



# Chinese Community Health Plan Small Group Underwriting Guidelines

For businesses with less than 100 employees

Effective January 1, 2015



This information is not intended to be construed as legal advice.  
Please contact appropriate professional counsel of legal advice.

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# Introduction – Section One

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These guidelines represent Chinese Community Health Plan's (CCHP) overall guidelines in evaluating and providing coverage to new and existing small group accounts. These documents is offered as an overall perspective about CCHP's current underwriting guidelines; and are subject to change without prior notice as permitted under law.

These guidelines are not all-inclusive. Other policies and procedures may apply.

CCHP retains the right to accept or decline a group for coverage, specify terms of coverage, or grant requests for changes. These rights are contingent upon applicable authorization from CCHP, subject to applicable law.

As a broker, you are not authorized to guarantee or bind coverage, premium rates, or effective dates. All prospective groups should be advised to maintain their current coverage until notified by CCHP of approval.

## **Metal Tiers**

Since 2014, all plans fit into one of four categories, identified as “metal tiers”. Each tier represents a different actuarial value (AV). The AV is the percent of essential health benefit expenses the health plan will pay of a standard population. Those tiers and AV thresholds are:

- Platinum = 90% AV
- Gold = 80% AV
- Silver = 70% AV
- Bronze = 60% AV

The four levels offer a variety of copayments, coinsurance and deductibles for Essential Health Benefits. For example, Platinum plans have the highest premiums and lowest out-of-pocket costs. The other plans have lower premiums and higher out-of-pocket cost.

## Submission Requirements – Section Two

A prospective group must submit proper documentation to demonstrate its qualification as a Small Business under California state law. The documentation required by CCHP is listed in the “Group Enrollment Checklist” below. Please use this checklist to assure your client’s submission is complete, including the initial premium payment.

A new group must demonstrate it has been in business for a minimum of six (6) weeks, with a least one (1), but not more than fifty (50) employees working an average of thirty (30) hours per week. A new group is eligible for guaranteed issue and renewability when the requirements are met and continue to be met under the Affordable Care Act (ACA) and the California Small Group legal requirements.

### Group Enrollment Checklist

To ensure prompt processing, please make sure to include the following documents:

All documents below must be submitted at the time of application.

- ☐ A signed original Employer Group Application
- ☐ A copy (all pages) of the most recent state Quarterly Wage and Tax Report (DE9C).
  - ☐ If the group has not been in business long enough to have a DE9C, six weeks of payroll, including withholdings, may be submitted.
  - ☐ For all employees that don’t appear on the current DE9C, a copy of the most recent payroll is required.
  - ☐ Copy of Worker’s Compensation.
  - ☐ To reconcile the DE9C, please indicate next to each employee’s name one of the following:
    - T** ..... Terminated (including termination date)
    - E** ..... Eligible and enrolling
    - W** ..... Eligible and waving coverage
    - S** ..... Seasonal
    - PT** ..... Part Time
    - WP** ..... Waiting Period (include date of hire for those in waiting period)
    - TEMP** ..... Temporary Employees
- ☐ A copy of the current carrier’s most recent billing statement (including all pages). Employees appearing on the current bill with a reported termination date of 90 days or greater will be required a COBRA application or waiver form to be completed as verification of their eligibility to continue or decline coverage.
- ☐ Enrollment forms completed and signed by all eligible employee(s) enrolling / waiving coverage.
- ☐ If Medicare is primary, a copy of each employee’s Medicare card is required to verify enrollment in parts A and B. A copy of the Medicare card is also required to confirm participation requirements.

- ☐ First month premium check made payable to CCHP.
- ☐ If Broker is involved to require Broker of Record.

**Proof of Ownership documentation:** Required for all groups enrolling and owner-only groups of any size when the owners do not appear on the DE9C or payroll records. Must list each person's first and last name. Paperwork must be filled out with the state or country documentation may include:

- ☐ **Sole Proprietorship:**
  - ☐ California Business License
  - ☐ Fictitious Business Name Statement, if any
  - ☐ Most recent IRS Schedule C (Form 1040)
- ☐ **Partnership / LLP:**
  - ☐ California Business License (showing all names)
  - ☐ Fictitious Business Name Statement (showing all names), if applicable
  - ☐ IRS Schedule K-1 (Form 1065) for all enrolling partners or Partnership Agreement signed by each partner.
- ☐ **Corporation:**
  - ☐ Articles of Incorporation
  - ☐ Statement of Information
  - ☐ S-Corps: IRS Schedule K-1 (Form 1120S) for all enrolling owners/officers.
  - ☐ C-Corps: IRS Form 1120 (pages 1 & 2) which includes "Schedule E"
- ☐ **LLC:**

LLC Agreement signed by all managers/members/parties or copies of appropriate tax returns (follow the guidelines for an S-Corp, Partnership or Sole Proprietorship based on how the LLC was formed)

**Submit to:**

Sales Department  
 Chinese Community Health Plan  
 445 Grant Avenue, Suite 700  
 San Francisco, CA 94108  
 T: (415) 955-8800 ext. 3256  
 F: (415) 955-8819  
 sales@cchphealthplan.com  
 www.cchphealthplan.com

**OR**

**Submit to your Agent:**

**Please Retain a Copy of the Application for Your Records**

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## **New/Start-up Businesses**

New/Start-up Businesses represent a unique opportunity. These groups typically meet all the underwriting requirements with the exception of the length of time they've been in business. CCHP will give consideration to groups that have been in business for at least six (6) weeks, but retains the right to defer the group until the California Small Group legal requirements have been met. To obtain approval for a New/Start-up Business, the following may be required:

- Payroll records or applicable filings indicating the length of time the group has been in business. These documents must span the twelve (12) weeks preceding the effective date and demonstrate one or more eligible employees for the entire period. Payroll records must include all pages for all pay periods and list the following:
  - o Company name;
  - o Date of pay periods; and
  - o Employee names, wages paid, withholdings and grand totals
- Individual payroll/pay stubs, estimated payroll, payroll summaries or handwritten journals are not deemed acceptable.

This documentation is used to verify that the prospective client is a legitimate, active small group eligible for coverage. The information is also used to verify that an owner, officer or partner is actively engaged in the business for eligible for coverage. CCHP may conduct online searches to validate filings and other documentation. CCHP may decline a group for coverage if a search is not successful.

## **Sole Proprietorship (Individual & Husband/Wife)**

In order to qualify for group coverage, a business must have a minimum of one (1) DE9C/payrolled employee. As such, a Sole Proprietor or Husband/Wife Only entity will not qualify for group coverage with CCHP.

# General Underwriting Guidelines – Section Three

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## Company Size:

- An employer with one (1) to fifty (50) employees that fulfill the requirements of the Small Employer Insurance Reform Act (AB1672) and as amended by AB 1083, set forth in the California Health and Safety Code commencing with section 1357, is eligible for guaranteed issue and guaranteed renewal under a small group plan.
- An employer must have at least one (1), but no more than fifty (50) permanent, active, full-time employees, which excludes spouses and owners, for at least fifty percent (50%) of the preceding quarter or preceding calendar year. Employees whose normal work week averages thirty (30) hours are considered full-time.
- A minimum of one (1) W2 employee (excluding the owner, spouse or legal domestic partner) enrolls in CCHP or another group health insurance plan offered through their employer.
- A business of one (1) employee working 20-29 hours per week, and otherwise meeting the same standards as a full-time employee, satisfies the one (1) eligible employee minimum.
- An enrolling proprietor, partner or corporate officer who is not listed in the DE 9C or payroll report.
- Spouses or domestic partners who both work for the same employer have the option to enroll as separate subscribers, or may enroll as a dependent under the other's coverage.
- In determining group size, companies that are affiliated companies and eligible to file a combined tax return for purposes of state taxation will be considered one (1) employer even if they are not presently filing together.

## Company Location:

- An employer must maintain business licensure and/or appropriate state filings, allowing the company to transact business in California.
- A California-based company must be located within the CCHP licensed service area.
- If the company is located in California, but outside of the CCHP service area, only employees either residing and/or working at a satellite location of the company within our service area will be eligible for coverage.

## Coverage Requirements:

- An employer must offer health plan coverage to one hundred percent (100%) of their eligible employees.
- CCHP requires all employers to maintain a Worker's Compensation policy unless it is not required by law.
- The business must not have been formed primarily for the purpose of buying health insurance.



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## Employee Eligibility

To be eligible as a full-time employee, a person is required to be permanent employee who is not a spouse or an owner, who is actively engaged and regularly scheduled on a full-time basis in the conduct of the business with a normal working week averaging thirty (30) hours, through the small employer's regular place of business.

- Employers may choose to offer coverage to employees working an average of thirty (30) hours per week or at least twenty (20) hours per week.

To be eligible as a part-time employee (as defined under SB 1790), a person must be an active permanent employee who is actively engaged in the conduct of the business of the employer working at least twenty (20) hours, but not more than twenty-nine (29) hours per a normal work week, at the employer's regular place(s) of business. An employer is not required to offer coverage to part-time employees, but may do so if they wish, providing that eligibility requirements are met. If coverage is offered to one (1) or more part-time employees, then it must be offered to all part-time employees working at least twenty (20) hours or more each week on average.

In addition to the eligibility rules above, full-time and part-time employees must:

- Receive monetary compensation for their work (subject to payroll withholding as appears on a W2 forms);
- Be a bona fide employee of the employer; and
- Satisfy any employer imposed eligibility waiting periods.

In addition to the rules above, enrolling proprietors, partners or corporate officers must:

- Draw wages, dividends or other distributions from the company on a regular basis;
- Not derive substantial earned income from any other employer;
- Not be eligible for other employer-sponsored coverage as a subscriber; and
- Satisfy any employer imposed eligibility waiting periods.

## Dependent Eligibility:

Dependent coverage is available to the following individuals if the employer allows enrollment of dependents:

- Legal spouse. Spouse includes same-sex spouses if all California Family Code requirements are met under Section 308(c) for a couple, or Sections 297 or 299.2 for a registered domestic partner. Spouse also includes legal domestic partners who meet the group's eligibility requirements for domestic partnership. A spouse who is covered for benefits as an employee of the same CCHP covered group plan as a subscriber is not allowed to also enroll as a dependent.

- An employee's or a spouse's children (including adopted or placed for adoption) who are under age 26.
- Children (not including foster children) for whom the employee or spouse is the court-appointed guardian (or was when the person reached age 18) if they are under age 26.
- Children whose parent is a dependent under the employee's family coverage (in other words, eligible grandchildren of the subscriber), including adopted children or children placed with the employee's dependent for adoption, but not including foster children, if they meet all of the following criteria:
  - o They are under age 26;
  - o They are not married and do not have a domestic partner;
  - o They receive all of their support and maintenance from the employee or spouse; and
  - o They permanently reside with the employee or spouse.
- Disabled dependents who meet dependent eligibility rules satisfy incapacity and financial reliance requirements to be certified as disabled dependents under applicable California legal requirements. The age limit does not apply to disabled dependents.

### **Ineligible Categories**

The following employer classifications do not meet California Small Group legal requirements standards as small businesses and are thus ineligible employers. Employers with the following classifications may also be ineligible if they fail other requirements. The absence of a category below does not make the classification eligible by default.

- Associations – Groups of non-affiliated separate employer entities banded together, unless the group meets the definition of a guaranteed association and has been actively in business since January 1987.
- Multiple employer trusts – Employers brought together under a master contract issued to a trustee under a trust agreement for the purpose of providing insurance.
- Union trust plans – Union employees under a labor trust fund in which the employer contributes to the fund but does not own the master contract.
- Owner only – Groups that do not have a bona fide employee on the payroll.
- Taft-Hartley groups – Groups participating in trusts established under the authority of the Labor Management Relations Act of 1948. Group contracts for coverage are issued to the trustees representing one or more unions and/or employees, usually in connection to collective bargaining agreements.
- Retirees – Former employees who may be eligible for retiree benefits if offered by the employer after meeting age and other requirements.

- Hour bank groups – Taft-Hartley welfare funds where employees meeting specific work hour requirements can elect to put excess hours into the fund.
- Leased employees – Employees whose wages are paid and taxes withheld by a different entity, such as Professional Employer Organizations (PEOs), and the group compensates the entity. In this scenario, the group does not have an employer/employee relationship.
- Contracted employees (1099) – Employees providing contracted services and who typically receive 1099 tax forms for income tax reporting purposes.
- Seasonal, temporary, and substitute employees - Employees who are not hired on a permanent basis or who have a planned termination date.
- Other ineligible classification – Private households, domestic help, single-employee companies, members of organizations (such as; credit unions and fraternal order members), conservatorships, embassies and family trusts.

### Participation Requirements

- Depending on the number of eligible employees, the minimum number of employees enrolling in CCHP is listed below. A minimum of one (1) W2 employee (excluding the owner, spouse, or legal domestic partner) must enroll in CCHP or another group health plan offered their employer. Owners do not count towards fulfillment of the minimum participation requirement.
  - o Groups with 1 – 5 eligible employees: 100% of eligible must enroll in an offered plan option
  - o Groups with 6 – 20 eligible employees: 50% of eligible must enroll in an offered plan option
  - o Groups with 21+ eligible employees: 30% of the eligible must enroll in an offered plan option
- How is the number of Eligible Employees for participation determined? Some groups may be located outside the Plan's Service Area, and/or have a portion of their work force residing outside the Service Area. The common denominator in calculating fulfillment of the Minimum Participation Requirements can be based upon either of the following criteria:
  - o The total number of Eligible Employees regardless of residential Zip Code can be used (a simplified approach); or
  - o The total number of Eligible Employees residing in the Service Area.
- An employee is considered to have group health plan coverage and count toward the thresholds shown above when:
  - o He or she enrolls in the CCHP plan offered by the group;

- o He or she declines coverage due to coverage offered through another carrier offered alongside CCHP; or
  - o He or she declines coverage due to group coverage through another employer (as a subscriber or a dependent).
- Employee who are not eligible for coverage, including those who have not satisfied the waiting period, are excluded from the participation percentage calculation.
- The employer agrees to inform its employees of the availability of coverage, and that a refusal of coverage will preclude enrollment until the group's next Annual Open Enrollment period.

### **Employer Contributions**

Employers must contribute to all health coverage offered on a basis that does not financially discriminate against CCHP or people who choose to enroll in CCHP. The contribution can be a percentage or a fixed dollar amount. For each family, the employer's contribution must be no less than the greater of the following amounts:

- Minimum contribution must be at least fifty percent (50%) of the employee's premium for the lowest priced CCHP plan offered by the employer (Not to include any ancillary coverage, such as dental or vision);
- No less than the amount the group would have contributed if this family had enrolled in any other carrier's plan offered by the group not to include ancillary coverage;
- If a member is enrolled in a CCHP plan with a corresponding Health Reimbursement Arrangement (HRA), the group's contribution to the HRA must be at least equal to the highest amount the employer would have contributed to that HRA if this family had enrolled in another carrier's plan offered by the employer.
- Employers are not required to contribute to dependent coverage.

### **Policy Effective Date**

- Final rates are based on actual group enrollment for a specific effective date. A new rate may be required for a change or postponement of a policy's effective date. Rates may vary by policy effective date.
- Employees enrolling after the initial enrollment period, the current rate tables will apply.
- Policy effective dates are always the 1st of the month.
- Existing employees and their dependents are eligible for coverage on the employer's effective date if their waiting period has been satisfied. The employer has the option to waive the waiting requirements for all new hires at the initial open enrollment only.

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## Waiting Periods

- Employers can choose a 30/60/90 day probationary period. However, the effective date must be “1st of the month following 60 days of continuous employment.” The max is 90 days, and 90 days we will be exceed in months that have 31 days back to back.
- Application of a rule stating “1st of the month following date of hire” will not allow an individual hired on the 1st day of a month having that same date for effectuation of coverage. That employee’s coverage will begin the 1st of the following month.
- For enrolling new groups, the same waiting period must apply to all eligible employees within the same enrollment unit.
- Waiting periods cannot be waived for new employees except at initial group enrollment.
- Waiting period(s) can be changed at a group’s renewal date. A waiting period may be increased mid-contract year with underwriting approval.

# Requirements For Other Group Categories – Section Four

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## Employer Groups With Union And Non-Union Employees

- The total number of both union and non-union eligible employees must be one (1) to fifty (50) employees in order to qualify for small group coverage.
- Employers who own the union contract and do not pay into the union trust fund are eligible to enroll the entire group of union and non-union employees.
- When union employees receive health coverage through the union trust fund established by a collective bargaining agreement, then only the non-union employees will be eligible for CCHP group coverage. The group is required to submit the following:
  - o A copy of the collective bargaining agreement showing contributions to the trust fund; and
  - o The statement of ERISA rights from the union trust Summary Plan Description (SPD).

## Affiliated Companies

Business entities that are affiliated and eligible to file a combined tax return for purposes of state taxation will be considered one (1) employer even if filing separately. The following documentation can be used to demonstrate affiliation:

- Statement from CPA/Tax Attorney
- Recently filed IRS form 1120S (IRS Schedule O)
- Recently filed IRS form 8869

CCHP will make the final determination of whether there is a single employer and may require additional documentation. If the companies are not eligible to file a combined tax return, they will be considered distinct entities and written as separate customers.

## Breakaway/Spin-Off Groups

A breakaway or spin-off group is a company that is newly formed from employees of an existing company to become a distinct and separate entity. Employees forming this company are no longer employees of the original company and are applying for coverage under a new contract.

A breakaway/spin-off employer must meet all the qualifications for a small business to be eligible for CCHP coverage.

- If the breakaway company(s) are still affiliated and can file a combined tax return, then the companies will be treated as a single entity, written under the same contract.
- For breakaway groups new to CCHP, breakaway employees can be noted on the DE 9C or payroll records of the original group in order to document employees. Provided the documents verify the original group has been in business for more than six (6) weeks, the breakaway group does not need to meet this requirement separately.
- For all existing CCHP breakaway groups, the original employer will retain the existing CCHP contract, while the breakaway employer will receive a new employer ID.

## Plan Requirements – Section Five

### Multiple Plan Option Rules

Groups with five (5) or more enrolled employees are eligible to offer a choice of medical plan options to their employees.

- Plan options will be limited to plans with Metal Tier values immediately adjacent to a “base plan” designated by the group. The group will designate the plans from the adjacent AV options for selection. For example:
  - A Gold Plan (AV of  $\pm 2\%$  of 80%) will allow employees to also select a Platinum or Silver option.

### Deductible Funding

Groups that directly fund and/or reimburse employees for any CCHP deductibles, coinsurance or copayments are in violation of our deductible funding policy and may be subject to termination or may not be renewed. This includes employer reimbursements of employee cost sharing through employee flexible spending account (FSA) or limited purposes (FSA) plans. Exceptions to this rule are subject to prior approval of the plan by CCHP.

Brokers who advise their small business clients to fund or directly reimburse employees for deductible plan expenses in violation of this policy will not receive sales commissions from CCHP.

In the event CCHP approves a Deductible Funding plan (FSA) or Healthcare Reimbursement Arrangement (HRA), the following rules will apply:

- The group is responsible for identifying an administrator and paying all set-up and ongoing fees.
- The group may fund up to 100% of the subscriber’s deductible. No minimum funding requirements are imposed by CCHP.
- Self-employed individuals and their families are not eligible to enroll in a HRA, as stated in IRS Code Section 105(b). Employees of LLC, partnership, sole proprietorship and S-Corporation business types are eligible to enroll in a HRA offering

### Pediatric Dental & Vision

- All plan options cover the Essential Health Benefits as defined by Affordable Care Act (ACA) regulations, which includes pediatric dental services.
- Pediatric dental and vision services apply to all members under nineteen (19) years of age.

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### **Deductible Credit And Carryover**

- For new group submissions, CCHP does not offer credit for expenses incurred toward satisfying deductibles or out-of-pocket maximums under the member's prior medical care plan. This same policy applies to deductible and out-of-pocket maximums that were completely satisfied under prior plans.
- All deductible and out-of-pocket maximum accumulations are reset to \$0.00 on the start of the calendar year, January 1st. No accumulations are carried over from the previous calendar year to the new calendar year.

### **Dental And Vision Ancillary Plans**

- Dental and vision ancillary plans can only be purchased at the plan's inception or renewal.
- The ancillary plans are not sold to subscribers not enrolled in CCHP.
- When dental , vision or other ancillary plans are offered in conjunction with the medical plan, 100% of subscribers and enrolled dependents are also enrolled in the respective dental and/or vision plan.



## Rating Policy – Section Six

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### General Rating Information

Plan rates take into account numerous variables, such as benefit costs associated with the delivery of health care for all small group customers as a whole. Thus, rates are adjusted according to rating area location and applicant age. Final rates are based on the actual group enrollment. They are guaranteed for twelve (12) months and are valid only for the group's contracted effective date.

### ACA Compliant Plan Rating

- Age band:
  - o The age of each family member is used to derive a separate rate for each family member.
  - o If a family has more than three (3) children under age nineteen (19), then each additional child over three in total will have a monthly premium of \$0.00.
  - o A member's age as of the effective date of the group contract will be used for calculating rates. This age will be used for the entire contract and be revised at renewal.
- Rating area:
  - o Rates are based on the Employer's zip code, regardless of each employee's residential location. For those employers located outside of the Service Area, seeking coverage for employees residing within the licensed Service Area, the "San Mateo" rate model will apply.

The majority of underwriting guidelines in previous sections are applied to new and existing CCHP groups. This section will provide an overview of the guidelines as they pertain to plan changes for existing employer groups. This includes enrolling new hires, recertification and renewal, and applying changes to existing policies.

# Existing Business Guidelines – Section Seven

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## Group Size

An existing group may grow beyond the fifty (50) eligible employee threshold, yet retain the Small Business classification until the next renewal. An assessment is done in the months prior to renewal. A determination may be made to transition the group to Large Group status upon renewal. The ability of a group to retain Age Band rates will be at the sole discretion of CCHP.

## Enrollment Opportunities

Eligible employees and their eligible dependents can enroll in the employer's health plan only:

- During Open Enrollment;
- After satisfying their new hire waiting period; and
- Within thirty-one (31) days of becoming eligible to enroll through a qualifying event (e.g., birth, adoption, marriage, etc.).

## Open Enrollment

Once each year, employer must provide the employees and opportunity to change plans or add dependents not previously enrolled. Employees and/or dependents who waive enrollment when first eligible must wait until Open Enrollment to enroll. However, employees may be eligible to enroll themselves and/or dependents before the next open enrollment period of a qualifying event occurs.

## Renewal

### *Notification*

The standard renewal date is twelve months from the contract effective date and always begins on the 1st of the month. The renewal notification is provided:

- To the groups at least sixty (60) days prior to the renewal effective date; and
- To the broker approximately seventy-five (75) days prior to the renewal effective date.

Renewal contracts are issued within sixty (60) days following the renewal effective date.

### *Renewal Date Changes*

Changing the group's renewal date is approved on a limited, exception basis subject to underwriting approval. Groups should be aware that a renewal date change may result in a rate increase.

### *Recertification*

Employer groups may periodically be required to recertify their fulfillment of the eligibility requirements as a small business, that employees are eligible and have a bona fide employee relationship, and that all applicable underwriting guidelines are being satisfied.

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A group failing to pass recertification, or declining to respond to the recertification request, will be subject to termination.

### **Causes For Termination**

CCHP may terminate coverage under any of the following conditions:

- The employer fails recertification and/or no longer qualifies for small business coverage.
- The employer fails to enforce employee and dependent eligibility rules.
- The employer is delinquent and does not pay the required premium.
- The employer fails to comply with underwriting requirements, including participation or contribution standards.
- The employer commits fraud or misrepresentation.
- The employer has no active employees enrolled in CCHP.
- The employer violates the CCHP deductible funding policy.

Coverage of an employee or dependent may be terminated or rescinded if the individual directly or indirectly commits and act of fraud or misrepresentation.

(End)



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