

## SMALL GROUP | WASHINGTON

# Underwriting Guidelines

For groups with 1 to 50 employees

Effective January 1, 2020

Kaiser Foundation Health Plan of Washington offers plans that feature the Core network. Its subsidiary, Kaiser Foundation Health Plan of Washington Options, Inc., offers plans that feature the Access PPO and Elect PPO networks. Both follow the underwriting guidelines described below. We are jointly describing them here for your convenience.

## Coverage start date

For new groups, materials must be received by the **20th of the month** for coverage to be effective on the **1st of the following month**. For renewing groups, materials must be received by the **10th of the month** preceding the renewal date. Incomplete or inaccurate information will delay the effective date of coverage.

## Employer guidelines

### 1. Small group definitions

Generally speaking, a small employer is any person, firm, corporation, partnership, association, or political subdivision that is actively engaged in business that employed an average of at least 1 but no more than 50 employees during the previous calendar year and that employed at least 1 employee on the first day of the plan year. As noted in the following paragraph, the employer must employ at least 1 common law employee: generally a person who performs services for a firm under an employer-employee relationship but is neither a partner in the firm nor its sole proprietor or their spouse.

On November 9, 2015, the Washington State Office of the Insurance Commissioner (OIC) provided the following notifications to carriers: "The OIC has determined that the ACA and implementing Federal regulations require that to qualify to purchase group coverage, the employer must have at least

one common law employee. This requirement supersedes the language of RCW 48.43.005(33) that permits sole proprietors with no employees and self-employed individuals to purchase small group coverage. This provision is inconsistent with the ERISA definition of an 'employee welfare benefit plan' and with the ACA's division between the individual and small group markets. Under these definitions, an employee benefit plan must include at least one common law employee."

**Note:** Only common law employees (as a practical matter, W-2 employees) are considered employees for purposes of determining group size. However, a sole proprietor and spouse; a partner and spouse; and the owner and spouse of a corporation wholly owned by the individual or the individual and the individual's spouse do not count as employees in determining market size even if they are also common law/W-2 employees. While not counted for purposes of determining group size, such individuals may still be considered eligible for benefits under the small group plan.

Groups that have 51 or more employees (in state or out of state), but have 50 or fewer employees living in the Kaiser Foundation Health Plan of Washington or Kaiser Foundation Health Plan of Washington Options, Inc., service area, do not meet the small group definition. They must be underwritten as a large group.

Employees on COBRA are not included in the 50-employee count when determining if a group is a small group. Example: 48 employees and 3 employees on COBRA would be a small group.

## 2. Conditions of offerings

- a. Sole health plan (sole carrier) coverage is a requirement under all offerings for those who reside within our service area.
- b. Groups with 1 to 5 employees may offer up to 3 plans. Groups with 6 to 50 employees may offer any number of plans (offering up to 3 plans may be ideal for groups of this size). Note: Elect PPO plans are available only in King, Kitsap, Pierce, Snohomish, and Thurston counties. For a plan to be available to new group members during the contract year, a group must have at least 1 employee enrolled in the plan when offered at the time of a new group setup or at renewal. Split families will not be allowed. The employee and their dependents must enroll in the same plan. Where applicable, groups will receive a monthly billing statement for each plan chosen. When adding additional plan offerings, enrollment changes must be provided on Kaiser Permanente census roster or enrollment forms.

Proposed rates for new sale prospects and renewals are based on information at the time of the proposal or when renewals were offered. New groups are provided composite rates based on the full census of the group. At renewal, composite rates are based on enrollment by network, not the overall census of the group.

- c. Residency requirements are as follows: For Core network plans, 100% of covered employees must reside or work within the service area. For Access PPO and Elect PPO network plans, 80% of covered employees must reside or work within the service area. **Note:** The physical address of the employer's place of business must be within the service area of Kaiser Foundation Health Plan of Washington. The service area consists of those Washington state counties where we have filed our plans and rates.
- d. Benefit, eligibility, and waiting period changes can be made only during the renewal of the

contract anniversary date. A 30-day open enrollment period is required one month before renewal of the contract each year.

- e. For groups of 1 to 3 employees, 100% of employees not covered by similar existing coverage must participate/enroll. Waivers are required for these groups. For groups of 4 or more employees, there are no minimum requirements. Note: To be eligible for a small group plan, a group must have at least one common law employee.
- f. Employers must pay a minimum 50% of the average employee premium to qualify for group insurance. If an employer selects multiple plans, the employer must pay a minimum 50% of the average employee premium on the base plan.
- g. If a group is canceled due to nonpayment of a premium, the group cannot reapply for coverage for 12 months. If a group's coverage has lapsed for any reason other than nonpayment of a premium, a group can reapply for coverage after a one-month lapse.
- h. For employers renewing coverage, benefit and eligibility changes can be made only at the contract anniversary date unless earlier changes are mandated by changes in the law.
- i. Workers' compensation coverage is required for all employees who are not exempt from occupational coverage. The plan does not cover on-the-job injuries for employees, owners, or partners.
- j. For HSA accounts, employers are required to comply with restrictions on employer contributions.
- k. We reserve the right to re-rate or rescind proposal if any of the assumptions prove false or contradictory.

## 3. Employee and dependent eligibility

- a. New employees/dependents must enroll within 31 days of becoming eligible for an effective date matching the eligibility date, or they must wait until open enrollment. Newborns and adopted children must be enrolled within 60 days of birth or adoption placement.

- b. All employees enrolling must complete an Enrollment Application. Groups of 1 to 3 employees are required to complete a Waiver of Coverage form for those employees who are not enrolling and submit them with the group's enrollment materials. **Note:** To be eligible for a small group plan, a group must have at least one common law employee. We strongly encourage employers with 4 or more employees to require their employees to complete a Waiver of Coverage form. Kaiser Permanente does not require them for our files.
- c. The subscriber's legal spouse, state-registered domestic partner, and dependent children are eligible. Children 25 and younger are covered. This does not apply to Employee Only contracts.
- d. Domestic partner coverage for non-registered domestic partners is available upon request by the employer. This does not apply to Employee Only contracts.
- e. The employee must enroll in order for dependents to enroll. This does not apply to Employee Only contracts.

#### 4. New group business verification

Newly formed small businesses of one or more employees are eligible to apply for coverage. An employer/employee relationship must exist, and employees must be represented on the payroll as receiving a wage or commission. For groups of 1 to 3 subscribers, the group must show proof of being a business by submitting the appropriate tax documentation forms. Note: To be eligible for a small group plan a group must have at least one common law employee.

Corporation	1120 (first 4 pages with preparer's or owner's signature)
Subchapter S Corporation	1120S (first 4 pages with preparer's or owner's signature)
Partnership	1065 (first 4 pages with preparer's or owner's signature)
Nonprofit	990
Religious Organizations	Tax forms not required

## Dental plan guidelines

Optional adult dental coverage can be purchased in addition to the medical coverage plan. All adults 19 and older enrolling in the medical plan must also enroll in the dental plan if a dental plan is selected.

There must be common enrollment between medical and dental plans.

Dental coverage is a federally mandated benefit for members 18 and younger. When a medical plan is selected, it will be paired with the pediatric dental plan that is offered by Delta Dental of Washington, unless 1 of the 2 Delta Dental family plans that include this coverage is selected. Delta Dental premiums for employees or dependents on the pediatric plan will be assessed and billed separately from the medical plan. Dual choice is not available on dental plan products.

## Application checklist

To apply for group coverage, we will need the following from the employer:

- ☐ Signed employer application.
- ☐ A copy of employer's current license to do business in Washington state.
- ☐ Signed enrollment form for each employee wanting coverage.
- ☐ Enrollment forms for former employees who are COBRA eligible.
- ☐ Waiver form for each eligible employee declining coverage (mandatory for groups of 1 to 3; recommended for groups of 4+). Note: To be eligible for a small group plan, a group must have at least one common law employee.
- ☐ For groups of 1 to 3 subscribers, the group must show proof of being a business by submitting the appropriate tax documentation forms as listed under Employer Guidelines Section 4, "New group business verification." Note: To be eligible for a small group plan, a group must have at least one common law employee.