

Blue Shield of California

Blue Shield of California Life & Health Insurance Company

Quick Start Underwriting Guidelines for New Groups

Effective January 1, 2012

Groups of 2 to 50 eligible employees

These Quick Start guidelines are in summary form and are intended to address only the most commonly asked questions. Please consult with your Blue Shield sales representative or refer to the *Small Group Underwriting Guidelines for Producers* for a detailed description of underwriting requirements and policies.

Eligibility Requirements

Employer eligibility/guaranteed issue
(see pages 4 to 10)[†]

- If the employer employs 2 to 50 eligible employees and meets the requirements of AB1672, the employer is eligible for Blue Shield's guaranteed-issue and guaranteed-renewable small group health plans.
- The employer offers health plan coverage to 100% of its eligible employees.
- At least 51% of group's full-time employees must be employed in California.
- Must have and maintain business license and/or appropriate state filings allowing the company to conduct business in California.
- Must be actively engaged in business or service.
- Must have at least two and no more than 50 eligible employees.
- All employees must be covered by workers' compensation when required by law.
- Associations, multiple employer trusts, union trust plans, Taft-Hartley groups, retirees, and hour bank groups are not eligible.

Please note that other ineligible employer classifications include private households, single-employee companies, employees providing contracted services (i.e., receiving I-1099 forms for income tax purposes), domestic help, and members of organizations (such as credit unions or fraternal order member organizations). Please see Professional Employer Organization (PEO) section on page 2 for eligibility information concerning leased employees or employees that are part of a co-employer relationship.

- To offer any Access+ HMO[®] plans, the employer's place of business must be located

within one of Blue Shield's HMO plan service areas.

- Groups may impose separate eligibility waiting periods of their own. This waiting period must be the same for all employees within each employee classification.
- The employer has the option of choosing a first day of the month following the date of hire or a one-, two-, three-, four-, five-, or six-month waiting period for all future employees. The eligibility date for coverage for future employees is always the first day of the month following completion of the waiting period.
- Access+ HMO plans are not designed to provide coverage for employees who reside outside California.
- The Access Baja[®] HMO plan can only be offered to employees and dependents who reside or work in the Access Baja HMO service area.

Employee eligibility (see page 5)[†]

Eligible employees must:

- Work on a full-time basis in the conduct of the business of the employer, whose normal work week is at least 30 hours, and whose duties in such employment are performed at the employer's regular places of business (subject to withholding on a W-2 form); **or**
- Be a sole proprietor, corporate officer, or partner of a partnership engaged on a full-time basis, at least 30 hours per week, in the employer's regular places of business;
- Receive monetary compensation for that work by the employer;
- Be a bona fide employee of the employer

The following individuals are *not* considered "employees" eligible for coverage:

- Residents of Hawaii are not eligible.

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- Retirees employees or 50% of the total number of enrolled employees.
- Part-time (unless SB 1790 eligible), temporary, substitute, or seasonal employees. (Seasonal or substitute employees defined as employees hired with a planned future termination date are not eligible.)
 - Under the Simple Select package, a minimum of two employees and at least 75% of all eligible employees must enroll in the Blue Shield plan(s).
- 1099 independent contractors
- Domestic help
- Employees participating in a multiple employer group
- Leased employees or employees part of a co-employment or PEO relationship. (Please see PEO section for leased employees or employees that are part of a co-employer relationship.)
- 100% contribution/participation requirements:
If the group contributes 100% of dues/premium, then 100% of eligible employees must enroll (except those waiving due to other group coverage through another employer).
- Declining or waiving coverage:
 - A Refusal of Coverage form (C19927) is required if refusing coverage with Blue Shield due to coverage with another carrier through the same employer. Refusals of coverage in this instance are counted towards the participation requirement.
 - A Refusal of Coverage form (C19927) is required if refusing coverage with Blue Shield due to coverage with another carrier through a different employer. Refusals of coverage in this instance are not counted towards the participation requirement.
 - If an eligible employee and spouse or domestic partner both work for the same employer, they may enroll separately as employees or one may enroll as a dependent on the other's coverage. A Refusal of Coverage form (C19927) is required in each instance:
 - (1) If an eligible employee enrolls as a dependent spouse or domestic partner, the form is required to refuse coverage as an employee; and
 - (2) If each eligible employee enrolls in their own coverage, the form is required to refuse dependent coverage as a spouse or domestic partner.

Employer dues/premium contribution requirements

(see pages 6 to 9)†

- The employer must contribute either (1) a defined contribution of a minimum \$100 per employee (or the cost of the total employee rates, whichever is less), or (2) a minimum of 50% of the total employee rates.
- For Access Baja HMO the employer contribution must be at least equal to the dollar contribution level of the least expensive California health plan selection, not to exceed 100% of the Access Baja plan dues.

Group participation requirements

(See page 6)†

The group must maintain the required minimum participation requirements set forth below to remain eligible (or 100% participation, if non-contributory). Groups are subject to non-renewal if participation falls below the required minimum.

- Standard minimum participation requirements: At least 75% of all eligible employees must enroll in the Blue Shield plan(s).
- Program minimum participation requirements:
 - Under the Simple Sync package, a minimum of 5 employees must enroll with Blue Shield, and:
 - If Blue Shield is the only carrier offered, at least 65% of all eligible employees must enroll in the Blue Shield plans.
 - If Blue Shield is offered alongside another carrier's HMO, a minimum participation in the combination of Blue Shield plans must be equal to the greater of 5 enrolled

Any child(ren) of such persons may be enrolled as the dependent(s) of either employee, but not both.

Local Access+ HMO (see page 8)

Local Access+ HMO® offers eight HMO plans as alternatives to our existing full network HMO plans. The Local Access+ network features an exclusive network of physicians available in portions of Contra Costa, Kern, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Mateo, and Ventura counties, as well as in all of San Francisco, San Luis Obispo, Santa Clara, Santa Cruz, and Yolo counties.

- Only groups located in the Local Access+ HMO service area can select the Local Access+ HMO plans.
- Groups cannot offer both the Local Access+ HMO plans and the full network HMO plans.
- The Local Access+ HMO plans are Local Access+ HMO Premier 15[†], Local Access+ HMO Premier 25[†], Local Access+ HMO Premier 35[†], Local Access+ HMO Premier 45[†], Local Access+ HMO Enhanced 15[†], Local Access+ HMO Enhanced 25[†], Local Access+ HMO Enhanced 35[†], and Local Access+ HMO Enhanced 45[†].
- The Local Access+ plans have the same benefits as our Access+ HMO plans, and are offered on a standalone basis or as part of our Simple Select package as long as no full network HMO plans are offered. The Local Access+ HMO plans are not available in the Simple Sync package.

[†] Pending regulatory approval.

Blue Shield plans for use with wrap products (see page 8)

- Effective for new small employer groups enrolling in 2012 and existing Blue Shield small employer groups on their 2012 renewal date, the Simple Savings 3400/6800**[†] is the only plan that may be used in conjunction with any employer-sponsored wrap plan other than a Health Savings Account (HSA) or employee-funded general-purpose Flexible Spending Account (FSA). Existing small employer groups currently have the option of using the Shield Savings 2250/4500, Shield Savings 1800/3600 (HSA-eligible), and the Shield Spectrum PPO 3000 in conjunction with an employer-sponsored wrap plan.
- A Verification and Statement of Understanding form (C20283) is required for all new groups. The form must be signed by both the producer and a representative of the group, and without alteration.

Other Requirements

Groups with union and non-union employees (see page 10)[†]

If an employer has union and nonunion employees but is only offering coverage to the nonunion employees and the union employees do not have access to health coverage through a union trust fund, standard **carve-out** underwriting guidelines will apply.

If an employer has union and nonunion employees and the union members can receive health coverage through trust fund established by a collective bargaining agreement, Blue Shield has

special arrangements available as follows to cover only the non-union employees:

Small employer groups

If the total number of both union and nonunion eligible employees does not exceed 50, the employer can apply for small group coverage on a guaranteed-issue basis to cover only the nonunion employees. Only the eligible nonunion employees will be counted for purposes of minimum enrollment and participation requirements. To qualify for this coverage, the employer must provide Blue Shield with:

- A copy of the collective bargaining agreement showing that the employer pays contributions to the trust fund.
- The Statement of ERISA Rights from the union trust fund Summary Plan Description.

Other employer groups

If the total number of both union and nonunion eligible employees (eligible employees is defined as the number of employees that are eligible for either the union health plan or the employer-sponsored health plan) is between 51 and 299, the employer can apply for coverage on a non-guaranteed-issue basis to cover only the nonunion employees. Only the eligible nonunion employees will be counted for purposes of minimum enrollment and participation requirements. To qualify for this coverage, the employer must meet the following requirements:

- Minimum of eight employees must enroll.
- Blue Shield must be the employer's only health coverage carrier for the nonunion employees.
- Large employer groups enrolling under 15 non-union employees are required to submit health statements.
- Groups enrolling 15 or more nonunion employees will be rated using the Employer Questionnaire.
- The group must provide a copy of the collective bargaining agreement showing that the employer pays contributions to the trust fund as well as the Statement of ERISA Rights from the union trust fund Summary Plan Description.
- An offer of coverage is subject to underwriting approval.

Professional Employer Organization

("leased") employees (see page 10)[†]

Professional Employer Organization ("PEO" or "leased") employees are considered employees of the PEO Company. Small employer groups that have canceled their PEO arrangement and hired the formerly PEO employees will be considered for coverage on a guaranteed-issue basis pursuant to Small Group rules. Groups obtaining employees

through a PEO may apply for non-guaranteed-issue coverage.

- If any employee of the small employer group had coverage through the PEO with Blue Shield of California, the small employer group will not be eligible for guaranteed-issue coverage from Blue Shield of California for 12 months from the date of disenrollment from the plan contract through the PEO.
- If any employee of the small employer group had coverage through the PEO with Blue Shield of California Life & Health Insurance Company (Blue Shield Life), the small employer group will not be eligible for guaranteed-issue coverage from Blue Shield for 12 months from the date of disenrollment from the policy through the PEO.

For small employer groups that have recently canceled their contract with a PEO:

- A copy of the letter sent from the PEO to the client business verifying the cancellation of the leasing arrangement will be required.
- If a copy of a payroll register from the PEO company is submitted with the new group application that separates the formerly leased employees by business location, the group will be considered a guarantee issue group.

For employer groups with an existing PEO contract for employees:

- A group that has an active agreement under a PEO with current leased employees is not a small employer and will only be considered for coverage on a non-guaranteed issue basis.
- Normal contribution and participation requirements must be met. The employees must work solely for the employer group.
- A payroll register from the PEO that lists all the employees working at group's place of business is required. The payroll register must include the name of the subgroup company; employee names; Social Security numbers; current wages for the pay period; withholdings; and the year-to-date totals for the wages and withholdings.
- Health statements are required.

Spin-off groups (see page 11)

A "spin-off group" is a newly formed business that is not yet eligible for guaranteed-issue, and in which a majority of the employees of the new business have left an established business ("former business") currently offering Blue Shield coverage to its employees.

Spin-off groups will be issued coverage through underwriting. Please note that a spin-off group is not subject to small group RAF restrictions.

The requirements for issuance of coverage are:

- At least 50% of the employees in the spin-off group must have been enrolled in Blue Shield through the former business.

- All enrollment documents are required (master application, subscriber applications, refusals, business check, etc.).
- Completed health statements are required.
- Ownership paperwork and eligibility verification for the owner is required.
- A copy of the most recent payroll register is required. If no payroll register is available, a W-4 form for all employees will be initially required, with subsequent submission of the first complete payroll register within 30 days of the group's effective date.

Carve-out groups (See page 11)[†]

The Patient Protection and Affordable Care Act (PPACA) includes a provision that prohibits employer groups with fully insured health plans from offering discriminatory coverage to its employees, officers, and shareholders. This means that highly compensated individuals in the company cannot be offered coverage that is not available to a numerically significant number of the other employees.

- Highly compensated individuals are defined as the 5 highest-paid company officers, shareholders with 10% or greater stake in the organization, and the highest-paid 25% of all employees.
- It is the responsibility of the employer group to identify whether or not they have a non-discriminatory plan.
- Blue Shield will not sell coverage that is limited to highly compensated individuals in the company.

Small (2 to 50 eligible employees) and midsize (51 to 299 eligible employees) employer groups that wish to limit enrollment to a specified group of employees ("carve-out groups") that is not based on compensation can be considered for coverage on a non-guaranteed-issue basis. These groups will have guaranteed renewability and must meet the following additional requirements:

Employer groups of 2 to 50

- Group is qualified as a small employer under AB 1672.
- Employee Health Statements are required for carve-out groups (see union versus non-union for exceptions).
- Carve-out groups may include for underwriting consideration:
 - salary versus hourly wages (as long as this does not result in the limitation of coverage to highly compensated employees as defined in ACA),
 - specific office location

- California only employees when the group is domiciled outside of CA
- union versus nonunion when the union employees do not have access to health coverage through a union trust fund.
- A minimum of eight enrolling employees is required.
- A clear definition of the carve-out classification that the employer wishes to cover will be required.
- Blue Shield must be the employer's only carrier for the carve-out group.
- Carve-out groups are subject to underwriting approval, and may be declined if they do not meet Blue Shield's underwriting criteria.
- Midsize employer groups (51 to 299 full-time employees) in moratorium industries will not be considered for coverage as a carve-out group.

NOTE Small employer group plans are available to employer groups of 51 to 299 eligible employees, but Blue Shield is not obligated to follow the requirements of AB1672 (Cal. Health & Safety Code Section 1357) with respect to such groups.

Additional Enrollment and Plan Criteria

Single medical plan option (see page 9)

A single plan option is available for employers who only want to offer only one plan. Groups enrolling only one employee are limited to a single plan selection. The participation requirement for groups selecting a single plan option is 75%.

Simple Select package (See page 9)

Simple Select is available for groups with a minimum of 2 enrolling employees. Groups with 2 or more enrolling employees may select from 2 to 28 plans.

Employer dues/premium contribution options

Employers can select a defined dues/premium contribution amount. A minimum of \$100 per enrolled employee or 50% of the total employee dues/premium.

Participation requirements:

- Under the Simple Select package a minimum of two employees and at least 75% of all eligible employees must enroll in the Blue Shield plan(s).
- See the Group Participation Requirements section for additional details on participation requirements.

Simple Select notes:

- Employers whose place of business is located outside of one of Blue Shield of California's HMO service areas will not have the option of offering an HMO plan within Simple Select.
- When selecting Simple Select for groups with 2 to 50 enrolled employees, employers may choose from 2 to 28 plans on the master application to make selected plans available for future hires. When enrolling 2 to 50 employees in Simple Select, you do not need to enroll employees in all selected plans.
- California employers in certain counties and cities whose eligible employees live and/or work in the Local Access+ HMO service area have the option of selecting a Simple Select package with either Access+ HMO plans or Local Access+ HMO plans, but not both.
- Local Access+ HMO products are available as part of the Simple Select package provided they are the exclusive HMO plan option. Local Access+ HMO plan options may not be combined with or offered alongside any other full network HMO (except Access Baja HMO).
- Access Baja HMO can be offered alongside those plans chosen through Simple Select, but they do not count toward Simple Select restrictions.

Simple Sync package (see page 9)

Groups with 5 or more enrollees may select any number of plans in the Simple Sync package. The package includes Premier PPO 20³, Enhanced PPO 30^{2,3}, Enhanced PPO 40^{2,3}, Simple Savings 3400/6800^{2,3}, Access+ HMO Enhanced 40^{11,2,3}, Shield Spectrum PPO Plan 750 Value^{2,3}, Shield Spectrum PPO Plan 1000 Value^{2,3}, Shield Spectrum PPO Plan 1500 Value^{2,3}, and Shield Spectrum PPO Plan 2500 Value^{2,3}.

Under the Simple Sync package, a minimum of 5 employees must enroll and:

- If Blue Shield is the only carrier offered, at least 65% of all eligible employees must enroll in the Blue Shield plans.
- The Simple Sync package may be offered with another carrier's HMO plan only if enrollment in the Blue Shield plan(s) is at least equal to the greater of 5 enrolled employees or 50% of the group's total enrolled employees.

¹ The employer must be located, and all enrolled employees and eligible family members must live or work, in an approved Blue Shield of California HMO service area in order to be eligible to purchase HMO health plans.

² Underwritten by Blue Shield of California Life & Health Insurance Company (Blue Shield Life)

³ Plans pending regulatory approval

- This reduced participation requirement is only available for groups that enroll under the Simple Sync package.
- If the Employer does not meet the minimum enrollment requirements of 5 enrolled employees at the plan contract anniversary, the Employer is no longer eligible for the Simple Sync package. The Employer may be required to select alternate coverage options, and must meet the participation requirements of the alternate plan/package selected.
- See the Group Participation Requirements section for additional details on participation requirements.
- With the exception of Access Baja, additional Blue Shield plans cannot be selected.

Rating Criteria

(see pages 12, 13, and 14)[†]

Rating process

2 to 14 enrolling employees

- Guaranteed-issue groups enrolling 2 to 14 employees are not required to submit a completed Employer Questionnaire. Employee Health Statements are required. Groups enrolling 2-5 employees may apply for an automatic RAF of 1.10 without completing individual health statements, or may submit health statements to request a lower RAF through underwriting.

15 to 50 enrolling employees

- Guaranteed-issue groups enrolling 15 or more employees are required to submit a completed Employer Questionnaire. Individual Health Statements are not required. (See Section VIII, Industry and COBRA Loads, of the complete guidelines for a description of how a RAF is assigned based on information provided in the Employer Questionnaire.)[†]

The RAF is based on the information provided by the group; however, should any enrolling employee have prior Blue Shield coverage, prior claims history may be reviewed and may affect the final RAF.

Workers' compensation is required by law. The absence of workers' compensation coverage may also affect the final RAF.

All carve-out and non-guaranteed issue groups are required to complete Employee Health Statements regardless of size.

^{*}Please refer to the complete version of the *Small Group Underwriting Guidelines* for the definitions/requirements for a guaranteed issue group.

Risk Adjustment Factor (RAF) range For groups of 2 through 50 enrolled employees that qualify for guaranteed issue, the Risk Adjustment Factor (RAF) range is 0.90 to 1.10, subject to the following underwriting guidelines:

- For groups of 2 to 5 enrolled employees, the lowest RAF is 1.00.
- For groups of 6 to 9 enrolled employees, the lowest RAF is 0.95.
- For groups of 10 to 50 enrolled employees, the lowest RAF is 0.90.
- Specialty benefit plans are not subject to a RAF.
- Access Baja HMO rates are not subject to RAF.
- Group monthly premiums are calculated based on the subscribers' ages and the employer's ZIP code as of the first day of the month.
- Composite rating is not available.

Rating policies

- All rates will be based upon actual enrollment.
- Final rates, effective date and acceptability of the group will be determined by the small group underwriter.
- Approved out-of-state employees will be charged an area rate based on the location of the employer's California place of business.

Rate changes for guaranteed issue groups

The group's RAF will not change more often than every 12 months (Blue Shield renews most groups on their anniversary date). The maximum change in RAF is 10 percentage points, in addition to any increases that may have been made to the base (1.0) rate.

Rate changes for non-guaranteed issue groups

The group's RAF will not change more often than every 12 months. However, changes in RAF may exceed 10 percentage points and may be less than .90 or greater than 1.1.

Benefit Continuity (See page 23)[†]

Prior deductible credit

For new groups, Blue Shield will credit Blue Shield PPO and PPO savings plan members for the amount of the deductible satisfied under the prior carrier's corresponding medical plan during the same calendar year.

There is no deductible credit for outpatient prescription drug coverage.

Documentation Chart (See page 17)[†]

Number of Enrolling Employees	Sole Proprietor	Partnership/ Limited Partnership (LP)	Corporations	Limited Liability Company (LLC)
Owners Only	Business license or Fictitious Business Name Filing Owner Affidavit Signed Enrollment Application or Refusal of Coverage for all eligible employees Binder check on company check stock Recent Schedule C ¹	Partnership Agreement or Business License or Fictitious Business Name Filing Owner Affidavit Signed Enrollment Application or Refusal of Coverage for all eligible employees Binder check on company check stock Recent K-1 ¹	Articles of Inc or Statement of Information Owner Affidavit Signed Enrollment Application or Refusal of Coverage for all eligible employees Binder check on company check stock Recent K-1 or other applicable tax filing document or W-2 ¹ Business established out of state require a Cert. of Qualification or Statement by Foreign Corporations	Statement of Organization with Operating Agreement Owner Affidavit Signed Enrollment Application or Refusal of Coverage for all eligible employees Binder check on company check stock Recent K-1 ¹ Business established out of state require a Foreign LLC Application for Registration
2 to 5	Business license or Fictitious Business Name Filing Owner Affidavit Signed Enrollment Application or Refusal of Coverage for all eligible employees Binder check on company check stock DE9C ² or 6 weeks of payroll ³ If owners not listed on DE9C: Recent Schedule C ¹	Partnership Agreement or Business License or Fictitious Business Name Filing Owner Affidavit Signed Enrollment Application or Refusal of Coverage for all eligible employees Binder check on company check stock DE9C ² or 6 weeks of payroll ³ If owners not listed on DE9C: Recent K-1 ¹	Articles of Inc. or Statement of Information Owner Affidavit Signed Enrollment Application or Refusal of Coverage for all eligible employees Binder check on company check stock DE9C ² or 6 weeks of payroll ³ If owners not listed on DE9C: Recent K-1 or other applicable tax filing document or W-2 ¹ Business established out of state require a Cert. of Qualification or Statement by Foreign Corporations	Statement of Organization with Operating Agreement Owner Affidavit Signed Enrollment Application or Refusal of Coverage for all eligible employees Binder check on company check stock DE9C ² or 6 weeks of payroll ³ If owners not listed on DE9C: Recent K-1 ¹ Business established out of state require a Foreign LLC Application for Registration

6 to 24	Business license or Fictitious Business Name Filing	Partnership Agreement or Business License or Fictitious Business Name Filing	Articles of Inc. or Statement of Information	Statement of Organization with Operating Agreement
	Signed Enrollment Application or Refusal of Coverage for all eligible employees	Signed Enrollment Application or Refusal of Coverage for all eligible employees	Signed Enrollment Application or Refusal of Coverage for all eligible employees	Signed Enrollment Application or Refusal of Coverage for all eligible employees
	Binder check on company check stock	Binder check on company check stock	Binder check on company check stock	Binder check on company check stock
	DE9C ² • or 6 weeks of payroll ³	DE9C ² or 6 weeks of payroll ³	DE9C ² or 6 weeks of payroll ³	DE9C ² or 6 weeks of payroll ³
	If owners not listed on DE9C: Owner affidavit	If owners not listed on DE9C Owner affidavit	If owners not listed on DE9C: Owner affidavit Businesses established out of state require a Cert. of Qualification or Statement by Foreign Corporations	If owners not listed on DE9C: Owner affidavit Businesses established out of state require a Foreign LLC Application for Registration
25+	Signed Enrollment Application or Refusal of Coverage for all eligible employees	Signed Enrollment Application or Refusal of Coverage for all eligible employees	Signed Enrollment Application or Refusal of Coverage for all eligible employees	Signed Enrollment Application or Refusal of Coverage for all eligible employees
	Binder check on company check stock	Binder check on company check stock	Binder check on company check stock	Binder check on company check stock
	DE9C ² or 6 weeks of payroll ³	DE9C ² or 6 weeks of payroll ³	DE9C ² or 6 weeks of payroll ³	DE9C ² or 6 weeks of payroll ³
	If owners not listed on DE9C: Owner affidavit	If owners not listed on DE9C: Owner affidavit	If owners not listed on DE9C: Owner affidavit	If owners not listed on DE9C: Owner affidavit

1 Proof of income for owners is required if tax filings are not available due to length of time in business or a tax filing extension.

2 A copy of the most recent payroll register is required for new employees hired after the DE9C filing.

3 Six weeks of payroll records are required for businesses that have been in business for at least six weeks prior to the requested effective date but not long enough to have a filed DE9C. Payroll records must be for at least two eligible employees.

Note:

– Blue Shield's underwriting department may request additional documentation in situations where an affidavit was submitted but eligibility questions remain.

– Articles of Inc., Statement of Information, and Statement by Foreign Corporation must be filed and stamped listing names of all officers/owners.

† A group must comply with the criteria outlined in the *Small Group Underwriting Guidelines for Producers* A16060 (11/08). The page numbers referenced above indicate the page number on which the detailed information appears in the full guideline.

Dental Coverage Eligibility Requirements

Group eligibility (See page 4)[†]

- The employer offers dental plan coverage to 100% of its eligible employees.
- At least 51% of the group's full-time employees must be employed in California.
- Must have and maintain business licensure and/or appropriate state filings allowing the company to conduct business in California.
- Must be actively engaged in business or service.
- Must have at least two eligible employees.
- All employees must be covered by workers' compensation when required by law.
- Union trust plans, Taft-Hartley groups, and retirees are not eligible.

Please note that other ineligible classifications include private households, single-employee companies, employees providing contracted services (i.e., receiving I-1099 forms for income tax purposes), leased employees or employees part of a co-employment or PEO relationship, domestic help, members of organizations (such as credit unions or fraternal order member organizations), and groups with seasonal employees.

- There can only be one employer group per group benefit agreement.
- To offer any dental HMO plans, the employer's place of business must be located within one of Blue Shield's dental HMO plan service areas.
- Groups may impose separate eligibility waiting periods of their own. This waiting period must be the same for each employee classification.
- The employer has the option of choosing a 1st day of the month following the date of hire or a one-, two-, three-, four-, five-, or six-month waiting period for all future employees. The eligibility date for coverage for future employees is always the first day of the month following completion of the waiting period.
- Dental HMO plans are not designed to provide coverage for employees who reside outside California.
- Blue Shield of California dental plans are not available in Access Baja HMO service areas.

Employee eligibility (See page 5)[†]

- Work on a full-time basis in the conduct of the business of the employer, whose normal work

week is at least 30 hours, and whose duties in such employment are performed at the employer's regular places of business (subject to withholding on a W-2 form); or

- Be a sole proprietor, corporate officer, or partner of a partnership engaged on a full-time basis, at least 30 hours per week, in the employer's regular places of business;
- If coverage is offered to part-time employees, the employee must work at least 20 hours, but no more than 29 hours, in the employer's business on a permanent, year-round basis.
- Receive monetary compensation for that work by the employer.
- Be a bona fide employee of the employer.
- Have met any applicable employer-imposed eligibility waiting period.

Carve-out groups (see page 4)[†]

The Patient Protection and Affordable Care Act (PPACA) includes a provision that prohibits employer groups with fully insured health plans from offering discriminatory coverage to its employees, officers and shareholders. This means that highly compensated individuals in the company cannot be offered coverage that is not available to a significant number of the other employees.

- Highly compensated individuals are defined as the five highest-paid company officers, shareholders with 10% or greater stake in the organization, and the highest-paid 25% of all employees. It is the responsibility of the employer group to identify whether or not they have a nondiscriminatory plan.
- Blue Shield will not sell coverage that is limited to highly compensated individuals in the company.

Employer groups with 2 to 50 eligible employees that wish to limit enrollment to a specified group of employees (“carve-out groups”) that is not based on compensation can be considered for coverage on a non-guaranteed issue basis. These groups will have guaranteed renewability and must meet the following additional requirements:

- Group is qualified as a small employer under AB 1672
- Carve-out groups may include for underwriting consideration:
 - Salaried versus hourly wage earners (as long as this does not result in the limitation of coverage to highly compensated employees as defined in PPACA)
 - Specific office location
 - California-only employees when the group is located outside California
 - Union versus nonunion when the union employees do not have access to health coverage through a union trust fund
- A minimum of eight enrolling employees is required.
- A clear definition of the carve-out classification that the employer wishes to cover will be required.
- Blue Shield must be the employer’s only carrier for the carve-out group.
- Carve-out groups are subject to underwriting approval, and may be declined if they do not meet Blue Shield’s underwriting criteria.

Group participation requirements

(See page 5)[†]

- For all dental HMO and PPO plans except the Dental HMO Voluntary, Dental PPO SmileSM Basic Voluntary plans, and the Smile In-Network Only (INO) Voluntary plans, the employer must have group participation of 75% of all eligible employees. Employees refusing coverage because they are covered under group coverage are not counted towards the participation requirement.
- The group must maintain the required minimum participation level to remain eligible (or 100% participation, if non-contributory). Groups are subject to non-renewal if participation falls below the required minimum. If a husband and wife/domestic partner both work for the same employer, they may apply separately as

employees or one may be a dependent on the other’s coverage. If each enrolls separately as employees, any children of such persons may enroll as dependents of either.

Group contribution requirements

(See page 6)[†]

- The employer must contribute at least 50% of the employee’s premiums (with the exception of Dental PPO Smile Basic Voluntary, Dental INO Voluntary, and Dental HMO Voluntary plans, which do not require an employer contribution).

Benefit Continuity (See page 11)[†]

Prior deductible credit

For new groups, Blue Shield will credit dental PPO plan members for the amount of the deductible satisfied under the prior carrier’s corresponding dental plan during the same calendar year. Any claim paid by the prior carrier’s plan during the same calendar year will be applied to the member’s calendar year benefit maximum.

Rating Criteria and Programs

Rate Adjustment Factor (RAF) range

- Specialty benefit plans are not subject to RAF.

Group Enrollment Checklist

The following are required documentation when submitting new business:

- **Master Group Application**
- **Applications from all enrolling employees and dependents.**
- **DE-9 is not required.**
- **Refusal of Personal Coverage forms are not required for dental (except when there is only 1 employee enrolled).**

- **Business check payable to Blue Shield of California (may be combined with medical).**

Group Term Life and AD&D Insurance Eligibility Requirements

Blue Shield of California Life & Health Insurance Company

Group eligibility (See page 14)[†]

- The employer offers life insurance coverage to 100% of its eligible employees.
- At least 51% of the group's full-time employees must be employed in California.
- Must have and maintain business licensure and/or appropriate state filings allowing the company to conduct business in California.
- Must be actively engaged in business or service.
- Must have at least two eligible employees.
- Union trust plans, Taft-Hartley groups, and retirees are not eligible.

Please note that other ineligible classifications include private households, single-employee companies, employees providing contracted services (i.e., receiving I-1099 forms for income tax purposes), leased employees or employees part of a co-employment or PEO relationship, domestic help, and members of organizations (such as credit unions or fraternal order member organizations).

- There can only be one employer group per group benefit agreement.
- Groups may impose separate eligibility waiting periods of their own.
- The employer has the option of choosing coverage to start on the first day of the month following the date of hire or a one-, two-, three-, four-, five-, or six-month waiting period for all future employees.
- Blue Shield life insurance plans are not available in Access Baja HMO service areas.

Ineligible groups

There are a number of employer groups that present special risks (e.g., catastrophic hazards, high employee turnover) and are not eligible for group term life insurance. These are detailed in the *Small Group Group Dental, Life Insurance, and Vision Underwriting Guide lines for Producers, Life Insurance Section*.

Employee eligibility (See page 15)[†]

- Work on a full-time basis in the conduct of the business of the employer, whose normal work

week is at least 30 hours, and whose duties in such employment are performed at the employer's regular places of business (subject to withholding on a W-2 form), **or**

- Be a sole proprietor, corporate officer, or partner of a partnership engaged on a full-time basis, at least 30 hours per week, in the employer's regular places of business;
- Receive monetary compensation for that work by the employer;
- Be a bona fide employee of the employer
- Not eligible for coverage: Part-time (less than 20 hours per week), temporary, substitute, or seasonal employees. (Seasonal or substitute employees defined as employees hired with a planned future termination date are not eligible.)

Contribution requirements (See page 16)[†]

The employer must contribute at least 25% of the employee's premiums.

Group participation requirements (See page 16)[†]

- For all life insurance plans, the employer must have a group participation of 75% of all eligible employees (100% if no non-contributory or group size is under five).
- The group must maintain the required minimum participation level to remain eligible (or 100% participation, if non-contributory). Groups are subject to termination if participation falls below the required minimum.
- If a husband and wife/domestic partner both work for the same employer, they may apply separately as employees or one may be a dependent on the other's coverage. If each enrolls separately as an employee, any children of such persons may enroll as dependents of either.

Other Requirements

Carve-out groups (see page 14)[†]

The Patient Protection and Affordable Care Act (PPACA) includes a provision that prohibits employer groups with fully insured health plans from offering discriminatory coverage to its employees, officers and shareholders. This means that highly compensated individuals in the company cannot

be offered coverage that is not available to a significant number of the other employees.

- Highly compensated individuals are defined as the five highest paid company officers, shareholders with 10% or greater stake in the organization, and the highest paid 25% of all employees.
- It is the responsibility of the employer group to identify whether or not they have a non-discriminatory plan.
- Blue Shield will not sell coverage that is limited to highly compensated individuals in the company.

Employer groups with 2 to 50 eligible employees that wish to limit enrollment to a specified group of employees ("carve-out groups") that is not based on compensation can be considered for coverage on a non-guaranteed issue basis. These groups will have guaranteed renewability and must meet the following additional requirements:

- Group is qualified as a small employer under AB 1672
- Carve-out groups may include for underwriting consideration:
 - Salaried versus hourly wage earners (as long as this does not result in the limitation of coverage to highly compensated employees as defined in PPACA).
 - Specific office location
 - California only employees when the group is located outside California
 - Union versus non-union when the union employees do not have access to health coverage through a union trust fund
- A minimum of eight enrolling employees is required

- A clear definition of the carve-out classification that the employer wishes to cover will be required
- Blue Shield must be the employer's only carrier for the carve-out group
- Carve-out groups are subject to underwriting approval, and may be declined if they do not meet Blue Shield's underwriting criteria

Rating Criteria

Rate Adjustment Factor (RAF) range

Group term life and AD&D insurance is not subject to a RAF.

Guaranteed issue

All coverage is guaranteed issue.

Group Enrollment Checklist

The following are required documentation when submitting new business:

- **Master Group Application**, or
- **Specialty Benefits Master Group Application** (or for groups of 2-9 *eligible employees contact your Blue Shield sales representative).*
- **Employee enrollment form** for all enrolling employees and dependents.
- **Evidence of Insurability** is not required
- **DE-9 is not required.**
- **Refusal of Personal Coverage forms** are not required (except when there is only 1 employee enrolled).
- **Business check** payable to Blue Shield Life (may be combined with medical).

***Group term life insurance for groups of 2 to 9 eligible employees is administered and underwritten through a small group employer trust.**

Eligibility requirements

Group eligibility (See page 23)[†]

- The employer offers vision plan coverage to 100% of its eligible employees.
- At least 51% of the group's full-time employees must be employed in California.
- Must have and maintain business licensure and/or appropriate state filings allowing the company to conduct business in California.
- Must be actively engaged in business or service.
- Must have at least two eligible employees.
- Union trust plans, Taft-Hartley groups, and retirees are not eligible.

Please note that other ineligible classifications include private households, single-employee companies, employees providing contracted services (i.e., receiving I-1099 forms for income tax purposes), leased employees or employees part of a co-employment or PEO relationship, domestic help, and members of organizations (such as credit unions or fraternal order membership organizations).

- There can only be one employer group per group benefit agreement.
- Groups may impose separate eligibility waiting periods of their own. This waiting period must be the same for each employee classification.
- The employer has the option of choosing a 1st day of the month following the date of hire or a one-, two-, three-, four-, five-, or six-month waiting period for all future employees. The eligibility date for coverage for future employees is always the first day of the month following completion of the waiting period.
- Blue Shield of California vision plans are not available in Access Baja HMO service areas.

Employee eligibility (See page 24)[†]

- Work on a full-time basis in the conduct of the business of the employer, whose normal work week is at least 30 hours, and whose duties in such employment are performed at the employer's regular places of business (subject to withholding on a W-2 form), **or**
- Be a sole proprietor, corporate officer, or partner of a partnership engaged on a full-time basis, at

Vision Coverage

least 30 hours per week, in the employer's regular places of business;

- Work at least 20 hours, but no more than 29 hours, in the employer's business on a permanent, year-round basis.
- Receive monetary compensation for that work by the employer.
- Be a bona fide employee of the employer.
- Have met any applicable employer-imposed eligibility waiting period.

Contribution requirements (See page 25)[†]

- For all Vision plans, the employer must contribute at least 25% of the employee's premiums. Except voluntary vision, which has no employer contribution requirement.

Group participation requirements (See page 24)[†]

- Blue Shield must be the only vision plan offered.
- For Vision Basic plans, employee and dependent coverage must match medical. Otherwise, the group will be enrolled in an identical Vision Standard or Plus plan.
- For all vision plans (except voluntary vision), the employer must have a group participation of 75% of all eligible employees. For voluntary vision coverage a minimum of 5 eligible employees must participate.
- Employees refusing coverage because they are covered under group coverage are not counted towards the participation requirement.
- The group must maintain the required minimum participation level to remain eligible (or 100% participation, if non-contributory). Groups are subject to termination if participation falls below the required minimum.
- If a husband and wife/domestic partner both work for the same employer, they may apply separately as employees or one may be a dependent on the other's coverage. If each enrolls separately as an employee, any children of such persons may enroll as dependents of either.

Other Requirements

Carve-out groups (See page 23)[†]

The Patient Protection and Affordable Care Act (PPACA) includes a provision that prohibits employer groups with fully insured health plans from offering discriminatory coverage to its employees, officers, and shareholders. This means that highly compensated individuals in the company cannot be offered coverage that is not available to a significant number of the other employees.

- Highly compensated individuals are defined as the five highest-paid company officers, shareholders with 10% or greater stake in the organization, and the highest paid 25% of all employees.
- It is the responsibility of the employer group to identify whether or not they have a non-discriminatory plan.
- Blue Shield will not sell coverage that is limited to highly compensated individuals in the company.

Employer groups with 2 to 50 eligible employees that wish to limit enrollment to a specified group of employees (“carve-out groups”) that is not based on compensation can be considered for coverage on a non-guaranteed issue basis. These groups will have guaranteed renewability and must meet the following additional requirements:

- Group is qualified as a small employer under AB 1672
- Carve-out groups may include for underwriting consideration:
 - Salaried versus hourly wage earners (as long as this does not result in the limitation of coverage to highly

compensated employees as defined in PPACA).

- Specific office location.
- California only employees when the group is located outside California
- Union versus nonunion when the union employees do not have access to health coverage through a union trust fund.
- A minimum of eight enrolling employees is required.
- A clear definition of the carve-out classification that the employer wishes to cover will be required.
- Blue Shield must be the employer’s only carrier for the carve-out group.
- Carve-out groups are subject to underwriting approval, and may be declined if they do not meet Blue Shield’s underwriting criteria.

Rating Criteria

Rate Adjustment Factor (RAF) range

- Specialty benefits are not subject to RAF.

Group Enrollment Checklist

The following are required documentation when submitting new business:

- **Master Group Application**, or
- **Specialty Benefits Master Group Application** for Vision Standard, Plus or Deluxe plans.
- **Applications** from all enrolling employees and dependents.
- **DE-9 is not required.**
- **Refusal of Personal Coverage** forms are not required (except when there is only one employee enrolled).
- **Business check** payable to Blue Shield Life (may be combined with medical)

[†] See the *Small Group Underwriting Guidelines for Producer*, A16060 (5/10) for a complete description of underwriting guidelines. The page numbers

referred in parentheses under section headers of these Quick Start guidelines refer to pages within the complete guidelines booklet where the complete description can be found.