



Illinois Employers Must Expand Dependent Coverage to Parents and Stepparents for Fully Insured Health Plans in 2026

Insights

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Illinois will soon require fully insured health policies issued in the state to cover parents and stepparents who qualify as dependents, and employers that sponsor these group health plans must take note. This expansion of the Illinois Insurance Code, which applies to policies issued, amended, delivered, or renewed after January 1, 2026, creates new administrative challenges and compliance obligations for group health plans – especially since they typically offer dependent benefits only to children and spouses or domestic partners. We'll explain what's changing, how it impacts employers, and what you should do next.

A Significant Shift in Dependent Eligibility

Gov. JB Pritzker signed a bill ([HB 5258](#)) into law last year that will soon require accident and health insurance policies that provide dependent coverage to make that coverage available to any parent and stepparent who:

- has gross income that is less than the IRS exemption amount (\$5,050 for 2025);
- receives a majority of their financial support from the primary insured individual;
- is not a qualified dependent of another taxpayer for the same year; and
- lives or resides within the insurance policy's service area.

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

This new coverage requirement **does not apply** to:

- insurance policies issued outside of Illinois;
- self-insured health plans;
- specialized health care service plans;
- Medicare supplement insurance;
- hospital-only or accident-only policies; or
- specified disease insurance policies that reimburse for hospital, medical, or surgical expenses.

How Does This Impact Employers?

Expanding eligibility to parents and stepparents introduces a dependent category rarely contemplated in employer-sponsored health plans. Employers will need to adjust wrap plans, enrollment forms, and administrative procedures accordingly. Here are some of the unique challenges and considerations you should prepare for:

- **Verifying Dependent Status.** Unlike children or spouses, confirming that a parent qualifies under IRS rules (including income limits and support tests) 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 step-parent under the new rules.
- **No COBRA Continuation.** Federal COBRA continuation coverage does **not** extend to parents or stepparents. If an employee terminates employment, their parent's 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 step-parents 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.** While the new law does not address Medicare coordination of benefits, normally, a dependent who is receiving medical coverage attributable to an active employee's group health plan receives primary care from the employer's plan and Medicare pays secondary. This likely means that, without further guidance, the cost of medical care otherwise payable by Medicare for a dependent parent or step-parent will shift to the employer's group health plan and the insurance carrier – which could have a significant cost impact for employers.

Action Items for Employers

To prepare for this change, employers with fully insured Illinois health plans should:

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

- Work 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/step-parent 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.

Conclusion

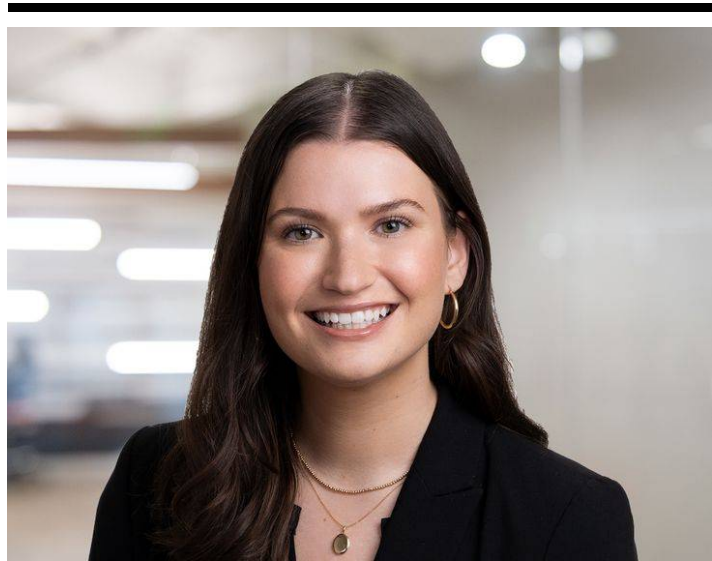
We anticipate further guidance may be issued on the implementation of the new law and Illinois employers should stay tuned for further developments. If you have any questions, contact your Fisher Phillips attorney or the authors of this Insight. Make sure to sign up for [Fisher Phillips Insights](#) to stay up to speed on the latest developments.

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Lorie Maring
Partner
404.240.4225
[Email](#)



Katie Reynolds
Associate
617.532.6945
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