

UNDERWRITING GUIDELINES - MEDICAL PLANS

Employer Eligibility

Eligible employer groups must employ 2 to 99 eligible employees. An employer/employee relationship between each individual seeking coverage and the small business entity, regardless of the marital or ownership status of any individual seeking coverage, must be present in order for an individual to be eligible for coverage. Employee eligibility is further defined in the next section.

Employer groups must be in business for a minimum of three months to be eligible for coverage.

Employer group contributions toward cost of medical coverage must be no less than 50 percent of the total cost of each rating tier or 75 percent of the individual premium in each of the tiers. Underwriting may consider exceptions when reviewing cases as long as participation guidelines are met.

Union employees may be carved-out. Non-union carve-outs are considered on a case-by-case basis. Executive management level carve-outs are not permitted.

Employer groups terminated by UPMC Health Plan for nonpayment of premium are not eligible to reapply for coverage until 12 months have lapsed after termination date. If the Health Plan grants reapplication, a required payment of two months premium is due before the policy will be issued.

Out-of-area coverage is limited to the following:

Out-of-Area Coverage	
# of Eligible Employees	Maximum Out-of-Area % of Total Eligible Employees
2-6	No coverage available
7-20	15%
21-99	25%

If for any reason, an existing group's out-of-area enrollment becomes greater than the 15% or 25% guidelines listed, the entire group may be non-renewed for failure to meet UPMC Health Plan participation guidelines.

For groups with 2-50 eligible employees, only one out-of-area benefit plan is permitted per group.

Out-of-area benefit plans are applicable only if UPMC Health Plan is offered as the total replacement carrier. Preferred Provider Organization (PPO) and *HealthyU* PPO (HIA, HRA, HSA) products are the only out-of-area plans offered. If the in-area plan selected is a PPO or *HealthyU* PPO, the out-of-area plan must be equivalent to or of lesser benefit than the in-area plan.

For groups with 51-99 eligible employees UPMC Health Plan will allow blended rates for in-area and out-of-area plan offerings. In no event will a blended out-of-area rate be approved if sold with a non-blended in-area rate or vice versa.

Employee Eligibility

Eligible employees are active, full-time employees, as defined by the employer, who have met the employer’s probationary period. UPMC Health Plan requires employees to work a minimum of 25 hours per week to be considered a full-time employee. Part-time employees (those working fewer than 25 hours per week), absentee owners, seasonal workers, IRS 1099 contractors who are not employees, directors and trustees of the company, and Medicare-eligible retirees are not eligible for coverage. UPMC Health Plan offers group and individual Medicare Advantage plans for Medicare-eligible retirees.

An owner must receive full-time compensation from the company to be considered for coverage. If the owner is not reflected on the UC-2A, include the most recent Schedule C and a letter on company letterhead with the owner’s name, exact hours worked, and duties performed, and indicate that he/she is a full-time employee of the business enterprise (working 25+ hours per week).

The employer group determines waiting periods, which must be applied consistently to all employees.

All employer groups with 50 or fewer eligible employees must submit a copy of their most recent PA UC-2A/Quarterly Wage and Tax Statement (Unemployment Compensation Tax Form), which must contain names, salaries, and weeks worked for all employees of the employer group.

Employees who have been terminated or work part time must be noted accordingly on the UC-2A. Recently hired employees not listed on the UC-2A must have a W4 or payroll stub submitted with the UC-2A.

There are circumstances when an employee will not be included on a UC-2A form or when the company is not required to file a UC-2A. Refer to the following table for alternate types of acceptable documentation.

If a UC-2A is not available, submit one from Category A		... and one from Category B
Category A	Category B	
IRS 1040 - Schedule C or F	K-1s or Articles of Incorporation	
IRS 1065 - Partnership Income	K-1s or Partnership Agreement	
IRS 1120 - Corporate Income	Current Business License	
IRS 941 - Not-for-Profit Use Only*	Leases and Other Contracts	
IRS 990 - Return of Organization Exempt from Tax*		

*Must submit copy of payroll journal; no Category B information required.

Only new employees and employees experiencing a documented qualifying event will be permitted to enroll outside the open enrollment period during the benefit year. For the purposes of this section, a qualifying event is defined as a (1) marriage, (2) birth/adoption of a child, or (3) a loss of other existing coverage as a result of legal separation, divorce, death, termination of employment, reduction in the number of hours of employment, or other verifiable reason for loss of coverage eligibility.

additional dependents (other than those resulting from a documented qualifying event) will be permitted at the employer group’s benefit plan anniversary date or during open enrollment.

Employees initially waiving group coverage for any reason other than the employer’s waiting period must wait until the next open enrollment period to enroll, unless there is a documented qualifying event.

Dependent coverage will be permitted to begin on the effective date of the covered employee’s coverage. Coverage for

GROUP SIZE AND ENROLLMENT REQUIREMENTS

A minimum of 75% of eligible employees must have coverage in a health benefit plan either through the plan offered by the employer group, a spouse's employer, a government program (Medicare, Medical Assistance, military), a union, or other comparable coverage.

At least 50% of all eligible employees must be enrolled in a plan offered by UPMC Health Plan. A minimum of two employees must be enrolled with UPMC Health Plan. Medicare-eligible retirees do not qualify as eligible employees. For groups with 2 to 50 eligible employees, employees covered by another plan must complete the waiver section on the Member Enrollment Application and provide their sponsor plan number or a copy of their ID card.

UPMC Health Plan must be offered as total replacement coverage for groups of 2 to 50 eligible employees. **Dual option plans are not permitted for in-area employees in groups with less than 20 eligible employees.**

Plan options are limited to two plans and cannot be multiple Health Maintenance Organization (HMO) or multiple Point of Service (POS) plans.

HealthyU plans may be offered as a dual option for groups with 20-99 eligible employees. *HealthyU* HIA/HRA/HSA plans can only be offered alongside a PPO/EPO plan with a minimum deductible of \$500. Two HIA/HRA/HSA plan options are also permitted.

Dual option must be a true "buy up" situation and cannot be used to carve out management-level employees, offering a

richer benefit. UPMC Health Plan requires that there is at least one enrollee in the dual option plan. Dual option rates must have a rate differential of no less than 7% and no greater than 35%.

UPMC Health Plan may be offered as a benefit plan along with other competing plans for groups of 51-99 eligible employees. If the plan is offered on an optional basis, the employer group must agree to make no attempt, whether through differential premium contributions or otherwise, to encourage or discourage enrollment in any one plan. In the event that UPMC Health Plan is offered on an optional basis, a minimum of 40% of all eligible employees residing within the UPMC Health Plan service area must enroll in the UPMC plan. Additional participation requirements may be set at the discretion of the UPMC Health Plan Underwriting Department. Out-of-area enrollment maximums still apply.

Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage will be offered to eligible individuals who formerly received coverage through employer groups that have active enrollment in UPMC Health Plan and/or to those whom UPMC Health Plan is required to offer coverage under state or federal law. Total COBRA enrolled employees cannot exceed 15% of total enrolled subscribers for the 51-99 eligible employee groups.

All employer groups must submit their first month's premium no later than the 10th of the month prior to the effective date of the benefit plan.

RATE DETERMINATION

The UPMC Health Plan demographic rating applies to groups with eligible 2-99 employees. Employer Standard SIC code or description of industry as well as census data must be provided for all eligible employees.

Industry classification for a particular group is based on overall description of the employer group's business and not on the individual duties of its employees or locations.

Submitted census data must include the names of employees who are waiving coverage as well as COBRA participants and must reflect date of birth, gender, residence zip code, and tier status on each employee.

UPMC Health Plan will apply medical underwriting to new business quotes for groups with 2-50 eligible employees by collecting and reviewing individual medical questionnaires for each enrolling employee, spouse, and dependent. Groups will be rated appropriately for medical conditions, but cannot be denied coverage.

Medical questionnaires received for underwriting for one quarter can be used to re-rate a 2-50 eligible employees group for only the next consecutive quarter. Thereafter, new questionnaires must be completed.

All questionnaires must be signed by the applicant and spouse, if applicable, to be considered a complete application. The option to submit electronic questionnaires is available via the UPMC Health Plan Web-based portal.

Quoted rates are subject to change pending validation of group demographics, tier status, group SIC, and review of applicable medical questionnaires based on demographic changes.

If enrollment of an existing group changes by more than 50 percent (+/-) within the contract period, Underwriting has the right to re-underwrite the group to determine if rates need to be adjusted accordingly. Medical questionnaires may be requested for new employees in such situations.

Should final enrollment change during new group implementation or at annual open enrollment either in total or by tier, UPMC Health Plan reserves the right to re-evaluate rates based on the following:

Enrolled Contracts Prior to Change	Where Enrollment Changes by +/-
<10	50%
10-25	25%
26-50	15%

All *HealthyU* plans quoted by UPMC Health Plan assume standard plan setup. The HIA will pay first (if/when available), then the HRA (if/when available), then the member. The HRA administration is assumed to be the responsibility of UPMC Health Plan. Any deviation from these assumptions may result in a change in the quoted rates. Employers' choice of HSA funding will not affect quoted rates.

All PPO and EPO plans with deductibles quoted by UPMC Health Plan assume that the employee is paying 100% of the total plan deductible. Any deviation from these assumptions will result in a change in the quoted rates.

All UPMC *HealthyU* products assume that the Health Incentive Accounts (HIAs) are funded by UPMC Health Plan and have maximum limits of \$500 individual/\$1,000 family. HRA rates assume that employer HRA allocation is 50% of the total plan deductible minus the HIA limit (HRA allocation + HIA limit = 50% of total plan deductible). Employer HRA allocation for \$750/\$1,500 deductible plans will be \$125 individual/\$250 family. HRA administration is assumed to be the responsibility of UPMC Health Plan. The employer's level of HSA funding will not affect quoted rates. Deviations from these assumptions will not be permitted for employer groups with less than 200 eligible employees.

Self-funded arrangements will not be permitted for Small Business *Advantage* groups.

Prescription drug carve-out will not be permitted for Small Business *Advantage* groups.

Benefit plan changes/additions/deletions are permitted at renewal of the benefit plan only.

All rates must be approved by the UPMC Health Plan Underwriting Department.

Predetermined nonstandard plan designs are available for "flexing" plan options for new businesses. Any other nonstandard plan designs will not be permitted for Small Business *Advantage* groups.

COMMON OWNERSHIP

If the controlling owner/decision maker owns more than one company, common ownership must be documented and the owner/decision maker must have majority ownership in each company. Shareholders are not considered to be controlling owners/decision makers.

If groups have only one SIC code, the companies can be rated as one employer group, or at the request of the employer group, UPMC Health Plan will permit separate rate development.

2 to 50 eligible employees:

If groups have different SIC codes, the groups will be medically underwritten and rated as two separate groups. Requests for blended rates will be permitted following the initial rating.

More than 50 eligible employees:

Underwriting will prepare blended rates to develop one rate for the group.

Any deviation from underwriting guidelines must have UPMC Health Plan Underwriting Department approval.

Mini-COBRA

Under the Pennsylvania Mini-COBRA Act, insured group health plans offered by employers with 2-19 employees must provide continuation of coverage to employees and dependents after certain qualifying events.

UPMC Health Plan has modified its member material going forward with respect to the availability of Mini-COBRA. Accordingly, it will be the responsibility of the employers (or their designated COBRA administrators) to notify employees regarding the availability of Mini-COBRA coverage.

This information is meant to be informative and is not intended to be an all-inclusive statement of UPMC Health Plan underwriting guidelines. Other policies and guidelines may apply.