Presbyterian Field Underwriting Guidelines

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I. <u>Commercial Group (Fully Insured)</u>

1. <u>Contribution Requirements</u>
Presbyterian requires a minimum employer contribution amount of 50% of the single (Employee) premium.

Verification of a Group's contribution strategy and intended percentage contribution as applied toward both employee and dependents is required at the time of the original quote, as well as, at each annual request for renewal.

In Large groups with a dual choice (carrier)/multi-carrier offering, Presbyterian requires that the contribution methodology employed does not place Presbyterian at a disadvantage or otherwise disfavor the selection of Presbyterian plan offerings by employees. In addition, the Presbyterian employee contribution dollars may not exceed the competitors employee contribution for like benefits.

2. <u>Definitions</u>

a. HIPAA *Guarantee Issue:*

For the purposes of determining *guarantee issue* Presbyterian uses the following HIPAA definition:

HIPAA, a federal law effective 7/1/97, defines a Small Employer Group as an organization or other legally constituted group with an established employer/employee relationship that employs no fewer than 2 and no more than 50 employees in all locations. HIPAA states all employees are included (e.g. part-time, those in the waiting period, seasonal workers, etc.) when determining if a group meets the small group definition.

HIPAA requires that all Small Group carriers ***guarantee issue*** coverage to small employers as defined above. If an employer has more than 50 employees in total in all locations, including those working part-time, those in the waiting period, seasonal workers, etc., **the *guarantee issue* provision does not apply.**

b. For the purposes of determining the *rating methodology* used (small versus large) Presbyterian uses the following NM Regulatory definition:

New Mexico Small Group Rate and Renewability Act defines a Small Employer Group as one that employed no fewer than 2 and no more than 50 **eligible** employees on at least 50% of its working days during either of the two preceding calendar years. **According to New Mexico Insurance Code, only eligible employees are counted**. Eligible employees are defined by Presbyterian as working a minimum of 20 hours per week. All eligible employees in all locations are included in determining if a group meets the small group definition.

To practice these two definitions, the following set of criteria will be used:

Step 1: Does the employer group have Greater than 50 EMPLOYEES in all locations?

If yes, this is a large group and there is no obligation to quote. If no, then progress to Step 2.

Step 2. Determine the number of ELIGIBLE EMPLOYEES in all locations. If there are more than 50 eligible employees in all locations, this is rated as a large group.
If there are less than 50 eligible employees in all locations, this is rated subject to the small group reform act using the small group formula.

Step3: If the EMPLOYEES in all locations are less than 50, this is a small group subject to guarantee issue. We must quote and will rate subject to the small group reform act, using the small group formula.

c. National Accounts:
   Large groups that have holdings (minimum 50% up to wholly-owned subidiaries) located throughout a broad representation of the United States, are considered "National Accounts". The corporate headquarters may be located in another state or in New Mexico. These groups, although considered "national" in our book of business, may also have International holdings. We do not generally consider a group to be "national" if it has the majority of holdings in one state, with only sporadic representation in one or two additional states.

d. Dual/Multi Choice Offerings:
   This is also referred to as "slice" business and refers to the scenario when one or more additional carriers offer coverage to a group alongside Presbyterian in the New Mexico market. Requirements regarding contribution strategy, participation, and ongoing disclosure of information on these groups, are covered throughout these guidelines.

e. Dual/Multi Option Offerings:
   When one carrier offers two or more benefit plans to a group it is referred to as a dual or multi option offering. Presbyterian currently provides three distinct forms:
   1) **A dual/multi option by class** provides different benefit plans to distinctly different populations within a group. Each of these populations is offered only one benefit plan. The eligibility and classification must be clearly defined by the group and a census must be provided at quote and at renewal that designates each employee by class.
   2) An **open dual/multi option** allows all eligible employees to select between two or more benefit plans. A load factor is applied to all sets of rates to account for the potential adverse selection. Generally, all plans receive the same percentage employer contribution. These options are only available to Large Employer Groups.
   3) **A Core and Buy Up Option** is similar to an open dual option, in that all employees choose from all of the plans offered. The distinction lies in the employer contribution strategy. Generally, the employer will only provide a contribution based on the less expensive "core plan". Employees that prefer richer benefits, may opt to pay the differential between the "Core" and the "Buy Up" (richer plan(s)). These options are only available to Large Employer Groups.

f) Retrospective Rating

This type of rating is available on a case by case basis to employer groups with at least 250 enrolling employees. The decision to apply this rating will be decided jointly by the Senior Underwriting and Sales Management leaders. A retrospective rating is a fully-insured option that allows a group to share/participate in the gains and losses of their own experience. A group that has been running well and strongly challenges the required renewal increase as determined by standard underwriting methodology, might be a candidate for this form of rating. A minimal load is applied to rates that the group will pay throughout the contract period to account for any potential risk taken on by Presbyterian. A corridor is selected above and below the "standard renewal rates". If the corridor of 5% were used, as an example, Presbyterian would absorb all gains between the "standard renewal rates" and 95% of the "standard renewal rates". A deficit above the 105% of the "standard renewal rates" would be the responsibility of the employer group. Presbyterian would be absorbing the losses up to the 105% level. Presbyterian would owe a gain below the 95% level, to the employer group. The load factor noted above is generally a function of the width of the selected corridor. The reconciliation of these payments would occur in a Settlement at least 120 days following the end of the contract period and incorporate at least 90 days of claim run out.

3. Effective Dates of Coverage

Group coverage is effective the 1st day of the month following Underwriting approval. Group coverage effective dates of the 15th day of the month are acceptable if the group is:

- A virgin group, or
- The previous group coverage was a 15th of the month billing cycle.

If a group enrolls for a 15th of the month effective date, they will be given a contract period of 11 ½ months. A full months premium payment will be required at initial enrollment, and the first billing cycle will reflect the pro-rated balance due along with the required regular premium payment amount. Thereafter, the group will move to a first of the month coverage / billing cycle. The 15th of the month effective is not a preferable; however acceptable.

4. Eligibility

Classes of employees acceptable for waiving coverage

Union, Native American employees with public health coverage, Veterans Administration (CHAMPUS), Medicaid, Medicare, Spousal, Non-employer sponsored individual plan coverage and other Insure New Mexico initiatives, such as State Coverage Insurance (SCI).
For the purpose of obtaining group healthcare coverage, individual commercial product coverage is not considered an acceptable waiver.

a. COBRA

A COBRA eligible employer group is defined as an employer having 20 or more employees in all locations on at least 50% of the working days during the preceding calendar year. An employer group requesting a quote should provide information on any COBRA participants, including the date benefits under COBRA will terminate. Employer groups of 51+, that list more than 10% of the contracts as COBRA participants will be declined.

For those groups that fall below the Cobra definition, 6-month State Continuation rules will apply.

b. Presbyterian Eligible Dependent

A Presbyterian Eligible Dependent is a dependent of a participating employee who:

- Is legally married to the participating employee, as defined by New Mexico law and resides in Presbyterian's Service Area; or

- Is a dependent unmarried child, under 25 years of age. A dependent unmarried child may be the participating employee's own or legally adopted child or a child for whom the employee is appointed as legal guardian as defined by New Mexico state law, or a stepchild (not a foster child), who depends on the participating employee for support or normally resides in the household of the participating employee. Dependent children who are eligible to be enrolled under this definition are not required to reside in the Service; however, coverage for dependents covered under an HMO contract are limited to Urgent, Emergent Care or Student Health Center when not in the Service Area. Court ordered dependents do not have these limited services as just listed. Presbyterian may require proof of eligibility; or

- Is the participating employee's or spouse's dependent unmarried child, under 25 years of age for whom a court order or administration requiring the participating employee or spouse to provide health care coverage; or

- Has reached the limiting age referenced above, is unmarried and is totally and permanently disabled and is both incapable of self-sustaining employment by reason of mental retardation or physical handicap and chiefly dependent upon the participating employee for support and maintenance. Proof of such disability, incapacity and dependence must be provided to the underwriter

c. Presbyterian Eligible Employee

A Presbyterian Eligible Employee is an employee of a group who:

- Physically resides or works in the Presbyterian Service Area; and

- Is a regular employee of the Group, currently working a minimum of 20 hours per week or as specified in the group's GLA (Group Letter of Agreement); and

- Is eligible to participate in medical and hospital benefits arranged by the Group; and

- Meets any other eligibility criteria as specified by the Group, and agreed to in writing by Presbyterian (such as employees that may reside or work outside of the Presbyterian Service Area)

- Trustees and/or Boardmembers are not eligible for coverage unless they meet all of the above eligibility requirements.

Employees in commissioned positions will be eligible if they meet all the above eligibility requirements. The employer group typically reports these employees on the SUTA. If not, Underwriting may request supporting data to understand the employer/employee relationship.

Leased Employees of a Group may be eligible if they meet all other eligibility criteria as specified by the Group, and agreed to in writing by Presbyterian.

d. Group Eligibility
All groups must be licensed business entities in the State of New Mexico and have a physical address in the Presbyterian Service Area where central administration is conducted in order to be considered eligible for coverage.

Multiple Employer Groups will be accepted under the following conditions, if they meet all other eligibility criteria as specified in the Presbyterian Underwriting Guidelines and agreed to in writing by Presbyterian.

a) Each Group within the multiple employer Group must have common ownership by one owner of at least 50% of each individual Group; and
b) Proof of such ownership will be required [insert proof documents required]; or
c) A parent corporation with multiple subsidiaries.

Proof of business as outlined in Section 10.c, for each Group/subsidiary will be required.

e. Leave of Absence Employees
An employee on leave is considered eligible if he or she is still considered employed by the group, the health plan receives employer contributions for that employee, and the employee was enrolled in the group health care plan prior to leave. The employer determines the length of time an employee is eligible for Leave of Absence.

f. National Groups – Branch Offices, Affiliates, Subsidiaries
National groups have offices operating outside the Presbyterian Service Area but may have branch offices, affiliates or subsidiaries that have an interest in offering a healthcare provider specific to the area where the office is located. While the local office may have less than 51 employees, the eligibility is based on the nationwide total employee count. It is important that Presbyterian be provided with the national number of employees to appropriately rate and to determine if, in fact, the group should be considered a small employer group. If the nationwide total employee count were less than 51, the group would be considered a small employer group for both guarantee issue and rating purposes. Presbyterian will transfer the management of eligibility to the employer group as requested in RFPs with the approval of Underwriting management.

g. Retirees
A retiree is a former employee of the group who is eligible for retiree medical benefits upon termination of employment. The group shall determine status as an eligible retiree. Retiree coverage is available in groups of 100+ contracts (employees) with the following guidelines:

- Active employee population must be quoted with the retiree population. Retiree only groups will not be considered.

- The contribution level for the retiree premium must be the same as the contribution level for the active premium.

- The retirees under age 65 population must not exceed 10% of the enrolled active employee population.

- If Presbyterian is not the sole carrier, then all carriers must provide coverage for retirees on the same basis as Presbyterian.

h. Domestic Partners : (Only offered to Large Groups defined as 51 or more total employees)

Domestic Partners are only considered eligible when the employer group is able to demonstrate through employee hand book the nature of offering domestic partner coverage. An employer policy must outline the criteria necessary to meet the domestic partner definition. This policy must require that there are shared financial and residence responsibilities for a minimum of 6 months. If multiple carriers are offered to an employer group, all carriers must include domestic partner coverage using the same qualifications as noted in the employer handbook.

5. Product Availability

Group Size 3+ Enrolled Employees

Dental Riders

Small Group Size 2 – 3 Enrolled Employees

Value Care, Smart Care (small grp), Preferred Care (small grp), My Care, Advantage Care (prescription benefit included in medical plans; can be sold with limited or without drugs)

Vision Riders

Dental Riders

Small Group Size 4 – 50 Enrolled Employees

Value Care, Smart Care (small grp), Preferred Care (small grp), Choice Care, My Care, Advantage Care (prescription benefit sold with limited or without drugs)

Vision Riders

Dental Riders

Large Group Size 51+ Eligible Employees

Custom Care, Smart Care (large grp), Preferred Care (large grp), Flex Care, My Care, Advantage Care

Prescription Riders

Vision Riders

Dental Riders

Substance Abuse Rehab Riders

Out-of-area Indemnity

Large Group employee's that reside outside of the Presbyterian Service Area can be covered under a Presbyterian Indemnity plan. However, no more than 20% of the enrolled employees may reside outside of the Presbyterian Service Area

6. Participation Requirements

To protect Presbyterian against adverse selection, new employer groups must enroll a minimum of 2 separate employee contracts in order to qualify for group coverage. If an owner and spouse are both employed and qualify as eligible employees, they may enroll as one family contract as long as there is at least one other contract holder. Otherwise, they must enroll as two separate contracts in order to constitute a group.

If a new employer does satisfy the small group definition with 2 or more employees, however; one employee is a valid waiver as noted earlier in the definitions of Presbyterian Eligible Employee, the group is still eligible for coverage as a "1 life group".

In accordance with requirements under the New Mexico Small Group Rate and Renewability Act, Presbyterian defines a small group employer as: *any person, firm, corporation, partnership or association actively engaged in business who, on at least fifty percent of its working days during either of the two preceding years, employed no less than two and no more than fifty eligible employees; provided that in determining the number of eligible employees, the spouse or dependent of an employee may, at the employer's discretion, be counted as a separate employee.* In order to comply with this requirement, renewing groups with only one contract must have more than one member. For renewing groups with only one contract and more than one member, Presbyterian will consider the spouse or dependent of an employee as a second contract holder even though they may be enrolled as a dependent under the same contract (e.g. Family Coverage) unless one other contract is enrolled.

a. Groups with 2-9 Eligible Employees:
100% of all eligible employees (less those with "Other Coverage") must enroll in the plan. In determining participation, "Other Coverage" is defined as Medicare, Medicaid (i.e. Salud), IHS, CHAMPUS, VA, UNM Care, Insure New Mexico initiatives such as SCI, and other group coverage obtained through a spouse. Employees enrolled in an individual commercial product offering are **not** considered as having "Other Coverage" and must therefore enroll in the Presbyterian offering in order to comply with the 100% participation requirement.

Any eligible employee who is not enrolling must complete and sign a Presbyterian waiver (Employee Action Form).

b. Groups with 10-50 Eligible Employees:
75% of eligible employees (less those with "Other Coverage") must enroll in the plan. In determining participation, "Other Coverage" is defined as Medicare, Medicaid (i.e. Salud), IHS, CHAMPUS, VA, UNM Care, Insure New Mexico initiatives such as SCI, and other group coverage obtained through a spouse. Employees enrolled in an individual commercial product offering are **not** considered as having "Other Coverage" and are therefore included in the calculation along with those employees "Waiving Without Other Coverage". The percentage of those employees "Waiving Without Other Coverage" may not exceed 25% in order to comply with Presbyterian's 75% participation requirement.

Any eligible employee who is not enrolling must complete and sign a Presbyterian waiver (Employee Action Form).

Example Calculation:

# Employees working for the Employer		52
# Part-time, seasonal employees	-8	
# Employees in waiting period		-4

Total eligible employees for coverage		40
Less those with “Other Coverage”	-10	
# Eligible employees, less those with “Other Coverage”		30
# Employees “Waiving Without Other Coverage”	-5	
# Enrolling employees		25

30 x 75% participation = 22.5 ~ 23 employees must enroll

Verification of the information listed in the sample calculation is required at the time of initial quote through the request for quote form , as well as, at each annual request for renewal through the Employer Profile requests.

c. Groups with 51+ Employees:
75% of eligible employees (less those with “Other Coverage”), and no fewer than 50% of the total eligible employees (including those with “Other Coverage”), must enroll in the plan. In determining participation, “Other Coverage” is defined as Medicare, Medicaid (i.e. Salud), IHS, CHAMPUS, VA, UNM Care, Insure New Mexico initiatives, such as SCI, and other group coverage obtained through a spouse. Employees enrolled in an individual commercial product offering are **not** considered as having “Other Coverage” and are therefore included in the calculation along with those employees “Waiving Without Other Coverage”. The percentage of those employees “Waiving Without Other Coverage” may not exceed 25% in order to comply with Presbyterian’s 75% participation requirement. If Presbyterian is not the sole carrier, then the 75% participation requirement applies to all plans sponsored by the large employer group The calculation example provided in section 6.b., above, also applies to the participation requirement for this size group. Verification of the information listed in the sample calculation is required at the time of initial quote, as well as, at each annual request for renewal. Non-compliance to provide this information and/or non-compliance with the required participation levels, will result in a decline to quote and/or provide a renewal. Preliminary renewals may be issued pending receipt of this information based on Underwriting discretion. At the 90th day prior to the renewal effective date, a termination will be processed due to non-compliance if we have not received adequate information to calculate participation and/or have not received a resolution/strategy from the group to increase participation to required levels. Exceptions to this policy may be made on a case by case basis, jointly by the Underwriting/Sales Senior Management.

d. Special carve-out classes:
To protect Presbyterian against adverse selection, an employer group must enroll and maintain a minimum participation level of 4 separate employee contracts to constitute a special carve-out class.

For carve-out classes with fewer than 9 eligible employees, 100% of all eligible employees within the class (less those with other coverage) must enroll in the plan.

For carve-out classes with 10+ eligible employees 75% of the total eligible employees within the class (less those with other coverage) must enroll in the plan.

Any eligible employee within the class who is not enrolling, must complete and sign a Presbyterian waiver (Employee Action Form).

The group will be required to provide, on group letterhead, a definition of the eligible class (ie management, salaried, administrative), a listing of all job titles that fall within the eligible class and a census listing of all eligible employees within the job titles.

7. Rate Methodology

a. Change in Group Size

If a group is originally rated as one size (small/large) and upon submission of final paperwork, found to be a different size, the rating methodology used for the final rate calculation will be based on the actual size of the group. Group size, for the purposes of rating methodology, is defined by NM Regulation and can be found in the Definition Section of these guidelines.

b. Domestic Partners

Same or opposite sex partners of eligible employees are considered eligible dependents in large groups (groups of 51 or more total employees) if Presbyterian receives the definition of eligibility from the employee's domestic partner policy. If Presbyterian is offered along with another carrier, all carriers must offer the same coverage and self-administered groups agree to periodic audits conducted by Presbyterian. Supporting documentation may be required by Presbyterian to verify domestic partner eligibility. The following pricing adjustment will apply to any experience for a group that has not previously allowed domestic partnership as part of their definition of eligible employee for benefit coverage:

- Groups with 500+ employees enrolled with Presbyterian: + .50%
- Groups with 100-499 employees enrolled with Presbyterian: + .75%
- Groups with 51 - 99 employees enrolled with Presbyterian: +1.00%

c. Small Group (size 2 – 19)

Rates are age and gender banded on a four tier basis, using age/sex, average contract size, geographic and medical underwriting factors. Trend is applied quarterly. Rates for a specific enrolled member will adjust during the year on the first of the month following the date in which the member attains an age that places them into the next age-band.

Note: As of 1/1 2007, any group sized 2 – 19 that has previously been rated using tier rating methodology will be required to move to the age/gender rating methodology used for all employer groups meeting this size criteria.

d. Small Group (size 20 – 50)

Rates are tiered using group specific age/sex, average contract size, geographic area and medical underwriting. Trend is applied quarterly.

e. Large Group (size 51+)

Presbyterian currently applies an Adjusted Community Rating methodology based on actual claims experience, IBNR, capitation (if applicable), credibility, trend, pooling and benefit relativity (if applicable), to all groups that have 51 or more enrolled employees, provided that adequate claims experience information is available. For the manual portion of the rate calculation whereby the claims experience is not fully credible, age/sex, area, health status and industry adjustment factors are applied to the base rate. (Industry adjustments do not apply to groups with 500+ enrolled subscribers in Presbyterian.) Large Groups with less than 51 enrolling receive a rating that is 100% based upon the Manual Rate calculation.

8. <u>Requests for Quote</u>

a. Decline to quote

A quote can be declined for groups of 51+ eligible employees as defined by Federal HIPAA for the following reasons:

- Employer group does not meet underwriting guidelines;
- Employer group assessed as high risk as a result of medical or industry;
- Employer group has adverse payment history with Presbyterian;
- Employer group outside the Service Area;
- Under a Dual Choice (carrier) arrangement, the offering conditions place Presbyterian at a disadvantage or otherwise disfavor the selection of Presbyterian plan offerings by employees.

b. Dual Choice (multiple carrier offerings within an employer group)

Dual choice is only available to employer groups with 51+ eligible employees. Presbyterian reserves the right to determine the plan offering based on the following: the plans being offered, the contribution strategy employed and other specific offering parameters, as well as the overall risk characteristics of the group.

c. Dual Option (multiple Presbyterian plan offerings within an employer group)

- Dual Option for specific classifications is available to groups of 10+ enrolling employees.
  - A maximum of 2 plans may be offered.
  - Census will need to indicate eligibility and "class" for each employee
  - At the time of sale, the Group must provide, on company letterhead, a clear concise definition of the employee "classes", all titles that fall within those classes, and all employees that have those titles, so that Presbyterian will be able to verify eligibility and participation.
- Dual Option open choice is available to groups of 51+ enrolling employees.

Regardless of the type of dual option above, Presbyterian reserves the right to determine the plan offering based on the following: the plans being offered, the contribution strategy employed and other specific offering parameters, as well as the overall risk characteristics of the group. Groups may choose between HMO, PPO and POS plans.

d. Industry

For large groups, the applicable industry or SIC Code will be required at the time of the proposal request.

e. Medical Risk

<u>Groups that have less than 51 enrolled employees may:</u>

Complete the group assessment information on the Rate Request Form **or** provide completed health questionnaires for each enrolling employee to obtain a quote. Final rates will be released subject to final enrollment and review of completed health questionnaires.

Groups that have 51 - 99 enrolled employees may:

- Complete the group assessment information on the Rate Request Form to obtain an illustrative rate only , however upon enrollment each enrolling employee must complete a health questionnaire that is specific to this size segment, or
- The group may submit 2 years of claims experience, including membership, preferably itemized by month. Details of shock claims (claims over $5,000) should include diagnosis, claims paid and prognosis. Group providing adequate experience information will not be subject to submitting individual health questionnaires.

Groups that have 100 or more enrolled employees may:

- Submit individual health questionnaires or 2 years of claims experience, including membership, preferably itemized by month. Details of shock claims (claims over $5,000) should include diagnosis, claims paid and prognosis. Groups providing adequate experience information will not be subject to submitting individual health questionnaires.

f. Multiple Brokered Quote Requests

Presbyterian will release new group proposals to multiple Brokers, regardless of Agent of Record status. Presbyterian will determine if the same or similar information has been submitted. If a different effective date is requested, then the rates will be adjusted for the applicable effective date. If the information received on a subsequent rate request differs dramatically from the original request, causing the rate to increase, the original proposal will be rescinded and both Brokers will receive the same proposal. If the additional information received causes the rate to go down, only the Broker providing such information will get the benefit of the reduced proposal. Whenever possible, it is Presbyterian's policy to inform all Brokers of multi-brokered group requests within the same time period. If conflicting information is provided, Presbyterian reserves the right to contact the group direct.

g. Request for Quote Deadlines

Please refer to the Deadline Submission Calendar located on Presbyterian Broker Webpage @ www.phs.org

h. Request for Quote Overview

Agent

Provides the following information

1. Request for Quote Form (or your agency form if same data included)
2. Census Information (electronic census* preferred – required for groups over 100)
   Submit a complete census for all eligible employees, denoting at minimum; gender, date of birth or age, type of coverage (Employee, Employee/Spouse, Employee/Chil, Employee/Children, Family) as well as indication of other insurance when multiple carriers are involved, and denote all of those employees who are currently waiving coverage. Also include number of and age of dependents when available.
3. Medical Information
   - Groups 2-50: Uniform/Universal Medical Appraisal Form (UMAF)*
   - Groups 51-99: Medical Risk Assessment Form** and UMAF; rate history for the last three years and renewal rates if available
   - Groups 100+: Claims Experience (2 complete years)/High Cost Claims/Plan Design***; rate history for the last threes years and renewal rates if available

* Census to include: gender, DOB, contract type, zip code and plan elected if dual choice

**UMAF's or Medical Risk Assessment Forms are optional when requesting an initial quote, however these forms will be required for final rates, if not provided at the time of quote. Groups with fewer than 50 enrolling employees will be required to complete UMAF forms, regardless of the total group size.

***The group must submit a description of medical and pharmacy benefits covered under the experience period(s) provided. If benefits changed during the 24-month period, both prior and current benefit plans are required.

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Your proposal will be provided to you within 48 hours (2 full business days) for groups with 2-50 employees and 5 full business days for groups with 51+ employees.(without RFP), or 7 full business days for groups with 51+ employees (including a RFP).

UMAF's or Medical Risk Assessment Forms for small groups are valid for 60-days from the date of signature on the application to the date of the sold case submission, additionally, within 75 days of the effective date. If the UMAF's or Medical Risk Assessment Forms expire prior to the effective date of coverage, each employee will be required to update their form, initialing each change and resigning and dating on the signature line.

i. Service Area

The service area is the geographic region in which Presbyterian is authorized to provide services and includes the entire state of New Mexico with the exception of southern Eddy County. Specific to Large Group clients, with Underwriting approval, members living in Eddy County may be included in statewide plan offerings.

Area factors are part of the rating methodology and because healthcare costs and provider arrangements vary by region, it is important that the correct region factors are applied. When there is a spread of members among more than one region resulting in different area factors, a blended/weighted area factor will be applied.

The region is identified based on the enrolling employees' home zip code locations.

9. Sold Group Submissions

a. Deadlines

Please refer to the Deadline Submission Calendar located on Presbyterian Broker Webpage @ www.phs.org

b. Overview

Agent

Once you've sold your new group with Presbyterian simply fax your Employer Group Information sheet to the Presbyterian Sales Department (505-923-8225 or 923-8163).

PHP

We will prepare enrollment materials: packets and checklist. When applicable we will schedule enrollment meeting at the employer group with the agent.

Agent

Agent submits the following to Presbyterians Sales Department:

➊ Enrollment Application/Waiver "Employee Action Form" for all eligible employees

- Groups 2-50 Universal Medical Appraisal Form or Groups 50+ UMAF - must be attached to each enrolling employees application if not previously submitted with Group Request for Quote

NOTE: Employee Action Forms, UMAF's and Medical Risk Assessment Forms must be filled out completely for sold case submission. If enrollment information changes from the time of quote to the final sold process, rates may be affected. If the final rates change due to an error in the original quote and the group has signed the group contract and rate acceptance, Presbyterian will honor the quote. The Group is also required to receive and sign a letter stating that their future renewal could be impacted by the lack of required revenue generated by the error. Sales will coordinate this communication with the broker and client.

➋ **SUTA Form**

- Indicate status of all employees on SUTA (enrolled, part-time, not eligible, waiting period or terminated)
- If no SUTA required/available - See Proof of Business Documentation Section

➌ **First Months Premium Check (Business Account Only)**

- If not submitted at this time, will be required with Signed Group Contract submission
- Bank Draft Authorization Form (Exhibit B) Required for Group size 2-9

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We will fax or deliver final rates and Group Contract

Agent

The last step is for you to submit the signed Group Contract

- Group Contracts may be faxed, however the original signed contract must be provided to Presbyterian by the Groups initial effective date.

NOTE: Groups enrolling in a PPO product must provide the following information for the purposes of determining pre-existing limitations:

1) Billing statement with dates illustrating 6 months continuous coverage; or
2) Certificate of Creditable Coverage; or
3) Presbyterian Statement of Health Form

10. <u>Underwriting</u>

a. Exclusions/Declinations

Retiree coverage for small employer groups
Associations
Employee Leasing Companies

(as a combined plan offering to multiple client groups within the Employee Leasing Company) Underwriting may review for ability to limit risk and make final determination.

Common Law Marriages not recognized
Domestic Partners in small employer groups
Excluded Classes of Employees: seasonal, temporary, part-time (less than 20 hours p/wk), stockholders, non-compensated Board Members.
1099 Employees

b. Plan Changes

An employer may request a change in the benefit plan on the renewal (anniversary) date.

Only as an exception are plan *<u>benefit</u>* changes outside the annual renewal date considered and are subject to Underwriting approval. Consideration is only given when the request is to reduce benefits and only when the employer group is experiencing long term financial difficulties.

Occasionally an employer group may merge with another employer group that has different benefits. As a result, the merged group may request a change in plan or a special open enrollment. The underwriter must evaluate the demographics and risk of the new group as well as the request to determine if the group needs to be re-rated. If the demographics change more than 10% during the contract period, Presbyterian, by contract, reserves the right to re-rate.

c. Proof of Business Documentation Requirements

The most recent State Unemployment Taxation Assessment filing (SUTA) must be provided to Presbyterian at the time of final submission of a group's intent to enroll. If a SUTA is not required of the group, the group must submit a copy of their current Business License, a listing of all employees and their respective eligibility status (part-time, in-waiting period, etc) and the following appropriate documentation:

C Corporation	Form 1120 Form 941 Schedule E Payroll Ledger (if company has been in business less than 3 months) Articles of Incorporation/Organization (if company has been in business less than 3 months) Bylaws (for groups with less than 6 employees)
S Corporation	Form 1120S Schedule K1 Form 941 (if there are employees, in addition to shareholders) Payroll Ledger (if company has been in business for less than 3 months) Articles of Incorporation/Organization (if company has been in business less than 3 months) Bylaws (for groups of less than 6 employees)
Partnership	Form 1065

	K-1's Schedule SE (if group is required to file) Payroll Ledger (if company has been in business for less than 3 months) Partnership Agreement
Sole Proprietorship	Form 1040 Schedule C Schedule SE (if required to file) Payroll Ledger (if company has been in business less than 3 months) Current Business License (if company has been in business less than 3 months)
LLC (Limited Liability Co.)	See "C Corporation" or "Partnership"
Acquisitions	Letter on company letterhead explaining situation Legal Transfer/Acquisition Documents SUTA from the acquired company Payroll Ledger
Non-Profit Organization	941 W2's 990 (if gross receipts are over $25,000 annually) Payroll Ledger
Husband and Wife Groups	See "C Corporation", "S Corporation", "Partnership", or "Sole Proprietorship". Also, must have legal documentation that both parties are receiving financial compensation from the employer
Farm	1040 Schedule F or 4835. If husband and wife, provide one (SCH F/4835) for each. If only one spouse is listed on the Schedule F, payroll is required for the other spouse.
Ranch	1040, 943, and Schedule F

d. Open Enrollment

Open enrollment for a group is allowed once a year, usually 30 days prior to the group's annual renewal (anniversary) date. Very large groups, or groups with multiple divisions may require an open enrollment period longer than 30 days. Open enrollment is available to all employees. Thereafter, eligible employees may enroll at times other than the open enrollment period, provided they:

- involuntarily lose other health coverage;
- add dependents due to a qualifying event such as a birth or marriage.

e. Quote Requests on Groups Recently Terminated with Presbyterian

Prior to releasing a quote on a group who previously terminated with Presbyterian, the group's previous history will be reviewed to determine the following:

- prior premium payment history with Presbyterian
- prior claim history and large claim utilization
- the reason for group termination

If the group terminated with Presbyterian leaving a premium balance due that has not been collected, the group will be declined.

f. Rate Guarantees
Generally rates quoted will only be guaranteed for a twelve (12) month time period.

g. Re-Hires
Re-hires are not standard in Presbyterian's Group Letter of Agreement (GLA), therefore if a group desires to incorporate a Re-Hire provision, they must do so with prior written approval by Presbyterian in accordance with HIPAA statutes. Presbyterian will work closely with the client to understand how all Re-Hires are treated along with the New Hire policies. HIPAA does not differentiate between Re-hire and New Hires; therefore, these two populations must be treated similarly and consistently to avoid discrimination concerns outlined in HIPAA. Approved requests must be incorporated into the group's GLA (Group Letter of Agreement).

h. Reinstatements
Requests for reinstatements must occur within 10 days from the termination date. Reinstatement considerations are made using the following criteria:

- The reinstatement request and history are reviewed to determine the amount of premium that is needed to bring the group current, and whether any prior reinstatements have been granted. If the reinstatement request is approved, the group will be reinstated one time, contingent upon any past premiums due being paid through the current month.
- The group will be advised via letter that any future exceptions will not be allowed.
- If a subsequent violation occurs, and the group wishes to re-enroll with Presbyterian, they must reapply as a new group.

i. Waiting Periods
The employer group establishes a waiting period for all eligible employees covered under the plan. This is a period of time from the date of hire that the employee must satisfy before they can be eligible for benefits. Unless stated otherwise in the contract, coverage is effective on the first of the month following eligibility (completion of waiting period).

Waiting periods can range from 0 to 180 days, in 30-day increments. Waiting periods longer than 180 days must be approved by Presbyterian.

- The minimum allowable waiting period for Group Size 2–9 is the first of the month following 30 days from date of hire.

- The waiting period may be waived for owners and employees of a newly formed business at the time of initial enrollment.

- The waiting period may be waived for initial enrollment for groups without prior coverage.

- The waiting period must be consistently applied and not discriminatory to individual employees.

An employer may select different waiting periods for different classes of employees. For example, a 30-day waiting period for technicians, a 90-day waiting period for administrative staff.

Changes to the waiting period can be made at renewal. Change requests made during the contract period must be approved by Presbyterian and become effective on either the requested effective date or the first of the month following receipt by Presbyterian of written notification, whichever is later. Changes to the waiting period are not retroactive. This means that only employees hired on or after the effective date of the change will be considered under the new waiting period. Any employees hired prior to the change must meet the previous waiting period. However, new Groups enrolling with Presbyterian may waive the probationary period during their initial open enrollment.

NOTE: Small group employers may not exceed a waiting period of 180 days due to HIPAA.

j. Pre-Existing Conditions

PICI will waive the Pre-existing limitation requirement for employees and their dependent(s) currently covered under a PIC plan.

PICI may waive the Pre-existing limitation requirement for employees and their dependents on NEW takeover groups upon initial enrollment. Pre-existing exclusion will only be waived if:

- The employee and/or dependent(s) can produce a Certificate of Creditable Coverage with 6 months or more of continuous coverage (cannot have a lapse of coverage of more than 63 continuous days). In the event, that the employee and/or dependent(s) were covered under a Medicaid program, whereby a Certificate of Credible Coverage was not issued, proof of coverage under that program must be provided at the time of enrollment with PICI.
- For large groups: the employee and dependent(s) were covered under the previous carrier. A copy of the previous carrier's bill for the month immediately prior to coverage under PICI is required at the time of enrollment. The employee must be listed on the billing with the appropriate coverage category indicated (e.g., single, family, etc.) or;
- For small groups: the employee and dependent(s) were covered under a prior group plan that did not have a pre-existing limitation. A copy of the previous carrier's bill for the month immediately prior to coverage under PICI is required at the time of enrollment. The employee must be listed on the billing with the appropriate coverage category indicated (e.g., single, family, etc.).

k. Deductible & Out-of-Pocket Credit

PICI will allow credit for amounts satisfied towards calendar year deductibles and/or out-of-pocket maximums from any current PHP plan offering (small and large) during initial enrollment in PICI. This will apply to employees and dependent(s) that were previously covered under a PHP plan as of the effective date of the change from PHP to PICI.

PICI will allow credit for amounts satisfied towards calendar year deductibles and/or out-of-pocket maximums from previous carriers for NEW takeover groups (small and large) during initial enrollment. This will be allowed only if the appropriate information in an acceptable format is received from the group or the previous carrier.

L. Slice Business Strategy

For New Business:

a) All slice business will be offered only when disclosed at the time of quote or in the process of renewal preparation.
b) The contribution strategy offered by the employer can not adversely impact Presbyterian Health Plan offerings. For example, if an employer group offers a "buy-up" strategy, and the following situation exists:

   Carrier A offers a $1000 deductible plan with 80/20% coinsurance and Presbyterian offers a $10 office Visit HMO.

   The buy up provision (employee contribution) would only apply to the $1000 deductible plan and require the eligible employees to pay the difference in rates for the richer Presbyterian plan. This would be adverse condition for Presbyterian and cause anti-selection. Therefore, this would not be permissible.
c) The benefit plans may not differ by less than 10% or more than 30% benefit relativity between the Presbyterian benefits and the competitors. Secondly, the Presbyterian employee contribution dollars may not exceed the competitors employee contribution for like benefits.

   Note: The existence of the multiple carrier offerings should be driven by the choice of network, not a driver of risk.

d) Multi-choice (coexistence with another insurance carrier) will be offered only for employer groups of greater than 200 eligible employees for health benefits. The total participation must meet the 75% of total eligible employees enrolled in either carrier's product. Therefore, only 25% can waive and at a minimum, 50% of the 150 eligible employees must enroll in Presbyterian's product offering.
e) The overall enrollment must include 75% participation of the total eligible employees between the multiple carriers. Therefore, a maximum of 25% of the eligible employees could be in a waived status. Additionally, Presbyterian's eligible employees are those who reside or work in our service area.
f) Groups with less than 200 eligible employees are not eligible for a slice offering or enrolling in multiple carriers.
g) This policy only applies to Fully Insured business.

For Renewing Employer Groups:

a) Renewing Employer Groups will be notified at their renewal date of the guidelines noted above for New Prospects and offering one renewal cycle to be compliant.
b) Underwriting and Sales may recommend an exception to the participation policy for a client already in our Book of Business as long as the guidelines for benefit plan offerings and contribution are maintained. These exceptions would also be made when there is an opportunity to increase penetration over time. An exception would not be made for a group with declining membership, increased penetration for our competitor, and no long term plan to improve our position.
c) This policy only applies to Fully Insured business.
d) Note: Underwriting reserves the right to make exceptions to this policy when the risk is managed appropriately.

III. <u>Errors and Omissions</u>

Every effort has been made to ensure the accuracy of the information contained herein. Any benefit, eligibility, or underwriting provision provided herein are general descriptions, believed to be true and accurate, and do not form a part of or constitute a contract.