



SEPA Small Group New Business Submission Guide

This guide contains important information regarding Highmark's (HM) small group quoting process, paperwork requirements and other helpful information for new and returning clients. The guide should be used in conjunction with the Highmark Small Group Underwriting and Enrollment Guidelines.

IMPORTANT:

- To provide your clients with the best possible service throughout the overall enrollment process, please conduct proper field underwriting, provide ALL applicable documents (listed below) AND send in submissions prior to the effective date. Please direct questions regarding situations not addressed in this guide to your Highmark Sales Representative.
- Submissions that are incomplete, late, requested information that is not supplied upon deadline dates or submissions that are not properly field underwritten may result in changes to the effective date and premium amount, or withdrawal of group submission.

Note: May be resubmitted to Highmark contingent upon being compliant, complete paperwork and updated quote/census information is provided.

- Former Groups canceled for nonpayment of premiums may be quoted on the Producer Portal. However, additional financial safeguards will be included but are not limited to:
 - Requiring advance month's premium, acceleration of cancellation process due to future delinquent payment, etc.

Note: In addition, tax/wage information should not be altered or omitted, and substitute tax documents should not be submitted without prior approval from Underwriting.

A. Defining an Eligible Small Group (SG) and Market Size Determination

1. If the company is related to other entities that have a separate Federal Tax I.D./E.I.N. and are to be treated as a "single employer" based on applicable Internal Revenue Code section 414 aggregation rules, the employer must provide an aggregated average employee count for all related entities for the purposes of determining group/market size (**regardless of whether all businesses are applying for coverage**).
2. An eligible group is defined as a business or other legal entity that is actively engaged in a **full time** enterprise which has the legal capacity to sponsor a group health plan for the benefit of **one or more** eligible employees (e.g., a corporation, partnership, sole proprietorship, union, religious and nonprofit organizations, municipalities/townships or other entities formed in accordance with applicable state and federal laws).
 - Employers must have had an average of **50 or less common-law** employees in the preceding calendar year **AND have at least one or more common-law employees (may be full-time or part-time) when** coverage commences.
 - To calculate the average number of employees (ATNE), the employer should count ALL common-law employees that were employed in each month during the PRECEDING calendar year AND then divide that total by 12.

This would include all full-time, part-time, seasonal/intermittent, in and out of area employees, union employees as well as Owners and working family members who were issued a W-2.

Owners and working family members who were not issued a W-2 and also 1099 independent contractors should be EXCLUDED from the calculation.

Note: If the client does not meet the requirements noted above, coverage should be sought through the individual marketplace. Likewise, if the average employee count per region does not meet SG requirements listed above, please send a request to Highmark Sales to request a large group rate quote.

B. Participation Requirements

1. 75% participation of all eligible employees and owners are required after carve-outs for those waiving for creditable coverage. Please see the below participation grid to verify the group is compliant.

Note: New groups applying for January 1st effective dates during the annual Affordable Care Act (ACA) guaranteed special enrollment period (which begins November 15th and ends on December 15th) are not subject to the minimum participation and employer contribution requirements.

Participation Chart

The following participation requirements apply to medical/drug coverage offered through employer sponsored group health plans.

Eligible Employees After Carve Outs	Minimum	Eligible Employees After Carve Outs	Minimum	Eligible Employees After Carve Outs	Minimum	Eligible Employees After Carve Outs	Minimum	Eligible Employees After Carve Outs	Minimum
1	1	13	10	25	19	37	28	49	37
2	2	14	11	26	20	38	29	50	38
3	3	15	12	27	21	39	30	51	39
4	3	16	12	28	21	40	30	52	39
5	4	17	13	29	22	41	31	53	40
6	5	18	14	30	23	42	32	54	41
7	6	19	15	31	24	43	33	55	42
8	6	20	15	32	24	44	33	56	42
9	7	21	16	33	25	45	34	57	43
10	8	22	17	34	26	46	35	58	44
11	8	23	18	35	27	47	36	59	45
12	9	24	18	36	27	48	36	60	45

C. Residency Requirements

1. At least 25 percent of a group’s eligible employees (including owners and COBRA continuants) must live, work or reside within Highmark’s service area or in an out-of-state county that is adjacent to Highmark’s and at least one of the 25% must be enrolled in the group health plan.

Note: The residency rule does not apply to grand-mothered groups.

D. Quoting/Writing Multiple Businesses

1. Multiple businesses may be quoted and written as a “**single employer**” under one small group health plan provided all of the following requirements are met:
 - Meets the Internal Revenue Code (IRC) 414 aggregation rules.
 - The employer must provide an aggregated average employee count **for all related entities** for the preceding calendar year leading to the effective date of coverage (regardless of whether all entities are seeking coverage through HM) and the average must be **50 or less**. (Refer to UC-101.1 for employee count information.)
 - The group must have a common decision maker (contract signor) physically located within HM’s licensed service area that is legally authorized to make benefits/human resources decisions and contract on behalf of the combined businesses.
2. **Each business must be located within HM licensed service area.**
 - **Exception** – Parent-Subsidiary and Brother-Sister Corporations – Please reach out to your Highmark Sales Representative for additional information. (Refer to UC-101.4)

Note: The *IRC Section 414* aggregation rules are not applicable to public and religious entities. Therefore, when seeking coverage for multiple entities of this nature, please contact Underwriting **PRIOR to quoting such groups**.

E. **Rate Quote & Submission Requirements**

1. **Producer Portal (Plan Advisor)** - Enter the following information for each prospective client:

- Effective Date
- Average number of employees for preceding calendar year or aggregated average count if multiple businesses (see Quoting/Writing Multiple Businesses section above).
- County where group is headquartered (or if headquarter location is not in licensed service area but group has multiple in-area locations, enter the county for the location that has the most enrollment).
- Enter census details for **ALL** eligible employees/owners, their dependents and qualified COBRA continuants.
 - First and Last Name (*Employee A or Employee 1 is **not** acceptable.*)
 - Enter Gender
 - Date of Birth (*Use correct date and do **not** enter generic dates - e.g., 1/1, 2/1, 3/1, etc.*)
 - If applicable, check Out of Area
 - If applicable, check COBRA

F. **Small Group Business Application (SGBA)** - must be fully completed, signed and dated by an authorized group representative:

1. Medical product Offerings (and if vision is chosen)
 - 1 Enrolled - must choose one medical/drug.
 - 2 to 10 Enrolled - may choose up to two medical/drug plans.
 - 11 or more Enrolled - may choose up to three medical/drug If the group wishes to waive the probationary period for current employees as of the initial enrollment, the group should indicate this within the SGBA.
 - Weekly hourly requirements for employee eligibility cannot be less than 20 hours or more than 40 hours per week.
2. Carve-Out Groups (If not insuring the union employees)
 - In addition to applicable tax documents, also include a copy of union bargaining agreement or health carrier invoice that validates union employees have coverage elsewhere.
3. Certification of Eligibility to Combine and Employer Group Size Form:
 - If you answered yes to the '**single employer**' question attach this form completed by an authorized representative of the company citing all company names, information and EINs as evidence that the businesses are to be treated as a "single employer".

G. **Enrollment/Waiver Forms:**

1. Must be fully completed for ALL eligible employees/**owners**, their dependents and COBRA continuants who are enrolling and/or waiving coverage.
2. Waivers must be completed with the employee's name, city, county and state of residence, medical waiver reason and signature.
3. For COBRA continuants, please attach COBRA election notices to applications as proof of eligibility.
4. For dependents over the age of 26, please attach the completed Act 4 form as proof of eligibility (must be elected on SGBA).
5. For disabled dependents, please have the medical provider complete the Disabled Dependent form in its entirety.
6. For Domestic Partners, please submit the Domestic Partnership Affidavit and required documentation.
7. Is not required by state law to offer the coverage to all dependents.
Depending on region and if the employer elects to cover dependents, under the ACA, dependent children of an employee are eligible for coverage until they reach age 26, regardless of marital or student status or financial dependency. Upon request, HM may request copies of birth certificates, adoption or legal custodial documents or other information to validate dependent eligibility. Eligible children include the following:
 - Natural children (including newborns)
 - Stepchildren
 - Adopted children of the employee or the employee's spouse
 - Children awarded coverage pursuant to an order of a court.
 - Children of a valid domestic partnership (if such coverage was elected by the employer)
 - Children of a legal guardian who has assumed financial responsibility for the children.

H. **Unemployment Compensation (UC) Tax Report** – Submit the most recent Quarterly Wage report, UC 1st page **AND** 2nd page employee listing (names, wages and credit weeks) - **OR** - year-to-date payroll listing if group is UC exempt (e.g., nonprofit, agricultural businesses, etc.) **or** is a new ‘start-up’ business that has not yet filed a UC report:

1. **Must be annotated (refer to the annotation codes on next page) by the authorized group representative.** Producers are **prohibited** from annotating UC reports and payroll listings.
Note: *If deemed necessary, Underwriting may contact the Sales representative regarding questions relating to employee/owner eligibility, ambiguous wage/income information, incomplete annotations, etc. Wages on UC reports for eligible employees enrolling in coverage must support the employer’s weekly hour requirement as stated on the SGBA. In certain instances, payroll information may also be required to validate the number of hours employees work per week.*
2. For new employees not yet on UC, please submit the payroll listing for the new hire.
3. **New Employee Affidavit – ONLY** to be used for newly hired employees or current employees such as a former 1099 or an owner beginning to receive a W2 that do not yet appear on the UC or have payroll available. Must be completed, signed and dated by the owner or authorized group representative. Note that payroll will be requested to validate eligibility.

Note: If this requested payroll is not submitted then Highmark will retro cancel the new hire and/or any new W2 employee that cannot be verified as being eligible for the group plan.

Annotation Codes

ELIGIBLE	
Code	Definition
FT	Employee meets full-time hourly and waiting period requirements as specified on the SGBA
W	Waiving for spousal, other carrier or no coverage Please note: Must be completed with the employee's name, city, county and state of residence, medical waiver reason and signature. DE Note: Must include dependent waiver information as required by state mandated coverage.
O	Owner
C	COBRA Continuant
PT	Part time (if employee works less than the hourly requirement as specified on SGBA), Seasonal, or Temporary Employee- Please specify

NOT ELIGIBLE	
Code	Definition
NH	New Hire on probation - not yet eligible (if now shown, please write name and hire date on UC/payroll or provide new employee affidavit.) Please note: If the group is waiving the probationary period with initial enrollment the Newly Hired employee should be marked FT if enrolling and W if waiving.
L	Laid Off Employee (Include first day of lay-off)
T	Terminated Employee (Include termination date)
U	Union Employee- covered under a separate bargaining agreement

I. **Ownership Tax Document Requirements** – Copy of most recent year-end tax documents based on how business is filed with the IRS.

1. **Sole Proprietorship (non-incorporated)** – Schedule C (Form 1040 for Profit or Loss from Business), Schedule E (Form 1040 for Supplemental Income and Loss), Schedule F (Form 1040 Profit or Loss from Farming), or Schedule H (Form 1040 for Household Employment Taxes)
2. **S Corporation or Partnership (e.g., LLC or LLP)** – First page of Form 1120S (U.S. Income Tax Return for an S Corporation) **AND** Schedule K-1s (Partner’s Share of Income, Deductions, Credits etc.) for **each** partner - **OR** – 1065 (U.S. Return of Partnership Income) **AND** Schedule K-1s (Partner’s Share of Income, Deductions, Credits etc.) for **each** partner.

Note: Limited liability companies or partnerships that have limited partners (investors not involved in the day-to-day business operations) may choose not to cover the limited partners. In this case, **only the general partners would be eligible for coverage**. Limited partner exclusions must be submitted **in writing** (either in the comments section of the SGBA **or** via a signed letter from the group on company letterhead). In addition, copies of Schedule K-1s for **ALL partners** are required as proof of partnership type.

3. **C Corporation** - First two pages of Form 1120 (U.S. Corporation Income Tax Return). Corporate officers/shareholders of C corporations will only be considered eligible for coverage provided **they appear as paid employees** on the group’s UC-A /payroll register and wage/salary information must support the weekly hourly requirements as stated on the SGBA.

Note: The following document can be reviewed for eligibility for those Officers that are not showing up on the UC report:

- Form 1125-E, Compensation of Officers, can verify for those entities with total receipts of \$500,000 or more (gross sales of the company) that will show compensation paid to officers.

4. **Religious or Non-Profit Organizations** - Form 990 (Return of Organization Exempt from Income Tax)

Note: Information on tax documents **should NOT be omitted or altered in any way** (unless otherwise approved by Underwriting) as this information is used to validate the eligibility of a group and its employees and owners. Recognizing that this information is propriety, it will only be used for underwriting purposes and held in strict confidence subject to the “Notice of Confidentiality” located in the Underwriting Guidelines. Underwriting reserves the right to request additional information not listed above when deemed necessary.

J. **New “Start-up” Businesses** – Must provide ALL of the following documents:

1. SS-4 letter received from the IRS showing the EIN assignment.
2. If UC report has not yet been filed, then provide payroll for ALL employees that is annotated by an authorized group representative.
3. New Employee Affidavit – **ONLY** to be used for any new employees that do not yet appear on the UC report **or** payroll listing.
4. New Start Up Business Affidavit –**ONLY** to be used if the UC report **or** payroll listing is not yet available.

Notice of Confidentiality

Highmark’s business activities are subject to the federal HIPAA privacy regulations (45 C.F.R. Parts 160, 164) and to the Pennsylvania Insurance Department’s regulations implementing the Gramm-Leach Bliley Act (31 Pa. Code Chapters 146a and 146b)) or West Virginia Code implementing the Gramm-Leach Bliley Act (W.Va. Code § 33-6F-1), whichever applies. As required by those regulations, Highmark has adopted policies and procedures to protect the privacy and confidentiality of all personal and business information (e.g., tax documents) disclosed to Highmark by our clients and prospective clients. These policies prohibit the use or disclosure of such information for any purpose other than the underwriting and administration of our health benefits business. Therefore, Highmark will not disclose, either directly or indirectly, to any other person or business, information concerning the business or financial affairs of our clients, unless the disclosure is required by law.