



S.B. 115*

127th General Assembly

(As Reported by S. Insurance, Commerce, and Labor)

Sen. Stivers

BILL SUMMARY

- Requires that all health care plans (sickness and accident insurance policies, HMO plans, multiple employer welfare arrangements, and public employee benefit plans) offered in the state that provides coverage for unmarried dependent children extend coverage, under certain conditions, until the dependent child reaches at least 30 years of age.
- Delays the applicability of the bill's requirements to insurance policies, and contracts, and agreements pertaining to health care plans that are issued or renewed six months after the bill's effective date.
- Exempts the bill's provisions from the existing law requirement that the Superintendent of Insurance review all new health benefit mandates before a mandate may take effect.
- Allows Ohio income tax deductions for coverage of dependents that fall under the bill's expanded dependent coverage requirements.

CONTENT AND OPERATION

Limiting age for dependent child coverage under a health care plan or insurance policy

Existing law specifically allows a health insurance policy offered by a sickness and accident insurer (R.C. 3923.24) or a health insuring corporation (R.C. 1751.14) that offers coverage for unmarried dependent children to place a

* This analysis was prepared before the report of the Senate Insurance, Commerce, and Labor Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

"limiting age" upon that coverage. However, under existing law, the attainment of that age may not operate to terminate coverage if the child continues to be both: (1) incapable of self-sustaining employment by reason of mental retardation or physical handicap, and (2) primarily dependent upon the subscriber for support and maintenance. The bill expands that requirement to include public employee benefit plans and multiple employer welfare arrangements (hereafter, MEWA).

Additionally, the bill stipulates that any public employee benefit plan, MEWA, sickness and accident insurance policy, or individual or group health insuring corporation plan that specifies a limiting age for an unmarried dependent child must provide that the limiting age be no earlier than the child's 30th birthday if all of the following also are true: (1) the child is not employed by an employer that offers the child any "health benefit plan," (2) the child is a resident of Ohio or a full-time student at an accredited public or private institution of higher education, and (3) the child is not eligible for Medicaid or Medicare.

Exceptions

(R.C. 1751.14(A), 3923.24(A) and 3923.84(A).)

The bill specifies that its requirements do not extend to dependents of dependents. An insurer would not be required to cover a dependent child's spouse or children as dependents on the original policy, plan, contract, or agreement of the parent or guardian of the dependent child. (R.C. 1751.14(C), 3923.24(D), and 3923.84(C).)

Additionally, the bill's requirements would not apply:

(1) To health insuring corporation policies, contracts, or agreements that offer only supplemental health care services or specialty health care services;

(2) Any public employee benefit plan, MEWA, or sickness and accident policies or certificates covering only accident, credit, dental, disability income, long-term care, hospital indemnity, medicare supplement, specified disease, or vision care;

(3) Coverage under a one-time-limited-duration policy of no longer than six months;

(4) Coverage issued as a supplement to liability insurance;

(5) Insurance arising out of a workers' compensation or similar law;

(6) Automobile medical-payment insurance; or

(7) Insurance under which benefits are payable with or without regard to fault and which is statutorily required to be contained in any liability insurance policy or equivalent self-insurance. (R.C. 1751.14(D), 3923.24(E), and 3923.84(D).)

Employer-sponsored group insurance

The bill requires health insuring corporations, sickness and accident insurers, MEWAs, and public employee benefit plans that offer employer-sponsored policies, contracts, agreements, or plans to separately identify any additional costs for coverage of dependent children who are not incapable of self-sustaining employment by reason of mental or physical disability or primarily dependent on the subscriber but who are at least 19 years of age or older or 25 years of age or older and a full-time student. The bill then specifies that nothing in the bill should be construed to require an employer to offer coverage to the dependents of any employee. (R.C. 1751.14(E), 3923.24(F), and 3923.241(E).)

Deduction for coverage for older children

Current federal income tax law excludes the value of employer-paid health coverage from an employee's gross income, so the value of the coverage is not taxable income under the federal or Ohio income tax.¹ But both the federal and Ohio exclusions apply only to plans covering the taxpayer and any spouse or dependents. Federal income tax law defines who qualifies as a "dependent," and Ohio currently applies the same definition. (The qualification criteria for dependents is described below.) If a child is covered by an employer-paid plan but does not qualify as a dependent under federal income tax law, the value of the policy to the extent of that coverage is not excluded from taxable income; the coverage of the nondependent is imputed to the taxpayer as taxable income.

Current law also authorizes an income tax deduction for amounts paid for medical care insurance and long-term care insurance covering the taxpayer or the taxpayer's spouse or dependents. The medical care insurance deduction may be claimed only to the extent the premiums paid are not offset by premium refunds, reimbursements, or dividends related to the coverage. It is available only for individuals who are not eligible for coverage under an employer-subsidized health plan (either directly or through a spouse's employer) and who are not eligible for Medicare coverage.²

¹ Internal Revenue Code section 106, 26 U.S.C. 106.

² Coverage offered by a former employer--e.g., through a retirement plan--is treated as employer-subsidized coverage.

The bill permits taxpayers to deduct the income imputed to a taxpayer on the basis of an employer-paid plan covering a child who, although not a "dependent" for tax purposes, nevertheless is covered under the bill's proposed extension of coverage to older children (R.C. 5747.01(A)(27)). The bill also allows taxpayers to claim the medical care insurance deduction for coverage of dependents who satisfy the bill's expanded requirements for dependent coverage (R.C. 5747.01(A)(11)).

Mandated review by Superintendent of Insurance--exemption

The bill exempts its provisions from the review otherwise required by R.C. 3901.71, which requires the Superintendent of Insurance to hold a public hearing to consider any new health benefit mandate contained in a law enacted by the General Assembly. A new health benefit mandate may not be applied to policies and plans of insurance until the Superintendent determines that the mandate can be fully and equally applied to self-insured employee benefit plans subject to the regulation under the federal Employee Retirement Income Security Act of 1974 (ERISA), and to employee benefit plans established by the state or its political subdivisions, or their agencies and instrumentalities. ERISA generally precluded state regulation of benefits offered by private self-insured, employee benefit plans.

Definition of "health benefit plan"

This bill affects the limiting age only if the child is not employed by an employer that offers the child "any health benefit plan." For the purposes of determining what type of health coverage offered by an employer would disqualify a person from qualifying as a dependent under the bill, the bill defines a "health benefit plan" as a public employee benefit plan, a health benefit plan as regulated under ERISA, or any hospital or medical expense policy or certificate or any health plan provided by a health insuring corporation, sickness and accident insurer, or MEWA that is delivered, issued for delivery, renewed, or used in Ohio on or after the date occurring six months after November 24, 1995. "Health benefit plan" does not include policies covering only accident, credit, dental, disability income, long-term care, hospital indemnity, medicare supplement, specified disease, or vision care; coverage under a one-time-limited-duration policy of no longer than six months; coverage issued as a supplement to liability insurance; insurance arising out of a workers' compensation or similar law; automobile medical-payment insurance; or insurance under which benefits are payable with or without regard to fault and which is statutorily required to be contained in any liability insurance policy or equivalent self-insurance. (R.C. 1751.14(F), 3923.24(G), and 3923.84(F).)

HISTORY

ACTION	DATE
Introduced	03-13-07
Reported, S. Insurance, Commerce, and Labor	---

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