

# Highmark Health Insurance Company

## Small Group Underwriting & Enrollment Guidelines

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The Highmark Health Insurance Company (HHIC) Small Group Underwriting & Enrollment Guidelines detail the requirements for community-rated small employer groups and their subscribers (including association pools, unless specifically stated otherwise).

The guidelines are effective with HHIC groups enrolling **on or after July 1, 2010**. Existing Highmark clients transitioning to HHIC must become compliant with the new guidelines within one year.

# SMALL GROUP UNDERWRITING & ENROLLMENT GUIDELINES

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# Highmark Health Insurance Company

## Group Underwriting & Enrollment Guidelines

### PREFACE

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As an insurer, Highmark Health Insurance Company (herein after referred to as HHIC) assumes financial risk when selling health care coverage, not unlike a bank or financial institution. To assess a group's eligibility and the eligibility of the employees and owners to be covered, groups are required to submit verifiable wage and tax documentation. This standard industry practice allows HHIC to maintain the integrity of the various risk pools.

Recognizing that tax documentation is proprietary and extremely sensitive; it is used only for underwriting purposes to verify group and subscriber eligibility and will be kept **STRICTLY CONFIDENTIAL**. HHIC's confidentiality statement can be found in the New Business Submission Guide and on the Sold Group Checklist (located on the Producer Portal). This information and the guidelines are available on the Producer Portal. HHIC will **not** provide coverage to insured groups that refuse to disclose tax and wage documentation and/or provide any other required information needed for underwriting purposes.

The goal of the underwriting guidelines is to provide clear and consistent corporate policies and procedures on core issues which allow HHIC to offer quality and affordable group coverage to all who qualify; minimize the risk of adverse selection; and protect the rates and availability of coverage to employer groups. The guidelines set forth in this document outline HHIC's underwriting requirements for **small group** coverage in the designated service area (i.e., 29-county western region and 21-county central region). Small group coverage includes associations unless stated otherwise.

HHIC reserves the right to revise the underwriting guidelines **at any time** and **to address any situations or issues** that are not specifically covered within the guidelines.

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Defining an Eligible Group
<b>Control Number:</b>	UC-101.1
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Group Eligibility Requirements

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### **Definitions**

An eligible group is defined as an established business entity that is actively engaged **FULL TIME** in its enterprise and has the legal capacity to execute a contract on behalf of its subscribers. The group must have a minimum of two (2) active eligible employees (including owners) enrolled; meet the participation requirements based on its total number of eligible employees and meet all other underwriting guidelines. As a condition for enrollment, the group is also required to maintain the participation requirements and to offer continuous coverage to its eligible employees for the entire contract period.

Eligible groups include the following:

- A collection of active employees that are employed by a single employer such as a corporation, partnership, sole proprietorship, professional corporation or other business organization that has been formed in accordance with applicable state and federal laws.
- Members of a health and welfare fund, including funds that are established by labor union organizations and other similar entities (i.e., referred to as union groups).
- A rental business that has a minimum of six rental units or is a single dwelling with a minimum of 12,000 square feet verified through a Schedule E (Form 1040) and is managed and maintained by full-time employees.
- New "start-up" businesses may apply for group coverage after the business has been in operation for at least 90 days and be able to provide verifiable tax and/or payroll documentation to support employee eligibility at the time of application. Premature applications will not be accepted. Refer to the New Business Submission Guide and Sold Group Checklist (located on the Producer Portal) for additional information on required documentation.

A group's policy may also provide coverage to the employees of its subsidiary and/or affiliate companies provided that HHIC has reviewed and approved such arrangements based on verifiable tax/legal documentation.

### **Violations**

A group **cannot** be formed for the express purpose of purchasing insurance. In addition, dormant businesses, "side and hobby" businesses, and trust, investment, or rental income only groups do **NOT** qualify for group coverage.

### **Exceptions**

Religious organizations, nonprofit, and governmental entities such as municipalities and townships may also be considered eligible for group coverage.

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

**Guideline Name:** Group Location/Residency Requirements

**Control Number:** UC-101.2

**Issue Date:** July 1, 2010

**Revision Date:**

**Effective Date:** July 1, 2010

**Category:** Group Eligibility Requirements

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### **Definitions**

Individuals must be employed by a **business** (or a member firm with an approved association) that is located within HHIC's designated service area as follows:

- Location is defined as the **physical site** (street address) of a company or corporate headquarters that is located in HHIC's service area. Separate mailing addresses and post office box addresses may only be used for billing purposes.
- If a company has headquarter and branch locations in central **and** western Pennsylvania, the company's headquarter location will govern which service area (21-county central region or 29-county western region) will write the combined locations.
- If a company is headquartered outside of HHIC's service area but has a branch office within the service area, the branch office may only be written based on the following provisions:
  1. The company's headquarters must provide written authority to HHIC to negotiate coverage with the insured location.
  2. HHIC corresponds with an authorized decision maker at the insured location.
- HHIC may only quote/insure groups that are headquartered outside of the designated service area contingent upon approval from the group's Home (local) Blue Plan **via an Alternative Control Licensee Designation**. Producers should contact Producer Affairs or the group's Client Manager for assistance in obtaining the necessary approvals.
- At least 50 percent of a group's eligible subscribers must reside in Pennsylvania. Eligible subscribers include active employees, COBRA continuants, and retirees as applicable.
- Out of state subscribers residing in counties that are adjacent to HHIC's service area are considered in area.

### **Violations**

Private residences do **not** qualify as branch offices and post office boxes do **not** qualify as legitimate locations.

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Management Only Groups
<b>Control Number:</b>	UC-101.3
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Group Eligibility Requirements

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### **Definitions**

Community-rated groups (with 2 to 50 enrolled contracts) may establish a "management only" group provided that there is a management/labor segmentation **involving a union** whereby, the union provides coverage to all of the union employees. In such case, HHIC will provide coverage to the "management only" groups based on the following requirements:

- Management employees are defined as all eligible **nonunion salaried and hourly employees**. Nonunion employees (and union employees) must be verifiable by employee class based on the group's year-to-date payroll listing and/or a human resources listing. No other dissection of the group is allowed.
- The group must also provide evidence that the union employees have coverage through a union sponsored health program. A copy of the union bargaining agreement and/or a copy of the union health carrier invoice listing the union employees must be submitted for verification.

**Note:** If the union does **not** offer health care coverage to the union employees, then its **union and nonunion employees** will all be considered eligible for coverage. Depending on the group's size, different products/rates may be offered to the different employee classes provided that all underwriting requirements are met. Separate group numbers may be established for accounting and cost allocation purposes upon request.

### **Violations**

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Common Ownership Groups
<b>Control Number:</b>	UC-101.4
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Group Eligibility Requirements

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### **Definitions**

Multiple businesses may be combined as a common ownership group provided the following requirements are met:

- A **single** person or business entity must have **greater than 50%** ownership interest in each of the businesses (i.e., controlling majority interest).
- Under the combined arrangement, the groups must also have a common policymaker that is legally authorized to make benefits/human resources decisions on behalf of the combined businesses.
- Each business must be located within HHIC's designated service area.
- The groups must be able to provide tax/legal documentation as proof that common ownership exists between the businesses. In addition, **each business will need to complete separate group applications** and be submitted as one new business package. Please reference the New Business Submission Guide (located on the Producer Portal) for a list of acceptable tax documents.
- Participation and enrollment is based on the combined eligible employees/owners for all of the businesses.
- Separate rate quotes must be produced for each business using the applicable SIC and ZIP codes. Rates are predicated on the **total** enrollment for the combined businesses. Therefore, each group's demographic census must include the combined enrollment for all the businesses. For more information, see example in UC-101.4A.
- Separate group numbers will be assigned to each business enrolling under a common ownership arrangement for identification and audit purposes (i.e., business name, EIN, SIC code, physical location, group size, etc.)

**Note:** Existing groups wishing to add other businesses under a common ownership arrangement are also subject to the above requirements (e.g., newly acquired companies, mergers, or businesses that were previously enrolled through another carrier). Changes of this nature are subject to review and approval by Underwriting Control for participation and rate adequacy.

### **Violations**

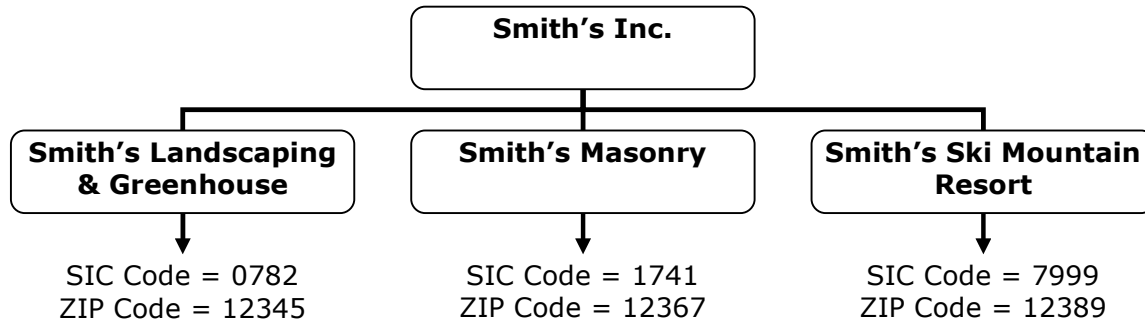
Groups electing to combine their businesses under a "common ownership" arrangement do **not** have the option of breaking the common ownership group apart at a later date simply to obtain more favorable rates. If the group later elects to cover one or more of its businesses through another carrier, the remainder of the group may be subject to cancellation.

***Exceptions***

Common ownership groups may only be separated for group coverage based on verifiable legitimate business reasons (e.g., one of the businesses was sold, etc.).

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### Example for Quoting Common Ownership Groups



Review the illustration above and use the following steps to help ensure accurate rating:

1. Create a quote for Smith's Landscaping & Greenhouse and enter its applicable SIC and ZIP codes (i.e., 0782 and 12345 shown above).
2. Enter the combined enrollment for **all three businesses** in the demographic census page. For example, if each business has 10 enrolling, enter all 30 enrollees in the census.
3. Repeat steps 1. and 2. above when creating separate quotes for Smith's Masonry and Smith's Ski Mountain Resort.

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Professional Employer Organizations
<b>Control Number:</b>	UC-101.5
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Group Eligibility Requirements

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### **Definitions**

A Professional Employer Organization (PEO) provides outsourcing of payroll, Workers' Compensation, human resources and employee benefits administration. PEO's hire a client's employees and becomes their employer of record for tax and insurance purposes and files under its own identification numbers. PEO's may be considered for group coverage if they meet the following conditions:

- Employees must meet a pre-defined probation period before coverage commences.
- Human resource policies are established and uniformly applied to all employees.
- The group must submit a written copy of its human resources policy/booklet for review and acceptance.
- All underwriting and enrollment guidelines must be met as outlined in this document.
- Temporary employee (temp) agencies are eligible for coverage if they meet the above requirements.

### **Violations**

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Employer (Group) Responsibilities
<b>Control Number:</b>	UC-101.6
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Group Eligibility Requirements

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### **Definitions**

When sponsoring group coverage, an employer is required to:

- Administer the group coverage by uniformly offering enrollment opportunities to all **eligible** employees and owners as stated on the Small Group Business Application. The employer's policies should not violate state or federal law, including laws that prohibit unfair discrimination regarding eligibility standards for participation in employee benefits plans.
- Contribute toward the premium costs and/or provide for payment of premium dues through authorized payroll deductions.
- Notify their client manager of any **major enrollment changes** involving employee layoffs and/or ownership changes (business acquisitions or "sell-offs").
- Notify their client manager of any **business status and/or location changes** (e.g., group goes out of business, group's location moves to another location outside HHIC's service area).
- Provide HHIC with a 30 day written notice should it decide to cancel group coverage.

**Note:** In the event of cancellation, it is the employer's responsibility to notify its subscribers of the termination of group coverage and that conversion privileges for direct pay (individual) coverage may be offered to replace group **medical** coverage (i.e., provided that the employer does not offer other group coverage). Group coverage will be terminated regardless of whether the employer notifies the subscribers or not.

HHIC reserves the right to terminate group coverage if the group performs an act or practice that constitutes fraud or made an intentional misrepresentation of a material fact.

### **Violations**

Employers are prohibited from changing their eligibility requirements **off-cycle** as such changes should only be made at renewal time, however, requests for off-cycle changes must follow the requirements outlined in UC-106.2 Eligibility Changes.

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Determining Group Size (Total Eligible)
<b>Control Number:</b>	UC-102.1
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Group Participation/Product Requirements

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### **Definitions**

Group participation and product offering requirements vary based on group size. Group size is determined by adding each group's total number of eligible owners **plus** all active eligible employees including those who are enrolling **and** waiving. To determine group participation and product offering requirements, please refer to guidelines UC-102.2 and UC-102.3.

Additional information regarding owner and employee eligibility requirements can be found in section UC-103 Subscriber/Member Eligibility.

### **Violations**

The following individuals may be considered eligible for group coverage. However, they **cannot** be used to satisfy the minimum participation requirements:

- Retirees (regardless of age)
- COBRA continuants
- Disabled dependents
- Spouse contract holders (i.e., employee is over age 65 and spouse is under 65 or vice versa, commonly referred to as "split contracts")

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

**Guideline Name:** 2 - 50 Participation Minimums

**Control Number:** UC-102.2

**Issue Date:** July 1, 2010

**Revision Date:**

**Effective Date:** July 1, 2010

**Category:** Group Participation

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Groups comprised of two (2) active eligible employees must have 100% participation.

Groups with 3 or more active eligible employees must have 75% participation which allows 25% of the active eligible employees to waive HHIC coverage for any reason (e.g., for other coverage opt outs, no coverage, etc.).

An additional 25% may waive for "Other Coverage Opt Outs" provided that **no more than 50%** of the group's total active eligible employees waive coverage.

- **Other Coverage Opt Outs** are defined as employees who are waiving HHIC coverage in favor of full medical group coverage through another carrier, Special Care (Tier 1) or Medical Assistance.
- Employees **waiving coverage** for themselves and/or their dependents are **required** to complete and sign the Enrollment/Waiver Application and Change Form. Employees that do not complete the other insurance section of the form will be counted as having **no coverage**.
- To receive credit for **all** Other Coverage Opt Outs, **copies of subscriber identification cards may be required** for verification purposes.
- No more than 25% of total eligible employees may waive for no coverage.

### ***Violations***

### ***Exceptions***

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

**Guideline Name:** 2-50 Participation Minimums *(continued)*

**Control Number:** UC-102.2

**Issue Date:** July 1, 2010

**Revision Date:**

**Effective Date:** July 1, 2010

**Category:** Group Participation

Active Eligible Employees	Maximum Waivers	Maximum Other Coverage Opt-outs	Minimum Enrolled
2	0	0	2
3	0	1	2
4	1	1	2
5	1	1	3
6	1	2	3
7	1	2	4
8	2	2	4
9	2	2	5
10	2	3	5
11	2	3	6
12	3	3	6
13	3	3	7
14	3	4	7
15	3	4	8
16	4	4	8
17	4	4	9
18	4	5	9
19	4	5	10
20	5	5	10
21	5	5	11
22	5	6	11
23	5	6	12
24	6	6	12
25	6	6	13
26	6	7	13
27	6	7	14
28	7	7	14
29	7	7	15
30	7	8	15
31	7	8	16
32	8	8	16
33	8	8	17
34	8	9	17
35	8	9	18

Active Eligible Employees	Maximum Waivers	Maximum Other Coverage Opt-outs	Minimum Enrolled
36	9	9	18
37	9	9	19
38	9	10	19
39	9	10	20
40	10	10	20
41	10	10	21
42	10	11	21
43	10	11	22
44	11	11	22
45	11	11	23
46	11	12	23
47	11	12	24
48	12	12	24
49	12	12	25
50	12	13	25
51	12	13	26
52	13	13	26
53	13	13	27
54	13	14	27
55	13	14	28
56	14	14	28
57	14	14	29
58	14	15	29
59	14	15	30
60	15	15	30
61	15	15	31
62	15	16	31
63	15	16	32
64	16	16	32
65	16	16	33
66	16	17	33
67	16	17	34
68	17	17	34
69	17	17	35

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

**Guideline Name:** 2-50 Participation Minimums *(continued)*

**Control Number:** UC-102.2

**Issue Date:** July 1, 2010

**Revision Date:**

**Effective Date:** July 1, 2010

**Category:** Group Participation

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Active Eligible Employees	Maximum Waivers	Maximum Other Coverage Opt-outs	Minimum Enrolled
70	17	18	35
71	17	18	36
72	18	18	36
73	18	18	37
74	18	19	37
75	18	19	38
76	19	19	38
77	19	19	39
78	19	20	39
79	19	20	40
80	20	20	40
81	20	20	41
82	20	21	41
83	20	21	42
84	21	21	42
85	21	21	43
86	21	22	43
87	21	22	44
88	22	22	44
89	22	22	45
90	22	23	45
91	22	23	46
92	23	23	46
93	23	23	47
94	23	24	47
95	23	24	48
96	24	24	48
97	24	24	49
98	24	25	49
99	24	25	50
100	25	25	50

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

**Guideline Name:** 2-50 Product Offerings

**Control Number:** UC-102.3

**Issue Date:** July 1, 2010

**Revision Date:**

**Effective Date:** July 1, 2010

**Category:** Product Requirements

<b>No. of Enrolled Contracts</b>	<b>Product Offering/Other Requirements</b>
2-9	<ul style="list-style-type: none"><li>• Groups with 2 – 9 <b>enrolled</b> contracts may choose up to <b>two</b> medical/drug options <b>contingent upon</b> one of the options being a qualified high deductible health plan.</li><li>• A multiple product offering requires at least one enrolled contract in each option.</li></ul>
10-19	<ul style="list-style-type: none"><li>• Groups with 10 – 19 <b>enrolled</b> contracts may choose up to <b>two</b> medical/drug options.</li><li>• Groups offering <b>two</b> medical/drug options are required to have <b>2 contracts enrolled</b> in each option. Groups not meeting the 2 contract enrollment minimum may be required to choose one product upon initial enrollment or at renewal.</li><li>• No product compatibility restrictions apply.</li></ul>
20-50	<ul style="list-style-type: none"><li>• Groups with 20 – 50 <b>enrolled</b> contracts may choose up to <b>two</b> medical/drug options.</li><li>• Groups offering <b>two</b> medical/drug options are required to have <b>4 contracts enrolled</b> in each option. Groups not meeting the 4 contract enrollment minimum may be required to choose one product upon initial enrollment or at renewal.</li><li>• No product compatibility restrictions apply.</li></ul>

Additional requirements include:

- Only one vision option is allowed.
- Groups may also have a Medicare complement group product in addition to the medical/drug option(s) when applicable.
- Additional products can only be added at renewal.
- Group must only offer HHIC products; no other carriers are allowed.
- Groups with **20 or more enrolled contracts** may establish different levels of coverage among their employees based on the following requirements:

- The employee classes must be verifiable and directly related to employment divisions (e.g., union/non-union, hourly/salaried, etc).
  - The segmentation must exist for purposes other than insurance coverage and the group's self-set policies must not violate any state or federal laws that prohibit unfair discrimination.
  - The group must provide a copy of its written human resources policy outlining the employee classes/assigned levels of coverage **and** provide a copy of its year-to-date payroll records or human resources listings for additional verification of employee classes.
- Vision coverage must be purchased through the same pool as medical coverage provided that vision coverage is available through that pool. For example, if the group has medical coverage through an association and that association also offers vision coverage, the group may only apply for vision coverage through that association (i.e. not through another pool).

### **Violations**

A group cannot set up a product with no enrollment.

Employees cannot change their level of coverage until the group's next open enrollment period unless there is a life-changing event.

### **Exceptions**

The above guidelines do **not** apply to groups that offer a flexible benefits (cafeteria) program which allows the employees to choose from all products offered (i.e., the product selections are not assigned to specific employee classes). Groups offering a flexible benefits program must submit a copy of their human resources policy (outlining the program) for verification.

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Eligible Employees
<b>Control Number:</b>	UC-103.1
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Subscriber/Member Eligibility

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### **Definitions**

An eligible employee (regardless of age) is one who is actively employed by the group and meets **ALL** of the following requirements:

- Regularly works a minimum of **20 hours per week AND** at least **9 months per year** for the employer;
- Receives a verifiable regular (hourly/salary) wage or income. The wage/income information for each employee must support the eligibility requirements as stated on the Small Group Business Application.
- Satisfies the minimum probationary period requirements as stated and approved by Underwriting Control on the Small Group Business Application.
- Employers requesting probationary periods that differ from the options available on the Small Group Business Application must be reviewed and approved by Underwriting Control. Additional documentation may be required (e.g., human resource policy) and if approved will be assigned multiple group numbers for identification purposes. The employer's probationary requirements must be based on a reasonable time period and be uniformly applied. In addition, probationary period requirements cannot be waived without prior approval from Underwriting Control.
- The eligibility of new enrollees added after underwriting approval will be verified. New enrollees are defined as new hires, those with life changing events, newborns, etc.

### **Violations**

New Enrollee misrepresentations/omissions on applications could result in:

- Ineligible enrollees being cancelled.
- Revised rates being retroactively billed back to original effective date (based on updated group health status information).
- Certain cases may be referred to Highmark's Special Investigations Unit.

Cancellations/rate adjustments will be handled on a case by case basis.

Board members, professional associates, trustees, legal counsel, 1099 consultants (independent contractors), foreign nationals, and elected officials are **not** eligible for group coverage.

**Exceptions**

Township supervisors may also be considered eligible for group coverage as provided for under the *Unconsolidated Pennsylvania Statutes for Municipal Corporations (Title 53), Second Class Township Code*. However, groups that elect to cover a township supervisor must make the option available to **all** township supervisors.

In addition, eligible employees who waive coverage for religious beliefs (e.g., the Amish) may be excluded from the group's total eligible employee count. Such employees must submit a copy of their Application for Exemption from Social Security and Medicare Taxes and Waiver of Benefits (Form 4029). The employer may also be required to provide a detailed, year-to-date payroll as verification of employees' exemption from federal, state, and local taxes.

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Eligible Owners
<b>Control Number:</b>	UC-103.2
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Subscriber/Member Eligibility

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### **Definitions**

Business owners are considered eligible for group coverage based on the following eligibility, tax documentation and waiver requirements:

**Eligibility** – Sole proprietors and partners are considered eligible by virtue of ownership. However, limited liability companies/partnerships may choose not to cover their limited partners (investors) in which case, only the general partners will be considered eligible. Limited partner elections must be made known to Underwriting Control. However, if coverage is offered to one limited partner, it must be made available to **ALL** limited partners.

Corporate officers/shareholders of C corporations will only be considered eligible for coverage provided **they appear as paid employees** on the PA Form UC-2A/payroll listing **and** that their wages/income supports the weekly hourly requirements as stated on the Small Group Business Application.

**Tax Documentation** – Sole proprietors (non-incorporated businesses) **AND** owners involved in “common ownership” groups **must submit copies of their Schedule Cs and/or other applicable ownership tax documents regardless of whether they are enrolling or waiving**. Refer to UC-101.4 (Common Ownership Groups) and 103.3 (Sole Proprietorships) for more information.

In addition, owners/partners who are **enrolling** in coverage, who do **NOT** appear on the PA Form UC-2A or payroll, **must submit ownership tax documentation** as verification of eligibility (e.g., Schedule K-1s, Form 1065/1120S, etc.). Refer to the New Business Submission Guide (located on the Producer Portal) for more information regarding tax documents.

**Waiver Requirements** – Owners/partners who are **waiving** coverage need **NOT** submit copies of their ownership tax documents unless requested to do so by Underwriting Control. This does **NOT** apply to sole proprietors and owners of “common ownership” groups as they are required to submit tax documentation (as stated above).

For eligibility and participation purposes, waiving owners who do not appear on the PA Form UC-2A or payroll must be hand-written on the form and be annotated as such. **Each owner considered eligible must complete a HHIC Enrollment/Waiver Application and Change form**. Owners who waive are considered ineligible for coverage until the group’s next open enrollment period/renewal (i.e., unless there is a verifiable life changing event).

**Note:** Regardless of the requirements stated above, Underwriting Control reserves the right to request additional tax documentation when deemed necessary to limit adverse risk selection and to verify owner eligibility/business viability.

**Violations**

Former owners are considered **ineligible** for continuing group coverage under the terms of sales agreements/consulting contracts or as retirees (i.e., unless they meet the requirements for active or retired employees). Refer to section UC-103 Subscriber/Member Eligibility for more information. As an alternative to group coverage, HHIC offers such individuals the option of enrolling in direct pay (individual) products.

**Exceptions**

Certain owners such as minor (or underage) shareholders in trust arrangements and foreign partners not residing in the United States may be considered **ineligible** for group coverage. Requests for owner exclusions are subject to review and approval by Underwriting Control contingent upon tax/legal documentation to support such exclusions.

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Sole Proprietorships
<b>Control Number:</b>	UC-103.3
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Subscriber/Member Eligibility

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### **Definitions**

To be eligible for group coverage, (non-incorporated) sole proprietorships must have a minimum of **two or more** contracts enrolled and meet the following requirements:

- Sole proprietors must submit a copy of their ownership tax documentation which must support the owner as being engaged in a viable, full-time business enterprise based on business income and expense amounts.
- In the case of a sole proprietorship that is operated by a husband and wife (there are no other employees), each spouse must enroll under a separate contract. However, to be considered eligible, the spouse must appear as a paid employee on the year-to-date payroll register reflecting at least 30 days of payroll activity and file an annual W-2 form. In addition, the wage information on these documents must support the hourly eligibility requirements.
- Sole proprietorships that have employees must submit a copy of their Report for Unemployment Compensation (PA Form UC-2/UC-2A) or a payroll listing (if a UC-2/UC-2A has not been filed) for verification of eligible employees. **The PA Form UC-2/UC-2A must be submitted even if the employees are considered ineligible for coverage.**
- Groups that have more than two eligible employees (including the owner) must also meet the minimum participation requirements as applicable (refer to Section UC-102).

Refer to the Sold Group Checklist (located on the Producer Portal) for additional information regarding tax documentation and all necessary enrollment materials.

### **Violations**

Spousal letters outlining business duties and hours and Schedule Cs showing both spouses' names are **not** acceptable.

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Disabled Employees
<b>Control Number:</b>	UC-103.4
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Subscriber/Member Eligibility

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### **Definitions**

A disabled employee does not have to qualify for Social Security benefits and may continue under the active benefit program or be designated as a disabled retiree by the employer. Group coverage may be offered to disabled employees provided that **ALL** of the following requirements are met:

- The disabled employee was actively employed **and** covered under the employer's group health coverage at the time the disability occurred.
- The employer must provide a copy of the Report for Unemployment Compensation (PA Form UC-2/UC-2A) which identifies the disabled employee as being actively employed at the time the disability occurred (e.g., if the employee became disabled in March 2006, a first quarter 2006 PA Form UC-2/UC-2A is required).
- The employer must have an established written human resources policy that uniformly offers **ALL** disabled employees the privilege of continuing on the group health plan.
- The employer must submit a Disability Verification Form (UC-103.4A) for **each** disabled employee enrolling.

Upon request, HHIC may request additional information relative to the eligibility of disabled employees.

### **Violations**

#### **Exceptions**

The above definition does **not** include a qualified disabled individual who is entitled to protection from discrimination by the Americans with Disabilities Act ("ADA"). The ADA defines such an individual as "someone who, with or without reasonable accommodation, can perform the essential functions of the employment position that such individual holds or desires". Individuals protected under the ADA are considered working employees and therefore, the employer is not required to complete the Disability Verification Form.

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## DISABILITY VERIFICATION FORM

### SECTION 1 (Please Print)

Group Name: \_\_\_\_\_

Employee Name: \_\_\_\_\_

Social Security No.: \_\_\_\_\_

Hire Date (mm/dd/yyyy): \_\_\_\_\_

Date of Disability (mm/dd/yyyy): \_\_\_\_\_

Benefits will be Extended Until: \_\_\_\_\_

### SECTION 2

1. Was the disabled employee **actively** employed at the time of the disability?  YES  NO

If "Yes", attach a copy of the relevant Pennsylvania Employer's Report for Unemployment Compensation (PA Form UC-2/UC-2A) that identifies the disabled employee as being **actively** employed at the time the disability occurred, (e.g., If the employee became disabled in March, 2006, attach a copy of the first quarter 2006 PA Form UC2/UC-2A).

2. Does the Group have a uniform policy of offering **ALL** disabled employees the privilege of continuing on group health coverage?  YES  NO

### SECTION 3

*I hereby certify that the information given in this form is true and correct. I understand that false statements made herein or fraudulent claims made hereunder are subject to the penalties of 18 Pa. C.S.A. § 4117 relating to insurance fraud.*

\_\_\_\_\_  
Policymaker Name (Please Print)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Policymaker Signature

\_\_\_\_\_  
Date

## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Dependent Spouse
<b>Control Number:</b>	UC-103.5
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Subscriber/Member Eligibility

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### **Definitions**

Eligible dependents include an employee's spouse under a legally valid existing marriage between persons of the opposite sex or under a **legally recognized** common-law marriage arrangement.

To establish the validity of a common-law spouse, a notarized [Affidavit of Common-Law Marriage](#) form (UC-103.5A) must be completed.

**Note:** HHIC may request additional information as evidence of a common-law marriage as proof that the couple lives together and shares financial responsibilities (e.g., joint titles to property/automobiles, joint bank/credit account information, etc.).

### **Violations**

Regardless of court decrees, ex-spouses are **not** eligible for group coverage.

### **Exceptions**

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**AFFIDAVIT OF COMMON-LAW MARRIAGE**

We, \_\_\_\_\_ and \_\_\_\_\_, the undersigned  
(Husband's Name) (Wife's Maiden Name)  
being duly sworn, do hereby state that on \_\_\_\_\_, being freely  
(Date of Common-Law Marriage)  
able to contract, entered into the relationship of marriage under common-law in  
\_\_\_\_\_, holding ourselves out to the general public as husband and wife.  
(State)

We currently reside at \_\_\_\_\_, \_\_\_\_\_ intending to be legally bound  
(Street, City, Borough/Township) (State)  
thereby in full recognition of the rights, duties, and obligations associated therewith. At that time we had the  
present intent to be married, evidenced by words in the present tense uttered with a view and purpose of  
establishing the relationship of husband and wife.

**We also acknowledge and understand that any person who knowingly and with the intent to defraud any insurer  
presents or conspires with another to present any statement in the support of an insurance claim that contains  
false information may be guilty of a criminal offense and subject to civil penalties to 18 Pa. C.S.A. § 4117.**

\_\_\_\_\_  
*Signature of Husband*

\_\_\_\_\_  
*Signature of Wife*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Policymaker Signature and Title*

Sworn to and subscribed before this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

\_\_\_\_\_  
*Notary Public*

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Dependent Children
<b>Control Number:</b>	UC-103.6
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Subscriber/Member Eligibility

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### **Definitions**

Dependent children, up to the age of 26, of an employee may be considered eligible for group coverage. Eligible dependent children include the following:

- Newborns
- Stepchildren
- Children legally placed for adoption.
- Adopted children of the employee or their spouse.
- Children awarded coverage pursuant to an order of a Court.
- Children of a domestic partnership if such coverage is elected by the employer.
- Children of a legal guardian who has assumed the financial responsibility for the children.

Employers have the option to extend health insurance coverage beyond the limiting age to dependents of employees up to the age of 30 under Pennsylvania law Act 4 of 2009. The employer must elect this coverage at initial enrollment or at renewal. To be eligible for coverage under Act 4, an adult child must meet **ALL** of the following requirements:

- Be unmarried;
- Have no dependents;
- Be a Pennsylvania resident or is enrolled as a full-time student at an institution of higher education; and
- Not have coverage under any other group or individual health care policy or **enrolled** in or **entitled** to benefits under any government health care program.

To enroll an adult child, the attached Dependent Verification Form must be completed, signed and attached to the contract holder's member application.

### **Violations**

#### **Exceptions**

Eligibility may be continued past the limiting age stated in the contract for children who are unable to work to support themselves due to mental retardation, physical handicaps, mental illness or developmental disability. Coverage is subject to review and approval by HHIC's Medical Review department.

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**ACT 4 OF 2009**  
**HEALTH INSURANCE COVERAGE FOR ADULT CHILDREN**  
**DEPENDENT VERIFICATION**

Date: \_\_\_\_\_

Covered Employee Name: \_\_\_\_\_ Group Number: \_\_\_\_\_

Identification Number: \_\_\_\_\_

Dependent Name: \_\_\_\_\_ Birthdate: \_\_\_\_\_

Identification Number: \_\_\_\_\_

Relationship to Covered Employee: \_\_\_\_\_

This form must be completed to continue to provide health care coverage for an adult child who no longer qualifies under the terms of the group’s insurance contract as a part of the family coverage. Importantly, upon enrollment in this coverage, all deductibles, out-of-pocket amounts, visit limits and maximums will be reset, even if the adult child enrolls in this coverage in the middle of the benefit period and has previously incurred expenses while enrolled in the family coverage.

To be eligible for extended coverage up to the age of 30, the response to the following 3 questions must be “no”:

- 1. Is the dependent married?  YES  NO
- 2. Does the dependent have dependents?  YES  NO
- 3. Is the dependent offered/provided private insurance or enrolled in, or eligible for government benefits?  YES  NO

Additionally, the adult child must respond “yes” to one of the following questions:

- 4a. Is the dependent a resident of Pennsylvania?  YES  NO
- 4b. If not a resident of Pennsylvania, is the dependent a full time student<sup>1</sup> at an institution of higher education?  YES  NO

<sup>1</sup>For the purposes of this Dependent Verification Form, full time student includes any individual who, pursuant to a federal law known as Michelle’s Law, was a full time student, but within the past 12 months has taken a medically necessary leave of absence, or had another change in enrollment, due to a serious illness or injury. The adult child must have been covered under the group’s insurance contract as part of the family coverage immediately prior to enrolling in this coverage. Additional information will be required to enroll an adult child who is on a Michelle’s Law leave of absence.

I hereby certify that the information given in this form is true and correct. I understand that false statements made herein or fraudulent claims made hereunder are subject to the penalties of 18 Pa. C.S.A. § 4117 relating to insurance fraud.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Authorized Employer Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Students
<b>Control Number:</b>	UC-103.7
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Subscriber/Member Eligibility

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### **Definitions**

Unmarried student dependents may qualify as covered dependents based on the following requirements:

- Must not exceed age limit stated in the contract.
- Must be financially dependent on the eligible employee (contract holder) and claimed as a dependent on the employee's personal tax return.
- Must be enrolled full-time in an accredited school, college or university and financially supported by the employee. Classes taken through the Internet are valid as long as other criteria are met.

### **Violations**

COBRA continuants **cannot** be used to satisfy participation requirements and new group's that have more than 20 percent of a new group's total enrollment can be COBRA continuants.

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	COBRA Continuants
<b>Control Number:</b>	UC-103.8
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Subscriber/Member Eligibility

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### **Definitions**

Under the federal Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), group health and supplemental coverage is available to qualified employees and their eligible dependents enrolled under employer groups with **20 or more** employees (i.e., based on total employees in the previous calendar year. Employers should refer to the above law for more information on counting employees. Length of coverage is up to 18 months or beyond based on the pre-established time periods defined in the employers' Summary Plan Documents (SPD).

Qualified employees and dependents enrolled under employer groups with **2 to 19** employees may also be enrolled as COBRA continuants under Pennsylvania's new "mini-COBRA" law that took effect on July 10, 2009. However, unlike federal COBRA, covered individuals may only continue their medical and prescription drug coverage for up to nine months. The law does not extend to vision or dental coverage and Healthcare Reimbursement Accounts (HRAs).

**Note:** Groups are required to clearly identify **ALL** COBRA continuants and their effective dates on tax documentation and enrollment applications. In addition, **ALL** qualified COBRA continuants enrolling under the group coverage must be included in the rate census for rating purposes.

Regardless of the applicable COBRA law, **HHIC has a 20 percent COBRA enrollment limitation for new business**. Therefore, COBRA continuants that exceed 20% percent of a group's total enrollment should not be quoted. New groups exceeding 20% will be declined.

### **Violations**

COBRA continuants **cannot** be used to satisfy participation requirements and new group's that have more than 20 percent of a new group's total enrollment can be COBRA continuants.

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Domestic Partners
<b>Control Number:</b>	UC-103.9
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Subscriber/Member Eligibility

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### **Definitions**

Domestic Partner coverage is not a standard benefit and **is only available at the employer's discretion**. Coverage must be elected at the time the group initially enrolls or at renewal time. Employers electing this coverage must state the election on their Small Group Business Application **AND** are responsible for obtaining the eligibility documentation as explained below.

A Domestic Partner is defined as "a member of a Domestic Partnership consisting of two partners, each of whom has registered with a Domestic Partner Registry in effect in the municipality/governmental entity within which the Domestic Partner currently resides or who meets the definition of a Domestic Partner as defined by the state or local government which the individual currently resides" **or** meets **ALL** of the following requirements:

1. Is unmarried, at least 18 years of age, resides with the other partner and intends to continue to reside with the other partner for an indefinite period of time;
2. Is not related to the other partner by adoption or blood;
3. Is the sole Domestic Partner of the other partner and has been a member of this Domestic Partnership for the last six (6) months;
4. Agrees to be jointly responsible for the basic living expenses and welfare of the other partner; and
5. Meets (or agrees to meet) the requirements of any applicable federal, state, or local laws or ordinances for Domestic Partnerships which are currently enacted, or which may be enacted in the future.

To be considered an **eligible dependent**, the domestic partner must demonstrate financial interdependence with the employee by submitting copies of **three or more** of the following documents:

- Domestic Partner agreement or proof of registry with a Domestic Partner registry;
- Joint mortgage or lease;
- Designation of one of the partners as beneficiary in the other partner's will;
- Durable property and health care "power of attorney" agreement;
- Joint title to an automobile or joint bank or credit account; or
- Such other proof as is sufficient to establish economic interdependency.

### **Violations**

HHIC reserves the right to request information from the group relative to the eligibility of Domestic Partners at any time. Failure to supply the requested documentation may result in cancellation of the Domestic Partner coverage.

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Enrollment Documentation and Other Requirements
<b>Control Number:</b>	UC-104.1
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Enrollment Requirements

---

### **Definitions**

It is crucial that proper field underwriting be conducted during the quoting/selling process. By adhering to the underwriting guidelines, groups can be assured of a smooth enrollment process. Specifics regarding enrollment, tax documentation and other requirements can be found in addendum documents located on the Producer Portal.

Questions regarding situations not addressed in the addendum documents or in the guidelines should be directed to Producer Affairs or the group's Client Manager **prior to submission of the sold group paperwork.**

Underwriting Control (UC) reserves the right to:

- Contact groups directly to clarify any discrepancies (involving ambiguous/conflicting information) and/or to obtain additional information as deemed necessary **without prior notice to the writing agency.**
- Deny coverage to any group that does **not** meet the underwriting guidelines **OR** that has self-set policies that have the appearance of adverse risk selection as determined by UC.

### **Violations**

Sold group submissions that have **not** been properly field underwritten or that contain incomplete enrollment documentation are **unacceptable.** Incomplete sold group submissions will be handled as follows:

1. UC will contact the writing agency for the missing information. The agency will have **48 hours from the time of contact** to submit the requested information (or within a mutually agreed upon time frame). If the writing agency fails to provide the information within the established time frame, the group's effective date and rates may be subject to change, the group's submission may be returned as "incomplete", or the group's application may be denied.

Group coverage will become effective based upon written approval from UC.

2. In extreme cases, incomplete submissions may be deemed "unworkable" by UC (e.g., lack of or poor field underwriting and incomplete sold group paperwork). Unworkable submissions may be returned to the writing agency **without prior notice.**

Substitute tax documents should **not** be submitted unless otherwise approved by UC.

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Waiting Periods for Denied/Returning Groups
<b>Control Number:</b>	UC-104.2
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Enrollment Requirements

---

### **Definitions**

The following waiting periods and requirements apply to prospective groups (new-to-HHIC) previously denied coverage and former groups (returning to HHIC) seeking to reapply for coverage:

- **Prospective Groups** that are denied coverage may reapply for coverage based on the following waiting periods:
  - Denied Coverage Due to Incomplete Paperwork Being Submitted - must wait **30** days from the denial date before reapplying for coverage.
  - Denied Coverage Due to Not Meeting Underwriting Guidelines - must wait **90** days from the denial date before reapplying for coverage.

Upon satisfying the applicable waiting period, the group may be quoted on the Producer Portal for the next available effective date.

- **Former Groups** that voluntarily left HHIC for another carrier or that had their coverage cancelled by HHIC for underwriting reasons must satisfy the following requirements:
  - Wait **90 days from the cancellation effective date** before reapplying for group coverage.
  - Groups that were canceled for nonpayment of premiums **must wait six (6) months from the cancellation letter date** before reapplying.
  - Former groups with outstanding debts owed HHIC must coordinate full payment of such debts with HHIC's Customer Collection Services department **PRIOR to reapplication**. Additional financial safeguards may also be required for nonpayment groups with chronic, delinquent histories.

Former groups may only be quoted on the Producer Portal provided that there has been a **lapse in coverage for a full 24 months** (i.e., the group can be quoted in the 24<sup>th</sup> month for a 25<sup>th</sup> month effective date). For example, a group with a 7/1/08 renewal can be quoted on the Producer Portal 7/1/10 for an effective date of 8/1/10.

Groups with **less than a 24 month lapse in coverage:**

- Must submit a Rate Quote Request to HHIC.
- Will keep original renewal date.
- Rates are subject to review and approval by Underwriting Control.
- Cannot be quoted on the Producer Portal.

**Violations**

Groups may **not** change their eligibility policies for the sole purpose of meeting underwriting requirements.

**Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Group Size and Rating Methodologies
<b>Control Number:</b>	UC-105.1
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Rating Requirements

---

### **Definitions**

For rating purposes, groups are categorized based on a group's **total number of enrolled contracts** which include active and retired employees (as applicable), COBRA continuants and eligible dependent contract holders under "split contract" situations. Based on the group's size, the following guidelines are used to determine the appropriate rating methodology:

- Groups with **2-50 enrolled contracts** will be community-rated.
- Groups with **51 or more enrolled contracts** will be experience-rated. Please reference the Highmark Underwriting and Enrollment Guidelines (located on the Producer Portal) for groups with 51 or more enrolled contracts.

HHIC reserves the right to change a group's rating methodology or adjust rates and quoted retentions when the group's **actual enrollment** varies from the **quoted** enrollment. Quoted rates are subject to change and are not considered final until written approval is issued by the Underwriting Control department.

### **Violations**

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Demographic Rating Factors
<b>Control Number:</b>	UC-105.2
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Rating Requirements

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### **Definitions**

Demographic rating is used to develop medical rates for group health plan coverage. The following factors are used in determining demographic rating:

- **Age, Gender and Contract Type** – These weighted factors that are combined together and applied on an enrolled basis to reflect expected risk associated with a group. Demographic factors for individuals enrolling in group Medicare complement coverage (for whom Medicare would pay primary) are **excluded** from this calculation and need not be entered in the rate quote census.
- **Industry Classification/Location** – Groups are classified by a Standard Industry Classification (SIC) code. This code is a mandatory field when quoting/submitting a group as it is used to determine the appropriate SIC code risk band factor. The industry classification for a particular group is based on the overall description of the company's business.

**Note:** For a "common ownership" group (involving multiple businesses with various SIC codes/factors), each business will be rated separately for SIC code and location.

Underwriting Control (UC) has the discretion to determine what SIC code will be used for risk classification purposes and may use a service such as Dun and Bradstreet (D&B) to verify a SIC code.

In situations involving ambiguous SIC code classifications, the group may be required to supply UC with a copy of the declaration pages (showing the job/business risk classifications) from its Workers' Compensation or General Liability policy **and/or** provide copies of marketing materials or other objective/verifiable information that would support the classification.

### **Violations**

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Applications of Demographic Rating
<b>Control Number:</b>	UC-105.3
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Rating Requirements

---

### **Definitions**

Prior to entering the demographic information into the Producer Portal or Rate Quote Request, group size determinations must be made to establish the appropriate rating methodology (community or experience-rating). Please refer to the addendum documents located on the Producer Portal for more information regarding group size and product options.

The following information should be entered into the census/rate quote for the purpose of demographic rating:

- **Contract Holders** - The age, gender, contract type and applicable status code should be entered into the census **for each eligible contract holder**. Refer to the New Business Submission Guide (located on the Producer Portal) for additional instructions.
- **Standard Industry Classification (SIC)** – The applicable SIC code entered should reflect the overall description of the group’s business. However, when quoting a “common ownership” group (involving multiple businesses with various SIC codes/factors), each business will be rated separately for SIC code. Any change in the composition of a common ownership group may require rate modifications by HHIC (e.g., one of the businesses is sold). For assistance with SIC code determinations, contact Underwriting Control.
- **Geographic Location** – Refers to the physical location of the company. For a “common ownership” group (involving multiple businesses with various geographic locations), each business will be rated separately for geographic location.

**Note:** For more information on quoting common ownership groups, please see UC-101.4A (Quoting Common Ownership Groups).

Rate quotes are only valid for the month for which they were quoted. To avoid rate adjustments, please verify that the SIC code, geographic location (ZIP Code) and effective date are correct and compare the **quoted** census to the **actual** enrollment (age, gender, contract type and status) and re-quote if necessary.

**Renewal rates** for existing community-rated groups will **not** be updated to reflect demographic changes that occur between the time the renewal is calculated and the effective date of the renewal rates.

### **Violations**

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Differences between Actual and Quoted Rates
<b>Control Number:</b>	UC-105.4
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Rating Requirements

---

### **Definitions**

HHIC reviews all rate quotes for accuracy by comparing each group's **quoted** demographic factors to its **actual** enrollment. Rate adjustments will be handled as follows:

- Underwriting Control will calculate the **actual** demographic rate using actual enrollment information.
- If the **final** rate varies from the **quoted** rate (based on the single rate), the group's client manager and producer will be notified of the final rate adjustment. The client manager or producer is responsible for:
  - Informing the group of the final approved rates;
  - Ensuring the Group Acceptance/Declination Confirmation Form has been completed in its entirety and returned to Underwriting Control; and
  - Obtaining a binder check prior to group setup by HHIC.
- Groups receiving a rate increase may elect to change to a product with lesser benefits and more affordable rates. Such changes are subject to HHIC approval. The alternative rates for the new product will apply based on the final rate quote(s) approved by Underwriting Control.
- If a group chooses not to enroll after receiving notification of its **actual** rates or is requesting a change of product election, the group's client manager or producer **must notify Underwriting Control immediately** of the group's intent.

### **Violations**

Groups requesting a product change may **not** make other enrollment changes.

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

**Guideline Name:** Adding/Changing Products (within the same pool)

**Control Number:** UC-106.1

**Issue Date:** July 1, 2010

**Revision Date:**

**Effective Date:** July 1, 2010

**Category:** Existing Business Re-Underwriting Requirements

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### **Definitions**

Groups with medical and/or vision coverage can only change (buy up) to richer benefit products **at renewal time**. Medical only groups can add vision coverage at any time during the contract period and vice versa.

**Note:** Medical only groups adding vision coverage will have the anniversary date of the vision coverage synced to the medical coverage.

Groups may change (buy down) to a medical product with less benefits at renewal or off-cycle. **Off-cycle** buy down changes are subject to the following requirements and conditions:

- The group must submit a Small Group Business Application to Producer Affairs or to their Client Manager citing its current pool/product information, renewal date, business reason(s) for the change and be signed by the policymaker.
- The request must be made within the **first eight months** of the group's contract period. Product buy-downs are **not** available four months prior to renewal.
- The group must select a product with lesser benefits or increased member coinsurance.
- All member cost sharing accumulations will be transferred to the new program **except** when moving from a qualified to non-qualified product or from a non-qualified to qualified product.
- The renewal (or initial) alternative products and rates will be applicable provided that the group's renewal demographics have not changed significantly.
- A benefit "lock-down" period will apply from the effective date of the new product until the group's second renewal. For example: group renews on 1/1/10 then requests a buy-down effective 8/1/10. The group will not be eligible for another product change until its 1/1/12 renewal.

**Note:** HHIC reserves the right to request tax documentation to verify that the group is in compliance with the underwriting and enrollment guidelines. If requested, the tax documentation requirements are identical to those for new group submissions. Refer to the New Business Submission Guide (located on the Producer Portal) for additional information.

**Violations**

Groups in arrears with unpaid premiums will **not** be allowed to add/change products.

In addition, renewal date, open enrollment period and eligibility changes are **not** permitted in conjunction with **off-cycle** product buy downs.

**Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Eligibility Changes
<b>Control Number:</b>	UC-106.2
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Existing Business Re-Underwriting Requirements

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### ***Definitions***

Groups must adhere to the eligibility (hourly/probationary period) requirements as stated on their [Small Group Business Application](#) for their entire contract period. Changes should only be made at renewal time.

Groups requesting *off-cycle* changes must submit a written request (on company letterhead) and a new Small Group Business Application to Producer Affairs or to their Client Manager citing their renewal date, business reason(s) for the change and be signed by the policymaker for review by Underwriting Control.

**Note:** HHIC reserves the right to request tax documentation to verify that the group is in compliance with the underwriting and enrollment guidelines. If requested, the tax documentation requirements are identical to those for new group submissions. Refer to the [New Business Submission Guide](#) (located on the Producer Portal) for additional information.

### ***Violations***

### ***Exceptions***

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

**Guideline Name:** Pool to Pool Movement  
**Control Number:** UC-106.3  
**Issue Date:** July 1, 2010  
**Revision Date:**  
**Effective Date:** July 1, 2010  
**Category:** Existing Business Re-Underwriting Requirements

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### ***Definitions***

Groups may only move from one risk pool to another **at renewal time** (e.g., group moves from small group pool to an association pool or vice versa). Rates will be developed by HHIC.

### ***Violations***

Groups are prohibited from moving pool to pool off-cycle.

Groups in arrears with unpaid premiums will **not** be allowed to move to another pool.

The Producer Portal **should not** be used to quote pool to pool movement. Rates produced on the Producer Portal will **not** be honored by HHIC.

### ***Exceptions***

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Ownership Changes
<b>Control Number:</b>	UC-106.4
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Existing Business Re-Underwriting Requirements

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### **Definitions**

Existing groups are required to report ownership changes to their HHIC client manager. Such changes must be evaluated by Underwriting Control for rate purposes. Ownership changes include but are **not** limited to the following scenarios:

- Group is sold (i.e., business/ownership changes hands).
- Group changes its Employer Identification Number (EIN). For example, sole proprietorship becomes incorporated.
- Group adds/removes other businesses (i.e., group acquires or merger with a second business and wants to establish a common ownership status or is no longer a common ownership group).

Groups making ownership changes must submit the following documentation:

1. **Small Group Business Application** – must be completed and signed by the **new** owner/common owner or an authorized policymaker as applicable.
2. **Letter of Explanation** – written by the group’s policymaker (on company letterhead) citing the change(s) in ownership, business structure, nature of the business and/or any enrollment/eligibility changes.
3. **Tax Documentation** – submit a copy of the SS-4 or PA Form 100 and/or other tax/payroll documentation as applicable. Refer to the **New Business Submission Guide** (located on the Producer Portal) for additional information or contact UC.

In addition, UC will use the following guidelines to determine whether the group will be re-rated for demographic/enrollment variances:

- HHIC may re-rate the group if the enrollment decreases or increases by ten percent (10%) or more. Current census information will be required if UC determines that the group should be re-rated.
- If the majority of employees are **new enrollees** under the new ownership, the group may be treated as new business. Contingent upon UC approval, the client manager or producer may quote the group on the Producer Portal using the group’s new demographics. Enrollees will be required to complete full Enrollment/Waiver Application and Change forms.
- Applicable rate adjustments will be effective upon the group’s next premium due date.

**Violations**

Groups involving ownership changes should **not** be submitted to HHIC as new clients or be quoted on the Producer Portal without approval from UC.

**Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Changes in Group Size
<b>Control Number:</b>	UC-106.5
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Existing Business Re-Underwriting Requirements

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### **Definitions**

HHIC has the discretion to move a community-rated group to experience rating if the number of enrolled contracts increases to **51 or more**. Likewise, an experience-rated group may be moved to community-rating if the number of enrolled contracts decreases to **50 or less**. Such movement may require a group to change benefits and rates will be adjusted effective as of the group's renewal date.

Groups are required to have and maintain a minimum of two (2) enrolled contracts, meet the participation requirements (based on group size) **and** all other underwriting and enrollment requirements throughout the contract period. If HHIC determines that a group has failed to maintain the minimum participation requirements; or if the actual enrollment decreases or increases by ten percent (10%) or more during the period for which the contractual rate has been set, HHIC may:

1. Terminate the contract upon 60 days written notice to the group (i.e., the group no longer meets the underwriting and participation requirements) or;
2. Modify on any premium due date, the contractual rates and/or retention requirements.

**Note:** Should the group contract be terminated, members may be offered direct pay conversion (individual) products as options for replacing group medical coverage provided the group does **not** offer coverage through another carrier. It is the group's responsibility to notify the subscribers of the termination of their group coverage.

### **Violations**

Groups falling to one (1) enrolled contract for a period of 90 consecutive days will be cancelled with a minimum 60 days written notice.

### **Exceptions**

Group size requirements may vary for association pools.

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

**Guideline Name:** Renewal Date Changes  
**Control Number:** UC-106.6  
**Issue Date:** July 1, 2010  
**Revision Date:**  
**Effective Date:** July 1, 2010  
**Category:** Existing Business Re-Underwriting Requirements

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### ***Definitions***

Groups requesting a renewal date change must submit a written request (on company letterhead) citing the business reason(s) for the change and be signed by the group's policymaker. If available, supporting documentation should also be included (e.g., change is being requested as a result of a new union bargaining agreement).

Requests submitted by community-rated groups with **11 to 50 enrolled contracts** should be directed to Producer Affairs or to the group's Client Manager and are subject to review and approval by Underwriting Control. Groups with **10 or less contracts** are **not** eligible for renewal date changes.

**Note:** Renewal date changes do **not** automatically make groups eligible for benefit/product changes, eligibility changes, and/or rate changes.

### ***Violations***

Requests for renewal date changes for the purpose of aligning medical products with supplemental products, health savings accounts, etc. will **not** be honored.

### ***Exceptions***

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

**Guideline Name:** SIC Code Changes  
**Control Number:** UC-106.7  
**Issue Date:** July 1, 2010  
**Revision Date:**  
**Effective Date:** July 1, 2010  
**Category:** Existing Business Re-Underwriting Requirements

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### ***Definitions***

SIC code changes must be reviewed and approved by Underwriting Control (UC). Groups may be required to supply UC with a copy of the declaration pages (showing job/business classifications) from their Workers' Compensation or General Liability policy **and/or** provide copies of marketing materials or other objective/verifiable information that would support the classification.

If approved, rate adjustments will be effective with the group's next renewal.

### ***Violations***

### ***Exceptions***

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

<b>Guideline Name:</b>	Existing Business Audits
<b>Control Number:</b>	UC-106.8
<b>Issue Date:</b>	July 1, 2010
<b>Revision Date:</b>	
<b>Effective Date:</b>	July 1, 2010
<b>Category:</b>	Existing Business Re-Underwriting Requirements

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### **Definitions**

HHIC reserves the right to audit (re-underwrite) existing business **at any time** to confirm compliance with the underwriting guidelines.

Group selection criteria may be random, routine, by referral or based on enrollment variances, etc. Once selected, Underwriting Control (UC) notifies Producer Affairs and each group's Client Manager of the audit.

Audit letters and underwriting questionnaires will be mailed to each group's policymaker. The policymaker is asked to complete the questionnaire and return it along with their current tax documentation to UC. Client managers will be notified of any groups that fail to respond and will have the opportunity to contact the groups to encourage them to respond.

UC will contact groups **directly** to obtain and/or to clarify any additional information needed to complete the audit.

Groups that **do not respond or fail to meet the underwriting requirements** will be canceled. In accordance with HHIC's contracts, groups will receive a minimum 60-day written cancellation notice. However, certain violations may warrant further investigation by HHIC's Special Investigation Unit which may result in immediate cancellation.

Should a group's contract be terminated, members may be offered direct pay (individual) products as options for replacing group **medical** coverage provided the group does **not** offer coverage through another carrier. It is the group's responsibility to notify the subscribers of the termination of their group coverage.

The client manager and/or producer will be notified of any group cancellations and will have the opportunity to assist the group in achieving underwriting compliance **prior** to cancellation.

**Note:** HHIC reserves the right to re-rate groups as part of the audit process as deemed necessary (e.g., based on significant enrollment changes).

### **Violations**

### **Exceptions**

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## **HHIC Small Group Underwriting & Enrollment Guidelines**

**Guideline Name:** Association Guidelines  
**Control Number:** UC-107.1  
**Issue Date:** July 1, 2010  
**Revision Date:**  
**Effective Date:** July 1, 2010  
**Category:** Association Information

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### ***Definitions***

All member firms (groups) enrolling in HHIC approved associations are subject to the underwriting and enrollment guidelines (i.e., unless stated otherwise in HHIC's association guidelines).

Please refer to the association guidelines for additional information as group size requirements may vary between associations.

### ***Violations***

### ***Exceptions***

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