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E X E C U T I V E S U M M A R Y

The Impact of PPACA on Employment-Based Health Coverage of Adult Children to Age 26

MANDATE FOR COVERING ADULT CHILDREN: The Patient Protection and Affordable Care Act (PPACA) enacted March 23, 2010, requires that group health plans and insurers make dependent coverage available for children until they attain the age of 26, regardless of tax or student status, or dependent status as it relates to financial support. The mandate to offer coverage to adult children ages 19–25 took effect for policy years that begin on or after Sept. 23, 2010, but since January is the beginning of the plan year for most employment-based health plans, many insurers adopted the requirements of the law before the effective date.

AVAILABLE DATA: This report reviews the evidence as to whether the mandate to extend coverage to adult children had an effect on the percentage of young adults with coverage in late 2010 and early 2011. Data from the Census Bureau's Current Population Survey (CPS) and Survey of Income and Program Participation (SIPP) are examined, as well as data from the Center for Disease Control's National Health Interview Survey (NHIS).

PPACA HAS INCREASED COVERAGE: The data from these three surveys suggest that the PPACA's coverage mandate has resulted in an increase in the percentage of young adults with employment-based health coverage as a dependent.

The Impact of PPACA on Employment-Based Health Coverage of Adult Children to Age 26

By Paul Fronstin, Employee Benefit Research Institute

Introduction

The Patient Protection and Affordable Care Act (PPACA) of 2010, requires that group health plans and insurers make dependent coverage available for children until they attain the age of 26, regardless of tax or student status, or dependent status as it relates to financial support. Group plans and insurers also may not limit dependent coverage based on whether the child is married, although the law does not extend the mandate for access to coverage to the married child's spouse and/or children. Group health plans that were "grandfathered" under the law are not required to offer coverage to adult children if they currently have their own employment-based coverage or if they are eligible for such coverage.

The mandate to offer coverage to adult children ages 19–25 took effect for policy years that begin on or after September 23, 2010. Given that January is the beginning of the plan year for most employment-based health plans, many parents would not have been able to cover their adult children until January 2011. Many insurers adopted the provisions of the law before its effective date,¹ but it was up to employers to decide whether to offer the coverage early.

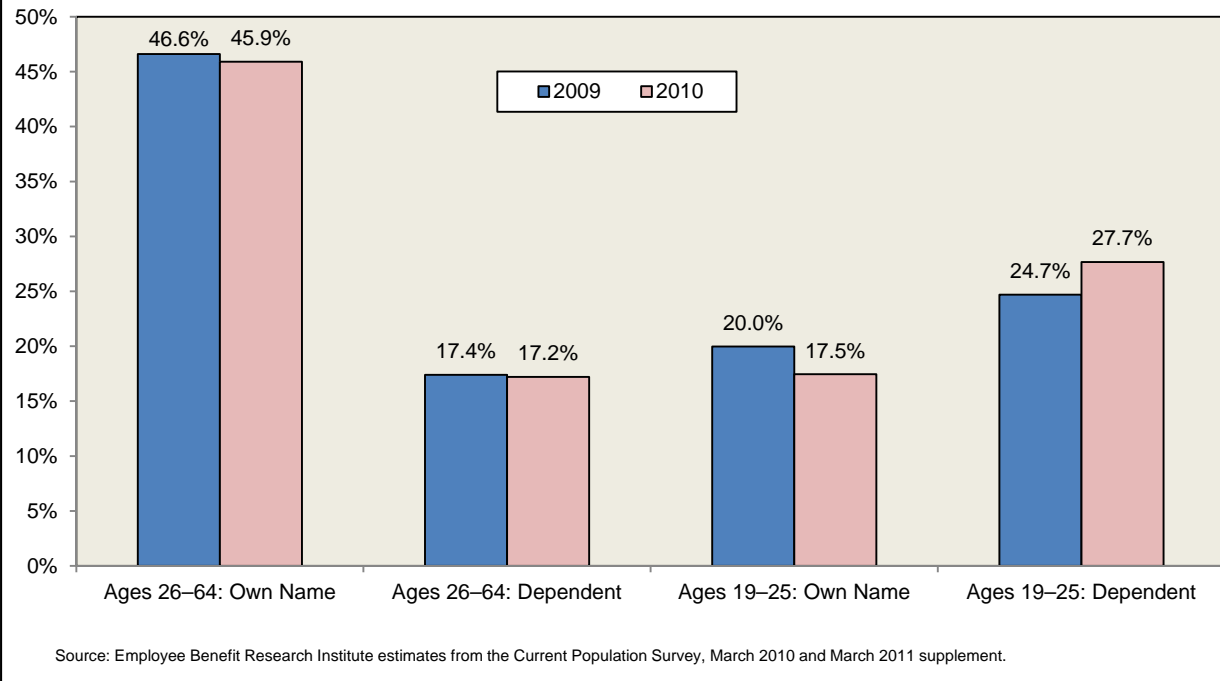
This report reviews the evidence as to whether the mandate to extend coverage to adult children had an effect on the percentage of young adults with coverage in late 2010 and the first half of 2011. Data from the Census Bureau's Current Population Survey (CPS) and Survey of Income and Program Participation (SIPP) are examined, as well as data from the Center for Disease Control's National Health Interview Survey (NHIS). The data from these three surveys suggest that the PPACA's coverage mandate has resulted in an increase in the percentage of young adults with employment-based health coverage as a dependent.

Findings from the Current Population Survey (CPS)

In mid-September 2011, the Census Bureau reported that the percentage of individuals ages 18–24 who were uninsured fell from 29.3 percent in 2009 to 27.2 percent in 2010.² The finding was touted³ as an indication that "health reform is working," but it is natural to be skeptical about the real impact of a policy that was only in effect for three months in 2010, and even then only in situations when employers chose to voluntarily expand their current coverage to include the provision, since most plan years start January 1.

Closer examination of the Census data shows that the percentage of persons ages 19–25 with employment-based coverage as a dependent increased from 24.7 percent in 2009 to 27.7 percent in 2010 (Figure 1). The number of persons ages 19–25 with employment-based coverage as a dependent increased from 7.3 million to 8.2 million. It should be noted, however, that the increase in employment-based coverage as a dependent could be the result of individuals losing coverage through work and thus moving from employment-based coverage in their own name to employment-based coverage as a dependent, which was observed for persons ages 19–25.⁴ The percentage of individuals ages 19–25 with coverage through their own job fell from 20 percent in 2009 to 17.5 percent in 2010. However, such a notable effect was not observed for adults ages 26–64. The percentage of adults 26–64 with employment-based health coverage in their own name fell from 46.6 percent in 2009 to 45.9 percent in 2010, while the percentage with coverage as a dependent slipped from 17.4 percent to 17.2 percent.

Figure 1
Percentage of Individuals Ages 19–64 With Employment-Based Health Benefits, by Source of Coverage, 2009 and 2010



Findings From the Survey of Income and Program Participation (SIPP)

SIPP, conducted by the Census Bureau, is useful for examining the impact of PPACA on health insurance coverage of adult children because coverage can be examined monthly. Data are currently available on a monthly basis through November 2010. Examination of the SIPP data shows an increase in dependent coverage in October and November 2010.

Figure 2 contains monthly data for 2010 on the percentage of individuals ages 19–25 and 26–64 with employment-based health coverage in their own name, while Figure 3 shows the average for January–September and October–November. The percentage of individuals with employment-based health coverage in their own name was lower in October and November 2010 for both age cohorts as compared with January–September (Figure 2). The percentage of individuals ages 19–25 with employment-based health coverage in their own name averaged 20.1 percent during January–September 2010, and fell to an average 19.3 percent during October and November (Figure 3). Similarly, among 26–64-year-olds, it averaged 44.9 percent during January–September 2010, and fell to an average 44.4 percent during October and November.

In contrast to the findings for employment-based health coverage in one’s own name, the percentage of individuals with dependent coverage decreased among those ages 26–64, but increased among those ages 19–25. The percentage of individuals ages 19–25 with employment-based health coverage as a dependent averaged 26.9 percent during January–September 2010, and increased to an average 27.1 percent during October and November, while among 26–64-year-olds, it averaged 18.5 percent during January–September 2010, and fell to an average 18.2 percent during October and November. Figure 4 contains the monthly data for 2010 on the percentage of individuals ages 19–25 and 26–64 with employment-based health coverage as a dependent.

It should be noted that because of the rolling nature of interviews, data are currently available for only three-quarters of the sample in September 2010, one-half of the sample in October 2010, and one-quarter of the sample in November 2010. Future data releases will contain data for the entire sample for these months. It is possible that when data for the full sample are available, the estimates presented in this paper may be revised.

Findings from the National Health Interview Survey (NHIS)

NHIS is the only survey that has data on health insurance coverage for 2011. This allows examination of the impact of PPACA on young adult health coverage after January 1, 2011, when most employers were required to comply with the adult dependent mandate. Full-year data on the percentage of the population with any private insurance and the percentage uninsured are available for 2010. Data for the first three months for 2011 were made available in September 2011 and data for the first half of 2011 were made available in December 2011. Data on the percentage of the population with employment-based coverage as a dependent were not published. Similarly, data for 26–64-year-olds were not published, and thus data for 19–25-year-olds are compared with the entire 18–64-year-old population.

The NHIS shows that the percentage of the population ages 18–64 with private health insurance increased slightly, from 64.1 percent to 64.2 percent between 2010 and the first half of 2011 (Figure 5). There was also a decline in the percentage uninsured, falling from 22.3 percent to 21.3 percent. The uninsured declined because the percentage with public coverage (mostly Medicaid) increased from 15 percent to 15.7 percent. Among those ages 19–25, the percentage with private insurance increased from 51 percent to 55.8 percent, and the percentage uninsured fell from 33.9 percent during 2010 to 28.8 percent during the first half of 2011.

Conclusion

This report reviewed evidence as to whether the mandate to extend coverage to adult children had an effect on the percentage of young adults with coverage in late 2010 and early 2011. According to data from the CPS, the percentage of persons ages 19–25 with employment-based coverage as a dependent increased from 24.7 percent in 2009 to 27.7 percent in 2010. SIPP shows that the percentage of individuals ages 19–25 with employment-based health coverage as a dependent averaged 26.9 percent during January–September 2010, and increased to an average 27.1 percent during October and November. According to data from the NHIS, the percentage with private insurance increased from 51 percent to 55.8 percent, and the percentage uninsured fell from 33.9 percent during 2010 to 28.8 percent during the first half of 2011 among those ages 19–25. Data from these three surveys show that PPACA has had a positive effect on the percentage of young adults with employment-based coverage as a dependent.

Endnotes

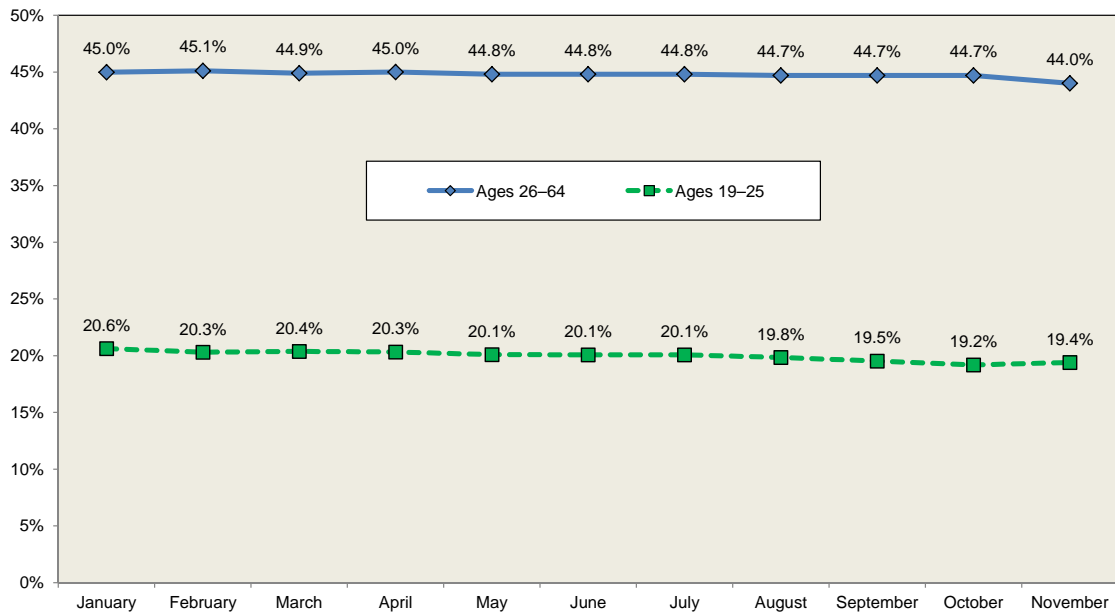
¹ A main reason for adopting this provision early was to avoid de-enrolling college graduates only to re-enroll them (www.bizjournals.com/phoenix/stories/2010/04/26/daily31.html). See www.dol.gov/ebsa/faqs/faq-dependentcoverage.html for a list of early adopters.

² See Table C-3 in www.census.gov/prod/2011pubs/p60-239.pdf

³ See www.healthcare.gov/blog/2011/09/fewer_uninsured091311.html

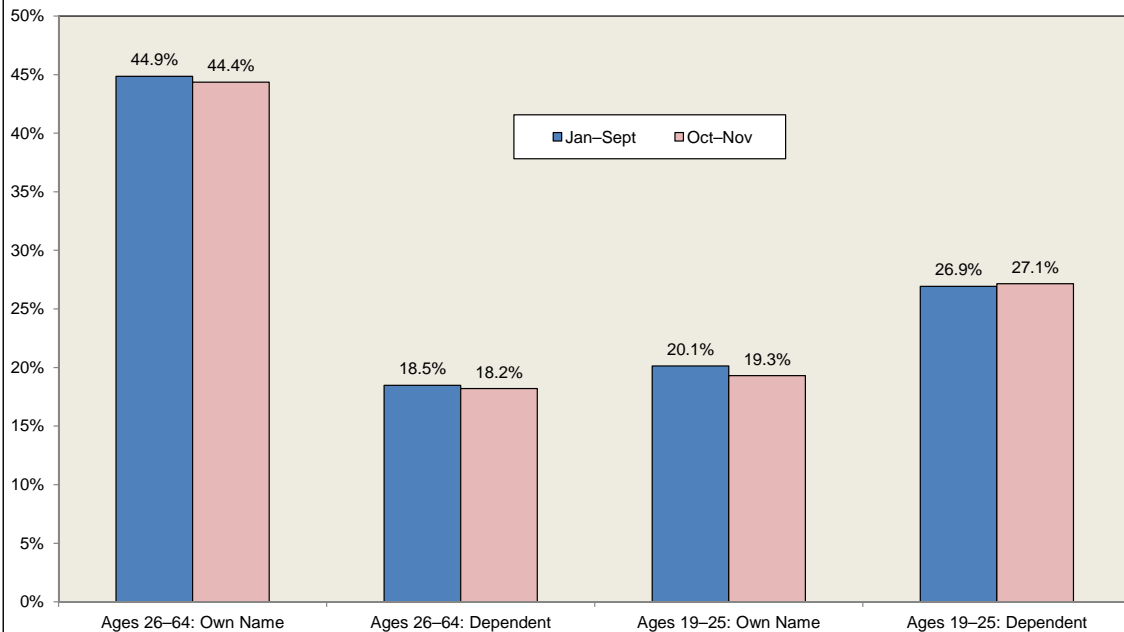
⁴ Switching from coverage from one's own job to parent's coverage may also be due to the way health coverage is usually priced. For parents with family coverage, there is often no additional cost when adding another person to a family plan.

Figure 2
Percentage of Individuals Ages 19–64 With Employment-Based Health Benefits in their Own Name, by Month, 2010



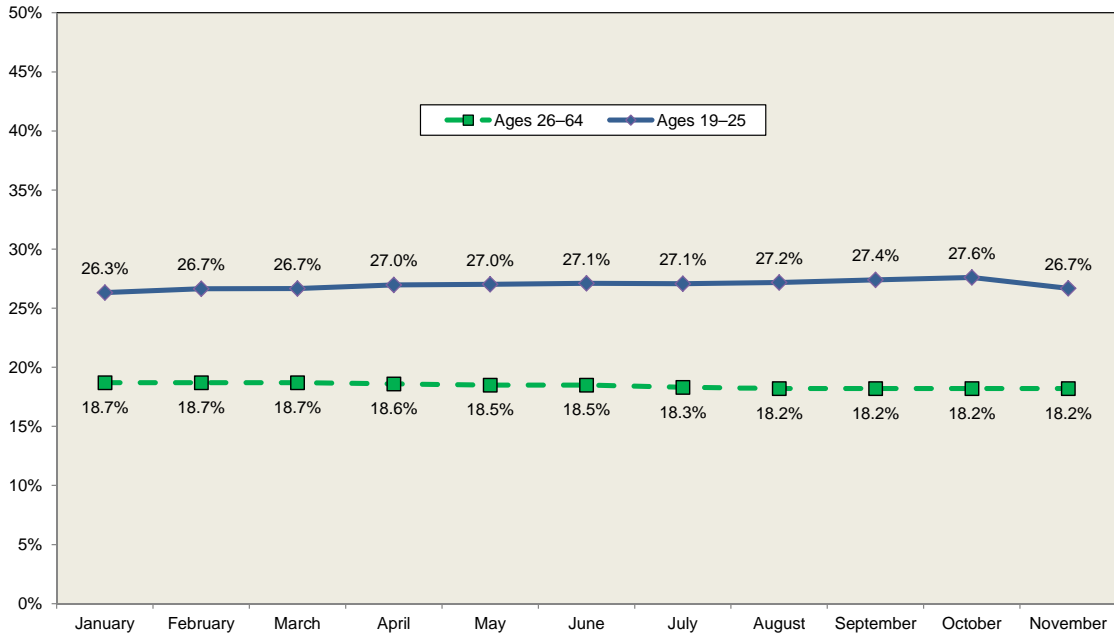
Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2008 Panel.

Figure 3
Percentage of Individuals Ages 19–64 With Employment-Based Health Benefits, by Source of Coverage, Monthly Average, Pre- and Post-PPACA, 2010



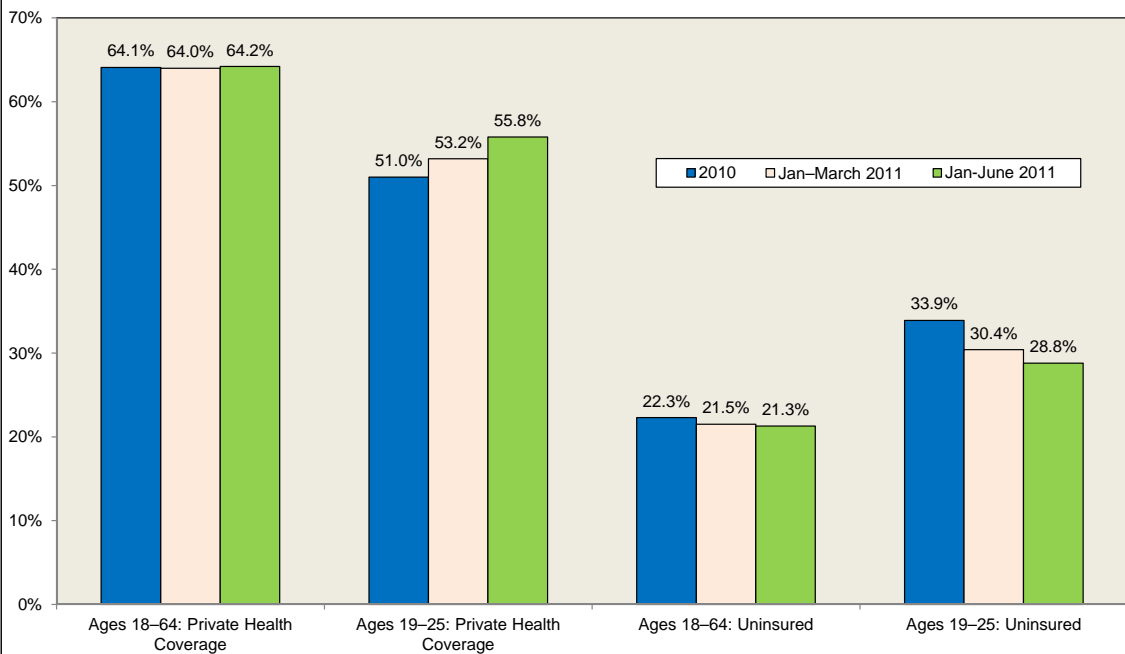
Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2008 Panel.

Figure 4
Percentage of Individuals Ages 19–64 With Employment-Based Health Benefits as a Dependent, by Month, 2010



Source: Employee Benefit Research Institute estimates from the Survey of Income and Program Participation, 2008 Panel.

Figure 5
Percentage of Individuals Ages 18–64 With Any Private Health Insurance and Percentage Uninsured, 2010-2011



Source: www.cdc.gov/nchs/data/nhis/earlyrelease/insur201109.pdf and <http://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201112.pdf>

New Publications and Internet Sites

[Note: To order U.S. Government Accountability Office (GAO) publications, call (202) 512-6000.][Note: To order U.S. Government Accountability Office (GAO) publications, call (202) 512-6000.]

Employee Benefits

Rosenbloom, Jerry S. *The Handbook of Employee Benefits: Health and Group Benefits*. Seventh Edition. \$135. The McGraw-Hill Companies, Order Services, P.O. Box 182604, Columbus, OH 43272-3031, (877) 833-5524, fax: (614) 759-3749, e-mail: pbg.ecommerce_custserv@mcgraw-hill.com, www.mcgraw-hill.com

Health Insurance

Keller, Christine L., Gary S. Lesser, and William F. Sweetnam. *Health Savings Account Answer Book*. Seventh Edition. \$319 (eligible for free standard shipping on U.S. prepaid orders). Aspen Publishers Distribution Center, 7201 McKinney Circle, P.O. Box 990, Frederick, MD 21705, (800) 638-8437, www.aspenpublishers.com

Napoli, James R., and Paul M. Hamburger. *The New Health Care Reform Law: What Employers Need to Know* (A Q&A Guide). 2nd edition. \$299 + \$24.99 S&H. Thompson Publishing Group, Subscription Service Center, PO Box 26185, Tampa, FL 33623-6185, (800) 677-3789, fax: (800) 999-5661, e-mail: service@thompson.com, www.thompson.com

U.S. Government Accountability Office. (1) *Mental Health and Substance Use: Employers' Insurance Coverage Maintained or Enhanced Since Parity Act, but Effect of Coverage on Enrollees Varied*. (2) *Private Health Insurance: Implementation of the Early Retiree Reinsurance Program*. Order from GAO.

Pension Plans/Retirement

Aon Hewitt. *2011 Trends & Experience in Defined Contribution Plans: Paving the Road to Retirement*. \$2,500. Aon Hewitt, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 295-5000, e-mail: pam.hess@aonhewitt.com, www.aonhewitt.com

Mitchell, Olivia S., John Piggott, and Noriyuki Takayama. *Securing Lifelong Retirement Income: Global Annuity Markets and Policy*. \$99. Customer Service Department, Oxford University Press, 2001 Evans Rd., Cary, NC 27513, (800) 445-9714, fax: (919) 677-1303, e-mail: custserv.us@oup.com, www.oup.com/us

Plan Sponsor Council of America. *54th Annual Survey of Profit Sharing and 401(k) Plans: Reflecting 2010 Plan Experience*. PSCA members, \$195; nonmembers, \$395. Plan Sponsor Council of America, 20 N. Wacker Dr., Suite 3700, Chicago, IL 60606, (312) 419-1863, fax: (312) 419-1864, e-mail: psca@psca.org, www.pzca.org

U.S. Government Accountability Office. *Delphi Pension Plans: GM Agreements with Unions Give Rise to Unique Differences in Participant Benefits*. Order from GAO.

Web Documents

America's Health Insurance Plans: *2011 Health Insurance: Overview and Economic Impact in the States* www.ahipresearch.org/2011statedata/FullReport.pdf

Aon Hewitt: *2011 Health Care Trend Survey* www.aon.com/attachments/thought-leadership/2011_Health_Care_Trends_Survey_Final_FINAL.pdf

Deloitte and International Society of Certified Employee Benefit Specialists: *Annual 401(k) Benchmarking Survey [2011 Edition]—Plan sponsors and providers work at closing the retirement readiness gap while getting ready for new fee disclosure regulations*
www.iscebs.org/Resources/Surveys/Documents/401kSurvey_11.pdf

Investment Company Institute: *The Role of IRAs in U.S. Households' Saving for Retirement, 2011*
<http://ici.org/pdf/per17-08.pdf>

Appendix: Additional Data on IRA Ownership in 2011 www.ici.org/pdf/per17-08_appendix.pdf

Pension Benefit Guaranty Corporation: *2011 Annual Report* www.pbgc.gov/documents/2011-annual-report.pdf

Prudential Financial: *Sixth Annual Study of Employee Benefits: Today and Beyond -- Insight into the Next Generation of Employee Benefits*
www.prudential.com/media/managed/StudyofEmployeeBenefits_TodayandBeyond6th.pdf

Small Business Administration: *Health Insurance in the Small Business Market: Availability, Coverage, and the Effect of Tax Incentives* [prepared for the SBA by Quantria Strategies, LLC]
www.sba.gov/sites/default/files/files/386tot.pdf

Towers Watson: *Joining Forces: Forging an HR/Finance Partnership to Shape Rewards for the Future*
www.towerswatson.com/assets/pdf/6033/Towers-Watson-HR-Finance-Partnership.pdf

Transamerica Center for Retirement Studies: *Full-time & Part-time Workers: 12th Annual Transamerica Retirement Survey* <http://transamericacenter.org/resources/TCRS%2012th%20Annual%20Survey%20-%20Worker%20Full%20Report%205-20-11%20FINAL.pdf>

U.S. Bureau of Labor Statistics: *National Compensation Survey: Employee Benefits in the United States, March 2011* <http://stats.bls.gov/ncs/ebs/benefits/2011/ebbl0048.pdf>

U.S. Census Bureau: *Income, Poverty, and Health Insurance Coverage in the United States: 2010*
www.census.gov/prod/2011pubs/p60-239.pdf

U.S. Department of Labor Employee Benefits Security Administration: *Investment Advice—Participants and Beneficiaries; Final rule* [as published in the *Federal Register* on Oct. 25, 2011] www.gpo.gov/fdsys/pkg/FR-2011-10-25/pdf/2011-26261.pdf



Notes

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