

**Small Group
Underwriting Guidelines**

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McLaren Health Plan (MHP) Community provides *Small Group Underwriting Guidelines* as a quick reference for the sale of small 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.

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 HMO and High Deductible plans for small group and individual plans on and off the Michigan Marketplace.

Definition of Small Group

Any person, firm, corporation, partnership, limited liability company or association actively engaged in business with 50 or fewer 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.

Group Enrollment Requirements

1. A group must meet the following criteria to be considered eligible for coverage: Group must be a person, firm, proprietary or nonprofit corporation, partnership, public agency or Guaranteed Association. The employer 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. Minimum of 2 employees, but no more than 50, permanent, active, full-time, including full-time equivalent, employees during the preceding calendar year and who employs at least two employees on the first day of the plan year.
4. Minimum of 2 employees electing coverage to be eligible as a Small Group.
5. Group must have been formed for the purpose other than to secure group insurance.
6. A group must involve a bona fide employer – employee relationship.
7. 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% common ownership of all affiliated organizations. See Guidelines for additional requirements.
8. Small group coverage is available only for businesses with at least one full-time equivalent (FTE) employee other than owners, partners or family members. **Note: A Family Member is considered as living within the same household.**
9. 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.

10. Main business office must be located within the MHP Community approved service area.

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, and or 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 a 1099 are not eligible.
4. Sole Proprietors, spouse-only and owner-only groups are not eligible.
5. An individual who wholly owns the company on his/her own or with his/her spouse/domestic partner, the spouses of sole proprietors, partners of a partnership and their spouses, a 2% S corporation shareholder, a worker described in Section 3508 of Title 26, Internal Revenue Code, or a leased employee (as defined in 26 U.S.C. 414(n)(2)) does not qualify as an employee for purposes of group eligibility.

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% 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 HAP 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. Employees must reside in the MHP Community service area.
3. Retirees over age 65 must have Medicare Part A and B to be eligible. The total number of retirees cannot exceed more than 20 percent of the active membership

New Group Submission Requirements

1. Group Status Verification Form
2. Group Application Agreement
3. Proof of Federal taxpayer ID (TIN)
4. Group Roster
5. Copy of Workers' Compensation Policy
6. 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.
7. 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.
8. 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.
9. Copy of applicable Benefit Summary
 10. Binder check with first month's premium required to enroll group, or successfully set up with EFT payments
 11. Pediatric Dental Attestation

Employee/Employer Contribution Requirements

Employer contribution requirements may vary by membership category. Employer's share for a full-time employee must be at least 50% of the total premium.

Number of MHP Community Plan Options Allowed

Small group may offer up to two (2) MHP Community plan options for employees. Note: A minimum of two employees must enroll in each plan offered.

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. Final rates will be based on final enrollment.
4. Rate proposals are contingent upon meeting MHP Community underwriting guidelines.
5. 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-day written notice
2. For non-payment of premium
3. For fraud or material misrepresentation
4. For not meeting provisions set forth in the small group enrollment coverage agreement or underwriting guidelines
5. If MHP Community exits the applicable market
6. If the plan is terminated pursuant to applicable federal or state laws
7. 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.

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.)

Request a Quote

For a small group quote, you can complete the online quote request at:

www.mclarenhealthplan.org/community-agent/quote-small-group-mhp.aspx.

Or, send your request by:

- Secure email: quotes@mclaren.org
- Fax: (810) 733-9596
- Mail: Attn: Sales

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