



# **Participation Underwriting & Rating Guidelines For Small Employer Groups & Risk Pools**

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**Revised July 2006**

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# For Small Employer Groups & Risk Pools

The following Highmark Blue Cross Blue Shield/Keystone Health Plan West (hereinafter referred to as Highmark unless specifically indicated otherwise) participation underwriting and rating regulations are the requirements for enrollment of employer groups and their subscribers into the small group pools (including associations/pools, Highmark managed pools, community-rated, merit-rated and experience-rated groups). They apply to all associations and pools, unless specifically stated otherwise.

- All pools must meet or exceed these guidelines, which apply to all requests for an October 1, 2006 and thereafter-effective date.
- A pool can adopt policies beyond these guidelines - e.g., set higher minimum participation than those outlined in Section II-B - so long as it does not represent its own policies as Highmark policies, and those pool's policies are consistent with Pennsylvania law. The group's policies should not violate state or federal law, including laws that prohibit unfair discrimination regarding eligibility standards for participation in employee benefits plans.
- If a group is (1) turned down for a pool because that pool has adopted policies beyond the Highmark policies, and (2) otherwise qualified for small group coverage, Highmark reserves the right to enroll the group in another association/pool or directly in a Highmark managed pool.
- Highmark reserves the right to revise these guidelines at any time to address new situations or issues otherwise not covered in this document. The goal of the underwriting guidelines is to provide consistent corporate policies and procedures that ensure Highmark has the ability to offer quality, affordable group coverage to all who qualify, to minimize the risk of adverse selection, and to protect rates and the availability of coverage to small groups. As a rule, there are no exceptions to the core underwriting policies detailed in the attached document for groups with fewer than 51 covered employees.
- To qualify for group coverage through a Highmark managed pool; there must be a minimum of two full-time employees enrolling.
- Existing business must be in compliance with the revised guidelines. Highmark reserves the right to verify/audit existing business to confirm compliance with the underwriting policies and procedures dictated in this document. Failure to meet the guidelines may result in termination of the group. Terminated employees may be offered conversion to our guaranteed issue Direct Pay (Individual) products.
- The enclosed guidelines are uniform for the Highmark 29 county service area on most core issues. However, due to market concerns & differences, please contact your client manager or refer to the guidelines appropriate for the service area that you are writing or renewing business in.
- The guidelines apply only to the employer groups located in the Highmark 29 county service area of Western PA.

**The intent of these guidelines is to provide associates with the tools and guidance to facilitate set up of a client in the most timely and effective manner. Failure to submit complete and properly documented paperwork could result in delays in processing and/or denial of coverage.**



## Small Group Submission Aide (For Groups <51 Lives)

### New Business

When writing new business for an account, please ensure that all items listed below are followed. If any of the information is received incomplete, it may delay the underwriting and processing of the group. This could have an impact on the customer's effective date, active status, receipt of identification cards, and billing invoices. Highmark cannot provide coverage if the group refuses to disclose enrollment, contribution, participation information, products offered, UC-2 or any other required documentation necessary for underwriting. Highmark reserves the right to change the customer's effective date or to deny the group (and return all original paperwork to the writing agent) if any information is omitted during the small group application process or if there is failure to provide information requested by Underwriting in a timely manor.

1. **ALL** fields on the Small Group Business Application should be completed accurately and legibly.
2. A Quote ID **MUST** be supplied. The census, SIC, and county should reflect the membership applications submitted and the data supplied on the Small Group Business Application.
3. If the group being submitted is affiliated (commonly owned) with other groups currently enrolled in Highmark products, please provide the other groups numbers and names.
4. Include any comments, unusual situations, and clarifications in the 'Remarks' section on the back of the Small Group Business Application. At Highmark's discretion, a letter from the company may be required detailing unusual situations.

Reminder: All business must be received at Highmark by the end of business on the last day of the month for coverage to be effective as of the first of the second month. Example: Groups effective July 1, 2006, must be received at Highmark no later than May 31, 2006.

### Existing Business Changing/Adding Products

When an existing client is changing/adding products, the only paperwork required to be submitted is the Small Group Business Application. The only exceptions to this would be:

1. An existing client with a current in-area product only now adding an OOA product. In this case, all paperwork should be submitted as if new to blue (i.e. tax documentation, membership applications, etc.)
2. An existing client with a current medical only product (that has not been underwritten within 3 years) now adding a vision product. In this case, all paperwork should be submitted as if new to blue (i.e. tax documentation, membership applications, etc.)
3. An existing client that wishes to move between risk pools/associations will need to contact the appropriate Client Manager for rates/rules.

Note: Enrollment applications are required when moving from a non-managed care product to a managed care product. This is due to PCP information being required.

Reminder: If the addition of a product will only be a partial transfer (not total) then it is very important to note in the comments section (or on a separate sheet of paper) which employees are to be moved to the new group. This will ensure proper set-up of membership.

## Small Group Submission Aide (con't)

### Documentation

All employment documents (UC-2, tax documents, etc.) are to be signed and dated by the owner or officer of the company to verify the accuracy of enrollment status stated by the group.

Include the most recent UC-2 form. **Please mark appropriately using the key code below.**

<u>Status</u>	<u>Key Code</u>	<u>Comment</u>
Full-time	<b>FULL</b>	
Part-time	<b>PART</b>	
Terminated	<b>TERM</b>	also draw a line through these individuals
Spousal Opt Out	<b>SP</b>	include current carrier information
In Probationary Period	<b>PROB</b>	include date of eligibility
COBRA enrollee	<b>COBRA</b>	include start and end dates of eligibility
Waiving coverage	<b>WAIVE</b>	include reason, such as Medicare, military, etc.
New Hire	<b>NEW</b>	add to UC-2
Seasonal	<b>SEAS</b>	
Retired	<b>RET</b>	
Other	<b>OTHER</b>	include description, such as owner

**Note: If an employee is marked PART, we do not need any other information (ex: Sp, Waive).**

- New Business.** If the group is a new business, please provide 1) a letter on the group's new letterhead with the start date of the business, 2) a description of their industry, 3) a list of their employees, and hours and duties for each, 4) the EIN identification number as filed on the SS-4 (application for Employer Identification Number).
- For those groups that are not required to file a UC-2,** please include payroll records marked appropriately as you would mark a UC-2.
- For Sole-Proprietor Groups** – no employees other than the owner, include the most recent Federal Income Tax Schedule C tax return AND a letter with the owner's full-time hours worked per week and duties performed.
- For employees not listed on the UC-2 or payroll records;** we require a letter on the company letterhead stating the full-time hours worked per week and duties of each individual and an explanation as to why they are not listed.
- Completed Agency Transmittal and Premium Check for One Month's Premium**
- For the Small Business Program pool,** make the premium checks made payable to Highmark (Note: Groups enrolling in Keystone must include a check made payable to Keystone Health Plan West). For groups enrolling in an association, the check made payable information may vary.
- Membership applications completed in their entirety and signed by the owner of the company.** If applying for any managed care product, please make sure the member fills in all appropriate PCP information and uses the correct applications for the product for which they are applying.
- Miscellaneous.** When describing unique circumstances that warrants a separate letter. Examples: Groups moving from experience rating methodology to demographic rating and visa-versa, industry ratings that require clarification, group segmentation or scenarios in which rates are combined, common-ownership, etc.

### **Submissions for small groups under 51 lives should be mailed to:**

Highmark Blue Cross Blue Shield  
 120 Fifth Avenue  
 Attn: Small Group New Business Submissions  
**Suite 1025**  
 Pittsburgh, PA 15222-3099

**If submissions are being hand delivered, they should be delivered to the Guards Station in the lobby of Fifth Avenue Place**

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# I. Group Types

## A. Defining a group

To be eligible for small group associations/pools, a group must fit in one of the following categories:

- A collection of employees ... employed by a single employer (corporation, partnership, sole proprietorship, professional corporation, etc.)
- Members ... of a health and welfare fund (union organization).
- A wholly or partially owned subsidiary ... of an insured group.
- The companies under the umbrella of a holding company ... if the holding company is considered the policyholder.
- Those associations that still market/allow sole-proprietor groups of one are eligible to enroll those groups within the association and in all the health products available to those groups.
- NOTE: A group cannot be formed for the expressed purpose of purchasing insurance.
- Also, the group must be actively engaged in their enterprise and not a dormant group. Highmark reserves the right to deny any group deemed to be an unsatisfactory risk or otherwise does not meet underwriting guidelines.

## B. Size categories

Groups are categorized by size into the following rating classifications:

- **Association / community / pool groups** ... are made up of small employers (1 through 50 employees) that have enrolled in Highmark coverage through one of the associations or Highmark managed small group pools that have been established.
- **Experience-rated groups** ... are accounts with greater than 50 employees that are rated, at least in part, on their own experience. Experience-rated groups can reside in pools, associations or on their own.
- **New business quotes will use projected enrollment (contracts) to establish initial rates and to classify each client as either demographic or experience rated.** Renewals will use actual enrollment over the base experience period to classify a client as either demographic or experience rated. NOTE: Rates are subject to change and not considered finalized until the final approval by Highmark Underwriting.
- When enrollment on an existing account falls below the minimum participation requirements, the group will be terminated if it cannot be brought into compliance, and a conversion to our guaranteed issue Direct Pay (Individual) products may be offered.

## C. Company Takeovers

- When an existing Highmark client takes over another existing Highmark client, the following will occur:
  - a. Proof of common ownership should be sent to the Client Manager to review with Underwriting.
  - b. Actuary will then supply rates for this new combined client.
- When an existing Highmark client takes over another company who currently has insurance through another carrier, the following will occur:
  - a. The tax documentation of the new company and proof of common ownership should be sent to the Client Manager to review with Underwriting.
  - b. Actuary will then supply the rates using a census supplied by the company. The portal can not be used to obtain rates

# I. Group Types (con't)

## D. Common Ownership

If one controlling owner/decision maker owns more than one company covered under a Highmark health plan, then the following will occur:

- If the combined enrollment for all entities is  $\geq 51$  lives, the accounts are experience-rated.
- If the combined enrollment for all entities is  $< 51$  lives, the account will be demographically rated based on the following:
  - Separate groups (based on company names) will be established under one client number (the company name that should be used at the client level should be supplied in the comments section of the small group business application.)
  - The client (and not each company separately) must meet the product mix rules.
  - A letter must be supplied by the owner stating there is common ownership.
  - Rates are based upon total enrollment for all commonly owned businesses applying for coverage.
  - Each business will be rated separately for Industry and Location using the combined census of all companies applying for coverage.

**Note:** When an existing client adds a new commonly owned company to their existing coverage, rates must be obtained from Highmark Actuary through your client manager. These rates **are not** to be generated through the producer portal.

### Example of Common Ownership

Company A has 10 enrolling employees in Allegheny County with the SIC 5432.

Company B has 8 enrolling employees in Washington County with the SIC 1234.

Company C has 9 enrolling employees in Erie County with the SIC 6789.

This is a total of 27 enrolling employees with three different counties and SIC's.

The steps to be followed are:

1. Run a quote with all 27 enrolling employees on the census using Allegheny County and SIC 5432.
2. Run a quote with all 27 enrolling employees on the census using Washington County and SIC 1234.
3. Run a quote with all 27 enrolling employees on the census using Erie County and SIC 6789.
4. Submit a total of three Small Group Business Applications (bundled as one submission). Each application should have the quote ID specific to that group's county and SIC. All supporting tax documentation and membership applications for each company should be attached to the small group business application when submitted.
5. Submit a letter from the owner of the companies verifying the common ownership.

## II. Group Eligibility Requirements

### A. Size

- **Minimum and maximum group size eligibility** ... is defined on a risk-pool-by-risk-pool basis.
- **All groups with 51 or more eligible enrollees** ... are experience-rated, regardless of pool. (Note: This now includes any Vision products in the Highmark direct risk pools (Small Business Program and CPE).
- **For existing Highmark business**, the rating methodologies of demographic or experience rating are determined by the size of the group(s)/client during the Base Experience Period.
- **Highmark reserves the right to deny any group deemed to be an unsatisfactory risk or otherwise does not meet Highmark's participation underwriting standards.**

### B. Enrollment Minimums

**Determination of minimum participation requirements are based on:**

- Total number of eligible employees. This includes all full-time employees, including those full-time employees over age 65 (who are actively working,) and any employees who have fulfilled their probation period.
- Number of employees "opting out" of coverage because they have "Blue" group coverage through a spouse.
- Number of employees "opting out" of coverage because they have "non-Blue or competing Blue program" group coverage through a spouse.
- "Total eligible employees/members" are the number of active, eligible employees/members (regardless of age) who have fulfilled their probation period. Note: If an association allows coverage for retirees, they would also be counted as eligible members.
- COBRA eligibles are not used to determine "total eligible employees/members"; however their ages are used when calculating the group's demographics. The date of eligibility is required for all COBRA applicants.

## II. Group Eligibility Requirements (con't)

### C. Product Offering Rules

- Demographically rated groups are limited to two product options (unless there is an out-of-area option needed.)
- KeystoneBlue HMO or any "value" product can be offered to eligible groups along with one other benefit option. Groups offering KeystoneBlue HMO or a "value" product must meet "**minimum participation requirements**" as noted in respective chart.
- Out-of-Area plan options are as follows: OOA PPO (HDHP \$2,600 Ded) can be offered with any in-area product with the exception of EPOBlue Essential (see bullet below). However, if any other OOA plan is chosen, the benefit design **must be equal to or less than the in-area plan chosen** (see chart on next page.) Note: If the company is enrolling in a PPO product, and the employee resides outside of the 49 county (western and central regions) service area, the employee must enroll in an out-of-area product. If the company is enrolling in either a Keystone HMO or Traditional product, and the employee resides outside of the 29 county (western region) service area, the employee must enroll in an out-of-area product. Note: Dual options are not available for OOA products, and if there are dual options for the in-area products the OOA product must be equal to or less than the richest in-area product offered.
- A "Keystone only" product offering is subject to the standard underwriting minimum participation percentages listed in the participation requirements charts on page 12 of the guidelines.
- EPOBlue Essential is a **total replacement** product. Normal product mix rules **do not** apply. This program **cannot** exist with any other Highmark medical products. It is important to realize that EPO Blue Essential **cannot** exist with Keystone Blue HMO or any value plan product. *It is important to note this is not a voluntary program and as such normal, underwriting and participation guidelines apply.* There is **no** OOA product option for EPOBlue Essential. Therefore, the OOA employees may remain on the in area EPOBlue Essential plan.
- All health coverage – as well as any supplemental coverage – must be purchased through the same risk pool as long as that general line of business is available through that pool. This is true even if the coverage is available at a different rate or benefit design in other risk pools. If the supplemental coverage is not available through the medical coverage pool, it may be purchased through the Small Business Program Pool, subject to normal underwriting guidelines.
- Lifestyle Returns:
  1. Can exist with all PPO & HMO products offered, including EPO Blue Essential. This includes both in and out of area.
  2. If dual choice health plans are offered, Lifestyle Returns must be attached to both products or not at all.
- Up to 20% of eligible employees may enroll in competing HMO's provided that 100% of the active Employees who enroll in Indemnity/Comprehensive/PPO/POS/Open Access products are enrolled in Highmark products.

If employer offers a competitive HMO, Highmark requires:

  - Documentation/proof of coverage such as ID cards or a bill from the other carrier listing the employees covered.
  - Notification from the group in writing if this is a first time offering of the competing carrier's plan and the effective date of the offering.
  - The exact employer contributions for Highmark products and for the competing carrier's plan.

## OOA Product Offering Mix Rules

	OOA Comprehensive	OOA PPO High Option II	OOA PPO Standard	OOAPPO (HDHP 100/80 \$2,600 Ded)	OOA PPO High-Deductible Value	OOA PPO Value Plus 500
PPOBlue High Option I		x	x	x	x	x
PPOBlue High Option II		x	x	x	x	x
PPOBlue Enhanced			x	x	x	x
PPOBlue Standard			x	x	x	x
PPOBlue Split Copayment 100/80				x	x	x
PPOBlue Split Copayment Low Cost 90/70				x	x	x
PPOBlue High-Deductible Value				x	x	
PPOBlue Value Plus 250				x	x	x
PPOBlue Value Plus 500				x	x	x
PPOBlue (HDHP 100/80 \$2600 Ded)				x		
PPOBlue (HDHP 90/70 \$2600 Ded)				x		
PPOBlue (HDHP 90/70 \$3500 Ded)				x		
PPOBlue (HDHP 80/60 Value Option)				x		
PPOBlue \$500 Deductible				x	x	x
PPOBlue \$2500 High-Deductible Value				x		
PPOBlue 90/70				x	x	x
EPOBlue Essential						
SelectBlue 90/70				x	x	x
KeystoneBlue HMO		x	x	x	x	x
ClassicBlue Traditional		x	x	x	x	x
ClassicBlue Comprehensive 750/1000	x	x	x	x	x	x

\*Note: If you are an existing client, and you do not meet the product mix rules above, your coverage can remain as is. If at anytime you make a change to your coverage, you must come into compliance of the Participation Underwriting & Rating Guidelines.

## II. Group Eligibility Requirements (con't)

### D. Supplemental vision coverage

- The minimum participation requirements shown on page 8 also apply for supplemental coverage.
- For existing medical groups adding a new vision product the following applies. If the group's basic health coverage has been underwritten within the last three years, the group may add vision coverage via their invoice/bill and the group will not be subject to underwriting.

**Note:** For underwriting regulations and submission requirements for dental coverage, please refer to separate UCCI guidelines and procedures, which are **not** included in this document.

### E. Steps to Calculating Minimum Participation

1. Total the number of full time eligible employees from the UC-2/tax documentation. Credit is not given to individuals enrolled in a Direct Pay program.
2. Refer to the Maximum Spousal Opt-Out chart on page 12 to determine the maximum number of spousal opt-outs. Non-Blue or competing Blue program spousal opt-outs cannot exceed 20% of eligible employee population rounded down to the nearest number. Credit is not given to individuals covered under a spouse's Direct Pay program.
3. Take the number of eligible employees less spousal opt-outs and refer to the Participation Requirements chart on page 12.
4. The respective 'needed to enroll' number on the Participation Requirements chart is the minimum number of enrollees required to meet participation requirements.

**Maximum Spousal Opt-Outs Chart**

Full-Time Eligible Employees	Maximum Opt-Outs
2	0
3 - 4	1
5 - 7	2
8 - 9	3
10 - 12	4
13 - 14	5
15 - 17	6
18 - 19	7
20 - 22	8
23 - 24	9
25 - 27	10
28 - 29	11
30 - 32	12
33 - 34	13
35 - 37	14
38 - 39	15
40 - 42	16
43 - 44	17
45 - 47	18
48 - 49	19
50 - 51	20
52 - 53	21
54 - 56	22
57 - 58	23
59 - 61	24
62 - 63	25
64 - 66	26
67 - 68	27
69 - 71	28
72 - 73	29
74 - 75	30

**Participation Requirements Chart**

Eligible Employees less spousal	Needed to Enroll
2	2
3	3
4 - 5	4
6	5
7	6
8	7
9	8
10	9
11	10
12	11
13	12
14	13
15 - 18	14
19	15
20	16
21	17
22 - 23	18
24	19
25	20
26	21
27 - 28	22
29	23
30	24
31	25
32 - 33	26
34	27
35	28
36	29
37 - 38	30
39	31
40	32

Eligible Employees less spousal	Needed to Enroll
41	33
42 - 43	34
44	35
45	36
46	37
47 - 48	38
49	39
50	40
51	41
52 - 53	42
54	43
55	44
56	45
57 - 58	46
59	47
60	48
61	49
62 - 63	50

## Examples of Spousal Opt-Outs

### Example 1

**Step 1:** 25 Total Eligible Employees

**Step 2:** 10 Spousal Opt-Outs (Refer to Spousal Opt-Outs Chart for maximum allowed)

Verify “non-blue or competing Blue program” spousal opt-outs do not exceed 20% of total eligible. If over 20%, group is denied. If under 20%, proceed to Step 3.

**Step 3:** 15 Remaining Eligible (Refer to Minimum Participation Chart for minimum enrollment required).

14 enroll in coverage.

Status: Group approved.

### Example 2:

**Step 1:** 4 Total Eligible Employees

**Step 2:** -1 Spousal Opt-Out ♦ (Refer to Spousal Opt-Outs Chart for maximum allowed.)

**Step 3:** 3 Remaining Eligible (Refer to Minimum Participation Chart for minimum enrollment for groups of 3 or 4 eligible employees.)

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3 enroll in coverage

**Status:** Group approved.

♦The 1 *Spousal opt-out can be “blue” or “non-blue or competing Blue program” for groups of 3 or 4 eligible employees*

### Example 3

**Step 1:** 42 Total Eligible Employees

**Step 2:** -16 Spousal Opt-Outs (Refer to Spousal Opt-Outs Chart for maximum allowed.)

Verify “non-blue or competing Blue program” spousal opt-outs do not exceed 20% of total eligible. If over 20%, group is denied. If under 20%, proceed to Step 3.

**Step 3:** 26 Remaining Eligible (Refer to Minimum Participation Chart for minimum enrollment required.)

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21 enroll in coverage

**Status:** Group approved.

### Example 4

**Step 1:** 14 Total Eligible Employees

**Step 2:** -6 Spousal Opt-Outs (Refer to Spousal Opt-Outs Chart for maximum allowed.)

**Stop-Group denied because they exceed the maximum spousal opt-out allowance.**

## II. Group Eligibility Requirements (con't)

### F. Employer-sponsor-responsibilities

When sponsoring a group, an employer must:

- Administer the group.
- Offer enrollment opportunities to all eligible employees.
- Contribute toward the premium costs and/or provide payroll deductions.

### G. Location

For a group to be eligible for coverage individuals in the group must be employed by or members of an entity located in Highmark's 29-county service area.

- Location is defined as the physical location of:
  - A company or
  - A corporate headquarters, or
  - An association executive office, only if the local company is purchasing the insurance.
- **It is not necessary for all the individuals of the group ...** to reside or work within the Highmark service area. The group is eligible as long as 50% or more of the company's total eligible employees live in the Highmark service area.
- **A separate out-of-area pool for association/pool employees ...** has been established to enroll out-of-area employees of companies headquartered in western Pennsylvania. Employees in the out-of-area pool can make up a maximum of 50% of total eligible employees. Out of area employees can be covered through the separate out-of-area pool. The out-of-area pool is available only if the client is headquartered in the Highmark 29 county service area, maintains an in-area Highmark group and has at least 50% of its employees in our service area.

**For out-of-area coverage, please remember:**

- If, for any reason, the group's out-of-area enrollment becomes greater than 50% of the client's total enrollment, the entire group will be terminated for failing to meet participation guidelines.
- No out-of-area employees may enroll in the in-area products. If the company is enrolling in a PPO product, and the employee resides outside of the 49 county (western and central regions) service area, the employee must enroll in an out-of-area product. If the company is enrolling in either a Keystone HMO or Traditional product, and the employee resides outside of the 29 county (western region) service area, the employee must enroll in an out-of-area product.
- On request, a client may choose to enroll only in-area employees, assuming the employer has a physical location within our 29 county western region service area and that the in-area segment meets all participation underwriting & rating guidelines.
- On request, a client may choose to enroll in-area and out-of-area employees. In this case, all participation underwriting and rating guideline requirements must be met. The out-of-area segment **cannot** exceed 50% of the client's total enrollment, and all out-of-area employees must be enrolled in the out-of-area pool.
- Employees who reside outside of the 49 county service area are eligible for out-of-area coverage **only**.
- If a current Highmark client has not yet had a renewal and wishes to add an OOA product, the Client Manager must supply these rates, they can not be generated in the Producer Portal.

**Example:** A client that is new to blue with Highmark effective 4-1-06 that wishes to add an OOA product to their coverage with an effective date between 5-1-06 to 3-1-07 would need to go through their Highmark Client Manager to obtain the rates for the OOA product since they will not have renewal rates available to them until 4-1-07.

### III. Employee Eligibility

The following eligibility and documentation requirements apply for employees, retirees and their dependents. (See Sections I and II for group eligibility information).

#### A. Covered employment

Covered employment includes any service performed by an individual for wages or under any contract of hire – written or oral, expressed or implied – including service in interstate commerce and service by an officer of a corporation. Also covered is service as a producer or commission driver, as a traveling or city salesperson and as an officer or crewmember of an American vessel if operations are controlled within the service area.

#### B. Defining an employee

- **An eligible employee** ... is one as defined by the employer. Highmark may require copies of human resource materials to verify the **employer's criteria of a full-time employee, including hours worked.**
- **To qualify for Highmark group coverage...**an employer's minimum definition of a full-time employee must be: an individual, regardless of age, who works full-time (a minimum of 30 hours a week) and has an employee-employer relationship at least nine months out of the year. They must be actively working and appear on the payroll and receive a regular wage. It is imperative that employees over the age of 65 and working full-time be considered the same as any other employees within the group.
- **Management/maintenance of rental properties...**whether a corporation, partnership, or sole-proprietorship with employees, there must be a minimum of six rental units or a single dwelling with a minimum of 12,000 square feet (verified through Schedule E) being managed in order for these employees to be considered full-time.
- **Exceptions may be considered...** for employees being paid by commission and receiving Form 1099s. If an employee who receives a Form 1099 works **exclusively** for the employer requesting group insurance, the employee will be accepted; a copy of the employee's Form 1099 and Schedule C will be required for verification. The income on both tax documents should match, indicating an exclusive employer-employee relationship. Any other situation involving employees who receive a Form 1099 will be evaluated on a case-by-case basis.
- **Spouses not receiving a wage and applying as an employee...** In certain cases, a sole-proprietor, partners or corporations may not pay his/her spouse a wage (for tax purposes). The normal tax documentation (Schedule C, 1065 & Schedule K and 1120) is still required, and in addition, a letter on the employer's letterhead is also required detailing the exact full-time hours and duties of the spouse.
- **Agents of organizations, officers, elected officials or members of boards** ... who do not work full-time, appear on payroll, have an employer-employee relationship, at least nine months per year, be actively at work and receive a regular wage from the employer do not qualify as eligible employees.

### III. Employee Eligibility (con't)

#### C. Leased employees (form 1099 individuals)

- **People employed by an "employee lesser"** ... that "leases" employees to an "employer lessee" company may be covered in the lessee's benefit plan, provided there is an expectation that the employee will work for that lessee exclusively for at least one year.
- **Normal underwriting rules will apply** ... to the combined group of hired and leased employees.
- A copy of the individual's Form 1099 and Schedule C is required for verification. The income should match on both tax documents and reflect the wages representing the group's eligibility guidelines.
- The income must support the number of hours the individual must work to be eligible for coverage, as noted on the group application.
- **For PEO's** ... Highmark will contract with each employer lessee and rate according to group size; these groups are not eligible for Association rating pools, all groups must be located in our service area, employees must meet a defined probation period, conform to established human resource procedures, and all underwriting guidelines must be met. The review of PEO arrangements is done on a case by case basis.

#### D. Dependents

Eligible dependents include the spouse and/or unmarried children of an insured. Children include:

- Unmarried children including newborn children, step-children, and children legally placed for adoption, children awarded coverage pursuant to an order of court, and legally adopted children of the employee or the employee's spouse up to the limiting age for covered, unmarried children.
- Unmarried children beyond the limiting age who are enrolled in and regularly attending a full-time, accredited high school, university or college, licensed technical or specialized school. A full-time student is defined as registering and enrolling for 12 or more college credits per semester (or quarter) or pursuing completion of a diploma, degree or accreditation. The student must be unmarried, must not exceed the age limit stated in the contract and must be dependent solely upon the employee for support.

Eligibility will be continued past the limiting age for children who are unable to work to support themselves due to mental retardation, physical handicap, mental illness or developmental disability that occurs prior to the limiting age stated in the contract. This continued eligibility does not occur automatically. A Disabled Dependent Certification Form must be completed and reviewed by the Highmark Medical Review Department for the dependent to qualify for continued coverage.

An eligible dependent child's coverage automatically terminates and all benefits hereunder cease unless specifically provided in Section GP - General Provisions - of the contract.

### III. Employee Eligibility (con't)

Note on **common-law marriages**:

1. The Commonwealth of Pennsylvania recognized common-law marriages as legally valid up until 12-31-04. Two elements are required:
  - (1) The capacity and specific intent on the part of the two people to become married
  - (2) A declaration of intent. The declaration needs to be made only to each other for the marriage to be completed.
2. On or after 1-1-05 the Commonwealth of Pennsylvania no longer recognizes common-law marriages. A valid marriage license is required.

Highmark reserves the right to review such documentation regarding evidence of a common-law marriage, which may include: Documentation that the couple lives together and represents to the community that they are married; a name change (i.e., driver's license); names appear on a deed or title for real estate, an automobile, etc.

Note on **domestic partners**:

- Domestic Partners can be two people of the same sex or opposite sex.
- A Domestic Partnership is NOT considered a marriage, common-law or otherwise.
- Some Small Group Associations have elected to include Domestic Partners benefits as part of their benefit program for the member firms. If the Association includes it then ALL member companies receive it and cannot opt-out of the benefit. Contact your Client Manager for more information on those Associations that have elected to include this benefit.
- Highmark controlled pools (SBP, CPE) do not endorse Domestic Partners. However, on a case-by-case basis each client can ELECT to include this benefit by written notification to Highmark.

### III. Employee Eligibility (con't)

#### E. Retirees

A copy of the company's formal retiree policy is required to be submitted when offering Retiree coverage.

- The program must be applied uniformly to **ALL** employees.
- **An eligible retiree** ... is one who is in a non-active status and qualifies for retiree health insurance benefits under the policyholder's retirement benefit plan.
- **Retirees are not eligible** ... for any association/pool active coverage except designated retiree coverage. Exception requests are covered on a case-by-case basis.
- **Retiree groups have been established** ... for some associations/pools.
- **For a retiree to be eligible for benefits within an association retiree pool** ... that individual must have retired from a group within that association/pool and have been covered by the groups benefit plan at the time of retirement. This applies to both early retirees and those age 65 and over.
- **When a group comes from a commercial carrier** ... any enrollment guideline reference to "eligible employees" is based on the combination of retired and active employees. In such a case, both active and retired employees are eligible for coverage. Enrollment must include both types of employees, because required enrollment minimums will be based on their combined count. Other underwriting guidelines also must be met.
- **There is a window of 30 days** ... for retirees to take retiree coverage. If they fail to join the retiree plan, or join and later leave the plan, they will not be eligible at a later date.
- **At retirement, the retiree's dependents** ... are eligible for retiree coverage, either early retiree coverage or age-65-and-over coverage, as appropriate, as long as the retired member is still actively covered on the retiree group.
- **Retirees in an association retiree group or any Highmark risk pool and/or direct account must be converted** ... to individual coverage when the active employees of the group are no longer covered in the association.

#### F. Disabled Employees

For an employee to be covered as a disabled employee, the employer must submit a statement outlining the circumstances under which the employee is classified as disabled, and a copy of the employer's benefit policy/handbook must be submitted for review. 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 retiree by the employer.

### III. Employee Eligibility (con't)

#### G. Ineligible employees

The following are considered ineligible group applicants:

- **Inactive employees** ... including those laid off, retired, on leave of absence (for non-health related conditions), etc.
- **Casual employees** ... generally those who work from time to time with no definite schedule, or who do not work full-time.
- **Seasonal employees** ... who work only during a certain period of the year
- **Absentee owners, partners and officers** ... are those not actively involved with the management of the company and not appearing on official payroll records.
- **Individuals** with no employee-employer relationship.

Note: Principal stockholders, directors, professional associates, trustee, and consultants are not eligible unless active employed full-time and on the payroll of the company.

## IV. Employment Documentation

**All employment documents (UC-2, tax documents, etc.) are to be signed and dated by the owner or officer to verify the accuracy of enrollment status stated by the group.**

All Employers will be required to submit a copy of their Human Resource Policy detailing their company's definition of a full-time employee. Highmark reserves the right to deny any employee/employer coverage if the employer's definition of full-time employment is unreasonable or unlawful.

All enrolling groups must submit to Highmark a copy of their organization's most recent Form UC-2 State Unemployment Compensation Return. (This form is due to the Commonwealth of Pennsylvania on or before the last day of the month that follows the quarter reported.)

**IMPORTANT:** A group will not be considered for enrollment without properly marked and signed evidence of employment tax documentation and all necessary enrollment materials. A delay from the writing agency in providing any of the required materials may result in a change in the group's effective date and/or rates provided. Failure to provide such materials will result in a return of the group's application to the writing agency.

### **(1) The Commonwealth's UC-2's filing requirements include:**

- **Corporation.** Every corporation, including professional corporations, must list all its employees with no exclusions.
- **Partnerships.** Partners are not required to be listed on the UC-2. Parents of partners employed by the partnership can be excluded, but only if all the partners are siblings. All other employees must be listed.
- **Sole proprietorships.** A Sole proprietor group of one is eligible for Highmark group coverage only through those associations that allow groups of one. Paperwork required is the most recent Federal Income Schedule C and an hours/duties letter. Sole proprietors are also eligible to apply for any of the Highmark Direct Pay (Individual) programs.

### **(2) The following individuals are not required to be listed on an organization's UC-2:**

- An individual performing services for a child or spouse;
- A child under 18 performing services for a parent;
- Casual laborers earning less than \$50 per quarter and regularly employed for such service;
- Newspaper and shopping news carriers under 18;
- Individuals covered under the Railroad Unemployment Insurance Act, or any other unemployment insurance program enacted by Congress;
- Individuals performing services which, under reciprocal agreements, are considered performed in another state;
- Hospital patients performing services for hospitals;
- Individuals under the age of 22 in a work-study program;
- Student nurses or interns;
- Officers or crewmembers on a non-American vessel.

## IV. Employment Documentation (con't)

**(3) The following individuals in government and nonprofit organizations are not required to file a UC-2:**

- Individuals working for an organization exempt from the federal income tax in any quarter in which the remuneration is less than \$50;
- Ministers or members of religious orders, or other individuals working for a church, or organization operated primarily for religious purposes controlled by a church;
- Patients working in a rehabilitation center or sheltered workshop;
- Individuals work-training or in unemployment work relief programs;
- Individuals performing services for an international organization;
- Individuals employed by a foreign government or instrumentality;
- Individuals performing services for the U.S. government or its instrumentality's;
- Members of boards and commissions and department heads appointed by the governor;
- Elected officials, members of the legislature, or judiciary;
- Members of the State or National Guard;
- Temporary employees hired during natural disasters or similar emergencies;
- Inmates of custodial or penal institutions;
- Individuals in certain non-tenured policymaking/advisory positions or similar positions requiring fewer than 8 hours of work per week.

**(4) On any UC-2 copy and/or tax documentation sent to Highmark, the employer must indicate the status of all employees on the tax documentation using the key code provided.**

<b>Status</b>	<b>Key Code</b>	<b>Comment</b>
Full-time	<b>FULL</b>	
Part-time	<b>PART</b>	
Terminated	<b>TERM</b>	also draw a line through these individuals
Spousal Opt Out	<b>SP</b>	include current carrier information
In Probationary Period	<b>PROB</b>	include date of eligibility
COBRA enrollee	<b>COBRA</b>	include start and end dates of eligibility
Waiving coverage	<b>WAIVE</b>	include reason, such as Medicare, military, etc.
New Hire	<b>NEW</b>	add to UC-2
Seasonal	<b>SEAS</b>	
Retired	<b>RET</b>	
Other	<b>OTHER</b>	include description, such as owner

**An officer of the employer group must date and sign the UC-2 and/or tax documentation (i.e., which indicate employees are full-time or part time, persons who are employees but not required on the UC-2, etc.), to verify the accuracy of the information.** Note: If this information is not provided upon initial submission of the group, Highmark may require a signed letter of clarification from the employer (owner, CEO, CFO) regarding the status of all employees (this includes those listed and not listed on the UC-2).

**\*\*Please note, that the credit weeks are required, and must appear on the UC-2.**

**PENNSYLVANIA UNEMPLOYMENT COMPENSATION (PA UC) QUARTERLY TAX FORMS**  
 • Form UC-2: Employer's Report for Unemployment Compensation (below)  
 • Form UC-2A: Employer's Quarterly Report of Wages Paid to Each Employee  
 • Form UC-2B: Employer's Report of Employment and Business Changes



**INSTRUCTIONS:**

This is an Adobe Acrobat fill-in form. To use this form you must have Adobe Acrobat Reader 5.0. To download Acrobat Reader 5.0, go to [www.adobe.com](http://www.adobe.com).

Start by keying in the your Unemployment Account number (the first red box at the far left of this form). Tab through the form to go to the next required field. The round yellow question mark symbols are help instructions. To view these instructions, hold the mouse over the question mark symbol. For more detailed information, refer to the UC-2 INS (UC-2/2A/2B Instructions).

For assistance, contact the nearest Field Accounting Service (FAS) office.

Allentown	610-421-8559	Merco	724-852-4007
Altoona	814-948-8997	Nanticoke	570-760-2440
Brownsville	724-634-8000	Northampton	610-270-1218 ext. 3404
Bristol	315-781-3217	Philadelphia	215-599-0200 ext. 3138
Carlisle	717-249-4211	Pittsburgh	412-585-2400
	ON 717-897-1203	Reading	610-378-4396
Chambersburg	717-264-7192	Scranton	570-955-4666
Cheser	610-447-3290	Shamokin	570-644-5415
Clearfield	814-768-0872	Towansville	570-620-2870
Erie	814-871-4307	Uniontown	724-439-7200
Greensburg	724-632-5276	Washington	724-223-4530
Harrisburg	717-787-1700	Williamsport	570-327-5825
Johanssen	814-933-2371	York	717-787-7620
Lancaster	717-299-7606	All Out of State Employers	
Malvern	610-847-0729	Call	856-852-8103

**PRINTING INSTRUCTIONS:** When the Print dialog box appears, set Page Scaling as NONE, uncheck AUTO-ROTATE AND CENTER and uncheck CHOOSE PAPER SOURCE BY PDF PAGE SIZE.

Sign and date your report and mail it with payment to:  
 Office of Unemployment Compensation Tax Services  
 Labor & Industry Building Seventh & Forster Streets  
 P.O. Box 68568  
 Harrisburg, PA 17106-8568

**PA Form UC-2: Employer's Report for Unemployment Compensation.** This form is machine-readable. Information MUST be typewritten or printed in BLACK ink. Do not use dashes or slashes in place of zeros or blanks. Do not use commas (,) or dollar signs (\$).

If typed, font size MUST be a minimum of 10pt.

If hand printed, DO NOT close the 4 or cross the 0 and 7.

Do not staple anything to this form. Photocopy this report for your records.

Cut along dotted line and return with your payment.

PA Form UC-2, REV 6-04: Employer's Report for Unemployment Compensation

Read Instructions - Answer Each Item

QTR./YEAR: /20

1. TOTAL GROSS WAGES PAID TO ALL EMPLOYEES THIS QTR. **99598**

2. TOTAL CONTRIBUTION FOR UNEMPLOYMENT COMPENSATION **8964**

3. TOTAL GROSS WAGES PAID TO ALL EMPLOYEES THIS QTR. **99598**

4. TOTAL CONTRIBUTION FOR UNEMPLOYMENT COMPENSATION **8964**

5. EMPLOYER'S CONTRIBUTION RATE **0.09**

6. EMPLOYER'S QUARTERLY REPORT NUMBER **11-1111**

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**The lives on all UC-2s or payroll record substitutes should be marked using the following code structure:**

<u>Status</u>	<u>Key Code</u>	<u>Comment</u>
Full-time	FULL	
Part-time	PART	
Terminated	TERM	also draw a line through these individuals
Spousal Opt Out	SP	include current carrier information
In Probationary Period	PROB	include date of eligibility
COBRA enrollee	COBRA	include start and end dates of eligibility
Waiving coverage	WAIVE	include reason, such as Medicare, military, etc.
New Hire	NEW	add to UC-2
Seasonal	SEAS	
Retired	RET	
Other	OTHER	include description, such as owner

- (1) All enrolling groups must submit to Highmark a copy of their organization's **most recent UC-2**.
- (2) Is the group not required to submit a UC-2? Is this a new group that has yet to file a UC-2? Payroll records from the company are an acceptable substitute.
- (3) An officer of the employer group must **date and sign the UC-2** and/or tax documentation to verify accuracy.
- (4) Examples of employees that may not be on a UC2: officer; owner; owner's spouse, new hires.
- (5) Partnership with no employees other than the partners? Submit most recent Form 1065 for each partner and an Hours & Duties letter.
- (6) Farm with only two employees? Submit most recent Schedule F and Hours & Duties letter.
- (7) An **Hours and Duties Letter** is required to explain the employment of individuals not included on the UC-2. The letter must state:
  - ▶ the name of the employee
  - ▶ the exact hours worked
  - ▶ a description of his/her duties
  - ▶ that he/she is a full-time employee of the business enterprise (working 30+ hours per week)

**[For further information, see Section IV of the Underwriting & Rating Guidelines](#)**

## IV. Employment Documentation (con't)

### (5) Other Highmark UC-2-related requirements include:

- The Commonwealth of Pennsylvania's Department of Unemployment Compensation has stated that all employees of C corporations and S corporations are required to be listed on the UC-2, even if all of their income is derived as profit and none is taken in salary. However, in practice, many owners of S corporations do not list themselves on the UC-2 forms. In all such cases (i.e., a corporation in which the owner is not on the UC-2 but claims to be employed full-time in the corporation), Highmark requires a letter from the owner on company letterhead, stating that he/she is a full-time employee of the business enterprise, giving the exact number of full-time hours worked and giving a description of his/her duties.
- A corporate officer not listed on the UC-2 Form is ineligible unless Highmark receives a letter on company letterhead stating the duties of the officer, the full-time hours worked in this business and an explanation why the officer is not listed on the UC-2. The number of hours must be consistent with their corporation's definition of a full-time employee.
- New businesses will be required to provide on their new letterhead: 1) the start date of the business. 2) List of all employees marked using the UC-2 key code on page 21. 3) A copy of business cards, marketing materials, web page address, etc...to verify the new business. In certain cases, articles of incorporation, partnership agreements, etc... may be required. 4) The EIN tax identification number is required. A copy of form SS-4 from the Department of the Treasury should be submitted to verify EIN number.
- If a UC-2 is not available (i.e. a newly formed company, company's not required to file a UC-2 (see section IV)), payroll records will be accepted as a substitute and they must be marked accordingly for all employees who are: part-time, full time, terminated (and the termination date), probation period (and the hire date), covered under a spouses' agreement (please include the spouses' name, name of carrier, group and identification number.)
- For partnerships with no employees other than the partners, Highmark requires the Form 1065 and Schedule K-1 (for each partner) and a letter with full-time hours and duties for each.
- For Partnerships with a husband and wife, where both are full-time employees, Highmark requires the most recent Form 1065 and Schedule K-1 along with a letter with full-time hours and duties for each.
- For a farm with only two employees – husband and wife – Highmark requires the most recent Schedule F and a letter with full-time hours and duties for each.
- For Corporations with no employees other than the owner(s) and/or spouse, Highmark requires the most recent Federal Tax Form 1120 or 1120S **AND** a letter with full-time hours worked and duties performed for each.
- For Churches (with employees) Highmark requires a copy of the most recent UC-2 form noted with the employment status of each employee (see key code on page 21.) If the Clergy is enrolling and does not appear on the UC-2 a letter must be provided with full-time hours worked and duties performed. If the Church does not file a UC-2, then payroll records are required and should be noted with the employment status of each employee along with a letter noting full-time hours worked and duties performed. If the church just employs the Clergy and/or spouse, we require a copy of the most recent Federal Tax Form Schedule C **AND** a letter with full-time hours worked and duties performed for the clergy and/or spouse.

## IV. Employment Documentation (con't)

- (6) For New to Blue submissions, the producer must obtain from the client their most recent UC-2 and related documentation to Highmark along with completed Member Applications, Transmittal Report, Small Group Business Application (including Quote ID information), and initial one-month premium payment.
  
- (7) **In associations/risk pools that have opted to allow groups of one**, Highmark requires a copy of the owner's most recent Federal Income Tax Schedule C or other required tax documentation in addition to the required letter with full-time hours worked and duties performed.

**A group will not be considered for enrollment without evidence of employment and all necessary enrollment materials. A delay from the writing agency in providing any of the required materials may result in a change in the group's effective date and/or rates provided or the group being returned to the writing agency until all information can be obtained.**

## V. Other Underwriting Guidelines

### A. Management-only groups

- Groups with 20 or more full-time eligible employees (even if less than 20 are enrolling) may be eligible to establish a “management only” group only if there is a management/labor segmentation involving a union. Please provide the union name and local number of the union employees. Note that further dissection across multiple bargaining units within the client is not permitted.
- Groups under 20 may establish a “management only” group if the group supplies either a copy of a valid Labor-Management bargaining agreement or evidence that the union employees are eligible for coverage through the union - AND - both a management and a union group are established. In such a case, compliance with underwriting regulations will be determined based on the combined groups.

### B. Supplemental coverage

- **Supplemental vision coverage** – must be purchased through the same pool as the medical coverage provided it is available through that pool. Note: This is true even if the supplemental coverage is available at a different rate or benefit design in other risk pools. If the supplemental coverage is not available through the medical coverage pool, it may be purchased through the Small Business Program pool or on a stand-alone basis, subject to normal underwriting guidelines.
- **All underwriting policies relating to supplemental coverage** must be met for all groups that purchase coverage through associations/pools.
- For existing medical groups adding a new vision product the following applies. If the group's basic health coverage has been underwritten within the last three years, the group may add vision coverage via their invoice/bill and the group will not be subject to underwriting. However, IF the submission is for NEW vision coverage only, or if the basic health coverage has not been underwritten within the last three years, the client is subject to underwriting and all underwriting eligibility and document submission requirements must be met.
- **“Major Medical only” coverage is not permitted** for active employees or retirees.

## V. Other Underwriting Guidelines (con't)

### C. Cancelled groups

If the appropriate payment is not received by the end of ten days from the due date, the contract automatically terminates and coverage ceases at that time without written notification to the group. In the event of termination of the contract pursuant to this paragraph, Highmark, at its option, may reinstate the contract or enter into a new contract with the group. This reinstatement or new contract shall be on a month-to-month basis. Retroactive reinstatements beyond 90 days from the current date are not permitted. Exceptions will be reviewed on a case-by-case basis. No retroactive group terminations with refunds will be allowed.

- In the event of any group that is cancelled for nonpayment of premiums, the group must wait a period of six months from the date the termination letter was sent before it can reapply for group coverage with Highmark Blue Cross Blue Shield or its subsidiaries. Highmark reserves the right to deny group coverage due to poor credit risk.
- If a client cancels and wishes to return within a 12 month period (based on the cancel date, not renewal date), they must:
  1. Be placed back into the same renewal cycle and:
  2. Use the rates they received at their last renewal. If these renewal rates are no longer valid, then you (the producer) must contact your Client Manager for rates. Rates are not to be obtained through the Producer Portal.
- If a client leaves Highmark and returns within a 12 month period, and wishes to change their association/pool at that time, rates can not be obtained through the Producer Portal. You must contact your Client Manager for these pool to pool movement rates.

#### **Examples of a cancelled client returning to Highmark:**

##### **Example One:**

A company has a July renewal (7-1-05) with Highmark.

The company leaves Highmark effective 6-1-05.

The company wishes to return to Highmark effective anytime between 7-1-05 and 5-1-06.

This company would continue to have a July renewal, and the rates would be the renewal rates they received for 7-1-05, and not new to blue rates. Any rates generated on the producer portal would not be valid.

##### **Example Two:**

A company had a July renewal (7-1-05) with Highmark

The company leaves Highmark effective 9-1-05.

The company wishes to return to Highmark effective 7-1-06.

This company would not be considered new to blue, and rates should not be obtained through the producer portal. The client would continue to have a July renewal. The Client Manager will have to be contacted in order for rates to be developed by Highmark Actuary. Any rates generated through the producer portal will not be valid.

##### **Example Three:**

A company had a July renewal (7-1-05) with Highmark.

The company leaves Highmark effective 6-1-05.

The company wishes to return to Highmark effective 6-1-06.

This company would be considered new to blue. The company would either be in a January or April renewal (depending on the Association/Pool being chosen) and the rates would be new to blue obtained from the Producer Portal.

## V. Other Underwriting Guidelines (con't)

### D. Underwriting Audits (Re-Underwriting)

Highmark reserves the right to audit groups at any time. Requests to audit a group are sent directly to the client with a copy to the producer. Documentation requirements for underwriting audits are the same as those required for new groups (See Employment Documentation – Section IV). The producer/agency may be required to obtain the required documentation. Failure to secure the required documentation may result in a loss of commission on behalf of the producer of record. All Highmark Participation Underwriting and Rating Guidelines must be met. Examples of when Highmark requires a group to be audited:

- Client moves from one risk pool to another; this includes movement between associations or from associations to other managed risk pools or vice versa.
- Client goes from experience rated to demographically rated.
- Client changes products or adds products.
- Client is going from having supplemental coverage only to now adding a medical product.
- Client has a change in enrollment of 5% or more.
- Highmark initiates the audit of a particular association/risk pool.

### E. Industry-Specific Associations

Groups joining industry-specific associations must meet the requirements for enrollment in that association in order to enroll for coverage through Highmark. Highmark reserves the right to enforce those industry-specific standards. Please refer to the association's bylaws.

### F. Participation

- **Groups in Associations:** On the group's effective date, it must meet the association's specific participation requirements as set forth by that association. Continuing group eligibility is subject to the group maintaining the participation of eligible employees throughout the term of the contract.
- **Groups in Highmark-managed pools:** On the group's effective date, it must meet the participation requirements as outlined in this document. Continuing group eligibility is subject to the group maintaining the participation of eligible employees throughout the term of the contract.

If Highmark determines that the group has failed to maintain the required participation or if the actual participation changes by 5% or more in the period for which the contractual rate has been set, Highmark may:

- 1) Modify on any premium due date the contractual rates and/or retention negotiated with the group, or
- 2) Terminate this contract upon 60 days written notice to the group

## V. Other Underwriting Guidelines (con't)

### G. Change in Ownership

Existing groups changing ownership (or changing EINs) should be sent to Highmark Blue Cross Blue Shield Underwriting for review as each group may have its own unique circumstances. Such cases are not to be submitted as new clients or quoted on the Producer Portal as they are considered existing Highmark Blue Cross Blue Shield clients as referenced in the underwriting guidelines. Please note that prior to the paper submission of the change, the appropriate Client Manager should be notified as the first step in this process. The Client Manger will assist in getting the process started.

Groups changing ownership/EINs are required to submit the following documentation:

- Small Group Business Application – completed and signed by the new owner
- Letter of Explanation – explaining the change in ownership and any enrollment changes
- Enrollment Applications – for any new owners/employees coming onto the group coverage (tax documentation may be requested)

Based on the above information, HBCBS Underwriting will work with HBCBS Actuary to determine if the existing client will need to be re-rated due to any demographic/enrollment changes. Rates are not to be generated using the Producer Portal.

**For experience rated clients other resources may be used to assess risk including:**

### H. Credit Report

- Highmark reserves the right to request an independent financial report on the organization or other group policyholder through a service such as D&B (Dun and Bradstreet). This applies to a self-funded financial arrangement, i.e., Cost Plus and ASO.

### I. Stop Loss

- Stop Loss coverage is mandatory for self-funded groups with: Cost Plus 51-300 enrollees and ASO 201-300 enrollees.
- Stop Loss coverage is recommended for self-funded (Cost Plus and ASO) groups with 301 to 500 enrollees.

## VI. Movement Rules

Highmark, Inc. reserves the right to review and approve any request to move a group from one risk pool to another, to purchase direct, or to move from a “direct-purchase” arrangement into a risk pool. This includes pools or groups that are rated under any risk arrangement (i.e., Prospective, Prospective Funding, Cost Plus, Etc.) In all cases, the group *Participation Underwriting and Rating Guidelines* applies. The payment of commissions, administrative fees and effective dates of the new rates can be affected by these guidelines.

- **A group cannot move from one pool to another until its renewal date.**
  - Possible Exceptions: Mergers
  - Acquisitions
  - New collective bargaining agreement
  - Divestitures
  - Clean-up (internal – approved by Underwriting)
- All rate requests for a group moving from one rating pool (experience to demographic or vice versa) to another must be sent to your Highmark Small Group Client Manager. You **cannot** obtain rates for these groups from the Producer Portal. This is true even if the group severs its membership with their former trade association. Please note, that when a client goes from experience rated to demographic rated, all paperwork must be submitted as if the client was new to blue. This is to ensure that the small group participation guidelines are met.
- **Groups in arrears due to a delinquency on the part of the group** will not be moved to another product line or be allowed to add a product line or moved into another association/risk pool. Note: A group and all its’ products and any subsidiaries/affiliates must be rated within the same risk pool with the same rating methodology.
- **Groups moving from a "partial-blue" association to an "all-blue" association/pool** will be eligible for the rates of the new association immediately. Commission will be paid immediately at time of group set-up.
- **If a group has multiple products in more than one risk pool/association/rating methodology** then all products should be re-united within one risk pool with one rating methodology. The first entity combining the group(s) and “cleaning” up existing business by bringing them into compliance with current underwriting policy will entitle the group to the immediate benefits and rates of that risk pool/association and the entity will receive commission.
- **If a group has membership in an association** but doesn't currently receive its health care coverage through the association, the group can enroll in the association program at anytime.
- **Movement between renewal periods within a risk pool that offers multiple renewal dates/rates is not allowed.** Ex: Small Business Program offers three cycles January, April & July and a client may not move between the three renewal cycles.
- **A group moving between pools/experience rated maintains their current renewal date or the one most closely related to their renewal date.**

## VI. Movement Rules (con't)

### A. Movement between pools and associations

To determine which movement rules apply:

1. Use the listing below to determine the association/pool the group is moving into.
  - **Small Group associations/pools**
  - **Insured Group or Trust**
  - **Self-Insured Group or Trust**
2. Once the pool being moved into is located, there will be an explanation of the movement rules pertaining to your specific situation.

**EXAMPLE:**

**Client moving from Self-Insured Trust into Small Group Pool/Association.**

- **Locate “Moving into: Small Group Pool/Association” section.**
- **Go to the section titled “From Self-Insured Group or Trust.”**
- **View the 4 movement rules listed.**

#### **Moving into: Small Group Pool/Association**

**1. From Small Group Pool/Association:**

- When a fully insured pool requests to move to another fully insured pool, the group receives the higher of the two rates until the first renewal (minimum of 6 months). If the group's former pool renews before the group becomes eligible for the new rates, the group's rates will be adjusted to reflect the former pool's renewal, up to such time the new pool renews.
- Groups with less than 51 contracts, no commission will be paid for the first 12 months after the movement. Groups with over 51 contracts, see Client Manager.
- The group's rates will be adjusted to reflect any applicable benefit or product changes. The applicable retention for ASO and Cost Plus groups will be adjusted on the effective date of the new coverage.
- Highmark reserves the right to re-rate the group that is moving from the pool.
- Highmark reserves the right to re-rate the pool that the group is entering or exiting.

**2. From Insured Group or Trust:**

- When a fully insured pool requests to move to another fully insured pool, the group receives the higher of the two rates until the first renewal (minimum of 6 months). If the group's former pool renews before the group becomes eligible for the new rates, the group's rates will be adjusted to reflect the former pool's renewal, up to such time the new pool renews.
- Groups with less than 51 contracts, no commission will be paid for the first 12 months after the movement. Groups with over 51 contracts, see Client Manager.
- The group's rates will be adjusted to reflect any applicable benefit or product changes. The applicable retention for ASO and Cost Plus groups will be adjusted on the effective date of the new coverage.
- Highmark reserves the right to re-rate the group that is moving from the pool.
- Highmark reserves the right to re-rate the pool that the group is entering or exiting.

## VI. Movement Rules (con't)

### 3. From Self-Insured Group or Trust:

- Groups with less than 51 contracts, no commission will be paid for the first 12 months after the movement. Groups with over 51 contracts, see Client Manager.
- The group's rates will be adjusted to reflect any applicable benefit or product changes. The applicable retention for ASO and Cost Plus groups will be adjusted on the effective date of the new coverage.
- Highmark reserves the right to re-rate the group that is moving from the pool.
- Highmark reserves the right to re-rate the pool that the group is entering or exiting.

### Moving Into: Insured Group or Trust

#### 1. From Small Group Pool/Association:

- When a fully insured pool requests to move to another fully insured pool, the group receives the higher of the two rates until the first renewal (minimum of 6 months). If the group's former pool renews before the group becomes eligible for the new rates, the group's rates will be adjusted to reflect the former pool's renewal, up to such time the new pool renews.
- Groups with less than 51 contracts, no commission will be paid for the first 12 months after the movement. Groups with over 51 contracts, see Client Manager.
- The group's rates will be adjusted to reflect any applicable benefit or product changes. The applicable retention for ASO and Cost Plus groups will be adjusted on the effective date of the new coverage.
- Highmark reserves the right to re-rate the group that is moving from the pool.
- Highmark reserves the right to re-rate the pool that the group is entering or exiting.

#### 2. From Insured Group or Trust:

- When a fully insured pool requests to move to another fully insured pool, the group receives the higher of the two rates until the first renewal (minimum of 6 months). If the group's former pool renews before the group becomes eligible for the new rates, the group's rates will be adjusted to reflect the former pool's renewal, up to such time the new pool renews.
- Groups with less than 51 contracts, no commission will be paid for the first 12 months after the movement. Groups with over 51 contracts, see Client Manager.
- The group's rates will be adjusted to reflect any applicable benefit or product changes. The applicable retention for ASO and Cost Plus groups will be adjusted on the effective date of the new coverage.
- Highmark reserves the right to re-rate the group that is moving from the pool.
- Highmark reserves the right to re-rate the pool that the group is entering or exiting.

#### 3. From Self-Insured Group or Trust:

- Groups with less than 51 contracts, no commission will be paid for the first 12 months after the movement. Groups with over 51 contracts, see Client Manager.
- The group's rates will be adjusted to reflect any applicable benefit or product changes. The applicable retention for ASO and Cost Plus groups will be adjusted on the effective date of the new coverage.
- Highmark reserves the right to re-rate the group that is moving from the pool.
- Highmark reserves the right to re-rate the pool that the group is entering or exiting.

## VI. Movement Rules (con't)

### Moving Into: Self-Funded Group or Trust

#### 1. From Small Group Pool/Association:

- Groups with less than 51 contracts, no commission will be paid for the first 12 months after the movement. Groups with over 51 contracts, see Client Manager.
- The group's rates will be adjusted to reflect any applicable benefit or product changes. The applicable retention for ASO and Cost Plus groups will be adjusted on the effective date of the new coverage.
- Highmark reserves the right to re-rate the group that is moving from the pool.
- Highmark reserves the right to re-rate the pool that the group is entering or exiting.

#### 2. From Insured Group or Trust:

- Groups with less than 51 contracts, no commission will be paid for the first 12 months after the movement. Groups with over 51 contracts, see Client Manager.
- The group's rates will be adjusted to reflect any applicable benefit or product changes. The applicable retention for ASO and Cost Plus groups will be adjusted on the effective date of the new coverage.
- Highmark reserves the right to re-rate the group that is moving from the pool.
- Highmark reserves the right to re-rate the pool that the group is entering or exiting.

#### 3. From Self-Funded Group or Trust:

- Groups with less than 51 contracts, no commission will be paid for the first 12 months after the movement. Groups with over 51 contracts, see Client Manager.
- The group's rates will be adjusted to reflect any applicable benefit or product changes. The applicable retention for ASO and Cost Plus groups will be adjusted on the effective date of the new coverage.
- Highmark reserves the right to re-rate the group that is moving from the pool.
- Highmark reserves the right to re-rate the pool that the group is entering or exiting.

### B. Movement between rating methods

#### Rules governing rating method changes are based on the size of the group:

- If a cost-plus rated group's enrollment drops to less than 51 contracts, and the group wants to change to prospective rating:
  - The group is eligible to move at renewal only.
  - The group will receive the new pool prospective rating when it moves upon renewal.
  - Highmark will not pay a commission for 12 months.
- If an ASO group (200+ contracts) wants to move from ASO to prospective rating/funding or vice versa:
  - The group is eligible to move at renewal only.
  - The group will receive the new experience rating methodology when it moves upon renewal.

## VI. Movement Rules (con't)

### C. Movement between size categories

- **If a group's enrollment changes** ... from its level at the previous renewal, the group will be reclassified into the appropriate size category at its next renewal and rates will be appropriately adjusted at that time. No rate changes will occur "off-renewal" due to changes in group size. Additionally, the group size or group age calculated for the renewal will be used even if the group's size or ages change after the BEP (Base Experience Period) but prior to the contract period.

### D. Movement between geographic areas

- The area rate assigned to a group is based on the physical location of the employer (no PO boxes accepted). If the employer changes location during the contract year, the group's rates will be adjusted at the next renewal date.

### E. Movement between products & benefit design

**Transferring existing business between product lines falls into two categories:**

- **Buy Up:** An account can move to a more expensive benefit design only at renewal (e.g. PPOBlue Enhanced to PPOBlue High Option 1).
- **Buy Down:** An account can move to a lower cost benefit design at any time (e.g. PPOBlue Standard to PPOBlue High-Deductible Value). Movement is subject to participation underwriting guidelines & submission deadlines.

**Product premiums are the driver on determining the lower cost/more expensive benefit designs.**

Note: Employers have a window of approximately 90 days (the renewal period of their association/risk pool) to add/change products at the employer level. Individual employees must choose an option as of their exact renewal date or the effective date of the new product. At other times during the year, employees can change their plan selection only if they have a qualifying life event. Although this rule should be enforced at the employer and/or TPA level, Highmark does reserve the right to enforce this rule.

### F. Changes in SIC/NAICS

The SIC Code according to The Standard Industrial Classification Manual 1987 is the "statistical classification standard underlying all establishment-based Federal economic statistics classified by industry."

Highmark uses two sources to verify SIC code information submitted by the employer/client on the Small Group Business Application: Dun & Bradstreet and the Standard Industrial Classification Manual. Dun & Bradstreet is the primary source used for SIC code verification. The SIC manual is used as a source when verification cannot be made using Dun & Bradstreet. The Industry type and SIC Code are Mandatory fields on the Small Group Business Application, and must be supplied by the employer/client based on the specific industry of the business and not the individual occupations of the employer/employees.

An employer/client MAY NOT change their Industry/SIC Code with Highmark or Dun & Bradstreet for the purposes of receiving a lower rate.

## ***VII. Partial Blue Associations***

“Partial Blue” associations/risk pools are those that offer association-sponsored competitive products from commercial carriers within their association/risk pool.

Periodically Highmark will review Partial Blue and All Blue associations to ensure compliance with all corporate underwriting guidelines, including minimum participation, percentage requirements and employer contribution strategies, to ensure that Highmark is not unfairly disadvantaged in a competitive situation.

## VIII. Employer Contribution Requirements

The following rules for contribution requirements apply to all insured/cost plus groups in addition to the participation requirements.

NOTE: If the group offers Highmark products in addition to products from a commercial carrier, Highmark requires written documentation, in the form of a letter from the group, on the employer contribution strategy. Please refer to the product rules to verify if a group offering competitive products meets current underwriting guidelines and enrollment minimums.

### CONTRIBUTION REQUIREMENTS

(applied on a “per product” basis):

- In general, employee contributions for Highmark and/or Keystone products must be no greater than 10 percent higher than contributions for competitors’ similar products

There are two exceptions to this general rule:

- **If the employee contribution for the competitor’s product is zero (0)**, the employee contribution for a similar Highmark and/or Keystone product may be no more than \$10/month/individual contract and \$30/month/family contract.
- **If 10 percent of the employee contribution for the competitor’s product is less than \$10/month/individual contract and \$30/month/family contract**, the employee contribution for a similar Highmark and/or Keystone product may not be more than \$10/month/individual contract and \$30/month/family contract *higher* than the contribution for the competitor’s product.

In no event should any incentives, including contribution requirements, be structured to create an unreasonable risk selection in Highmark products.

**Note: In those cases where a client has purchased a health reimbursement account (HRA)-Highmark will not exist with any HRA’s other than those offered and sold by Highmark.**

## IX. Demographic Rating

### A. Factors that might impact rates for clients having between 2 and 50 employees include Age, Gender, Industry, Geographic Location, and Client Size.

- **Geographic location** refers to the physical location of the company.
- **Industry** is based on SIC code. The SIC code is required when the group is submitted. It is the writing producer's responsibility to indicate an accurate SIC assignment as listed in Dun & Bradstreet on new groups and to also ensure existing accounts have the appropriate industry classification assigned. Other information may also be required to verify a group's industry, including marketing materials published by the group, a letter from the group describing its business, and a list of its clients. The industry classification for a particular group is based on the overall description of the company's business and not on the individual duties of its employees. Employees of a group involved in more than one industry will be segmented into separate groups based on the separate businesses. If no SIC code is indicated on the small group business application, Highmark will use the most current primary SIC code as listed by Dun & Bradstreet.

NOTE: For existing accounts, Highmark will load rates into our billing systems based on the renewal demographics, regardless of what the producer may have quoted. Also the renewal demographics are used even if the client is moving from one risk pool to another.

### B. Adjustments for incorrect or changed demographics characteristics

- **Any initial rate quoted based on incorrect demographic information ...** will be revised to reflect the correct data upon enrollment of the group.
- **When a group's demographic characteristics change ...** its rates will be adjusted at the next renewal.

## X. Producer of Record “POR” Changes

- Highmark honors a customer’s written request to select a Highmark appointed producer to represent the customer and earn any available commission.
- Highmark assumes a customer’s POR applies to all lines of business (i.e., medical, drug, and vision), and all products purchased by that customer (i.e., HMO, POS, etc.) unless specifically stated otherwise.
- Associations may refuse to accept POR’s on “House Accounts.” A House Account is an existing association customer serviced directly by the association’s administrator.
- Associations must accept a POR on an existing customer that is not enrolled as a “House Account.” This means a Highmark appointed independent producer is currently representing the customer and is being paid commission, however, the customer has selected a different Highmark appointed producer to represent them. The commission will be split based on the existing/preceding arrangement.
- Associations must honor a POR on new business placed through the association by a Highmark appointed producer. Commission will be split using the standard split methodology established by the association and documented with Highmark.
- On new to blue client submissions, complete the new small group business application (POR section). If an old sales entry form is used and no POR letter is included, those submissions without a POR will be coded with no commission to the writing agency.
- POR’s ***received*** by Highmark on the 1<sup>st</sup> to the 15<sup>th</sup> of any given month, will result in the commission being paid to the named producer effective the first of the following month. POR’s ***received*** by Highmark on the 16<sup>th</sup> to the 31<sup>st</sup> of the month will result in a commission payment change effective the first of the second month.
- POR’s must be written by the customer, on customer letterhead, dated and signed by an officer of the company. If a group is making no change other than the POR, mail the original POR (no copies) directly to your Client Manager at:  
Highmark Blue Cross Blue Shield  
120 Fifth Avenue  
Small Group Sales Suite P2504  
Attention: *Place your Client Manager’s name here*  
Pittsburgh, PA 15222-3099
- If the group is adding products or changing products and/or risk pools, submit the original POR to your Client Manager and include a copy of the POR with the group enrollment materials submitted to the small group submission address at the end of the document.
- Highmark will notify the incumbent producer of the customer’s selection of a new producer, and will confirm the date of the change in commission payments. Highmark will adjust any commission payments from agencies if the timing of this process does not result in the correct payment to agencies. This letter will offer the incumbent producer 10 business days to obtain a letter rescinding the POR. The rescission letter must be written by the customer, on customer letterhead, dated and signed by an officer of the company.
- If a customer is an association House Account and sends a POR to Highmark, Highmark will inform the named producer of the customer’s House Account status.

## XI. Commission Guidelines

### Standard Commission:

- The standard commission payments for association and/or Highmark Blue Cross Blue Shield Direct Risk Pools pool groups (for small group demographically rated clients regardless of their enrollment period/renewal period) are as follows:
  - \$20.00 per contract per month for all medical products (except EPOBlue Essential) including KeystoneBlue HMO
  - 4.0% of the monthly premium for Vision products
- EPOBlue Essential commission is as follows:
  - NTB Business: \$10 per contract per month for year 1 and ongoing
  - Transfer Business: \$0 per contract per month for year 1 and \$10 per contract per month for year 2 and ongoing
- Highmark reserves the right to change the standard commission schedule upon a group or pool's renewal.
- Groups with 51 or more employees in associations will have rates developed compliant with these standard guidelines. Groups of 51 or more employees that contract directly with Highmark will have rates developed based on the amount of commission the customer wants built into their rates.
- Highmark will document and maintain each association's standard commission split policy for sharing commissions with appointed independent producers when applicable. See Producer of Record (POR) guidelines for additional information.
- Full disclosure of commissions is required for experience rated groups (>=51 lives), the exact commission paid must be disclosed by the agency.
- In circumstances where a group is being re-underwritten and the producer of record refuses to provide the required documentation in a timely manner, commission will be terminated the first of the month following notification to the producer.
- Highmark reserves the right to audit groups at any time. Requests to audit a group are sent directly to the group account with a copy to the producer. Documentation requirements are identical to those required for new groups as listed under Employment Documentation. The producer/agency may be required to obtain the required documentation. Failure to secure the required documentation may result in a loss of commission on behalf of the producer of record.
- Retention adjustments and commission amounts will be effective immediately when a group of 51 or more contracts moves from an association and enrolls directly with Highmark. The commission amount, if there is an agency involved, is negotiable, directed in writing by the customer, and is included in the rates.
- Payment of standard commission will be made when a group of 51+ enrolled directly with Highmark moves to an association. The standard commission will be paid once the group receives the respective association's rate. Until that time, the commission amount calculated in the group's current retention rate would apply.