

# Common Complex Scenarios

*Complicated Family Circumstances: Young Adults*



*Center for Consumer Information and Insurance Oversight*

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# Young Adult Children under the Age of 26 Who Live Out-of-State

## Kendall, 22 Years Old, Single

- Kendall recently graduated from college and is a part-time kindergarten teaching aide. Her school only offers health insurance benefits to full-time teachers. Kendall earns \$21,450 annually.
- Kendall lives in a different state than her parents and is **not** claimed as a dependent on their tax return.
- Kendall is currently uninsured. She is looking forward to being independent, but is not sure how to get covered and avoid paying a fee for remaining uninsured. Can she enroll in a QHP in her state and receive financial assistance?
- Kendall's father has job-sponsored health coverage, but Kendall is unsure if she is able to enroll in his plan. Can Kendall enroll in her father's health plan?

# Young Adult Children under the Age of 26 Who Live Out-of-State

## Coverage for Young Adult Children under 26 Years Old

- Young adults under 26 years old have multiple coverage options, which may include coverage under a parent's health plan. If their parent's plan offers dependent coverage, young adults can join or remain on their parent's plan until they turn 26 (later in some states or with certain issuers). Young adults can join or remain on their parent's plan even if they are:
  - Married
  - Not living with their parents
  - Attending college or university
  - Not financially dependent on their parents or claimed as a dependent (for tax purposes)
  - Eligible to enroll in an employer's plan
- Young adults, unless they qualify for an exemption, are responsible for enrolling in minimum essential coverage.

# Young Adult Children under the Age of 26 Who Live Out-of-State

## Minimum Essential Coverage

- A young adult may be able to obtain minimum essential coverage through a parent's plan, a spouse's plan, his or her own employer's plan, an individual plan on or off the Marketplace, or Medicaid \*.
- Note that some employer-sponsored plans do not cover dependents.
- If a young adult isn't enrolled in minimum essential coverage, he or she (or the family member who files taxes for the family, if the young adult is a tax dependent) may have to pay a fee for remaining uninsured, unless they qualify for an exemption.

\* This is not an exhaustive list of sources of minimum essential coverage. For more information please see: [www.HealthCare.gov/fees-exemptions/plans-that-count-as-coverage/](http://www.HealthCare.gov/fees-exemptions/plans-that-count-as-coverage/)

# Young Adult Children under the Age of 26 Who Live Out-of-State

## Can Kendall enroll in her father's employer-sponsored health plan?

- Yes. Kendall can enroll in her father's health plan if it covers dependents, because she is under the age of 26. Her father's employer or insurance company can provide details about how Kendall can enroll in the plan. The open enrollment period for employer-sponsored plans may be different than the Open Enrollment period for the Marketplaces. However, because Kendall lives out of state, there are some reasons why she may not want to enroll in her father's employer-sponsored health plan.

# Young Adult Children under the Age of 26 Who Live Out-of-State

## Coverage Options for Young Adults

### Parent's employer-sponsored coverage

#### Considerations:

- **Network:** The plan's network may not include Kendall's desired providers because she lives in another state.
- **Coverage choices:** The plan may not have the benefits package that fits Kendall's health care needs (e.g. certain medications may not be covered by the plan; she may have to switch to another brand of medications or to generics).
- **Cost:** Coverage for dependents under Kendall's father's plan **may be more expensive** than a Marketplace plan, especially since Kendall's income and household size may make her eligible for financial assistance through the Marketplace.

*Keep in mind that while employer plans that offer dependent coverage must cover dependents up to the age of 26, they are not required to contribute to the cost of dependents' premiums.*

# Young Adult Children under the Age of 26 Who Live Out-of-State

## Coverage Options for Young Adults (continued)

### Marketplace Plan

#### Considerations:

- **Network:** Because qualified health plans offered through a state's Marketplace offer coverage in that state, Kendall will know she can see a doctor in the state in which she lives. Kendall may have access to more plan choices, with different provider networks.
- **Coverage choices:** Kendall will likely have more plans to choose from on the Marketplace than from her father's employer, so it may be easier to find a plan that best fits Kendall's health care needs.
- **Cost:** Advance payments of the premium tax credits (APTC) and cost-sharing reductions are only available through the Marketplace. Even though Kendall can get covered under her parent's plan as young adult dependent, she may be eligible to qualify for financial assistance on the Marketplace because she files her own taxes and her parents don't claim her as a tax dependent. While she may be eligible for help with her Marketplace plan's premium and cost-sharing, her father's employer coverage may cover more of her costs of care than a bronze or silver Marketplace plan (to know more, Kendall can compare her father's plan's Summary of Benefits & Coverage (SBC) to the SBCs of Marketplace plans she is considering).

*Kendall's final decision should be a factor of premium, cost at time of care, provider network, benefit design and other attributes.*

# Young Adult Children under the Age of 26 Who Live Out-of-State

## How does the application process and the eligibility determination process change if Kendall has a dependent?

- Kendall has an 11-month old baby, Ella. Does this change her options to enroll in her parent's employer-sponsored coverage or other health coverage?
- In our scenario, dependent coverage under an employer-sponsored plan is not required to include dependents of dependents. Kendall must get Ella another form of minimum essential coverage.
- Kendall may file a Marketplace application in the state where she and Ella live. Kendall should indicate that she files taxes and claims Ella as a tax dependent. She will enter her household income as \$21,450.
- Depending on the state's income qualifications, Kendall and/or Ella may be eligible to enroll in a Marketplace plan with APTC or may be eligible for Medicaid/CHIP coverage. Kendall also could choose to enroll herself on her parent's employer plan and apply for separate coverage for Ella under Medicaid/CHIP or through the Marketplace).

# Counting Income of Young Adults Who Are Tax Dependents

## The Shah Household

- Neil is 52 years old and works as an independent engineering consultant. He worked at a large engineering firm that offered employer-sponsored health coverage, but he recently quit. He wants to enroll his entire family into a plan through the Marketplaces. Neil expects to earn \$86,000 in 2015.
- Priya is 49 years old and is a full-time stay-at-home mother.
- Annika is 23 years old and lives at home with her parents. She has a paid internship at a company that does not offer health insurance to interns. Annika will earn around \$6,000 in 2015. Annika's parents claim her as a **tax dependent**. The interest on her student loans will be \$500 in 2015. Her parents were co-signers on her student loan.
- Devin is 19 years old and is a full-time student at an out-of-state college. His parents will pay \$10,000 for tuition in 2015. Devin's parents claim him as a **tax dependent**.

# Counting Income of Young Adults Who Are Tax Dependents

## What to Consider with COBRA

- COBRA coverage allows consumers to temporarily extend their group health benefits when they lose them through job loss, divorce, or other life events.
- COBRA coverage is considered minimum essential coverage when an individual is enrolled in it, so if consumers enroll in COBRA coverage, they meet the individual shared responsibility requirement and will not have to pay the fee for months during which they are enrolled.
- COBRA coverage can be expensive because a consumer's plan can require him/her to pay the full cost of the COBRA premiums (i.e., what consumers were paying before plus the amount their employer paid on the consumers' behalf). However, if consumers are in the middle of a treatment or have a provider they wish to continue seeing as long as possible, they may want to sign up for COBRA coverage to ensure continuity.

# Counting Income of Young Adults Who Are Tax Dependents

## What to Consider with COBRA

- Being **eligible** for COBRA coverage **does not** prevent consumers from qualifying for advance payments of the premium tax credit and cost-sharing reductions through the Marketplace, but being **enrolled** in COBRA coverage **does**.
- If consumers are **already enrolled** in COBRA coverage and the Marketplace open enrollment period for the individual market has ended, they will have to wait until the next Marketplace open enrollment period for the individual market to enroll in Marketplace coverage, unless they qualify for a special enrollment period before that. Exhaustion of COBRA coverage would entitle consumers to a special enrollment period.

# Counting Income of Young Adults Who Are Tax Dependents

## How should the Shah household apply for a Marketplace plan that will cover their family?

- The Shah household can file one Marketplace application.
- Both Annika and Devin should be listed as tax dependents, since they will be claimed on their parents' 2015 federal income tax return.
- Because Devin attends college out-of-state, his college address may be provided, but he will only be able to enroll through the Marketplace if he lists his parents' address as his permanent address and he is their tax dependent.
- Enter all income and deductions for the parents and children. The Marketplace will determine whether income from the tax dependent children counts toward the household income.
- The Shah household may be eligible to receive advance payments of the premium tax credit or cost-sharing reductions due to their income and household size, among other factors.

# Counting Income of Young Adults Who Are Tax Dependents

## Plan Selection for the Shah Household

When selecting a plan, the Shah Household can enroll in one family plan or in multiple health plans, depending on their individual health care needs or preferences.

- **One family plan:** If the Shah household submits one application, creates one enrollment group, and enrolls in the same health plan, they will pay one monthly premium. The Shah household will have one annual family deductible, and all four members' utilization of health services will count toward the annual out-of-pocket maximum.
- **Multiple Plans:** The Shah household can create different enrollment groups in order to enroll in more than one health plan. For example, Priya and Annika may want to enroll in the same plan because they have the same endocrinologist, who is only in one plan's network. Neil and Devin do not have specific health care needs and may enroll in a different plan together.

# Counting Income of Young Adults Who Are Tax Dependents

- **Multiple Plans (continued):** In this example, the Shah household will create two enrollment groups: Priya and Annika will be in one group, while Neil and Devin are in the other enrollment group.
- The plan that Priya and Annika enroll in will have a shared deductible and out-of-pocket maximum, while Neil and Devin's plan will have a separate deductible and out-of-pocket maximum. The Shah household will make separate monthly premiums payments to each issuer.
- If the Shah household is eligible for advance payments of the premium tax credit, they will decide as a family how much of their maximum amount they apply each month to reduce the premium; however they do not allocate how much goes to each plan. This is determined by the Marketplace and the insurance companies.

# Counting Income of Young Adults Who Are Tax Dependents

- **Separate plans for each household member:** If the Shah household submits one application, they can decide to enroll in four separate health plans. Consequently, the Shah household would make premium payments to each issuer and would have four separate deductibles, out-of-pocket maximums, and other insurance costs.
- The Shah household may be subject to higher out-of-pocket spending than if they enrolled in one plan.
- Due to operational limitations, family members cannot enroll in different plans if one of the plans being selected is a catastrophic plan.