U.S. DEPARTMENT OF LABOR

Young Adults and the Affordable Care Act: Protecting Young Adults and Eliminating Burdens on Businesses and Families FAQs

en español

Q1:How does the Affordable Care Act help young adults?

Before the Affordable Care Act, many health plans and issuers could remove adult children from their parents' coverage because of their age, whether or not they were a student or where they lived. The Affordable Care Act requires plans and issuers that offer dependent child coverage to make the coverage available until the adult child reaches the age of 26. Many parents and their children who worried about losing health coverage after they graduated from college no longer have to worry.

Q2:What plans are required to extend dependent child coverage up to age 26?

The Affordable Care Act requires plans and issuers that offer dependent child coverage to make the coverage available until a child reaches the age of 26. Both married and unmarried children qualify for this coverage. This rule applies to all plans in the individual market and to all employer plans.

Q3:Will young adults have to pay more for coverage or accept a different benefit package?

Any qualified individual must be offered all of the benefit packages and cannot be required to pay more for coverage than similarly situated individuals.

Q4:Can plans or issuers who offer dependent child coverage impose limits on who qualifies based upon financial dependency, marital status, enrollment in school, residency or other factors?

No. Plans and issuers that offer dependent child coverage must provide coverage until a child reaches the age of 26.

Q5:Does the adult child have to purchase an individual policy?

No. Eligible adult children wishing to take advantage of the coverage up to age 26 will be included in the parents' family coverage.

Q6:Does Medicare cover adult children in the same way that private health coverage does?

No. Medicare does not provide coverage for dependents. Dependents must be individually eligible in order to have Medicare coverage. This provision, therefore, does not apply to Medicare.

Q7:Are both married and unmarried young adults covered?

Yes.

Q8:Are plans or issuers required to provide coverage for children of children receiving the extended coverage?

No.

Q9:I understand that there are tax benefits related to the extension of dependent child coverage. Can you explain these benefits?

Under a change in tax law included in the Affordable Care Act, the value of any employer-provided health coverage for an employee's child is excluded from the employee's income through the end of the taxable year in which the child turns 26.

Q10:When did this tax benefit go into effect?

The tax benefit became effective March 30, 2010. Consequently, the exclusion applies to any coverage that is provided to an adult child from March 30, 2010 through the end of the taxable year in which the child turns 26.

Q11:Who benefits from this tax treatment?

This expanded health care tax benefit applies to various workplace and retiree health plans. It also applies to self-employed individuals who qualify for the self-employed health insurance deduction on their federal income tax return.

Q12:May employees purchase health care coverage for their adult child on a pre-tax basis through the employer's cafeteria plan, if an employer chooses to offer a cafeteria plan?

Yes. In addition to the exclusion from income of any employer contribution towards qualifying adult child coverage, employees may pay the employee portion of the health care coverage for an adult child on a pre-tax basis through the employer's cafeteria plan - a plan that allows employees to choose from a menu of tax-free benefit options and cash or taxable benefits. The IRS provided in guidance Notice 2010-38 that the cafeteria plan could be amended retroactively up until December 31, 2010 to permit these pre-tax salary reduction contributions.

Q13:It seems like plans and insurers can terminate dependent child coverage after a child turns 26, but employers are allowed to exclude from the employee's income the value of any employer-provided health coverage through the end of the calendar year in which the child turns age 26. This is confusing.

Under the law, the requirement to make adult coverage available applies only until the date that the child turns 26. However, if coverage extends beyond the 26th birthday, the value of the coverage can continue to be excluded from the employee's income for the full tax year (generally the calendar year) in which the child had turned 26. For example, if a child turns 26 in March but is covered under the employer plan of his parent through December 31st (the end of most people's taxable year), the value of the health care coverage through December 31st is excluded from the employee's income for tax purposes. If the child stops coverage before December 31st, then the premiums paid by the employee up to the time the plan was stopped will be excluded from the employee's income.

Q14: I'm a young adult currently covered on my parents' health plan. What are my options for health coverage once I reach age 26?

Once you reach 26 and "age out" of your parents' coverage, you may have several options. If you (or your spouse) are employed and that employer offers a health plan, ask whether you are eligible for coverage under that plan. Losing coverage under your parents' plan may qualify you for special enrollment in any other employer plan for which you are eligible. Special enrollment in another employer plan must be requested within 30 days of your loss of coverage.

If your parents' plan is sponsored by an employer with 20 or more employees, you also may be eligible to purchase temporary extended health coverage for up to 36 months under the Consolidated Omnibus Budget Reconciliation Act (COBRA). To elect COBRA coverage, notify your parents' employer in writing within 60 days of reaching age 26. In turn, your plan should notify you of the right to extend health care benefits under COBRA. You will have 60 days from the date the notice was sent to elect COBRA coverage. If your parents' plan is sponsored by an employer with 20 or fewer employees, you may have similar rights under State law, instead of under COBRA. You should ask your parents' employer, or your State Insurance Department if this applies, and if so, how you would request the extended coverage.

You may be eligible for special enrollment in individual coverage purchased through the Health Insurance Marketplace. To special enroll in Marketplace coverage, you must enroll within 60 days of aging out of your plan. For more information or to enroll, visit HealthCare.gov.

Employee Benefits Security Administration

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