

North Carolina Small Business Underwriting Guidelines

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I. Underwriting Requirements

(1) Eligible Small Employer

UnitedHealthcare offers small group coverage to a small business that, on at least 50% of its working days during the preceding calendar quarter, employed no more than 50 full-time employees. The following information is required to qualify as a small business and will be used to verify group eligibility:

- For small businesses with 6 or more active eligible employees enrolling for coverage . . .

Copy of prior carriers billing statement and IF THE GROUP DOES NOT HAVE EXISTING GROUP HEALTH COVERAGE, THEN Most recent North Carolina Wage and Tax (W/T) Statement or Company Payroll listing.

- For small businesses with fewer than 6 employees enrolling for coverage . . .

Most recent North Carolina Wage and Tax (W/T) OR

- **“C” Corporation:** Business Papers = Articles of Incorporation AND Company Payroll listing
- **“S” Corporation:** Business Papers = Articles of Incorporation AND Payroll
- **Partnership:**¹ Business Papers = Partnership Agreement AND Payroll
- **Sole Proprietorship:** Profitable Form 1040/Schedule C (Profit/Loss Statement)
- **Sole Proprietorship with employees:**² Form 1040/Schedule C (Profit/Loss Statement) AND Payroll
- **Church/Non-Profit:** Form 941 (line 2 is wages) AND Payroll
- **Limited Liability:** LLC/LLP Agreement³ AND Payroll

NOTES:

1. The wages on the payroll must equal at least minimum wage based on full time employment status.
2. New businesses may file the first Quarterly Wage and Tax Statements at the end of the first quarter of business. Therefore, proper documentation can be available after the first quarter.
3. Underwriting may request additional information if needed.

¹ Only the partners of a Partnership can take a draw from the Company and still be considered an eligible employee.

² Only the owner of a Sole Proprietorship can take a draw from the company and still be considered eligible for coverage. Any other employees must appear on the W/T.

³ An “LLC” is a Limited Liability Company and an “LLP” is a Limited Liability Partnership.

(2) Employer Contribution Requirements

The employer must contribute the following for medical coverage:

- ⇒ For groups of 1-3 active eligible enrolling employees: 75% of employee premium
- ⇒ For groups of 4-50 active eligible enrolling employees: 50% of employee premium

(3) Employee Participation Requirements

- ⇒ A minimum of 75% of active eligible employees in a group must be covered under a UnitedHealthcare plan. This does not include continuees.
- ⇒ Valid waivers include another employer-based health plan or other government-sponsored plans.
- ⇒ Individual policies are not valid waivers.

(4) Medical Underwriting

All small businesses are required to answer the simplified medical questionnaire on the Master Group Application. In addition:

1-19 Employees:

Each employee must complete an individual medical questionnaire, located on the enrollment form, for the employee and any dependents to be covered on the plan.

20-50 Employees:

If the employer has current health insurance coverage for its employees and at least 20 employees taking medical coverage, the employees do not need to complete the individual medical questions located on the enrollment form. If there is no current group health insurance coverage, or less than 20 active employees taking medical coverage, an individual medical questionnaire is required from each individual, regardless of the number of employees in the group.

II. Rating Factors

(1) Factors Used In Rate Calculation

The following factors go into the equation to generate small business rates within the guidelines of NC Small Group Legislation.

$$\boxed{\text{Base Rates}} \times \boxed{\text{Trend}} \times \boxed{\text{Risk Code}} \times \boxed{\text{Geographic Code}} \times \boxed{\text{Age/Sex Tables}} \times \boxed{\text{Conversion Factor}} = \boxed{\text{Premium Rate}}$$

Base Rates = the rates filed with the NC DOI to reflect the cost of each benefit plan available to small businesses at the beginning of that calendar year.

Trend = the medical trend filed with the NC DOI to adjust the base rate to the specific effective date of coverage requested.

Risk Code = reflects the health status of the group after medical underwriting has reviewed the enrolled group.

Geographic Code = reflects the specific healthcare costs within a county adjusted for the provider contracts in place with hospitals and physicians.

Age/Sex Tables = adjustments to the plan's base rates to reflect the costs for each employee/dependent within the group based upon their age and sex.

Conversion Factor = this converts the table rates into composite rates. This applies only to groups of 11-50 employees.

Rate Structure

1-10 employees.....Table (age/sex) Rate Only

11-50 employees.....Composite (Class) Rates
employee only
employee and child(ren)
employee and spouse
employee and family

(2) Medical Underwriting Risk Codes

UnitedHealthcare assigns a risk code to every new group based upon a review of the health status of the employees eligible for coverage. This information is gathered from the employer application, employee's enrollment form and phone calls made by the medical underwriter to the group administrator and selected employees.

The medical underwriter then assigns a risk code based upon, the size of the group and their health assessment. The risk codes available for small business are in compliance with NC Small Group legislation as they are within 20% of our community rate.

Outlined below are the lowest risk codes available based upon group size and the maximum rate-up a group could receive after a review by medical underwriting.

Minimum or Preliminary Quote Risk Codes

Group Size	Factor
1	1.20
2 to 3	.91
4 to 50	.80

Maximum Rate-up by Group Size

Group Size	Factor Differential	Maximum Rate-up %
1	$1.20 / 1.20 = 1.00$	0%
2 to 3	$1.20 / .91 = 1.32$	32%
4 to 50	$1.20 / .80 = 1.50$	50%

(3) Monthly Administrative Fee

UnitedHealthcare charges a \$20.00 monthly administration fee to cover the specific costs of the monthly billing and enrollment process. The administration fee does not vary with the size of the employer group.

III. Small Business Predications

(1) Group Effective Dates

Small groups may select effective dates of the 1st or the 15th of the month. Another date may be approved only if the group currently has medical coverage expiring on a date other than the first or fifteenth.

(2) Benefit Plan Changes

Groups may change benefit plans only upon their renewal date. If an increase or addition of benefits is requested, contact your Small Business Account Manager to have this proposed plan change reviewed by our underwriting department to establish the appropriate rates.

Regardless of products, benefit plan changes are not available off-renewal.

(3) Eligible Employee

UnitedHealthcare will cover an employee who works on a full-time basis, with a normal week consisting of 30 or more hours, for a small employer. An “employee” includes a sole proprietor, a partner, or an owner, provided he or she works the majority of time for this business. The employee must either live or work in the local United Healthcare network service area to be eligible for the Choice or Choice Plus plans. The employee must live or work in a national network service area to be eligible for the Enterprise (US Plans) or Options (NA Plans) Products.

(4) Eligible Dependents

Dependent Definition: UnitedHealthcare covers an employee’s dependent that meets the following conditions:

1. A spouse of a covered subscriber;
2. An unmarried child, stepchild, foster child or a child placed for adoption through age 18, or between the ages of 19 and 25, if a full-time student; and/or
3. A handicapped child.

For the Choice, Choice Plus or Options PPO-AC plans, an eligible dependent must live in the UnitedHealthcare network service area. Two exceptions are if the dependent is a full-time student or if the parent is required by a court order to provide health benefit plan coverage.

(5) Waiting Period for New Hires

There is a waiting period for a newly hired employee to be covered by the plan. An employee hired after the group’s effective date of coverage is subject to the waiting period selected by the employer.

Groups of 1-50 employees have the choice of a 30, 60, 90 day or 0, 1 or 2 month waiting period. The waiting period can be a First of the Month Following (n/a for 60 or 90 day) -OR- a Date of Event effective date.

Changes to the waiting period are only allowed at the renewal.

(6) Effective Date of New Employee's Coverage

Coverage for a new group's employees who have satisfied the waiting period begins at 12:01 a.m. on the effective date specified in the master policy. An employer may choose to waive the waiting period for all employees only upon the initial effective date of the group policy.

Coverage for a new hire after the group's initial effective date of coverage begins on either (a) the day following completion of the waiting period, or (b) the first of the month following the completion of the waiting period. The employer selects the waiting period and effective date process upon the issuance of their new group policy.

(7) Pre-Existing Condition Exclusion

A pre-existing condition is a medical condition for which medical advice or treatment was received or recommended within the 6-month period immediately preceding the participant's date of coverage. Health services or treatment provided for a pre-existing condition will not be covered for the first twelve (12) months following a participant's effective date of coverage.

A participant who was covered under a prior plan for the twelve months immediately preceding his or her date of enrollment under a UnitedHealthcare plan is not subject to the pre-existing condition exclusion.

Proof of prior creditable coverage would include (1) certificate of prior creditable coverage, (2) prior billing statement with original and current dates of coverage or (3) copy of enrollment form.

Pregnancy is not considered a pre-existing condition. This exclusion does not apply to newborn children or newly adopted children. This exception for newborn and adopted children no longer applies after the end of the first 63-day period during which the child has not had continuous credible coverage.

(8) Late Enrollee and Pre-Existing Condition Exclusion

A "late enrollee" is an employee who elects to waive UnitedHealthcare employee or dependent coverage when a group first enrolls with UnitedHealthcare and who wants to enroll in the plan at a later date without a qualifying event. A late enrollee who decides to enroll after the group's initial effective date of coverage will have an 18 month pre-existing condition exclusion applied to their employee or dependent coverage. If late enrollee selects UnitedHealthcare coverage as a result of losing coverage under another health care plan, or as the result of a qualifying event, the employee is not considered a late enrollee and is eligible for benefits with a 12-month pre-existing exclusion period (creditable coverage could reduce this further.) Refer to UnitedHealthcare Small Business Administration Manual for complete details on late enrollee policy.

(9) Termination of Employee Coverage

Employee coverage ends on either (a) the last day of the month or (b) the actual date on which the employee terminates as long as the group is active at the end of the month. The termination effective date provision is determined based upon the waiting period effective date the employer has chosen. (First of the Month Following v/s Date of Event)

(10) Deductible Credit

An employee or dependent covered under a new group's policy from the original effective date of coverage with UnitedHealthcare will receive credit for any portion of their deductible satisfied with the prior carrier during the current calendar year. The employee or dependent will need to submit acceptable proof from the prior carrier such as a recent EOB for that year showing the amount of deductible met for that calendar year. There is no credit for any out-of-pocket maximum met with the prior carrier.

(11) Dual Option Underwriting

- 2 + eligible enrolling employees (New Business & Renewals)
- Multi-State: Base Location Only and must have 2+ employees in the Base Location
- Employer minimum contribution:
 - 2 to 3 enrolling employees = 75%
 - 4 to 50 enrolling employees = 50%
- 100% of census rated in both plans
- Underwritten as one group
- Same Risk Factor applies to both plans
- 2 contracts, 2 sets of rates, 2 policy numbers
- 1 customer number
- 1 bill
- 1 Customer Service number
- Employees enrolled into selected plan until next renewal date.