



BlueCross BlueShield  
of Montana

# UNDERWRITING REFERENCE GUIDE for Producers

1-50 Small Group



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# WELCOME

Producers play a significant role in the application process for group sponsored health care coverage. It is very important that Producers ensure that all required items and documentation are completed correctly in order to avoid or minimize processing delays.

This reference guide offers tips and information shared by the Blue Cross and Blue Shield of Montana (BCBSMT) Small Group Underwriting Department that will help Producers successfully apply for small group insurance policies with BCBSMT for their clients.

# Group Eligibility

A business is considered a “small group” if:

1. The business is an employer (as defined under applicable law) and employed an average of at least one (1) but not more than fifty (50) employees on business days during the preceding calendar year and employs at least one (1) employee on the first day of the plan year.

**NOTE:** If the **company did not exist in the preceding calendar year**, it must reasonably expect to employ at least one (1) but not more than fifty (50) employees in the current calendar year. In addition, it must employ at least one (1) employee on the first day of the plan year.

**OR**

2. The business has no employees; however, it is established as a partnership.

In addition:

- Businesses that do not meet either 1 or 2 are not eligible for a small group policy but may be eligible to purchase an individual policy or a large group policy from BCBSMT.
- If there is any information that indicates that the group might be part of a larger entity, it may not be eligible for a small group policy.
- If more than one business applies together and they are treated as a single employer under specified sections of the Internal Revenue Code, then BCBSMT will treat them as one employer for purposes of determining whether the businesses are eligible to purchase a single small group policy.

## Principal Place of Business

A small employer's rating area factor is determined by its principal place of business, and for these purposes, the regulations define "principal place of business" as:

- The principal business address registered with the state; or
- If there is no registered principal business address in the state, or if an address is registered solely for purposes of service of process and is not a substantial worksite, then the business address in the state where the greatest number of employees work.

Also, if an employer's principal place of business is not within the service area of the issuer's network plan, then the rating area is based on:

- The address within the network plan's service area where the greatest number of employees work at the beginning of the plan year; or
- If there is no such business address, then the rating area is determined using the rating area where the most employees live or reside at the beginning of the year.

# Proof of Business Existence and Proof of Wages

Producers must provide proof of corporate structure for all applicants along with information about the number of employees. Generally, the following types of documentation are acceptable:

- Most current Quarterly Wage & Tax Statement (used for both proof of business and proof of wages)
- Articles of Incorporation
- Articles of Organization
- Certificate of Organization
- Certificate of Limited Partnership
- Limited Liability Company Organizational Document
- Signed Partnership Agreement

## **Sole Proprietorship**

If a business is wholly owned by an individual (or an individual and his/her spouse), the individual and his or her spouse should not be included in the employee count reported on the Employer Group Information (EGI)\* form, which is part of the required enrollment paperwork. If there are not any employees, unless established as a partnership, then the business is not eligible for a group policy but may be eligible to purchase an individual policy from BCBSMT.

## **Partners and Limited Liability Companies (LLCs) Filing as a Partnership**

may be eligible to purchase group policies even if there are no employees. If the business has partnership documentation filed with the state it should be provided to BCBSMT, or the company's Schedule K-1 (Form 1065) should be provided.

**NOTE:** A business owned by an individual and his or her spouse, with no employees, may be eligible to purchase group coverage if they are established as a partnership.

\*All BCBSMT forms mentioned within this guide can be found on Blue Access for Producers<sup>SM</sup>

## **Affiliated, Associated, Multiple Companies, Common Ownership**

When there are two or more companies, all persons treated as a single employer under the Internal Revenue Code Section 414(b), (c), (m) or (o) should be treated as a single employer for purposes of determining whether the business is eligible for a group policy. Employers who have more than one business with different tax identification numbers (TINs) may be eligible to purchase a single group policy. The following documentation is required:

- Completed and signed Common Ownership form\* indicating the names and EINs of all entities that are applying for a single group policy, along with the company name and EIN to appear on the policy.
- Proof of business existence for each company applying for coverage.
- Current Wage & Tax Statement for each company applying for coverage.

## **Professional Employer Organization (PEO)**

BCBSMT will consider the application of a PEO that provides proof of wages that confirms workers are employees of the PEO and not employees of the PEO client group. The number of employees should not exceed fifty (50).

**NOTE:** If a client group of a PEO wants to apply for coverage:

- A client group can be considered for coverage separate from the PEO. They will need to submit a copy of the cancellation letter to the PEO, cancelling the relationship that is as of / or prior to the effective date on the client group's Benefit Program Application (BPA)\*.
- The client group will be asked to supply their own Wage & Tax Statement the following quarter to verify the termination of the relationship.

A company official authorized to represent the company should apply for coverage for, or otherwise explain the presence of, any individual in any case where there is an individual named in any of the submitted paperwork (BPA, Wage & Tax Statement, other requested documents) who has not been identified as an employee. Any explanation should appear on company letterhead or the electronic equivalent of company letterhead.

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## **Staffing Companies**

BCBSMT will consider the application of a staffing company that provides proof of wages and certification that confirms workers are employees of the staffing company and satisfy the required number of hours to be eligible for coverage. Regardless of whether a staffing company considers an employee eligible for health insurance benefits, BCBSMT will assess the group size and participation percentage as per normal business practices.

To help assess employee eligibility, the most recent Quarterly Wage & Tax Statement should be provided at the time of application. The employer name on the Wage & Tax Statement should match the legal name of the company as indicated on the BPA.

- The Wage & Tax Statement must contain the names, wages, etc., of all employees of the business, including those who are waiving coverage.
- Employees who have terminated, work part time, are temporary, or are seasonal should be noted accordingly on the Wage & Tax Statement. Owners, new hires and eligible retirees (if applicable) not listed on the Wage & Tax Statement should be included on the Supplemental Employment Verification form\*.
  - W-4s or 30 days of payroll records are required to help assess eligibility for newly formed businesses.
  - W-2s & W-4s should include the employer's name and address.
  - The BCBSMT Underwriting Department may require additional documentation such as payroll records that must show the company name and number of employees for each month in the prior quarter / last 3 months.
  - Any handwritten comments added to the Wage & Tax Statement must be signed and dated by the business.
- The Supplemental Employment Verification form is required when an owner or other individual is employed but not listed on the Wage & Tax Statement or on payroll records. In addition, supporting federal or state documents are required for sole proprietors, partners, and officers.
- Wage & Tax Statements should be provided for out of state employees from the state in which they work.
- 1099 forms are an acceptable proof of wages for contract employees. Groups must have one eligible enrolling employee prior to offering coverage to a 1099 employee.
- Further assessment will be conducted by the BCBSMT Underwriting Department and may require additional documentation.

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The employer is required to contribute financially toward the cost of the group insurance program unless otherwise restricted by federal law. There are three types of contributions:

- **Non-contributory:** The employer pays all of the cost of the employees' share of the premium.
- **Contributory:** The employer and the employees pay a portion of the employee's share of the premium.
- **Voluntary:** The employee pays all or most of the cost of the employee's share of the premium.

In a contributory program, the employer must contribute a minimum of 50 percent of the employee-only share of the premium and maintain 75 percent of the eligible employees (less valid waivers) participating in the plan, except as otherwise provided by applicable law. If multiple plans are offered, the employer may elect to contribute a minimum of 50 percent of the employee-only share of the premium from the lowest cost plan.

In a voluntary dental program, the employer will contribute less than 50 percent of the employee-only share of the dental premium and maintain 25 percent of the eligible employees participating in the plan.

### **Annual Small Group Enrollment Period:**

Participation and Contribution levels typically required are waived during the Annual Small Group Enrollment Period as specified by applicable law. Please note, the business must submit all paperwork by the deadline and meet all other group requirements in order to purchase a small group policy without meeting the BCBSMT participation and contribution requirements.

To assess eligibility status and ensure that the minimum enrollment requirement is met, it is necessary to indicate when eligible employees are declining / waiving coverage for themselves and / or their dependents because they have other coverage.

- To avoid unnecessary delays, when other coverage exists, list the members who are waiving coverage as well as the other carrier name and effective date in the appropriate data collection field on the Employee Enrollment Application / Change form.
- If submitting an enrollment spreadsheet, indicate the members who are waiving coverage and the other carrier in the comments column.
- Signed waivers must be collected for eligible employees not applying for coverage per the Montana Insurance Code 33-22-1811(3)(e)(iii).
- The BCBSMT Underwriting Department may require additional documentation.

## Company Name / Address Information

The Benefit Program Application (BPA)\* asks for the legal name of the business applying for a group policy. If a different company name or an additional company name appears **anywhere** within the documentation submitted (this includes but is not limited to the Wage & Tax Statement, the binder check, etc.), a detailed explanation of the relationship between the company applying and the other companies referenced within the paperwork must be provided.

- The explanation should be provided by a company official authorized to represent the business on company letterhead or the electronic equivalent. When applicable, you must include an assumed name certificate or “doing business as (DBA)” paperwork.
- When two or more companies have common ownership and the owners wish to cover multiple companies under one group policy, a Common Ownership form should be submitted.

Companies that have multiple locations should use their headquarters / primary location address on the BPA.

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## First Month's Premium

A payment from the applying business is not required to confirm their intent to purchase coverage. The first month's premium will be due upon receipt of their first bill.



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