Small Group Underwriting Guidelines[1]

HIP/HIPIC of New York

FOR BUSINESSES WITH 2-50 EMPLOYEES and Sole Proprietors

HIP® HEALTH PLANS

Small Group Underwriting Guidelines

The Community-Rated plans of HIP Health Plan of New York and HIP Insurance Company of New York (collectively hereinafter "HIP") are available for purchase by qualified small groups that employ no fewer than two (2) and no more than fifty (50) eligible employees. Certain HIP Community Rated plans are also available to qualified sole proprietors.

Application	▪ The initial payment equivalent to one month's premium must be made payable to HIP and submitted with the new group application form. Only business checks are acceptable forms of payment. ▪ Contract periods will begin on the 1st or 15th of a month. ▪ Documentation requested by HIP to determine group or employee eligibility must be supplied within **five (5) business days** from the date of HIP's request in order to secure the requested effective date of coverage. If documentation is not supplied within five (5) business days, HIP will establish an effective date of coverage pending receipt and verification of the data. **Family verification** ▪ HIP will request a Federal 1040 form and/or a marriage certificate to verify the marriage of two individuals with different last names. In addition, HIP will require a birth certificate and/or Federal 1040 Form as proof that a dependent is eligible for coverage if the dependent has a last name different from the subscriber.
Benefit Changes	**Benefit downgrades**: A plan change is a downgrade when the premium rates for the new product are lower than the premium rates for the old product as of the requested plan change date. ▪ A group can downgrade its coverage at any time during the year, except in the 3 months preceding the contract anniversary date. (e.g. a group with a July 1st anniversary date can not make a change after April 1.) ▪ The effective date of the benefit downgrade will become the group's new anniversary date **Benefit upgrades:** ▪ A group can only upgrade coverage at its contract anniversary date. **All plan change requests must be received by HIP five business days prior to the desired effective date. Underwriting will not approve any retroactive plan changes or terminations.**
Tier Changes	▪ Rating tiers can only be changed at the group's contract anniversary date.

Domestic Partners

Domestic partner coverage is available with HIP Small Group products.

No Associations of Individuals or Sole Proprietors will be eligible for Domestic Partner coverage.

Requirements

- A domestic partner will be treated as a dependent.
- Eligible dependents of the domestic partner may be added.
- Domestic partners are not recognized by the IRS and may not receive tax benefits afforded to non-domestic partners (e.g., Health Savings Accounts).

In order to be eligible for Domestic Partner coverage, HIP requires:

(i) Submission of a duly sworn Affidavit of Domestic Partnership; and
(ii) Proof of Cohabitation; and
(iii) Proof of joint responsibility for common welfare and financial obligations as demonstrated by at least two (2) of the following:
  - a joint mortgage or lease;
  - evidence of shared rental payments of joint residence;
  - evidence of a common household and shared household expenses;
  - evidence of status of Domestic Partner as representative payee for the Subscriber's government benefits;
  - evidence of joint responsibility for child care;
  - evidence of a shared household budget for the purpose of receiving government benefits;
  - designation of Domestic Partner as beneficiary for life insurance or retirement benefits;
  - joint wills, or will designating Domestic Partner as executor and/or primary beneficiary;
  - designation of Domestic Partner as the Subscriber's representative in a durable power of attorney or health care proxy;
  - ownership of joint bank account, joint credit card or joint ownership of a motor vehicle (or other major item of personal property) or other evidence of joint financial responsibility;
  - affidavit by shared creditor swearing to financial interdependence of Subscriber and Domestic Partner;
  - other items of proof sufficient to establish economic interdependency.

A Domestic Partner cannot be added if either the Subscriber or the Domestic Partner has been a member of another domestic partnership within the last six (6) months.

HIP Plans

- Ten (10) Plan Types are available through HIP: **HIP Prime® HMO, HIP Access® I, HIP Prime® EPO, HIP Select™ EPO, HIP Prime® POS, HIP Access® II, HIP Prime™ PPO, HIP Select™ PPO, HIP Classic™ , HIP SmartStart.**
- Multiple option plans (employee choice at point of enrollment) are allowed, choosing from among any of the products available through HIP.
- Each group may choose up to four (4) HIP options to be available to its employees provided, however, that the number of options offered is limited to the number of employees actually enrolling. Only two (2) plans of any particular Plan Type may be included in the four plans offered.
- Multiple Plan Types within the same Products may not be offered unless eligibility is by class. **HIP Prime® HMO, HIP Access® I,** and **HIP Classic™** are all considered the same

	Product Family and may not be offered alongside each other. **HIP Prime® POS** and **HIP Access® II** are the same Product Family and may not be offered alongside each other. **HIP Select™ EPO** and **HIP Select™ PPO** are the same Product family and may not be offered alongside each other. ▪ All HIP plans must have the same rating tier structure. If HIP does not offer the desired products on a same tier basis, then they cannot be offered as a multiple option. ▪ Employers offering multiple plans that elect to include the age 29 make available rider will have the rider applied to all HIP plans offered. ▪ A group may change the Plan Types offered only on the group's anniversary. ▪ An employee may only change the plan option elected on the group's anniversary. ▪ Please refer to the current version of the EmblemHealth Small Group Underwriting Guidelines for information on CompreHealth HMO product.
Rating Tiers	▪ HIP small group business (2-50 eligible employees) will only be offered on either a 2-tier or a 4-tier rating basis, with the exception of **HIP SmartStart** which is only offered on a 4-tier basis. This change is effective for renewals and new business effective on or after July 1, 2010. ▪ HIP sole proprietor business will be offered on a 2-tier or 4-tier rating basis with the exception of **HIP SmartStart** sole proprietor business which is only offered on a 4-tier basis. This change is effective for renewals and new business effective on or after July 1, 2010. ▪ 2-tier rates consist of Individual and Family coverage ▪ 4-tier rates consist of Individual, Individual & Child(ren), Individual and Spouse, and Individual and Family

Employee Eligibility	Groups must demonstrate an employer/employee relationship for all eligible employees.
	
	HIP evaluates eligibility based on the United States Internal Revenue Service's definition of an employee of an employer group.
	
	▪ For business associations, HIP would cover the eligible employees of the association's member employers.
	▪ HIP only covers full-time employees. HIP defines full-time eligible employees as employees who work **20 or more hours per week,** each week. If an employer requires a longer number of hours worked in order to meet eligibility, then HIP will use the employer's criteria to define full-time eligible employees.
	▪ The following categories of employees are **not eligible for coverage**:
	  ▪ Retirees and their dependent(s).
	  ▪ Individuals who receive 1099 Forms and their dependents. (see section on Sole Proprietors)
	  ▪ Seasonal employees and their dependents.
	  ▪ Leased Employees
	
	A group must provide proof of employment for each employee at the time of application or at the time of a periodic survey. Each employee to be enrolled must appear on a NYS-45 or NYS-45-ATT.
	
	▪ The NYS-45 or NYS-45-ATT must be the filed copy for the quarter preceding the desired effective date of coverage. The status of each employee must be indicated on the form as applicable: Full-time, Part-time (less than 20 hours worked per week), Permanent, Temporary, Waiving, Eligible, not-Eligible, Enrolling, Class distinction if applicable.
	▪ In the absence of providing a NYS-45 or a NYS-45-ATT, the group must provide a signed copy of its full tax return, such as an 1120, 1065, 1120S, LLC or LLP with Schedule K-1, Schedule C or Schedule E.
	▪ If the employer has a benefit waiting period, the employer must provide documentation verifying the terms of the waiting period.

Employee Eligibility cont.	**Recent Hires** In the event that a newly hired employee is not yet listed on filed tax documentation, then a copy of the employee's W-4 or recent payroll check stub must be supplied. If a payroll check stub is supplied, it must include the company name, employee name, number of hours

	worked and payroll dates. The payroll dates cannot be more than 30 days prior to the date of application. ▪ The group must produce tax documents within 90 days after the effective date of coverage to substantiate a recent hire's eligibility. If acceptable documentation is not provided to EmblemHealth, then coverage will be terminated. **COBRA Members** ▪ COBRA enrollees must supply a letter of election and a copy of their last payroll report.
Employer Eligibility	A group must be actively operating its business at all times that HIP coverage will be in effect. A group applying for a community-rated plan must provide HIP with all of the following documentation: ▪ A Federal Employer Identification Number (EIN) and evidence of authority to conduct business in New York State ▪ Confirmation that the group's worksite(s) is in New York State. Street addresses must be provided even for worksite(s) with post office box listings. ▪ A copy of the most-recently paid invoice from its current carrier. If a new business is not able to supply the data above, then a letter from the group's attorney or certified public accountant explaining the specific situation will temporarily suffice. Neither the attorney nor the C.P.A. can be an employee or the relative of an employee of the group. In addition, the Letter must be accompanied by: ▪ Articles of Incorporation issued by the State of New York, or ▪ A certificate to do business issued by the State of New York and ▪ A payroll record acceptable to HIP. The group must produce tax documents within 90 days after the effective date of coverage to substantiate its business operation. Coverage will be terminated if acceptable documentation is not provided within 90 days. ▪ If a group has been terminated within the prior 12 months due to **non-payment of premium**, HIP will not issue the group a contract.

Enrollment Policy	▪ New enrollees must enroll as of their date of hire.
	▪ If the employer has a benefit waiting period, the employee must enroll on the first day of benefit eligibility.
	▪ New groups enrolling with HIP may waive the waiting period for all employees at the time of initial enrollment.
	
	Eligible employees and/or dependents who do not enroll on the first day of benefit eligibility will not be eligible to enroll until the employer's next annual enrollment period, except in the circumstances below. The enrollment period commences on the anniversary date of coverage and ends after 30 days.
	
	▪ The individual was covered under another plan or policy at the time the individual was initially eligible to enroll and has lost coverage under the other plan or policy as a result of exhaustion of the period of continuation under State of Federal law or
	▪ The loss of eligibility was related to one or more of the following reasons:
	  ▪ termination of employment
	  ▪ termination of the other plan or contract
	  ▪ death of the spouse
	  ▪ legal separation, divorce or annulment
	  ▪ reduction in the number of hours of employment
	  ▪ contract holder contributions toward the payment of premium for the other plan or contract were terminated.
	  ▪ A court has ordered coverage be provided for a spouse or minor children under a covered employee or member's health benefit plan and the request for enrollment is made within 30 days after issuance of the court order.

Headquarters in New York	If a group has: ▪ its principal location **within** New York State and ▪ it employs no fewer than two (2) and no more than fifty (50) eligible employees at a worksite(s) in New York State then the group can purchase community-rated coverage for its eligible employees, subject to any applicable service area restrictions.
Headquarters outside New York	If a group has: ▪ its principal location **outside** New York State and it employs no fewer than two (2) and no more than fifty (50) eligible employees at a worksite(s) in New York State then, ▪ The group can purchase community-rated coverage for its New York employees. The contract for coverage must be delivered to a New York worksite and the contract will only cover employees working at the New York worksite(s).
Ongoing Qualification	Periodic surveys of enrolled small groups may be taken by HIP and/or HIP's designated administrators to ensure that the group is actively operating its business and remains qualified to be enrolled in a community-rated product. The survey can include, but not be limited to, any or all of the following to verify continued eligibility: ▪ The group's most recently-filed NYS-45 or NYS-45-ATT ▪ Tax documentation as requested by HIP and/or HIP's designated administrators. ▪ Payroll information as requested by HIP and/or HIP's designated administrators.
Participation	▪ **HIP Select™ PPO and HIP Select™ EPO:** if a group elects to include at least one **HIP Select™** product as one of HIP product choices a minimum of two (2) contracts or 50% of the eligible employees in the group, whichever is greater, must enroll in a health plan offered by HIP in order for the group to be underwritten. **Individuals that are otherwise eligible for coverage that waive such coverage will not be counted in determining the percentage of eligible employees required to enroll.** ▪ **HIP Prime® HMO, HIP Access® I, HIP Classic ™, HIP Prime® POS, HIP Access® II, and HIP SmartStart:** if there is no enrollment in a PPO or EPO product, there is no minimum participation requirement. ▪ For groups with an odd number of employees, the 50% threshold will be determined by rounding up the total number of employees to the next even number and dividing by two. ▪ For groups offering multiple HIP products, the total number of individuals enrolled in all HIP products will count toward the above minimums For example, a group with 9 eligible employees has 3 employees waiving coverage, leaving 6 eligible for the purposes of determining participation. Of those 6, 50%, or 3 employees, must enroll in a HIP product in order for the group to qualify for coverage. ▪ Valid waivers for the purposes of determining participation requirements are: o Covered under spousal coverage, o Covered by Medicare, o Covered by COBRA, o Covered through the VA
Pre-existing Conditions	▪ Month-for-month credit will be given to enrollees who had Medicaid coverage and/or other prior creditable coverage provided there is no lapse in coverage of more than 63 days. ▪ HIP will provide credit toward pre-existing condition limitations for prior creditable coverage under foreign plans to the same extent and according to the same standards that apply to domestic plans.

Premium Rates	▪ Premium rates are based on HIP's filed Community Rates. ▪ Groups with 2-50 eligible employees (even if only one employee actually enrolls) will receive small group premium rates; groups with one eligible employee (i.e., Sole Proprietors) will receive the Sole Proprietor rates.

Sole Proprietors	HIP requires **at least two of the following documents** to verify sole proprietor status: ▪ Schedule C – Coverage will be issued in the name of the company on this schedule. ▪ Form 1120-S - U.S. Corporation Income Tax Return for S corporations with K-1(s) ▪ Form 1065 with Schedule K-1 ▪ CT-4-S - New York S Corporation Franchise Tax Return ▪ Schedule F - Profit and Loss From Farming ▪ Signed NYS-45 or NYS-45-ATT Form ▪ Articles of Incorporation or Certificate to Do Business ▪ A signed copy of the most recent Schedule SE – Self-Employment Tax Form. ▪ An EmblemHealth Letter of Certification signed by a CPA or Attorney who is not an employee or relative of an employee of the group. A signed copy of the full tax return for the most recent tax year accompanied by the appropriate W-2s. In addition, sole proprietors should include a Letter of Certification with their application. Such a letter may serve as a means for HIP to accept coverage in those instances where it is not clear from other documentation received that the sole proprietor is a qualified business or when only one of these nine documents are available. ▪ Sole proprietors must continue to operate their business at all times that HIP coverage is in effect. If HIP determines that business operation has ceased, HIP will terminate the contract and offer conversion to an individual product. **Employment of Spouse** Sole proprietors who employ a spouse in order to obtain a rate for groups with no fewer than two (2) and no more than fifty (50) eligibles must provide the following documents: ▪ A signed copy of the sole proprietor's most recent NYS-45-ATT. ▪ Letter signed by a CPA or Attorney who is not an employee or relative of an employee of the group, which certifies that the sole proprietor has hired his or her spouse as a full-time employee. ▪ If the sole proprietor's spouse shares in profits, proof of corporation or partnership status will be required before a rate for groups with no fewer than two (2) and no more than fifty (50) eligibles will be issued. **Mid-contract hiring** ▪ A sole proprietor currently enrolled with HIP who hires staff during the contract period and is able to qualify for a rate for groups with no fewer than two (2) and no more than fifty (50) eligibles must provide the following documents: ▪ A Letter signed by a CPA or Attorney who is not an employee or relative of an employee of the group, which attests that the staff is working at least 20 hours per week and ▪ Articles of Incorporation issued by the State of New York and ▪ a payroll record acceptable to HIP. If qualified, the change in status will take place the 1st of the following month. Documentation must be received by the 15th of the current month to be effective on the 1st of the following month. The group must produce tax documents within 90 days after the effective date of coverage to substantiate eligibility. If acceptable documentation is not provided to HIP, then coverage will be terminated.

Sole Proprietors cont.	**Sole Proprietor Product Offering** Sole proprietors may receive coverage only if they are members of eligible associations to whom HIP has issued one or more of the small group benefit plans set forth in these guidelines. **HIP SmartStart,** is the only except ion. Qualified Sole Proprietors that meet these guidelines may directly enroll in HIP SmartStart without joining an association.

[1] These guidelines do not encompass Government Sponsored programs that HIP may offer for sale (e.g., Medicare, Healthy New York, etc.) The product sponsor should be consulted for policies and procedures that are applicable to their products.