

Health Overhaul Overlooks Retirees

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Glenn Franco was excited to hear that the new health-care law requires insurance plans to offer coverage for dependents up to age 26. But when he recently called his health-plan administrator to ask about enrolling his 24-year-old daughter, Michelle, he was told she wouldn't be eligible for the new law taking effect on Sept. 23.

The reason? He is retired.

Many large employers are telling retirees the same thing. They include [Alcatel-Lucent](#) and [Verizon Communications](#) Inc., as well as state and federal government plans and those for military families and unions.

Thanks to a little-noticed clause in a 1996 law, retiree-only health plans are exempt from the Patient Protection and Affordable Care Act that went into effect last month.

That means the rule requiring health plans to extend dependent coverage to age 26, regardless of financial dependency, student status, employment or marital status, doesn't apply to millions of retirees' health benefits.

A retiree health plan is one that provides coverage until age 65, after which it either phases out or acts as a supplement to Medicare. While the health-care overhaul doesn't cover retiree-only plans, it does cover retirees with individual policies, as well as health plans that include both employees and retirees.

A spokeswoman for Alcatel-Lucent says the company's retiree-only plans for salaried and union retirees won't cover children up to age 26. Verizon declined to comment on the specifics of its retiree health-care plans, but a spokesman says, "Verizon intends to fully comply with the Affordable Care Act."

Some companies offer both types of plans. [AT&T](#) Corp. has a retiree-only plan for a small number of former employees (who aren't covered by the new rules) and plans that cover retirees and active employees. For the latter, a spokesman says, "we will provide medical benefits for dependents up to age 26 for both active employees and retirees starting on Jan. 1, 2011."

The exemption of retiree-only plans from the health-care overhaul can be changed only by amending the 1996 Health Insurance Portability and Accountability Act, or HIPPA. That isn't something

regulators at the Department of Labor and the Treasury have the authority to do. Congress passed the law, and only Congress can revise it.

Enacted 14 years ago, HIPPA was intended to preserve coverage for workers who change or lose their jobs. It included a handful of safeguards for employees, such as a rule that employers can't refuse to cover their employees' pre-existing conditions. Retirees generally weren't affected by the situations to which the HIPPA rules applied, and retiree-only plans were exempt from the rules.

The new statute, the Patient Protection and Affordable Care Act, was added to the existing HIPPA statute, and included more than a dozen new safeguards for patients.

The retiree-only exemption wasn't an issue until last month, when retirees began calling their former employers to enroll adult children in their health plans and found they couldn't, because of the existing 1996 exemption.

Mr. Franco, a 61-year-old retired community-college instructor who lives near Ann Arbor, Mich., wanted to enroll his daughter in his plan from the state of Michigan. She had racked up \$1,000 in debt for an emergency-room visit in July, and her father says he worries about her accruing more.

"We are not compelled to provide coverage for adult children dependents until the age of 26," says Phillip Stoddard, director of Michigan's Office of Retirement Services. "Retiree-only plans are not included in that portion of the national health-care reform. We have to run our plan based on statutory authority, and these plans are excluded."

Larry Lynch, 61, a retired Navy pilot in Portland, Maine, was initially told that his 22-year-old son, who graduated from college in June, wouldn't be allowed to remain on his Tricare plan, a government health plan for military families.

But that might change. Rep. Martin Heinrich, a New Mexico Democrat, introduced a bill called the Tricare Dependent Coverage Extension Act, which has been included in the House version of the National Defense Authorization Act for Fiscal Year 2011. The bill would ensure that military personnel, both active duty and retired, could extend coverage to their dependent children up to the age of 26.

Employers say they might drop retiree coverage altogether if Congress were to force them to extend dependent coverage and comply with other provisions under HIPPA and the ACA. "They would be very inclined to get rid of it," says Gretchen Young, senior vice president for health policy at Erisa Industry Committee (ERIC), which lobbies for employers on benefits matters.

"This is something employers are doing out of their goodness of their hearts, and it would be difficult for employers to continue to provide the coverage without the exemption."

In recent comments to regulators, ERIC suggested that other groups should be exempt as well. "The exemption for retiree-only plans should be clarified to include plans covering rehired retirees, individuals on long-term disability, and certain individuals with end-stage renal disease," the letter said.

Ms. Young says employers want assurance that if a retiree plan includes rehired employees or people with end-stage renal disease, the plan won't lose its retiree-only exemption.

Some companies are likely to discontinue their retiree-only plans by 2014, when the new individual exchanges established by the health law are up and running. Already, one major employer, [3MCo.](#), has announced it will eliminate group coverage for pre-65 retirees when that happens, noting that new options on the market are often lower-cost than what retirees pay for coverage through 3M.

For many retirees, the only way to get dependent coverage to age 26 may be to get an individual policy.

Several websites, including [eHealthInsurance.com](#), allow shoppers to compare among 10,000 different plans. Insurance agents paid by the company are available to answer questions on prices and coverage.