

# Underwriting Guidelines



QualChoice is your trusted partner, bringing the best value in health benefits for your clients. The guidelines below will assist you in providing both large and small employer groups with optimal plan options. For more information about our products, visit [QualChoice.com](https://QualChoice.com).

## Large Group

### Group Requirements

A “large group” is defined as an employer who employed an average of at least 51 employees on business days during the preceding calendar year (ATNE). Under the ACA employer mandate, “controlled groups” and “affiliated service groups” are treated as single employers. The controlled group categories place an emphasis on direct ownership and overlapping (common) ownership. The IRS Code defines these groups.

- Groups must be domiciled and pay taxes in the state of Arkansas.
- Groups must have an employer/employee relationship with prospective contract holders.
- Full-time employees are eligible for coverage if they work a minimum of 30 hours per week.
- Elected officials may be covered for all size groups if they are displayed on the Tax & Wage Statement, or if the prior carrier covered them as part of a takeover.
- Owners who are actively working or can prove active participation in the group’s operations are eligible for coverage.
- Independent contractor (1099) wage earners are not eligible for group medical coverage.
- Groups with 100 or more employees may cover retirees. Groups with 51 to 99 employees may cover retirees if they are covered by their current carrier under the group plan. Retirees may be covered if required by state mandate.
- Carve outs will not be considered.
- A minimum employer contribution of 50% of the individual premium is required.
- Employers who do not have current group health insurance coverage are eligible for the QualChoice POS and PPO product.
- Newly formed businesses are allowed.
- Commonly owned businesses can be considered as a single group if at least one owner owns a minimum of 51% of each business. A letter of attestation is required.
- QualChoice underwrites business on a total replacement basis only and no other medical plan may be offered to an employer except those offered by QualChoice.
- QualChoice allows groups with 51+ enrolling, to offer up to three QualChoice benefit plans.
- All groups enrolling electronically must keep signed documentation of enrollment and waivers on file for the current plan year.

## Participation Guidelines

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- A prospective group or renewing group must have a minimum of two covered employees (subscribers) to maintain coverage. The two covered employees cannot be made up of two subscribers who are married to each other.
- All eligible employees must participate if the employer contributes 100% of the employee premium. Qualified waivers would be accepted.
- Participation rules will be enforced at the group's renewal.
- Any participation percentage below 50% of benefit eligible employees will be subject to review. Minimum Participation Requirements: At least 75% of all eligible employees (excluding valid waivers) and 50% of all full-time employees must enroll.
- Any account where the enrollment drops to less than two subscribers is given until the next renewal date to meet minimum participation requirements or not renewed.

## Rating Guidelines

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Adverse selection occurs any time an employee or employer has choices available to him/her that will benefit them to the detriment of the health plan chosen. Although the possibility of adverse selection is present in every group, the impact is marginal in very large groups and severe in small groups. This is why the level of strictness used regarding rating guidelines must intensify as the case size decreases. The rating guidelines are as follows:

- Groups with 51+ ATNE are only offered premium rates on a four-tier basis (Employee Only, Employee/Spouse, Employee/Children, Family), three-tier basis (Employee Only, Employee + One, Family) and two-tier basis (Employee Only, Family).
- We reserve the right to re-rate a group with 51+ ATNE at any time if enrollment within any contract tier changes by +/-10% or more or the total enrollment changes by +/- 10% or more.
- Current cost-sharing benefits (PCP/SCP copay, deductible, coinsurance, out-of-pocket maximum, inpatient, outpatient, and emergency room copays) and current tier ratios will be matched as closely as possible.
- Groups may not combine any product (PPO with POS or vice versa).
- For PPO and POS new group quotes, the QualChoice retail pharmacy formulary is shown with all plans.
- Groups requesting a 15th-of-the-month effective date must be on a 15th-of-the-month contract with their current carrier. Groups currently on the 15th-of-the-month contract must provide documentation from their current carrier prior to quote. The quote will show a 1st-of-the-month effective date for the effective month and be issued an eleven-and-a-half-month contract.
- Large groups with multiple brokers quoting will be released with same rates and same commission if all required data is present and would result in the same underwriting outcome. QualChoice will issue rates to brokers with the same rates only for documentation such as renewal, benefits, etc. Rates will not be issued if the data required to determine rates does not match or is missing.
- The total maximum out-of-pocket for non-HDHP plans includes the deductible, coinsurance, and copayment amounts for In-Network Essential Health Benefits.

## Out-of-Area

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- A limit of 25% for out-of-area subscribers is allowed for the POS product and a limit of 40% for out-of-area subscribers is allowed for the PPO product.
- All out-of-area members will be enrolled under an out-of-area plan and given access to the QCNN network.
- Enrolling employees residing in the bordering counties listed specifically below, will not be counted against the out-of-area limits: Bowie County, TX, Cass County, TX, Greene County, MO, DeSoto County, MS, Dyer County, TN, Lauderdale County, TN, Shelby County, TN, Tipton County, TN

## Riders

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The Underwriter can add any of the following riders to a PPO or POS plan after confirming they are filed and approved for groups of 51+ ATNE:

- TMJ
- Hearing Aid and Hearing Instruments
- QualChoice National Network
- Infertility Evaluation and Treatment
- Deductible and Out-of-Pocket Credit is available to all new POS and PPO groups.

## Data Required

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- Name of Group
- Location
- Effective Date
- Standard Industry Classification
- How long in Business
- Broker & Agency
- Employer Contribution
- Current Carrier
- Current Benefit Design
- Current Rates
- Number of Full-Time Employees & Eligible Employees
- Census of all eligible Employees, including:
  - Employee date of birth
  - Employee gender
  - Employee contract tier (including Waivers)
  - Employee ZIP code
  - QualChoice Request for Quote Form

## Timing

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The Underwriter will complete the rate proposal upon receipt of complete information, within five days for 51+ ATNE.

## Additional Information by Group Rating Size

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### • Groups 51-99 ATNE:

- Renewal Rates/Benefits on current carrier's document
- Most recent 12 months of Group Experience Data
- Known Medical Conditions and Large Claim information with diagnosis matching experience period
- Carrier documentation, if competitive information is utilized
- Enrollment by plan if group currently has multiple options

• If the group is a member of a controlled group of corporations as defined by the IRC 414(b), QualChoice reserves the right to request documentation..

### • Groups 100+ ATNE:

- Most recent 24 months of Group Experience Data
- Renewal Rates/Benefits on current carrier's document
- Known Medical Conditions and Large Claim information with diagnosis matching experience periods
- Carrier documentation, if competitive information is utilized
- Benefit Summary, upon request by the Underwriter
- Enrollment by plan if group currently has multiple options

• If the group is a member of a controlled group of corporations as defined by the IRC 414(b), QualChoice reserves the right to request documentation.

# Small Group

## Group Requirements

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A “small employer” as defined by state regulation is an employer who has an average of at least two, but not more than fifty, employees on business days during the preceding calendar year (ATNE). Under the ACA employer mandate, “controlled groups” and “affiliated service groups” are treated as single employers. The controlled group categories place an emphasis on direct ownership and overlapping (common) ownership. The IRS Code defines these groups.

- Groups must be domiciled and pay taxes in the state of Arkansas.
- Groups must have an employer/employee relationship with prospective contract holders.
- Full-time employees are eligible for coverage if they work a minimum of 30 hours per week.
- Elected officials may be covered for all size groups if they are displayed on the Tax & Wage Statement, or if the prior carrier covered them as part of a takeover.
- Owners who are actively working or can prove active participation in the group’s operations are eligible for coverage.
- Independent contractor (1099) wage earners are not eligible for group medical coverage.
- Groups with 50 or fewer employees may not cover retirees unless mandated by state regulations.
- Carve outs will not be considered.
- A minimum employer contribution of 50% of the individual premium is required.
- Employers who do not have current group health insurance coverage are eligible for the QualChoice POS and PPO product.
- Newly formed businesses are allowed. If a quarterly wage and tax report is not yet available, then a letter is required stating the first date of operation and each eligible employee’s name.
- Commonly owned businesses can be considered as a single group if at least one owner owns a minimum of 51% of each business. A letter of attestation is required.
- QualChoice underwrites business on a total replacement basis only. No other plan may be offered to an employer except those offered by QualChoice.
- QualChoice allows groups to offer multiple QualChoice benefit plans.
  - Groups with 2–24 covered employees can offer up to three options.
  - Groups with 25–50 covered employees can offer up to five options.
- All groups enrolling electronically must keep signed documentation of enrollment and waivers on file for the current plan year.

## Participation

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- A prospect or renewing group must have a minimum of two covered employees (subscribers) to maintain coverage. The two covered employees cannot be made up of two subscribers who are married to each other.
- All eligible employees must participate if the employer contributes 100% of the employee premium. Qualified waivers would be accepted.
- Participation rules will be enforced at the group's renewal.
- Any participation percentage below 50% of benefit eligible employees will be subject to review. Minimum Participation Requirements: At least 75% of all eligible employees (excluding valid waivers) and 50% of all full-time employees must enroll.
- Any account where the enrollment drops to less than two subscribers is given until the next renewal date to meet minimum participation requirements or not renewed.

## Data Required

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- Name of Group
- Location (ZIP code and county)
- Effective Date
- Standard Industry Classification
- How long in Business
- Broker & Agency
- Employer Contribution
- Number of Full-Time Employees & Eligible Employees
- Census of all eligible employees, including:
  - Waivers
  - Employee and dependent(s) date of birth
  - Employee and dependent(s) gender
  - Employee contract tier
  - Employee ZIP code
- ATNE (the average number of employees employed by the company during the preceding calendar year)
- Wage and Tax form
  - When a Wage and Tax form isn't available for a group due to the taxable status of the group or being a newly incorporated business, the group must provide a list of all employees, indicating their employment status, on their company letterhead, signed and dated by the group administrator.

If the group is a member of a controlled group of corporations as defined by the IRC 414(b), QualChoice reserves the right to request documentation.

## Out-of-Area

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- A limit of 25% for out-of-area subscribers is allowed.
- All out-of-area members will be enrolled under an out-of-area plan and given access to the QCNN network.
- Small groups may purchase the QCNN rider for in-state enrollees to access the QCNN network. If a group has more than 15% participation out of area, the QCNN rider will automatically be added to the rates. A group that has more than 25% participation out of area is not eligible for any coverage.
- Enrolling employees residing in the bordering counties listed specifically below, will not be counted against the out-of-area limits: Bowie County, TX, Cass County, TX, Greene County, MO, DeSoto County, MS, Dyer County, TN, Lauderdale County, TN, Shelby County, TN, Tipton County, TN

## Riders

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- Deductible Credit/Carryover: Standard PPO benefits for all group sizes will include deductible credit and carryover. The deductible credit and carryover rider is not available to small POS groups (2-50 ATNE) unless they are renewing under current benefits, and those benefits include this rider.
- Deductible and Out-of-Pocket Credit is available to all new POS and PPO groups.