

Agents Field Underwriting Guidelines

Underwriting Guidelines for groups with a 2/1/2021 effective date or later

Eligible Employee

A person who works at least 30 hours per week, on average, in the conduct of the Group's business. The term includes owners, sole proprietors and partners who may not be actively at work. The term does not include employees, who work on a part-time, temporary, or substitute basis, who are contracted, leased or 1099 individuals, any employee, board member, director, relative, friend or associate who is not actively working full time.

Ineligible Employees

- 1) Contracted, leased or 1099 individuals are not eligible for group coverage, except when all of the below conditions have been met:
 - a) the group has a minimum of two W-2 Employee;
 - b) the offer of coverage is applied consistently and without bias or selection by the employer;
 - c) the 1099 contractor receives at least 80% of their annual income from the employer group; and
 - d) the total number of enrolled 1099 Subscribers comprise no greater than 50% of the total number of enrolled Employees.
- 2) Any employee, board member, director, relative, friend or associate, who is not actively working full-time in the employer's business for the required minimum number of hours per week are not eligible

Eligible Dependents

Legally married spouse or domestic partner, Natural born children, stepchildren, and legally adopted children to age 26. Disabled and dependent adult children age 26 and beyond may be eligible for coverage with proper documentation. Newborn infants of the Subscriber and legal Spouse or domestic partner are automatically covered for the first 31 days after the birth. Dependents may be added to coverage by submitting an application within 31 days from the date of the qualifying event.

Ineligible Dependents

- 1) Parents, grandparents, brothers, sisters, nieces, and nephews are not eligible dependents, unless legal guardianship is in effect.
- 2) Children beyond the age of 26 years are ineligible unless certified as a disabled eligible adult dependent.
- 3) Children for whom the Employee has temporary custody or for whom the Employee is acting as a foster parent are ineligible.
- 4) Dependents of an Employee who has elected not to be covered under the Employer's group coverage are ineligible.
- 5) Dependents of a covered dependent are ineligible. However, an exception is made when the dependent of a covered dependent is a grandchild who is under the age limit of the Certificate of Coverage and is also a dependent of the Subscriber for federal income tax purposes at the time of application.

Ineligible Groups

The following types of groups are not eligible for coverage:

1. The employer does not have nor maintain a business licensure in the State of Texas nor is registered with the Texas Secretary of State nor is qualified to do business in the State of Texas.
2. Fraternal Organizations
3. Multiple Employer Trusts or Multiple Employer Welfare Trusts (METs or MEWAs)
4. Employer groups who lease their employees from an Employee Leasing Company or a Professional Employer Organization (PEO) are ineligible to obtain coverage for the leased employees.
5. Groups who are not financially viable.
6. Small Groups of size 2-50 not physically located within the Memorial Hermann Health Plan service area of Brazoria, Fort Bend, Harris, Montgomery, Galveston, Walker, Waller and Wharton counties.
7. Hybrid Groups of size 2-50 not physically located within the Memorial Hermann Health Plan service area of Brazoria, Fort Bend, Harris, Montgomery, Galveston, Walker, Waller and Wharton counties
8. Large Groups of size 51+ not physically located within the Memorial Hermann Health Plan service area of Brazoria, Fort Bend, Galveston, Harris, Montgomery, Walker, Waller and Wharton.
9. Small Groups of size 2-50 with more than 20% of enrolled employees residing outside the Memorial Hermann Health Plan service and network area which includes Brazoria, Fort Bend, Harris, Montgomery, Galveston, Walker, Waller and Wharton counties.
10. Hybrid Groups of size 2-50 with more than 20% of enrolled employees residing outside the Memorial Hermann Health Plan service and network area which includes Brazoria, Fort Bend, Montgomery, Galveston, Harris, Walker, Waller and Wharton counties.
11. Large Groups of size 51+ with more than 25% of its enrolled employees residing outside the Memorial Hermann Health Plan service area and network areas which includes these counties: Brazoria, Fort Bend, Galveston, Harris, Montgomery, Waller, Walker and Wharton.

Residence Criteria

Small Group Metal Tier Plans and Large Group Plans

- Employees who reside within the counties of Brazoria, Fort Bend, Harris, Montgomery, Galveston, Walker, Waller and Wharton will be eligible to enroll in either the HMO or PPO products.
- Employees who reside in counties other than Brazoria, Fort Bend, Harris, Montgomery, Galveston, Walker, Waller and Wharton but inside the predefined zip code radius of approximately 100 miles will be eligible to enroll in either the HMO or PPO products. If the employee elects HMO, they will have to drive into the Memorial Hermann Commercial Health Plan's HMO service area.

- Employees who reside in counties other than Brazoria, Fort Bend, Harris, Montgomery, Galveston, Walker, Waller and Wharton and outside the predefined zip code radius of approximately 100 miles will be eligible to enroll in the PPO product.

Hybrid Groups of size 2-50

- Employees who reside within the counties of Brazoria, Fort Bend, Harris, Montgomery, Galveston, Walker, Waller and Wharton will be eligible to enroll in either the HMO or PPO products.
- Employees who reside in counties other than Brazoria, Fort Bend, Harris, Montgomery, Galveston, Walker, Waller and Wharton but inside the predefined zip code radius of approximately 100 miles will be eligible to enroll in either the HMO or PPO products. If the employee elects HMO, they will have to drive into the Memorial Hermann Commercial Health Plan's HMO service area.
- Employees who reside in counties other than Brazoria, Fort Bend, Harris, Montgomery, Galveston, Walker, Waller and Wharton and outside the predefined zip code radius of approximately 100 miles will be eligible to enroll in the PPO product.

Determining Group Size

Small Group and Hybrid product eligible groups are any employer group with 2 to 50 eligible employees (including full-time equivalents). Groups of 2 to 50 eligible employees are also eligible for the Memorial Hermann Hybrid product.

Large Group is any Employer group that averaged at least 51 eligible employees during the preceding calendar year. The eligible Employee count includes the Full-Time Equivalents (FTEQ), determined by the federal Shared Responsibility rule. The calculation of the FTEQ requires that the Employer add up all service and work hours of all part-time employees, then divide by 120. The end result is the number of “Full Time Equivalent Employees”. This number is added to the “full time employees”, and if the result is > 50 total employees, then the group is considered a “Large Group” for rating and underwriting purposes.

Information Required to Quote a Small Group Metal Tier Plan and Hybrid Product

Small Groups are Community-rated at the Member level, with a maximum charge of three children. The following information is required:

- 1) Current employer census (including all COBRA & retirees if to be covered), date of birth for each covered member, employee home and work zip code and gender.
- 2) Company address
- 3) Requested date of coverage
- 4) For the Hybrid products there are two different segments of community rating; groups with 2 to 9 employees enrolled and for group with 10 or more employees enrolled. Rate segment will be determined at time of enrollment and will be honored until renewal or plan termination.

Information Required to Quote a Large Group

Quote requests for Large Groups require submission of the following information:

- 1) Company address
- 2) Requested effective date of coverage
- 3) Current employer census (including all COBRA & retirees if to be covered, identified on the census), including each employee home and work zip code and gender
- 4) Current carrier bill (when available)
- 5) Claim experience (last 24 months) provided by incumbent or prior carrier
- 6) Current and Renewal rates
- 7) Employer current and planned contributions
- 8) Current and requested plan design
- 9) Large claim report Claims at 50% of pooling or specific threshold or \$25k and above with diagnosis and prognosis, if available
- 10) If the group is a Slice or Dual Option Proposal, details regarding rates, benefit plan designs and contributions for all carriers must be submitted.
- 11) Company Standard Industrial Classification (SIC) code

Participation Requirements

Small Groups and Hybrid Groups are required to a participation level of no less than 75%, Small groups may not have less than 2 employees for a period of 6 consecutive months. Hybrid groups may not have less than 2 employees for a period of 3 consecutive months.

Large groups who do not maintain a participation level of 65% will be subject to rate loads based upon participation:

Participation	Non-Virgin Groups	Previously Uninsured or Virgin Groups
65% and greater	0%	0%
40% to 64.9%	Up to 25%	Up to 50%
25% to 39.9%	Up to 67%	Up to 100%
<24.9%	Up to 100%	Up to 200%

Only employees enrolled in a spouse's group plan, Medicaid, ACA qualified Individual Plans, Medicare, Tricare, or Indian Health Services will be considered valid waivers to be excluded from the eligibility calculation.

Participation Requirements (Continued)

Groups with more than 50% of the group with valid waivers will require valid documentation to include copies of ID cards.

Contribution Requirements

Employer contributions should be equal to or greater than 50% of the Single or Employee Only Rate Tier for the lowest cost option.

Dual Choice Plans

An Employer may offer up to four benefit plans for Small Group Metal Tier Plans.

An Employer may offer up to four benefit plans for the Hybrid product.

An Employer of size 2 to 50 may only elect either the Small Group Metal Tier Plans or the Hybrid Product – a single employer may not offer both Small Group Metal Tier Plans and the Hybrid product.

For a Large Group Employer, only one of the Large Group benefit plans may access the PHCS network.

Group New Business Submission Updates

Small Group (2-50)

In order to receive an effective date of the 1st, the group application must be submitted by the 1st of the month to receive an effective date of the same day. All additional forms and enrollment documents are due by the 10th of the same month.

Example: Group application submitted by April 1st, all other forms turned in by April 10th; group will receive an effective date of April 1st.

Large Group (51+)

The group application must be submitted by the 1st of the month to receive an effective date of the same day. All additional forms and enrollment documents are due by the 10th of the same month.

Example: Group application submitted by April 1st will receive effective date of April 1st provided all forms are received complete by April 10th.

Group Renewal Submission Updates

Small Group and Hybrid Plans (2-50)

To make a benefit plan change all Renewal Acceptance Agreement requests must be submitted by the 1st of the month of the effective month. All additional forms and enrollment documents are due by the 10th of the same month. Request for benefit changes not received by the 1st of the effective date month will receive a passive renewal, and changes will not be allowed until the next anniversary date.

Example: Group application submitted by April 1st will receive effective date of April 1st, provided all forms are received complete by April 10th.

Large Group (51+)

To make a benefit plan change all Renewal Acceptance Agreements requests must be submitted by the 1st of the effective date. All additional forms and enrollment documents are due by the 10th of the same month. Request for benefit changes not received by the 1st of the effective date month will receive a passive renewal, and changes will not be allowed until the next anniversary date.

Example: Group application submitted by April 1st will receive effective date of April 1st, provided all forms are received complete by April 10th.

Termination Requirements

Groups requesting to not renew their current contract must submit their termination request by the last day of their current contract period.

Groups requesting to terminate mid-contract (in a non-Renewal month) are required to provide a 30 day notice prior to the requested termination date.

Hybrid product **only**: if a group voluntarily terminates their coverage mid-year the group will be responsible for the remainder of the plan year premium or 6 months of premium – whichever is lesser.

Waiting Periods: Employee & Dependent Enrollment

The initial enrollment process applies to all Employees and their eligible dependents. The following requirements apply for enrollment of all eligible group participants:

- a. Benefit Waiting Periods
 - i. Waiting Periods may be 0, 30, or 60 days after the first of the following month (90 days is the maximum number of days allowed under the A.C.A.)
 - ii. The effective date of coverage may be immediately following the Waiting Period or the 1st of the month following the Waiting Period.
 - iii. Waiting Periods can only be changed at renewal, and must be the same for all individuals within the Group and applied consistently.
- b. “Late enrollees” are defined as eligible employees who do not enroll at the time of

hire or upon the initial enrollment of the Group. They generally must wait until the Group's Annual Open Enrollment period in conjunction with the next renewal date to apply. However, there are several special circumstances (Qualifying Events and Special Enrollment) during which time an individual may obtain coverage at dates other than during the Open Enrollment period.

Reinstatement for Small & Large Groups

Groups that voluntarily terminate must exhaust a 60-day waiting period after the termination date in order to reapply as new business.

Groups termed for non-payment may be reinstated once per policy year. The reinstatement period will be extended to 30 days from the date of termination. The following must be completed before the group may be reinstated.

- All past due and current premiums are paid in full
- Group enrolls in monthly ACH premium draft

Groups previously reinstated or who do not complete the above requirements will be required to be submitted as new business and subject to all new business underwriting guidelines.

Memorial Hermann Hybrid Product Rates and Claims Funding

1. Upon initial enrollment, hybrid products are community rated based on subscriber and dependent's age, gender, residence and work location.
 - a. *Upon renewal, hybrid products are rated based on subscriber and dependent's age, gender, residence, work location, and group's experience.*
2. Memorial Hermann Hybrid Products are rated based on group size: 2-9 enrolled employees and 10+ enrolled employees. The group size will be determined at time of enrollment and will be honored until the end of the groups plan year.
3. 65% of the group projected annual premium based off the first month enrollment will be considered the group claims fund. After the plan year, if a group has spent less than the equated dollar amount, the group will be eligible to receive 15% return on the remaining claims fund amount. This return will be paid to the employer within 3-6 months after the plan year ends in form of a check to the employer.
4. If a group voluntary terminates their coverage mid-year the group will be responsible for the remainder of the plan year premium or 6 months of premium – whichever is lesser.

Virgin Groups: First Time Coverage and Newly Formed Businesses

Small Group:

- a. Newly incorporated Employer groups with a direct employee/employer relationship may be eligible for group coverage if the group was not formed for the sole purpose of obtaining health insurance.
- b. Must have been in business for 1 month. Additional documentation will be required at Underwriting discretion.
- c. Employment within the group must be in compliance with Insurance Code Title 8., Subtitle G. Chapter 1501, Subchapter A, Sec. 1501.002

(14) "Small employer" means a person who employed an average of at least two employees but not more than 50 employees on business days during the preceding calendar year and who employs at least two employees on the first day of the plan year. The term includes a governmental entity subject to Article 3.51-1, 3.51-4, or 3.51-5, to Subchapter C, Chapter [1364](#), to Chapter [1578](#), or to Chapter [177](#), Local Government Code, that otherwise meets the requirements of this subdivision. For purposes of this definition, a partnership is the employer of a partner.

- d. Additional documentation will be required, such as proof of incorporation, including articles of incorporation approved by the Secretary of State. A quarterly Tax/Wage statement filed with the state of Texas will be required, unless the group is not required to file one. If the group is not required to file a quarterly Tax/Wage statement, additional documentation will be required.

Large Group:

- a. Newly incorporated Employer groups with a direct employee/employer relationship may be eligible for group coverage if the group was not formed for the sole purpose of obtaining health insurance.
- b. Additional documentation will be required, such as proof of incorporation, including articles of incorporation approved by the Secretary of State. If the group has newly formed and has not yet filed a quarterly Tax/Wage statement additional documentation will be required. If the first quarterly Tax and Wage statement has been filed, the statement is required.
- c. Large group must have been in business for 1 month.

“Sold” New Business Requirements and Process

The following documentation is required from the Group before coverage can be issued and effective:

- Copy of the Agent’s most recent proposal or signed acceptance page for the requested benefit plan
- Employer Application
- Spreadsheet Enrollment (required for groups of 2 or more eligible employees) Employee Applications and Declinations/Waivers for all enrolling and declining employees and dependents, subject to participation guideline requirements
- Quarterly Tax & Wage Form filled with the state of Texas

- o Copy of the Group's most recent Employer's Quarterly Wage Report ("QWR") – Form C – 3 – as submitted to the State of Texas. The current employment status for all employees listed must be denoted, such as "full-time", "terminated as of x date", COBRA, etc.
 - o Form – C-4 (Employer's Quarterly Report Continuation Sheet) should be included with current employment status for any employees (including new hires) who are not listed on the QWR *
 - o If anyone other than those reported as Employees per the C-3 and C-4 forms attempts to enroll, a full explanation of their relationship to the Employer, including an explanation of eligibility must be included. *
 - o Required for Small Group and Hybrid: 9 or less employees enrolled or as needed at the discretion of the Underwriting Manager
 - o Required Large Group: 19 or less employees enrolled or as needed at the discretion of the Underwriting Manager
- Agent's calculation of the Group's participation level. Large Group rates may be increased due to actual participation levels that are lower than 65%.
 - If Memorial Hermann Health Insurance Company is replacing another carrier, a copy of the latest group premium statement (bill), required if requesting deductible credit.
 - Premium payment ACH or Check for the first full month's premium
 - The "Acceptance Agreement" as executed by an Officer or Owner of the Group
 - The signatures of the employees cannot be more than 60 days prior to the requested effective date of coverage or submission date.
 - Alterations or changes can only be made by the employee or spouse and must be initialed and dated by the appropriate person.
 - Typed applications can be submitted as long as the employee signs and dates the application. If there are any changes, they must be initialed and dated.
 - If a situation arises where an applicant requires assistance in properly completing the application due to a language barrier, a signed Memorial Hermann Health Insurance Company "Exception to Standard Application Form" from the group or the agent explaining the situation is acceptable. The fully completed form must accompany the new application when submitted. The new application must be signed by the applicant even though the application may have been completed with the help of the person signing the Exception to the Standard Application Form.
 - Prior Carrier Deductible Credit Form
 - Common Ownership Form if applicable
 - Data Submission Agreement
 - Hybrid Product only: Group must submit an ASO and stop-loss agreement
 - The HMO Consumer Choice Disclosure form is required for all Large Group plans and Small Group ACA plans

- Large Group rates provided prior to final issuance of the policy are subject to change at Memorial Hermann Health Plan discretion. Rate revisions may occur due to: changes in final enrollment and group information that may vary from the prior rate offer and would cause a change in premium.

Any changes to enrollment or benefits or risks once the proposed premiums are offered will require that the new information be submitted by the Group to Memorial Hermann Health Insurance Company's Underwriting Department. Any changes in the group demographics or risks may result in a modification to the proposed rates.

The effective date of all Memorial Hermann Health Insurance Company contracts is the 1st of the month.

All PPO products are underwritten by Memorial Hermann Health Insurance Company. All HMO Products are underwritten by Memorial Hermann Commercial Health Plan, Inc. All Hybrid Plans are administered by Memorial Hermann Health Solutions.