

**Large Group
Underwriting Guidelines**

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Large Group Underwriting Guidelines

McLaren Health Plan (MHP) Community provides *Large Group Underwriting Guidelines* as a reference for the sale and renewal of large group plans. These guidelines do not replace any state or federal regulatory requirements. These guidelines are subject to change as required by law or sound underwriting principles. Any requests outside of the Guidelines require Underwriting review and approval.

Who We Are

MHP Community, a subsidiary of McLaren Health Plan, Inc., is a licensed HMO based in Flint, Michigan. Since our first member enrolled in 1998, we've expanded to offer coverage throughout the majority of the lower peninsula of Michigan and have over 66,000 contracted providers.

MHP Community offers HMO, Point of Service and High Deductible plans for large employer groups, as well as small group and individual plans on and off the Michigan Marketplace.

Definition of Large Group

A large group is defined as an employer actively engaged in business with 51 or more eligible full-time or full-time equivalent employees on at least 50 percent of the working days during the preceding and current calendar year.

In determining the number of eligible employees, companies that are affiliated companies or that are eligible to file a combined tax return for state taxation purposes shall be considered one employer (see Controlled Group/Affiliate Company guidelines).

Group Enrollment Requirements

A group must meet the following criteria to be considered eligible for coverage:

1. Group must be actively engaged in business or service. The group must be of a permanent nature and financially stable.
2. Group must have and maintain business licensure and/or appropriate state filings allowing the company to conduct business in Michigan.
3. Group must have 51 or more eligible permanent, active, full-time, including full-time equivalent, employees during the preceding calendar year and who employs at least 51 employees on at least 50 percent of the working days during the preceding and current calendar year.
4. Group must have been formed for the purpose other than to secure group insurance.
5. The group must involve a bona fide employer - employee relationship.
6. For the purposes of rating, a group is defined as the employer. The group is comprised of all employees of the employer under one taxpayer identification number (TIN). Groups with separate TINs must be combined under one policy provided the business owner(s) have at least 50 percent common ownership of all affiliated organizations. See Guidelines for additional requirements.
7. The group must have a workers' compensation policy for their employees unless not required by law. If the employer is exempt from providing workers' compensation insurance, the Notice of Exclusion form must be provided. The form must include the Michigan Department of Labor Notice of Exclusion stamp in the upper right-hand corner.

8. Main business office must be located within the MHP Community approved service area.
9. No more than 10 percent of eligible employees may reside outside the MHP Community approved service area.
10. Employer group should have been in business for at least six consecutive months prior to the group enrollment effective date

Employee Eligibility Requirements

1. Eligible employees are employees who receive a W-2 form and who work a minimum of 30 hours per week. Part-time employees are eligible provided they work a minimum of 17.5 hours per week. Eligibility is specified in the Group Enrollment and Coverage Agreement and rules are applied to all employees uniformly.
2. Directors, corporate officers, trustees, corporate lawyers are not eligible unless they are full-time employees.
3. Seasonal, temporary or substitute employees, defined as employees hired with a planned future termination date, are not eligible. Employees compensated on 1099 employees are not eligible.
4. Owners/partners/majority shareholders who are full-time employees but are not withdrawing wages as reported on IRS form W2, can be included as eligible employees if all the following applies:
 - Must work on average at least 30 hours per week with the group from which health care coverage is sought.
 - Must earn at least 50 percent of taxable income, excluding investment income, from the group from which health care coverage is sought.
5. MHP may request additional information to verify these requirements.
6. For the POS plans only, any enrolled employees residing outside the MHP service area will be enrolled in an Out of Area network.
 - a. No more than 10 percent of the group's enrolled members may be outside of the MHP service area.

Controlled Group / Affiliate Company Guidelines

Groups that meet the Internal Revenue Code (IRC), section 1563 and 414(b), (c), and (o), definition of a controlled group of corporations or a group of businesses under common control must be enrolled and rated as a single entity under the same rating methodology. The types of controlled groups recognized by MHP include the following:

- Parent company with subsidiaries
A Parent-subsidary controlled group exists when one or more chains of corporations are connected through stock ownership with a common parent corporation; and
 - 80 percent of the stock of each corporation (except the common parent) is owned by one or more corporations in the group; and
 - Parent Corporation must own 80 percent of at least one other corporation.
- Brother-Sister Group
A brother-sister controlled group is a group of two or more corporations, in which five or fewer common owners (a common owner must be an individual, a trust, or an estate) own directly or indirectly controlling interest of each group and have "effective control."

- Controlling interest is when a common owner owns 80 percent or more of the stock of each corporation.
- Effective control is more than 50 percent of the stock of each corporation, but only to the extent such stock ownership is identical with respect to such corporation.
- Combined Group
A combined group consists of three or more organizations that are organized as follows:
 - Each group is a member of either a parent-subsidary or brother-sister group; and
 - At least one corporation is the common parent of a parent-subsidary; and is also a member of a brother-sister group.
- Affiliated Service Groups (ASG)
An affiliated service group is a group of two or more related employers that have a service relationship and/or ownership relationship.
 - MHP will consider ASG for enrollment only if they meet the above guidelines for a controlled group and all other group eligibility requirements.
 - Each ASG group will be reviewed on a case-by-case basis prior to enrollment and may require additional supporting documentation.

The following documentation must be provided as proof of common control for all groups.

- Letter on group's CPA or tax attorney letterhead certifying that the companies meet the IRS definition of a controlled group.
 - List all companies and their individual IDs that are included under the multiple employer groups whether enrolled with MHP or not.
 - Indicate whether the companies are considered parent-subsidary controlled, brother-sister controlled or other arrangements.
 - The ownership percentage must be provided.
- MHP reserves the right to request additional documentation, including corporate tax documents on a case-by-case basis.

Participation Requirements

1. All Eligible employees must complete an application or if opting out of MHP Community coverage must complete a waiver form.
2. MHP Community reserves the option to establish a minimum enrollment threshold for groups in which two or more health carriers coexist.
 - a. To avoid adverse selection, benefits from other offered managed care plans must be similar offerings.
 - b. The renewal and open enrollment dates must be the same for all carriers.
 - c. All MHP plans must be offered as an option to employees during open enrollment.
3. Medical and pharmacy coverage are both required to be offered by MHP.
 - a. Medical coverage only or pharmacy coverage only are not allowed.

4. MHP reserves the right to re-rate any employer group if the enrollment and other demographic factor of the group changes by more than 10 percent. This applies to shifts within the group's enrolled population and funding mechanisms.
5. No more than 10 percent of the enrolled population may reside outside the approved MHP service area.

Business Proof Documentation

MHP Community reserves the right to require documentation regarding entity status (Corporation, LLC, Partnerships, etc.)

New Group Submission Requirements

1. Group Status Verification Form
2. Group Application Agreement
3. Proof of Federal Taxpayer ID (TIN)
4. Contribution amounts or percentages
5. Copy of Workers' Compensation Policy
Employee enrollment forms - all employee enrollment forms must be signed and dated. All forms must be completed in their entirety. Each member must select a Primary Care Provider.
6. Waiver requirements – Complete employee enrollment/waiver of coverage form for all eligible employees and dependents not electing to enroll. Form must be signed and dated.
7. A copy of the company's most recent Quarterly Wage Detail Report
 - a. For Partnership/LLP, a wage and tax statement or quarterly payroll is required for employees other than partners in the group. IRS Schedule K-1 (Form 1065) for all partners (current tax year) is required if one or more of the partners does not appear on the wage and tax statement. A Partnership Agreement is acceptable if the Schedule K-1 has not been filed. Note: Groups comprising family members must provide separate tax or QWR documentation showing there is an owner and full-time W-2 employees. Husband/wife groups, owner-only groups, and sole proprietors are not eligible.
 - b. For Limited Liability Company (LLC), a wage and tax statement or quarterly payroll is required for all employees. A Schedule K-1 or Schedule C is required for all owners/partners if one or more of the owners does not appear on the wage and tax statement.
 - c. For Sole Proprietorship, a wage and tax statement or quarterly payroll is required. IRS Schedule C (Form 1040) is required for all owners. If the spouse of a sole proprietor is an employee and not listed on the wage and tax statement, a current W2, two-week payroll or Schedule SE (Self-employment) is required.
8. Copy of Applicable Benefit Summary

Note: Subsidizing (Wrapping) of plan (used to buy-down deductibles/coinsurance/copays) must be disclosed before enrollment

Retiree Coverage

MHP Community will provide retiree coverage in the following circumstances:

1. The employer must have a formally documented retiree plan in effect that outlines eligibility guidelines.

2. A retiree is a former employee who is eligible for retiree health care benefits sponsored by the former employer. In order to be considered "employer sponsored," the employer needs to have a written retiree benefit plan and contribute at least 50 percent of retiree only coverage.
3. Total number of retirees does not exceed more than 20 percent of the total enrolled subscribers.
4. Retirees eligible for Medicare enroll in both Medicare Parts A and B.
5. Actively working Medicare eligible employees enrolled with a group that employs 20 or more employees must enroll in the commercial group benefit plan as chosen by the employer.
6. Active employees continue to be enrolled in MHP Community.
7. A retiree segment will be cancelled if there are no remaining active segments enrolled or the employer is no longer in business.
8. Former owners are not eligible for retiree coverage unless they meet the retiree eligibility requirements of the existing retiree segment and are enrolled in the retiree segment prior to selling the business.
9. A retiree only segment is not eligible.

COBRA Coverage

MHP Community will provide cobra coverage in the following circumstances:

1. COBRA coverage will be extended in accordance with the federal law
2. Employers with 20 or more employees (full- or part-time) are eligible to offer COBRA coverage.
3. Total number of COBRA enrollees is limited to not more than 10% of the total enrolled subscribers.
4. COBRA members are not to be included for purpose of counting employees to determine the size of the group. Once the group size has been established and it is confirmed that the law is applicable to the group, COBRA members can be included for coverage subject to the normal underwriting guidelines
5. COBRA coverage must be identical to the coverage currently available under the plan to similarly situated active employees and their families. Any change made to the plan's terms that apply to similarly situated active employees and their families will also apply to qualified beneficiaries receiving COBRA continuation coverage.

Segmenting

A group segment is defined as a segment (classification) of employees within a group. Group segment offerings will be reviewed on a case-by-case basis and must be approved by MHP Underwriting.

Examples include:

1. All salaried employees
2. All hourly employees
3. All bargaining unit employees
4. All non-bargaining unit employees
5. All employees in a specific location
6. All employees retired from an active group
7. Any combination of these segments

Geographic Location Guidelines

The group must have a physical presence within the MHP Community approved service area. Groups located outside of the service area will not be eligible for coverage through MHP Community. Groups

with common ownership with different SIC codes may have different rates. Underwriting reserves the right to review this situation on a case-by-case basis.

- No more than 10 percent of the enrolled population may be outside of the approved MHP service area when enrolled in the Point of Service (POS) plans.
- All HMO enrolled population must reside in the approved MHP service area.

Number of MHP Community Plan Options Allowed

Group may offer up to three (3) plans with a minimum of two (2) enrolled contracts in each plan design that is offered. Requests outside the plan options allowed requires MHP Underwriting review and approval.

Employee Leasing Firms

MHP Community will enroll members of an employee leasing firm if the following guidelines are met:

1. A copy of the lease agreement between the leasing company and the employing company must be included with every enrolling definable segment.
2. A copy of the purchase order/purchase agreement, which identified the leased employees, must accompany the enrollment materials of each definable segment.
 - a. The SIC code applied to the leased employees for rating purposes will be that of the employing company.
3. Proof of workers' compensation insurance must be included with the enrollment paperwork for each definable segment of leased employees.
4. All group enrollment and coverage agreements must be signed by both the employing company and the leasing company.
5. If the leasing company wants MHP Community coverage, the leasing company must enroll separately. The proper documents must be included to identify the leasing company and its employees.

Employee/Employer Contribution Requirements

Employer contribution requirements vary by membership category.

1. Employer's share must be at least 50 percent of the single rate for active and retired employees.
2. For multiple benefit options, the employer contributions for each plan and coverage tier must be provided.
3. Employer contributions for competing plans offered must not put MHP in a position that may encourage adverse selections. Premium ratios/slopes should be similar for all carriers and employer contribution formula must be equitable and must not financially discriminate against MHP.

New Hire Waiting Period

1. Groups may request new hire waiting periods from 0 – 90 days maximum; waiting periods must be applied uniformly and without discrimination by the group.
2. A group may change its new hire waiting period only at time of renewal.

Plan/Benefit Changes

MHP may accept plan change requests outside the renewal date. All changes require MHP underwriting approval.

1. Groups may request a benefit change to buy-down benefits one time per year, off cycle. Requests must be submitted at least 30 days prior to the effective date.
2. Change requests made within 150 days of the renewal will be considered only at the time of renewal.

Rate Proposals

Rate proposals generated by MHP Community are valid under the following conditions:

1. Rates are guaranteed for 12 months.
2. Effective date is the 1st of month for all products.
3. Rate proposals are contingent upon meeting MHP Community underwriting guidelines.
4. Rate proposals are contingent upon no material change in the data supplied during the rating process.
5. Rate proposals will not be re-rated provided the enrollment or other demographic factors of the group does not vary greater than 10 percent from the original proposal.
6. Information provided to obtain a rate proposal is assumed to be accurate. If MHP Community determines that the information used to obtain a rate proposal was not accurate, we reserve the right to retroactively adjust the rate proposal to reflect the correct information.

Group Termination Guidelines

MHP Community groups can be terminated:

1. By either party with 30 days written notice
2. For non-payment of premium
3. For fraud or material misrepresentation
4. For not meeting provisions set forth in the large group enrollment coverage agreement or underwriting guidelines
5. If MHP Community exits the applicable market or the plan is terminated pursuant to applicable laws
6. If the group moves outside of the MHP Community service area

Re-enrollment Requirements

Reinstatement Process

1. A terminated group may be eligible to re-enroll after 12 months with approval by MHP Community. Re-enrollment would be unlikely if a group was terminated for fraud or material representation.
2. Groups terminated for non-payment of premium or non-sufficient funds must pay back premium and the first month's premium on the new contract before they will be allowed to re-enroll.

Renewals

The State of Michigan requires carriers to provide at a minimum of a 30-day written notice for renewal premium changes. MHP underwriting provides renewals with a 60-90 day lead time. There are exceptions where renewals are released with longer lead times to accommodate certain circumstances or union contracts. Requests for longer lead times must be submitted to MHP Underwriting for review.

Select Plan Requirements

1. Employer must have one location located within the Select Network Counties.
2. A minimum of 2 employees must enroll in a plan.
3. Employees residing within the Select Network Counties must enroll in a Select Plan.
4. Employees residing within the Select Network Counties must select a primary care physician from the *MHP Community Select Network*. Care must be received from providers in the Select Network and no referral is required. Services received outside of the Select Network are not covered unless unavailable in the Select Network. Prior authorization may be required for some services and *is required prior to receiving services outside of the Select Network except in an emergency*. (Employee will be enrolled in a MHPC HMO plan using the Select Network Rider.)
5. Employees residing outside of the Select Network select a primary care physician from the *McLaren Health Plan Community provider directory*. Care must be received from providers in the McLaren Health Plan Community Network. Services received outside of the McLaren Health Plan Community provider directory are not covered unless unavailable in Network. Prior authorization may be required for some services and *is required prior to receiving services outside of the McLaren Health Plan Community Network except in an emergency*. (Employee will be enrolled in a standard MHP HMO plan.)
6. Select Plans may not coexist with non-Select plans, unless the group has members outside of the Select network coverage area. The members outside of the coverage area must be the same plan, but without the Select riders.

Request a Quote

The following information is required for MHP Underwriting to prepare a quote proposal:

1. Two-year rate history, including renewal rates, and summary of benefits plans with current and/or prior carrier.
2. Two years of claims history.
3. Two years of high cost (excess) claims history, diagnosis and current enrollment status.
4. Type of business, SIC code, company address.
5. Census
 - a. Total eligible employees listed, including waivers
 - b. Tier type for covered employees
 - c. Gender
 - d. Date of birth
 - e. Zip code
 - f. Plan designation if more than one benefit plan is offered
 - g. Common ownership legal documents when applicable
 - h. Subsidizing (wrap) information
6. Two years of membership/exposure

For a large group quote, contact your Sales Executive.

Or send your request by:

- Secure email: quotes@mcclaren.org
- Fax: (810) 600-7931
- Mail: Attn: Sales
McLaren Health Plan
G-3245 Beecher Road

Flint, MI 48532