

Addressing the Uninsured *CT Passes New Dependent Definition*



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Effective January 1, 2009, all fully insured group health plans and all individual policies in the State of Connecticut will be required to offer dependents health insurance coverage to the age of 26. Several other states have passed similar laws, including Massachusetts and New Jersey. Similar to these other states, Connecticut is attempting to address the number of uninsured that fall into this age bracket. By allowing access to the group health plans, the state is hoping to reduce the financial burden on the free-care system.

William Gallagher Associates is a leading provider of insurance brokerage, risk management and employee benefits services to firms with complex risk, serving the high technology, life sciences, financial risks, healthcare, aviation, energy, and the environmental industries. Founded in 1983, the firm has offices in Boston, MA; New York, NY; Hartford, CT; Princeton, NJ; Columbia, MD; Atlanta, GA; and Paris France.

While dependent coverage is not required under a health plan (employee-only coverage is allowable), if the health plan does cover dependents; the definition must be changed to include the following eligibility:

Dependent coverage must be covered until:

- Marriage;
- Residency ceases in the state of Connecticut (unless under age 19 or a full time student);
- Covered under a group health plan through the dependent's own employment;
- Attains the age of 26

Please note, an 'economic' relationship is not required between the dependent and parent. The dependent must only meet the requirements outlined above.

Group policy coverage is carried through the end of the month following the month in which one of the above change events occurs. For individual policies, the coverage is carried through to the policy anniversary date.

A dependent with his own employment is not required to take his employer plan if offered. He may continue on his parent's plan. The dependent may also choose to drop his employer's coverage to join the parent's plan. Lastly, if the dependent has a job and receives coverage through a group plan that is not offered through his employer (i.e., association plan), he is still eligible for the parent's plan.

Health plans must offer previously ineligible dependents entry into the plan, but may limit the enrollment period to 31 days from the date of new eligibility. The Insurance Department does require the insurer provide clear communication to policy and certificate holders in a 'meaningful way' explaining both that the law has changed and there is a corresponding timeframe for enrollment. The Insurance Department would prefer carriers offer enrollment in the month of December 2008 so dependents may be covered for the January 1, 2009 effective date. Several carriers have sent notice, due to administrative concerns, that open enrollment will be offered in the month of January with backdating to the first of the month.

For those dependents that meet the new definition of dependent after the original open enrollment of January 1, they must be allowed a 31 day window for enrollment (administered as any other change of status). The effective date of the coverage would be retroactive back to the date he meets the eligibility requirement.

An important item not discussed by the Insurance Department is the subsequent taxation of the contributions and taxable value of the employers' portion of the premium. Once benefits are offered outside this Federal definition of dependent, allowing the premium deduction pre tax is no longer allowed through Section 125 of the Federal Tax Code. In addition, the value of the employer's portion of the monthly premium must become imputed income to the employee, similar to domestic partnership taxation. While assumptions are being made that the State will allow continued pre tax deductions and no imputed income, this has not been addressed in the tax law of Connecticut.

Please contact your Account Executive or Account Manager to discuss specific carriers. Additional guidance will be provided once available from the State of Connecticut. Questions may also be directed to WGA's Compliance Practice at compliance@wgains.com.