

# Underwriting Guidelines

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SMALL GROUP PLANS

*Effective January 2023*



**Sutter Health Plus offers a variety of fully insured HMO health plans, including high-deductible health plans (HDHPs) that are compatible with health savings accounts (HSAs).**

Benefit plan designs meet health care reform guidelines and many mirror the tiered metallic plans offered by Covered California. We do not customize small group plans.



**Sutter Health Plus Service Area**

- **Region 1** – Nevada\*, Sutter\*
- **Region 2** – Solano, Sonoma\*
- **Region 3** – El Dorado\*, Placer\*, Sacramento, Yolo
- **Region 4** – San Francisco
- **Region 5** – Contra Costa
- **Region 6** – Alameda
- **Region 7** – Santa Clara\*
- **Region 8** – San Mateo
- **Region 9** – Santa Cruz
- **Region 10** – San Joaquin and Stanislaus

\* Not licensed in all ZIP codes.

**General Underwriting**

**Participation**

**Sole Carrier**

100% of all eligible employees must participate when Sutter Health Plus is the sole carrier, less valid waivers.

**Slice Carrier**

A minimum participation is enrollment of two eligible employees in a Sutter Health Plus medical plan, less valid waivers.

**Benefit Plan Rules**

Sutter Health Plus will allow up to four of its plans for small groups.

**Contribution**

The minimum contribution is 50 percent of the employees’ monthly premiums for the lowest-cost medical plan offered by the employer.

**Optional Benefits Available**

- Acupuncture\*
- Chiropractic\*
- Adult dental
- Adult vision
- Infertility and orthotics and special footwear\*\*

\* Not available with HDHPs.

\*\* Sutter Health Plus offers plans with embedded infertility and orthotics and special footwear benefits.

**Live, Work or Reside Rule**

All eligible employees and dependents must live, physically work or reside within the Sutter Health Plus licensed service area to enroll. Sutter Health Plus defines “live” as where an employee is staying, but may not be the employee’s primary residence; and defines “reside” as employee’s primary residence.

**Eligibility**

**Employer Eligibility**

An employer must meet all applicable state and federal requirements based on the following:

- Employ at least one employee as defined by the Internal Revenue Service (IRS), but no more than 100 full-time, including full-time equivalent employees

on at least 50 percent of its working days during the preceding calendar quarter or calendar year; this count does not include the owners, officers, partners, board members, etc.

- The employer was not formed primarily for the purpose of obtaining health care coverage
- The employer must provide workers’ compensation coverage when required by law
- The employer offers health care coverage to 100 percent of its full-time, including full-time equivalent eligible employees
- The employer must meet the minimum contribution requirements
- The employer is a person, firm, or a non-profit corporation, public agency, association, sole proprietor or partnership (restrictions can apply see below)

Effective Jan. 1, 2019, Senate Bill 1375 (Stats. 2018, Ch. 700) amended California law to delete sole proprietors, partners of a partnership and the spouses of sole proprietors and partners from the definition of “eligible employee” for purposes of determining eligibility for small group coverage. An employer that is a partnership or sole proprietor may be considered an eligible employer if they can demonstrate there is a true employee/employer relationship and have eligible full-time employees. The employer will be required to provide a current DE-9C or payroll source to identify the full-time eligible employees. If the employer cannot produce the required documents, the employer will be considered ineligible and will be offered an individual and family plan.

**Affiliated Employer**

If an affiliated employer wants to break away from the single affiliated contract, the following applies:

- The remaining single affiliated employer and the breakaway employer must continue to meet all eligibility requirements
- The remaining single affiliated employer must have at least one employer headquarters and one employee in the licensed service area

## Common Ownership

If two or more employers are affiliated and can file a combined tax return, they may request Sutter Health Plus to treat the employers as a single employer under one contract. The following applies:

- The employers must submit documentation showing affiliation, such as one of the following:
  - Statement from a certified public accountant or attorney
  - Recently filed IRS Form 1120S (IRS Schedule O)
  - Recently filed IRS Form 8869
- All affiliated employers must have a combined total of less than 101 full-time and full-time equivalent eligible employees to remain a small group

Sutter Health Plus can set up subaccounts for all affiliated employers for accounting purposes.

## Employee Eligibility

### Full-time Employees

- Permanent employees actively engaged in employment with an average 30-hour workweek for at least 50 percent of the weeks in the previous calendar quarter
- Must receive monetary compensation from their employer, subject to Form W-2 withholdings
- Must meet any statutorily authorized applicable waiting period requirements

### Part-time Employees

- The employee must work at least 20 hours but no more than 29 hours per week and:
  - Meet the definition of an eligible employee except for the number of hours worked and has a bona fide employer-employee relationship
  - The employer offers employee health coverage under a health benefit plan, and all similarly situated individuals are offered coverage under a medical plan

### Officers/Stockholder/Trustees/Board Members/Elected Officials

- Meet the definition of an eligible employee and must:
  - Draw wages, dividends, or other distributions from the company on a regular basis

- Not derive substantial earned income from any other employer
- Not be eligible for other employer-sponsored coverage as a subscriber

### Commissioned Employees

- Must receive monetary compensation from their employer, subject to Form W-2 withholdings

### Seasonal Employees

- Covered if employer is required to treat them as a covered employee; must apply either a look-back measurement method or a monthly measurement method to determine whether a seasonal employee is full time

## Dependent Eligibility

- An employee's spouse or domestic partner of the same or opposite sex, over age 18 is eligible pursuant to state law; it is the employer's responsibility to validate eligibility; proof of marriage or domestic partnership is not required
- Dependents may only enroll in the same plan as the eligible employee or retiree
- Children through the end of the month in which they turn age 26, including adopted, step, or recognized natural child or any child for whom the employee has assumed a parent-child relationship, as certified by the employee at the time of enrollment of the child, and annually thereafter up to age 26
- Disabled dependent children 26 years of age or older who are incapable of self-support due to a physically or mentally disabling injury, illness or condition which existed prior to age 26 who receive 50 percent or more of their support and maintenance from the employee or employee's spouse or domestic partner may qualify for eligibility; proof of incapacity and dependency must be submitted within 60 days of request
- Eligible employees and dependents who work for the same employer may enroll separately or together; members will not receive more than 100 percent coverage from all insurers or health care service plans combined

Dependent members must receive covered services in the Sutter Health Plus licensed service area. Only urgent and emergency care is covered outside the Sutter Health Plus licensed service area.

## Early Retirees under 65

- If the employer is offering coverage for eligible early retirees and their dependents under age 65, Sutter Health Plus can offer coverage if the same plans are offered to both the active and retiree populations residing within the Sutter Health Plus licensed service area
- Eligible retirees under the age of 65 must live or reside within the Sutter Health Plus licensed service area

## Employees 65 or Older

- An employee age 65 or older who meets the definition of an eligible employee is eligible to enroll in a Sutter Health Plus medical plan, as long as the employee meets all other eligibility requirements
- Sutter Health Plus is not licensed to sell Medicare Advantage plans
- An employee age 65 or older must enroll in a small group plan in order to enroll eligible dependents

## Ineligible Employer or Employee Categories

The following categories do not meet the legal standards for California small groups and are considered ineligible:

- An employer with only an owner and partner
- An employer with only an owner and spouse
- An employer where segregation between different populations of employees and benefits are not offered equally
- Associations, except approved guaranteed associations
- Leased employees
- Contract employees
- Foreign employees
- Private household employees
- Seasonal, temporary, and substitute employees who do not meet the Affordable Care Act (ACA) definition of an eligible employee

## Ineligible Dependents

The following categories of dependents are considered ineligible for coverage with Sutter Health Plus unless they meet the dependent eligibility requirements:

- A dependent who was previously covered by Sutter Health Plus as a spouse of the subscriber, who is now divorced from the subscriber
- A child of a subscriber who is not the natural or adoptive parent, step parent, legal guardian, or court-ordered custodian, unless covered because he or she is a child of an eligible domestic partner, a civil union or a same sex marriage
- A dependent child over age 26 as defined by the ACA or over the age required by state regulations if he or she requires coverage over age 26
- A foreign exchange student
- A grandparent, parent, grandchild or other relative
- A dependent of a qualified dependent

## Employee Wait Periods

The employer determines employee eligibility dates. An employer may impose a waiting period up to 90 days in accordance with state and federal regulations. Benefits are effective the first of the month. Sutter Health Plus will not prorate the month or change the effective date to accommodate an employer's waiting period. If you have questions about rules on waiting periods, please consult your legal counsel.

## Valid Waivers

Valid waivers are defined as an:

- Employee who is a dependent through a spouse or parent's health plan
- Employee who has coverage with another carrier through another employer
- Employee who has coverage through Covered California due to subsidy
- Employee's spouse or domestic partner that works for the same employer
- Employee who has an individual plan through Medi-Cal due to subsidy
- Employee who has military benefits through TRICARE

- Employee who has coverage through a Federal Employee Health Benefits Program

### **Carve-out Populations**

- An employer with a population covered by a union contract may offer a Sutter Health Plus medical health plan to nonunion employees
  - The employer must follow the ACA guidelines; if the union and nonunion employees total more than 100 full-time or full-time equivalent eligible employees, the group must be written as a large group employer, even if Sutter Health Plus is not covering the entire population
- An employer with employees only in California
  - Coverage may be offered to California-eligible employees who live, work or reside in the Sutter Health Plus licensed service area

## **General Terms and Conditions**

### **Member Rate Development**

- Employees and dependents are rated by age at the time of the employer's effective date; age rate adjustments occur at renewal
- New hires are rated based on their age at the time of enrollment

### **Out-of-Pocket Accumulation Credit**

- Members are not credited for any expenses incurred toward satisfying their out-of-pocket maximum on any medical plan offered through another carrier
- The out-of-pocket maximum is reset to zero on the accumulation period start date; no credits will be carried over from the previous accumulation period to the next accumulation period

### **Employer Effective and End Date**

- The effective date is the first day of the month
- The end date is the last day of the month

### **Annual Enrollment Period**

- If an employer does not meet minimum participation or contribution requirements, it may qualify during the annual enrollment period, Nov. 15 to Dec. 15 each year
- Sutter Health Plus will not decline group health coverage as long as the employer meets all other eligibility guidelines

### **Mid-year Contract Changes**

- Rates are guaranteed for 12 months
- An employer can terminate or renew its policy prior to the 12-month period
- Extensions of 12-month rates are not allowed

### **Employer Location Requirements**

- An employer must maintain a valid business license or appropriate state filing to conduct business in California
- If an employer is not headquartered in the licensed service area, Sutter Health Plus will base the rating on the highest percentage of employees in one region; If two or more regions have the same number of employees, Sutter Health Plus will use the region with the higher-priced rating



For more information, please call Account Services at **855-325-5200** Monday - Friday, 8 a.m. to 7 p.m. or email [shpsales@sutterhealth.org](mailto:shpsales@sutterhealth.org).

