

Blue Cross and Blue Shield of  
Minnesota  
Age 25 Mandate  
Common Questions and Answers

For Group Leaders

October 15, 2007



**BlueCross BlueShield  
of Minnesota**

An independent licensee of the Blue Cross and Blue Shield Association

The following pages contain questions and answers to assist in communicating further explanation of Blue Cross and Blue Shield of Minnesota procedures related to the new Minnesota law. This is a supplement to the Group Leader Bulletin provided in October 2007.

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# Procedures

- 1. Will Blue Cross be providing updates to certificates of coverage, contracts, Summary Plan Descriptions (SPD)? If so, approximately when will these updates be provided to brokers, members and employers?**

Yes. Updated large group certificates will be issued for new sales and renewals starting January 1, 2008. Updated small group certificates will be issued for new sales and renewals starting July 1, 2008.

- 2. Will Blue Cross provide any communication to employers regarding this change to the definition of dependent?**

Blue Cross will provide a Group Leader Bulletin as well as the supporting documentation to its employer groups.

- 3. How will this get communicated to the members? (Renewal letters or separate mailing?)**

Group members will be notified by their group leader.

- 4. Will this change cause my rates to increase?**

We do expect this change to produce a slight increase in utilization. We anticipate that 2009 fully insured rates will increase less than 1 percent due to this change and future increases will be based on experience.

- 5. Is this change expected to increase the cost of the premiums paid by members whether or not they are individual or through fully insured groups?**

This change is expected to have a modest impact on overall price, which is spread across all members.

- 6. Can we create a separate category for dependent coverage with a separate charge and rate?**

No, these dependents will align into your current rating methodology.

- 7. Will Blue Cross continue to verify student eligibility?**

Yes, for those not impacted by this mandate.

Yes, for those impacted by this mandate, but whose group has not renewed yet for 2008.

- 8. Will "student" forms/letters still be sent to the members at age 19?**

Until the group renews in 2008, student status will be verified. After the group renews in 2008, it will no longer be necessary to verify student status (except for SHP, and self-insured groups subject to ERISA that do not take this option) and members will no longer be required to complete and return student dependent forms.

## Procedures

### **9. What kind of documentation will be required to keep the dependent child covered through age 24?**

No additional documentation is required for dependent children age 19 through 24 after the group has renewed in 2008. However, dependents who reach age 19 before their group plan renews will no longer be eligible for health coverage if they are not a full-time student. The dependent should elect COBRA to maintain continuous coverage until the group's renewal. Upon renewal, the subscriber will need to enroll their dependent. The existing procedures in place today for adding an eligible dependent will be followed.

# Eligibility

## **10. Can my child remain on my plan if he/she is not in school?**

Your child is eligible until they reach age 25 as long as they are unmarried. Standard Coordination of Benefits (COB) applies.

## **11. What if my child works full time?**

Your child is eligible until they reach age 25 as long as they are unmarried. Standard Coordination of Benefits (COB) applies.

## **12. Will this only cover single children or married ones as well?**

Only unmarried children can be covered.

## **13. What if my child is age 19 through 24 and divorced?**

Unmarried children ages 19 through 24 are eligible.

## **14. What if the 19 through 24 year old is my stepchild or foster child?**

Dependents who meet plan eligibility requirements may be covered beyond age 19.

## **15. Will this change allow for a 24-year-old with a dependent of his/her own?**

No, unless the 24-year-old's dependent is an eligible grandchild.

## **16. What about my child's child?**

A grandchild that qualifies as a dependent grandchild remains eligible as long as the grandchild eligibility criteria are met and the grandchild is unmarried under the age of 25.

## **17. What happens if it's a family contract and I have a nonstudent?**

Unmarried dependent children ages 19 through 24 do not have to be students to be eligible.

## **18. If a dependent has dental coverage along with their health coverage, is the dental coverage extended through age 24 as well?**

Yes.

## **19. What is the definition of a dependent relative versus a dependent child?**

A dependent relative is a term defined by the Internal Revenue Code for income tax purposes. Dependents eligible under your health plan may or may not be tax dependents. Consult your tax advisor.

## Eligibility

**20. If an unmarried person from ages 19 through 24 lives independently or with their parents and has a job with benefits, do they have to take the benefits from their employer or can they stay covered under their parent's plan?**

They can choose to be on their parent's plan or they can enroll in their employer's plan or they can enroll in both policies. If they enroll in both policies, their employer's policy would be primary over their parents' policy.

**21. If an employer has employees residing in and/or working in other states, how does the change in the definition of a dependent under Minnesota law apply to these employees?**

**a. Would it apply to all covered employees regardless of location if the contract was written in Minnesota?**

**b. What if other states have a different definition of dependent? For example, if Minnesota allows coverage through age 24 and Iowa allows coverage to age 27, what definition should an employer follow?**

The group will follow Minnesota eligibility requirements regardless of where the employees are located unless the state where employees are located has a higher age limit and the law is extra-territorial (meaning it applies to all residents of that state regardless of where the health coverage is issued).

# Rules

## **22. How is a dependent defined for health plan purposes?**

For health plan purposes, a dependent is an unmarried child under the age of 25. The definition includes adopted children, disabled dependents, dependent grandchildren who meet the state's requirement and a child for whom the employee or employee's spouse has been appointed a legal guardian.

## **23. How is a dependent defined for tax purposes?**

A qualifying child is one who meets all of the following criteria:

- Resides with the taxpayer 50 percent of the year
- Is either under age 19 or a full-time student ages 19 through 23
- Has not provided greater than 50 percent of the child's own support for the calendar year in which the taxpayer's taxable year begins

A child is not qualified during the year in which the child turns age 24.

A qualifying relative for health plan purposes is one who meets all of the following criteria:

- Bears a special relationship to the taxpayer (blood relative or an individual who resides in the taxpayer's household)
- Receives greater than 50 percent of their support from the taxpayer
- Is not a qualifying child for any taxpayer for the year in question

## **24. How does this law differ from what was in place before?**

Prior law required coverage only to age 19 unless the dependent was a student.

## **25. Which groups are not affected by this new law?**

The State Health Plan and self-insured groups that are subject to ERISA are not affected by this new law.

## **26. Can my group choose to opt out of this coverage?**

Fully insured groups, service cooperatives and political subdivisions are required to offer this coverage. Self-insured groups not subject to ERISA can choose to elect this coverage for their employees.

## **27. Do I have to add my dependent child between ages 19 through 24?**

No. You have the choice whether or not to cover your dependents.

## **28. When will the dependent lose coverage once he reaches age 25?**

Coverage will be discontinued on the last day of the month of the dependent's 25th birthday. Refer to the contract for specific time-of-day details.

## Rules

**29. When a member adds a dependent with this change, can they do it at any time or only during the renewal period? Is the dependent subject to preexisting conditions if they have not had prior coverage?**

They will be able to add a dependent at any time. However, at renewal, the dependent will be treated as "timely." Beginning 31 days after the renewal, the dependent will be treated as a "late entrant." Preexisting condition exclusion rules will apply according to the group's plan.

**30. For whom can expenses be reimbursed from an HSA, HRA, or FSA?**

The taxpayer and the taxpayer's tax dependents. If the dependent is not a tax dependent, there may be tax consequences. Consult your tax advisor.

**31. Assuming a member has a dependent who is not a tax dependent, how should they handle their crossover election?**

It may be necessary to turn off crossover for employees with non-tax-dependent children if the IRS does not extend its "domestic partner" guidance to dependent children.

**32. Why do you suggest I talk with my tax consultant?**

Because the definition for a dependent with respect to health care coverage is different than the definition of a dependent under the tax code, we suggest you confer with your tax advisor to confirm the tax exempt status of health plan premiums and spending accounts.

**33. What are the tax implications?**

See the Group Leader Bulletin.

**34. What if I want the tax liability to accrue to my 19- through 24-year-old child?**

Because the group health plan is employer-sponsored, any taxable benefit will accrue to the employee.

**35. Why can't Blue Cross assist in calculating contribution differences?**

Blue Cross will determine health plan rates for the addition of dependent coverage, but cannot determine the "fair market value" as prescribed by the IRS. Consult your tax advisor.

**36. Why can't Blue Cross provide tax advice?**

Blue Cross is not licensed to dispense tax or legal advice. Blue Cross is licensed as a health plan.

## Rules

**37. What do I need to consider regarding tax implications surrounding flexible spending accounts (FSAs), health reimbursement accounts (HRAs), health savings accounts (HSAs) or Voluntary Employees' Beneficiary Associations (VEBAs)?**

If your child is not a tax dependent, there may be tax consequences if account funds are used to pay claims for the dependent.

**38. What are the Coordination of Benefits (COB) rules for dependents ages 19 through 24?**

The COB rules are the same as any other dependent.

**39. For group contracts, what do I need to consider if my child is a COBRA dependent?**

Unmarried children currently covered under COBRA may be covered as dependents until they turn age 25. At that point, they may elect a new COBRA term. If your newly eligible dependent was on COBRA, please submit an application/change form to Blue Cross to add your dependent under the active group plan.

**40. If my dependent has not had continuous coverage, will she be subject to preexisting condition exclusions?**

Standard preexisting condition exclusions and continuous coverage rules will apply. See your certificate of coverage for details.

**41. Will this be considered a qualifying event for group contracts? If not, will a dependent be considered a late entrant if their parent adds a dependent to their coverage?**

This law does not create a 'special enrollment' event. However Blue Cross will treat dependents added within 30 days of the group's renewal as timely entrants. Dependents enrolled more than 30 days after that date will be treated as late entrants.

**42. If the child is not covered from ages 19 through 22, for example, may he be added back on the contract until they reach 25?**

Any unmarried dependent child under age 25 may be added to a group plan.

**43. Is this legislation specific to fully insured groups?**

The legislation applies to fully insured health plans, both group and individual. Because service cooperatives and political subdivisions are required to include all benefits required to be provided by fully insured group plans, this mandate also applies to them. The State Health Plan is specifically excluded from the age 25 mandate.

# Rules

## **44. How does this impact a fully insured group vs. a self-insured group?**

Fully insured groups, service cooperatives and political subdivisions are required to comply with this mandate. Self-insured groups are generally not required to comply with state laws, but may voluntarily elect to cover dependents through age 24.

## **45. What is the definition of a self-insured group?**

A self-insured group pays for claims and administrative services of the group health program, and does not purchase insurance. By self-insuring the risk, the group pays only for their claims incurred and administrative services.

## Timing

**46. What if my child turns 19 in 2007, but my group insurance plan doesn't renew until December 2008?**

When a group contract renews, a subscriber may request that their newly eligible dependent be added. Depending on the group's renewal date, this may result in a gap in coverage. COBRA or individual coverage are possibilities for interim coverage.

**47. What is the effective date for full compliance to the new legislation?**

Groups will be in full compliance on December 1, 2008, after all groups have completed their renewal cycle. All Blue Cross individual plans will be in full compliance on January 1, 2008.

**48. What is the impact to a late entrant?**

Individuals who enroll later than 30 days after first newly eligible will be treated as late entrants. Fully insured group coverage allows late entrants. Consult your group certificate. A late entrant is subject to 18-month preexisting condition exclusion, with credit for prior creditable coverage.

**49. What happens if I decide I want to enroll my child greater than 30 days after the renewal date?**

The child may be added, but becomes a late entrant. Fully insured group coverage allows late entrants. Consult your group certificate

**50. If a dependent is newly eligible for coverage as a result of this change to Minnesota law, what enrollment and/or preexisting condition limitation provisions will apply if enrolling in a timely manner?**

If the dependent is added to the coverage in the first 30 days, the dependent will be treated as a timely entrant. Timely entrants are subject to a 12-month preexisting condition exclusion period reduced for prior creditable coverage. A dependent added after the initial 30-day period is a late entrant, subject to an 18-month preexisting condition exclusion period reduced for prior creditable coverage.