

# Age 26: Health Insurance



## What happens to health insurance when turning 26?

- If grown children already have their own health insurance (e.g., provided by their employer) and are not covered under a parent's policy, nothing changes when turning 26
- However, if grown children are covered as a dependent on a parent's health insurance policy, the insurer is no longer required to extend coverage to them after they turn 26
- Grown children then generally have two options for getting their own health insurance:
  - Enroll in a plan provided by their employer, or
  - Purchase a policy in the private insurance marketplace
- Depending on their level of income, government subsidies (in the form of tax credits) may be available if they purchase health insurance in the private insurance marketplace

## Action Steps: How can one get covered?

- If grown children (or a spouse) work for an employer that provides employees access to a health insurance plan, enrolling in the company plan is generally the easiest way to continue coverage
- If they do not have access to an employer plan, or if they prefer to purchase a different policy, they can compare policies using their state's health insurance exchange
  - For an overview of exchanges by state, visit <https://www.healthcare.gov/marketplace-in-your-state/>
- There is a special enrollment period that begins 60 days prior to and ends 60 days after their 26<sup>th</sup> birthday
- Now that they will be responsible for their own insurance, grown children should consider other ways to plan for healthcare expenses, such as contributing to a triple tax-advantaged Health Savings Account (if eligible) or participating in an employer-sponsored Healthcare Flexible Spending Account (if offered)

## Why buy health insurance?

- The most important reason to buy health insurance is that healthcare is expensive; even young, healthy people still need to go to the doctor sometimes, and everyone is susceptible to medical emergencies
  - Imagine a car accident puts the victim in the hospital for three days with a broken leg. Without insurance, the government estimates that might cost \$37,500
  - The average premium and deductible cost for the benchmark insurance plan sold in the state exchange is about \$10,000/year—almost four times less expensive (assuming no coinsurance and complete coverage)
- Also, under the Affordable Care Act's "individual mandate", one is probably required to maintain some health insurance
  - The government may enforce the individual mandate via a penalty tax that is intended to cost roughly what you would otherwise spend on insurance; either you maintain adequate coverage, or you must pay this tax
  - The individual mandate is currently toothless, because in 2017 Congress and the then President set the penalty tax rate to 0%. However, a future Congress and President could very well reinstate the penalty, so it should not be dismissed

**Source:** [Healthcare.gov, Why bother with health insurance? https://www.healthcare.gov/young-adults/ready-to-apply/](https://www.healthcare.gov/young-adults/ready-to-apply/)

# Supporting Information



## Last Reviewed

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## Key Sources

42 U.S.C. Sections 300, 1395, 1396, 18082; 26 U.S.C Sections 36, 5000

## Further Reading

- Healthcare.gov - [Getting Covered If You're Under 30](#)
- Healthcare.gov - [How to Pick a Health Insurance Plan](#)
- I.R.S. - [Instructions for Form 8962 \(Premium Tax Credit\)](#)

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