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Health Care Reform Employer Mandate – Dependent Coverage

Who Must Be Offered Coverage. The recently issued final employer mandate regulations provide that covered employers must offer minimum essential group health coverage to full-time employees and full-time employees' eligible dependent children to avoid the "sledgehammer penalty" (*i.e.*, \$2,000 times the difference of (i) the number of all full-time employees, minus (ii) 30 (80 for 2015)). The final regulations, like the proposed regulations, do *not* require employers to offer coverage to employees' spouses. Also, although minimum essential group health coverage needs to be offered to eligible dependent children, unlike coverage for full-time employees, that coverage is not required to be "affordable".

Clarifications in the Final Regulations. The final regulations make two important clarifications with regard to this dependent coverage:

- Employers may, but do not have to, extend dependent coverage to foster children and stepchildren; and
- Dependent coverage must be continued through the end of the month in which the dependent turns 26.

Dependent Child. Under the proposed rules, a dependent child included biological children, adopted children, foster children and stepchildren. Commenters asked that stepchildren and foster children be excluded from the definition, and these comments were accepted. As a result, the final regulations exclude foster children and stepchildren from the list of children required to be covered for purposes of the employer mandate. However, plans remain free to extend coverage to these children.

Ending Coverage at Age 26. The final regulations also clarify that a dependent child is considered a dependent for the entire calendar month in which the child's 26th birthday occurs. Many plans end coverage on the date of the child's birthday. Under the final regulations, plans will have to continue coverage through the end of the month in which the child turns 26.

Next Steps. We recommend that plan sponsors review their plans to determine if the plan will extend coverage to foster children and stepchildren in 2015. We also recommend that plan sponsors amend their plans, update their summary plan descriptions, and program their eligibility systems prior to 2015 to ensure that coverage for a dependent child continues through the end of the month in which the child's 26th birthday occurs. We continue to review these rules thoroughly and will provide you with more guidance, through newsletters and seminars, as quickly as possible.

Contact Information. For more information from Mazursky Constantine, please contact [Amy Heppner](#) (404.888.8825) or [Kelly Meyers](#) (404.888.8838). For information from VCG Consultants, please contact [Leslie Schneider](#) (770.863.3617).

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