

Keeping Your Adult Kids On Your Health Plan

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SAN FRANCISCO (MarketWatch) -- About 1.2 million young adults stand to gain health insurance next year as new rules that allow them to join or stay on their parents' employer-based plans until age 26 take effect in the next four months, according to a new study.

That figure is based on an estimated 650,000 uninsured young people who are expected to take advantage of the new rules, plus another 550,000 young people who have individual policies not connected to jobs who likely would switch to being covered on a parent's plan because the benefits are more comprehensive and affordable, according to a report from the Commonwealth Fund, a New York-based private foundation that tracks health-system performance.

Nearly 14 million young adults age 19 to 29 lacked health insurance in 2008, the first full year of the recession, but most of them will be able to obtain coverage and protection from ruinous medical costs when the new federal health-reform law is fully implemented in 2014, the report found.

Many young adults will see helpful changes before then, said Cathy Schoen, senior vice president for research and evaluation at the Commonwealth Fund. "This very vulnerable group and their parents will benefit from reform this September," she said.

Without the parent-coverage extension in the Patient Protection and Affordable Care Act, many students otherwise would lose their health insurance when they "age off" their parents' plans upon graduating from high school or college. Other young adults on public programs such as Medicaid or the state children's health insurance program typically get the boot when they turn 19. Kids in either situation may be able to find replacement health insurance in the individual market, but that alternative often isn't available to those with preexisting health conditions, which can be broadly defined.

"Gaps in health insurance among young adults are linked to critical transition points in their lives," said Sara Collins, vice president for affordable health insurance at the Fund.

Such gaps often have negative consequences for young adults' health, and 2009 was no exception. Putting off medical care resulted in worsened conditions for a third of uninsured youth and 46% of those with chronic health problems, the report found. Three out of four uninsured young adults avoided getting needed care at all because of costs compared with 37% of insured young adults who did the same. And 60% of uninsured youth had trouble paying medical bills, more than twice the amount of their counterparts with coverage. The survey polled 2,002 people age 19 to 29 last year.

New era for graduates

The provision that extends coverage for young people by letting them stay on a parent's health plan until they're 26 officially takes effect Sept. 23, six months after President Obama signed the overhaul bill into law. But about 65 health-insurance carriers have said they will comply with the law months ahead of schedule and open enrollment before then, which is good news for graduates who face the weakest job market in decades.

The number of young adults age 19 to 29 who didn't have health coverage rose to 13.7 million in 2008, up from 13.2 million in 2007 and 10.9 million in 2000, the study found. But the current number is likely to be higher than the 2008 estimate because of the sharp jump in unemployment since then.

Last month, the jobless rate ticked up to 9.9% compared with a rate of 5% in April of 2008, according to the U.S. Labor Department. Nearly 46% of the current unemployed have been without work for at least six months.

Young adults have been particularly hard hit, with more than 17% of 20- to 24-year-olds now jobless, the report said. And they make up only 17% of the U.S. population but comprise 30% of the 46 million U.S. uninsured, the study found.

"It's been one of the age groups most affected by our dependency on the employer [health-insurance] system because they don't have stable ties to employer-based coverage," Collins said.

How it works

Later this year, young adults can join or stay on a parent's health plan regardless of their living situation, financial resources, marital, student or prior health-insurance status. The law applies to all kinds of insurance, whether employer-based or individual.

As long as a health plan offers dependent coverage, it will have to offer young adults the same level of coverage at the same price until a kid's 26th birthday. Families who live in the few states that allow kids to stay on their parents' plans until they're older than 26 will maintain their eligibility for those higher age limits, the report said.

But there's one caveat: The provision only applies to young adults who have no other employer-based health coverage option. That means young people who are eligible to enroll in their own or a spouse's job-based health plan can't stay on or go back on a parent's policy.

Young adults are a coveted group because they tend to be healthy and therefore help balance insurance risk pools that increasingly reflect the costly, chronic health conditions that go with an aging population. Many economists say the inclusion of young adults is crucial to avoiding an insurance "death spiral" that occurs when premiums spiral out of control among shrinking pools that consist of mostly older and sicker people.

As such, the new health-reform law will require most Americans to have health insurance or pay a penalty, with some exceptions. Much may be riding on whether young adults comply and buy coverage or choose to pay the penalty instead.

This provision known as the individual mandate has been controversial, but 62% of young adults surveyed said they were in favor of such a requirement, the report found.

The cost of covering the extra 1.2 million young adults is likely to result in family premiums shared by employers and workers rising by 0.7% in 2011, 1% in 2012 and 1% in 2013, according to the report.

The other big change on the horizon for this year involves banning health insurers from imposing lifetime limits on the amount of money they'll pay on an enrollee's behalf in case of a serious illness or injury. Similarly, annual benefit limits will be restricted this year and fully phased out in 2014.

Medicaid expansion

Two other changes coming in 2014 stand to benefit young adults struggling to hold on to health coverage: the expansion of Medicaid to childless and other adults up to 133% of the federal poverty level for the first time, and the introduction of health insurance exchanges, or a new regulated marketplace, with premium subsidies available to help low- and moderate-income people afford coverage.

Of all the provisions in the new law, Medicaid expansion will go furthest in reducing the number of young adults who are uninsured, more than half of whom are in families earning less than 133% of the poverty level -- about \$14,400 for a single adult or \$29,300 for a family of four, according to the Commonwealth Fund report. Expanding Medicaid eligibility is likely to help as many as 7.1 million young adults obtain coverage, it estimates.

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