

Health Reform Update- **September 2010**

Status Report - Coverage Extension for Young Adults

One of the most significant national reforms taking effect in 2010, is the extension of parents' health insurance coverage to young adults. The federal law requires that all health plans – fully insured and self-insured plans – allow adult children to stay on, or enroll in, their parents' health plan up to the age of 26, regardless of student or dependent status. Prior to the new law, most plans in Vermont allowed parents to include all dependents up to age 19 and full-time dependent students up to age 25. Young adults were automatically removed from the plans after reaching those limits.

There are a few qualifiers to this new provision:

- The law requires this provision to take effect for health plan years beginning on or after September 23, 2010. However, many health plans did not wait to implement this provision. (See below for BCBSVT and MVP action.)
- This right applies whether the young adult is unmarried or married, or whether claimed or not claimed as a dependent by the parents.
- In the case of existing (so-called "grandfathered") group health plans, however, the right does not apply if the adult child is already offered insurance coverage at work. But if the young adult does not have access to coverage at work, the parents' plan must offer coverage.
- The right extends only to the adult child, but parents' plan may offer to cover spouse as well. The children of the young adult (i.e. the grandchildren of the parents) are not covered.
- The income exclusion for the cost of coverage extends only for the premium cost for the adult child, not for the spouse of an adult child.
- Young adults must be offered an open enrollment period of at least 30 days. Young adults previously dropped from the parents' plan must be allowed to re-enroll during this period.
- Insurers are not allowed to charge more than the usual rate charged for dependent coverage.
- If the child is 19 or older, coverage of pre-existing conditions may be excluded for a period of time, as allowed by existing state and federal law until the prohibition on pre-existing condition exclusions takes effect in 2014. (continued)

In Vermont, Blue Cross and Blue Shield stopped automatically removing young adults who reached the age limit or finished school on March 28th, when the federal law passed. MVP Health Plan stopped automatic termination of young adults on May 1st. For both MVP and BCBSVT, any young adults now eligible (that is, who haven't reached their 26th birthday yet) may re-enroll during the next open enrollment period of the parent's plan, starting with plan years renewing October 2010.

Other Coverage Reforms Taking Effect in September 2010

Many of the short-term reforms in the law take effect in plan years that start 6 months following passage of the law; that means plans renewing in October and later will see these changes.

- No lifetime dollar limits on "essential" coverages, such as hospital stays or prescription drugs. Annual limits must be "reasonable" (and also will be prohibited in 2014).
- No rescissions of coverage following claims for pre-existing conditions.
- No denial of coverage due to pre-existing conditions for dependents up to age 19.

Implementation of Non-insurance Related Reforms

The scope of federal reforms extended well beyond changing existing employer health plans:

- States, including Vermont, have received federal grants to beef up their insurance rate reviews.
- Some states have implemented high-risk pool plans, and for states like Vermont that have not, a new federal plan is in place to offer coverage to people denied insurance due to pre-existing conditions.
- To build a stronger primary care workforce, new tuition support for medical and nursing students; also, those who receive state grants to help with tuition or pay off loans will no longer pay federal tax on those dollars. These programs are hoped to increase the primary care workforce by more than 16,000 over the next five years.
- According to federal estimates, 68% of the medically underserved in the country live in rural areas. New funding is available to expand primary care access in medically underserved, rural areas of the country, through grants and loans for development of non-profit community health centers (such as those operated by Northern Counties



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Health Care in communities throughout northern Vermont, and the Community Health Center in Burlington). Payments to rural providers have also been adjusted upward to maintain the workforce.

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