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## Illinois Expands Dependent Coverage for Fully Insured Health Plans in 2026

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Beginning Jan. 1, 2026, Illinois will require fully insured health policies issued in the state to offer dependent coverage for parents and stepparents who qualify as tax dependents under the Internal Revenue Code. This expansion – enacted under the recently passed [House Bill 5258](#) – is a major departure from traditional dependent coverage offerings in group health plans, which typically offer benefits only to children and spouses or domestic partners.

For employers with fully insured health plans in Illinois, the change introduces new administrative challenges, compliance obligations, and communication needs.

### A Significant Shift in Dependent Eligibility

The law requires insurers to make coverage available for parents and stepparents who reside within the plan's service area and meet the IRS "qualifying relative" criteria:

- Gross income must be less than the exemption amount - \$5,050 for 2025.
- The majority of the financial support must be provided by the employee/participant.
- The parent cannot be a qualified dependent of another taxpayer for the same year.

This new requirement applies *only* to fully insured group or individual health plans issued, amended, delivered, or renewed in Illinois after January 1, 2026.

This new coverage requirement *does not apply* to:

- Insurance policies issued in other states that may have employees living in Illinois
- Self-insured health plans
- Specialized health care service plans
- Medicare supplements, hospital or accident only policies
- Specified disease policies

## Challenges for Employers

Expanding eligibility to parents and stepparents introduces a dependent category rarely contemplated in employer-sponsored plans. Employers will need to adjust wrap plans, enrollment forms, and administrative procedures.

### Verifying Dependent Status

Unlike children or spouses, confirming that a parent qualifies under IRS rules will require additional verification of eligibility requirements. Employers will need to work with their insurance carriers regarding coordination of these requirements and standards for verifying status for eligibility. For example, an employer will want to confirm with the carrier whether an employee attestation is sufficient to verify eligibility of a parent or stepparent under the new rules.

### No COBRA Continuation

Federal COBRA continuation coverage does not extend to parents or stepparents. If an employee terminates employment, their parents' coverage ends with no federal continuation rights. This distinction must be made clear to employees during enrollment and offboarding. Any voluntary extension of COBRA to parents or stepparents must be confirmed with the carrier.

### Carrier Role vs. Employer Responsibility

While carriers will assist with eligibility processes and dependent verification, employers remain ultimately responsible for ensuring plan documents and employee communications are compliant.

### Medicare Coordination of Benefits

Normally, a dependent who is receiving medical coverage under an active employee's group health plan receives primary care from the employer's plan and Medicare pays secondary. As drafted, HB 5258 does not address Medicare coordination of benefits for a parent or stepparent who is otherwise covered by Medicare. It appears that the bill shifts the cost of medical care otherwise payable by Medicare for the dependent parent or stepparent to the employer's group health plan and insurance carrier.

## Employer Action Items

Further guidance may be issued on the implementation of the new law. In the meantime, employers with fully insured health plans issued in Illinois should prepare.

1. Review Plan Design and Documents
  - Update wrap plan documents and summary plan descriptions (SPDs) to reflect the new dependent eligibility category.
  - Confirm with carriers when and how the new rules will be applied.
2. Develop Verification Procedures
  - Collaborate with carriers to design a dependent eligibility attestation process for employees adding a parent or stepparent.
  - Establish a process for collecting and retaining documentation that aligns with IRS criteria.

### 3. Update Employee Communications

- Revise open enrollment materials, benefits guides, and FAQs to explain the availability of parent and stepparent coverage, the strict eligibility criteria, and the absence of COBRA continuation.
- Train HR and benefits staff to handle employee questions and manage expectations.

### 4. Plan for Potential Cost Impacts

- Analyze how expanded dependent coverage could affect premiums and contribution structures.
- Consider moving to a fully insured policy issued in another state, if possible, or changing to self-insurance.

### 5. Coordinate with Vendors

- Confirm your carrier's role in eligibility determinations and communications.

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