## Extension of Health Insurance Coverage to Dependents under the age of 26

The Patient Protection and Affordable Care Act (PPACA), otherwise known as health care reform, provides that, effective for plan years beginning on or after September 23, 2010, group health plans (self-insured or fully insured) that provide dependent coverage of children must continue to make such coverage available for an adult child until the child turns age 26. Grandfathered Plans (BSU has a Grandfathered Plan), for plan years beginning before January 1, 2014, must implement this for adult children under age 26 who are not eligible to enroll in any other eligible employer sponsored health plan.

Under the law, Ball State is not required to make this effective before July 1, 2011, which is when the next plan year following September 23 begins. In addition, as long as Ball State continues to qualify as a Grandfathered Plan, adult children under age 26 who are eligible to enroll in any other eligible employer sponsored plan, including a spouse's employer plan or a COBRA plan, do not have to be covered under Ball State's plan until January 1, 2014.

Ball State's Plan currently provides dependent coverage for as long as the person qualifies as a dependent under IRS rules through December 31 of the year in which they become 23 years of age. The following summarizes the differences between Ball State's policy and the provisions of the PPA

Provision	Ball State- Currently in effect	PPACA- Effective July 1, 2011
Maximum Age for Coverage	23	26
Must be a dependent?	Yes	Not required to be a dependent
What if the adult child is eligible for coverage from another employer?	Still eligible for coverage from Ball State	Not required to be covered by Ball State

At the present time, approximately 73 dependents of Ball State Health Care Plan members are or will turn 23 during calendar year 2010. Under the Plan and under the law, they could lose their Ball State coverage beginning January 1, 2011. On July 1, 2011, they would be eligible for coverage once again under Ball State's Plan, provided they were not eligible for coverage from another employer plan. In addition, any adult child of a Ball State Health Care Plan member under age 26 who is not eligible for coverage from another employer would be eligible for coverage under the Ball State Plan beginning July 1, 2011.

## Eligibility for dependent coverage effective January 1, 2011

In order to be fair to Plan members and dependents affected by this change in the law, as well as Plan members who are not affected but whose premiums will ultimately be affected by this change, the following change in the Plan will take place effective January 1, 2011 through June 30, 2011:

- Adult children of Plan members who are at least 23 years of age or who become 23
  years of age prior to July 1, 2011, may continue to be covered by the Ball State Health
  Care Plan provided they still qualify as dependents under the IRS rules, and are not
  eligible for any other employer-provided coverage.
- 2. Adult children of Plan members who are at least 24 years of age but less than 26 years of age may return to coverage under their parent's family coverage in the Ball State Plan provided they still qualify as dependents under the IRS rules and are not eligible for any other employer-provided coverage.

3. Coverage will cease after the month in which they turn age 26, become eligible for another employer-provided coverage, or are no longer a dependent (if this occurs prior to July 1, 2011).

## Eligibility for dependent coverage effective July 1, 2011

On July 1, 2011, the law as described above will be in effect for the Ball State Health Plan. The only difference from the rules in effect from January 1, to June 30, 2011, described above will be that the adult children will no longer have to qualify as dependents under IRS rules.

Other provisions of the PPACA which will affect Ball State Health Care Plan members effective July 1, 2011, or earlier, are as follows:

- 1. Cost of employer-sponsored Health Coverage to be reported on W-2 for calendar year 2011. Not taxable per PPACA.
- 2. No lifetime dollar limits on benefits Ball State currently has a lifetime limit of \$2 million per individual. This will no longer be in existence after July 1, 2011. To our knowledge, no one on the Ball State Plan has ever exceeded the lifetime limit.
- 3. No annual dollar limits on <a href="Essential Health Benefits">Essential Health Benefits</a> Essential Health Benefits still have to be defined. The only annual dollar limit in the Ball State Plan is on dental benefits, which most likely will not be defined as Essential Health Benefits, since nothing else in the law pertains to dental benefits. Plans may still place limitations on days of treatment, number of visits, etc. Plan years beginning prior to 2014 may still place "reasonable" restrictions on annual limits for Essential Health Benefits.
- 4. Effective January 1, 2011, can no longer purchase over-the-counter drugs using Flexible Spending Plans or Health Savings Accounts.
- 5. Ball State's Plan is exempt as a Grandfathered Plan from the requirement that preventive care and immunizations be provided without any cost sharing. These services are already provided not subject to deductible, but are subject to the 20%, 30% or 40% coinsurance payment by the Plan member.
- 6. Ball State's Plan is exempt as a Grandfathered Plan from the requirement that Plans must have an external review process. Key Benefits (KBA) does have an appeals process now.
- 7. Cost Ratio Requirements Beginning no later than January 1, 2011, an annual rebate must be paid to each enrollee on a pro rata basis if the ratio of the amount of premium revenue expended by the Plan on reimbursement for clinical services provided to enrollees and for activities that improve healthcare quality is less than 85% of total premium revenue. While clinical services and activities that improve healthcare quality have yet to be defined, at the present time Ball State's Plan spends less than three percent on administrative costs, which would indicate that this will not affect the Ball State Plan.
- 8. Plans can no longer exclude children under the age of 19 due to pre-existing conditions. This would take effect for the Ball State Plan on July 1, 2011. As a practical matter, Ball State <u>delays</u> coverage for members due to pre-existing conditions only if they have not previously had health care coverage.
- 9. Once regulations are written, Ball State will have to automatically enroll new full-time employees into the Health Care Plan, subject to a waiting period of 90 days or less. Employees are to receive adequate notice and opportunity to opt out of coverage. Presumably we will select a default plan option for those who do not specify one of the plan options.