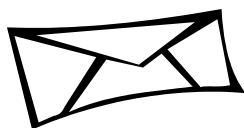
For policy years beginning on or after September 23, 2010, plans must give children who qualify an opportunity to enroll that continues for at least 30 days.

This enrollment opportunity and a written notice must be provided no later than the first day of the first policy year beginning on or after September 23, 2010. The new law does not change the plan's enrollment period or start of the policy year.

SAME BENEFITS & PRICE.

Any qualified young adult must be offered the same health coverage available to other individuals who did not lose coverage because of cessation of dependent status. The qualified individual cannot be required to pay more for coverage.

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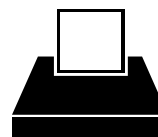
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WHAT YOUNG ADULTS & PARENTS NEED TO DO & KNOW:

CHECK FOR IMMEDIATE OPTIONS:

Many insurers have volunteered to provide coverage earlier than the implementation deadline for young adults losing coverage as a result of graduating from college or aging out of dependent coverage on a family policy. This stop-gap coverage, in many cases, is available now. Contact us with your specific questions and we will be happy to help.

WATCH FOR OPEN ENROLLMENT:

If early coverage is not an option or desired, then young adults will qualify for an open enrollment period to join their parents' family plan on or after September 23, 2010. Insurers and employers are required to provide notice for this special open enrollment period.

OFFER OF CONTINUED ENROLLMENT:

Insurers and employers will inform young adults of continued eligibility for coverage until the age of 26. To obtain coverage, young adults and their parents need not do anything but sign up and pay for this option.

NEW TAX BENEFITS FOR ADULT CHILD COVERAGE

The new law includes certain tax benefits including the fact that the value of any employer-provided health coverage for an employee's child is excluded from the employee's income through the end of the taxable year in which the child turns 26. This tax benefit applies regardless of whether the plan is required by law to extend health care coverage to the adult child or the plan voluntarily extends the coverage.

Key tax items related to the new law include:

TAX BENEFIT CONTINUES BEYOND EXTENDED COVERAGE REQUIREMENT. While the law requires health plans to cover enrollees' children to age 26, some employers may decide to continue coverage beyond the child's 26th birthday.

In such a case, the law provides that the value of the employer-provided health coverage is excluded from the employee's income for the entire taxable year in which the child turns 26. Thus, if a child turns 26 in, say, March but stays on the plan through December 31st all health benefits provided that year are excluded for income tax purposes.

AVAILABLE IMMEDIATELY. Tax benefits are effective March 30, 2010. The exclusion applies to coverage that is provided to an adult child from that date through the end of the taxable year in which the child turns 26.

BROAD ELIGIBILITY. The expanded health care tax benefit applies to workplace and retiree health plans, as well as to self-employed individuals who qualify for the self-employed health insurance deduction on their federal income tax return.

EMPLOYER & EMPLOYEE PREMIUMS ARE EXCLUDED FROM INCOME. Employees can also receive the same tax benefit if they contribute toward the cost of coverage through a "cafeteria plan." This benefit is available immediately, even if the cafeteria plan document has not yet been amended to reflect the change.

To reduce the burden on employers, you have until the end of 2010 to amend their cafeteria plan documents to include this change.



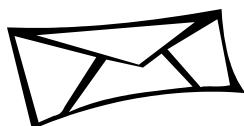
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Sources: The House Committees on Ways and Means, Energy and Commerce, and Education and Labor, 2010 and The National Association of Health Underwriters



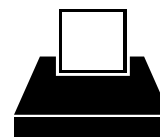
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