

2010

Small Group Underwriting Guidelines



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Small Group (2-50) Underwriting Guidelines

In order to obtain a small group rate quote, an employer must have 50 or fewer eligible employees as outlined in the Employee Eligibility section below. Groups must also meet guidelines for small business as defined by the Health Insurance Portability and Accountability Act (HIPAA).

HealthAmerica and HealthAssurance reserve the right to revise these guidelines at any time.

Census Data

- Premium rates for qualified groups will be determined from census data and other underwriting information, including, but not limited to, medical applications where applicable.
- Premium rates quoted are based upon original census information and are subject to a re-rate if demographics have changed once enrollment materials are received.
- All applications for coverage are subject to review and approval by the Underwriting department. Prospective employer groups are advised not to cancel coverage until approval from HealthAmerica or HealthAssurance is received.
- Final enrollment forms must be delivered to HealthAmerica and HealthAssurance by the date communicated by Broker Relations, for coverage to be effective the first of the following month.
- Census data must be provided on all eligible (and COBRA eligible, if applicable) employees including name, date of birth, date of hire, gender, home zip code, and tier status.

Contributions

- The employer must contribute a minimum of 50% of the premium rates for each coverage tier (employee, couple, employee/children, family) or a minimum of 50% of the single premium toward the cost of each tier. Underwriting may consider exceptions when reviewing cases as long as participation guidelines are met.

Dual Option Coverage

- Dual options may be quoted to groups having 10 or more enrolled subscribers.

Who is eligible?	Groups with a minimum of 10 <u>enrolled</u> employees.
What plan designs would be available for the dual option program?	Any plan would be available as long as there is a clear benefit differential between the programs.
If the group has OOA individuals, what plan is offered?	The high option plan should be matched, but the group does have the flexibility to match it to the low option plan if desired. (Refer to OOA guidelines on how rates are to be presented.) We will only present one out-of-area plan. A dual option OOA plan approach is <u>not</u> available for Small Group plans.
How will these groups be priced?	The entire group will be rated together to produce the rate for both plan designs. A rate adjustment will be applied to all plan offerings.
Is there a minimum requirement of number of employees in each plan?	We need a minimum of one subscriber enrolled in a plan to maintain a dual option program at time of renewal.

Employee Eligibility

- Eligible employees are those employees who are permanent employees, working on a full-time basis and at least 25 hours per week and have met the employer's set probationary period.
- Part-time employees working fewer than 25 hours per week are not eligible for coverage.
- 1099 Employees (contracted employees); directors, stockholders, partners or other outside consultants who are not active, permanent full-time employees are not eligible for coverage.
- Absentee owners, seasonal workers, directors, 1099/contract employees, and trustees of the company are not eligible for coverage.
- Domestic Partners are not eligible for coverage in the Small Group market segment. However, Common Law Marriages prior to January 1, 2005, will be honored in Pennsylvania, according to state laws.

Employer Eligibility

- Groups will be rated appropriately for medical conditions, but cannot be denied coverage.
- Employer groups must be in business for a minimum of six months.
- Groups spinning-off from existing companies may qualify for coverage before six months, but Underwriting will review and approve these requests on a case-by-case basis.
- Organizations must not be formed solely for the purpose of obtaining health insurance coverage.
- Management carve ins/outs are allowed; however coverage must be offered to all employees meeting probationary and weekly work hours criteria. Any changes to the management carve ins/outs offering, including total replacement quotes or change in eligibility must be approved by Underwriting.
- Union or Non Union groups may be quoted separately in the Small Business model as long as the total group size does not exceed 50 lives.
- For existing groups adding a new business, business unit, division or line of business and change in enrollment is greater than 15%, Underwriting reserves the right to re-evaluate the rates, including the request for completed medical applications, if necessary.
- Eligible groups must attest to having Worker's Compensation insurance in-force, as required by state law.
- A Tax Id Number (TIN) is required at time of submission.
- Business Owners must provide a UC-2. If their name is not on the UC-2, they must provide a Schedule C or Articles of Incorporation.
- Husband/wife coverage is subject to the collection of a UC-2 where both names are listed. If both names are not listed on the UC-2 or a UC-2 is not available, please submit a current copy of the group's Schedule C and W-2 for the spouse. If the company has been in business for less than one year, please refer to the Tax Information section for further instructions. Completed applications must be submitted for all employees, including any enrolling, waiving and COBRA eligible employees with all appropriate signatures and dates.
- Applications that are signed and dated over 60 days from the date of Underwriting review are considered stale-dated. These applications will need to be re-signed and the medical conditions must be reviewed, updated if necessary and initialed by the applicant. In order to be processed in Underwriting.
- HealthAmerica and HealthAssurance reserve the right to validate the financial status of a company at any time.

Groups Previously Insured by HealthAmerica and HealthAssurance

- Groups previously termed for non-payment within the past 24 months may be required to pay two month's premium in advance of coverage.
- If the lapse of coverage is greater than three months, the group will not be reinstated and must be medically underwritten as a new group.

Groups With More Than 51 Total Employees

- Total employees are defined as full-time and part-time employees, even if such classes of employees are not eligible for insurance. Groups with more than 50 employees, but having less than 51 eligibles in our total service area may be rated through the Small Group Underwriting department. These groups are not guarantee issue and can be declined based on the outcome of the medical application process.

Late Applicants

- Late applicants initially waiving group coverage for any reason will not be allowed to enroll until the next open enrollment period, unless there is a qualifying event as defined by HIPAA as "Special Enrollment".
- All new hires must meet the probationary period as outlined by the employer.

Out-of-Area Coverage

- Out-of-area enrollment is offered to groups with 10 or more enrolled subscribers and is limited to no more than 30% of total enrolled subscribers.

Participation

- At least 50% of the total eligible employees (full-time employees offered benefits) must enroll in the HealthAmerica or HealthAssurance plan(s) offered. In addition, 75% of all employees must have coverage either through the group or their spouse. Any exceptions are at the discretion of Underwriting.
- Employees covered by a spouse's plan must complete waiver information.
- Dependent participation is not required.
- Total COBRA Eligible employees should be less than 10% of total enrolled subscribers.
- COBRA can only be offered to groups as defined by the Federal and State COBRA guidelines.

Probationary Period

- Probationary periods are determined by the employer group and must be applied consistently to all employees.
- If a company is waiving its probationary period for an employee, Underwriting requires a letter on company letterhead citing this specific waiver from its standard probationary period.
- Pennsylvania employer groups are not permitted to have more than a 12-month waiting period for new hires, and Ohio restricts the waiting period to no more than 90 days.
- HealthAmerica and HealthAssurance Group Administration will enforce the employer's approved probationary period.

Retiree Coverage

- No coverage is available for groups having 2-50 eligible employees.
- For Medicare eligible retirees, a separate product is available through Advantra or Private Fee for Service.

Tax Information

- A copy of the most recent UC-2 (Employer’s Quarterly Report of Wages Paid to Each Employee) must be submitted. This must contain the names, salaries and weeks worked of all employees of the employer group.
- A UC-2 is also needed for any out-of-area employees.
- Employees waiving coverage, who have been terminated or who work part-time must be noted accordingly on the UC-2.
- Recently hired employees not listed on the UC-2 should have a W-4 or payroll stub submitted with the UC-2.

If a UC-2 is not available submit one from Category A Category A	And one from Category B Category B
➤ IRS 1040 – Schedule C or F	➤ K-1s or Articles of Incorporation
➤ IRS 1065 – Partnership Income	➤ K-1s or Partnership Agreement
➤ IRS 1120 – Corporate Income	➤ Current Business License
➤ * IRS 941 – Not for profit use only	➤ Leases and other contracts
➤ * IRS 990- Return of organization Exempt from Tax	

* Must submit copy of Payroll Journal; No Category B information required.

Total Replacement

- HealthAmerica and HealthAssurance are available as total replacement for groups with 2- 50 eligible employees to all competitive insurance plans including managed care and traditional indemnity plans.
- Small market groups are not permitted to carve-out the prescription drug benefit.