

Small Business Guidelines

The following policy and qualification guidelines apply to all employers offering Kaiser Permanente small business coverage.

ELIGIBILITY

You may be eligible for Kaiser Permanente's guaranteed issue and guaranteed renewable small group health plans if you meet and continue to meet certain requirements. These requirements are defined in the Affordable Care Act (ACA) and the California small group law and as outlined in Kaiser Permanente's *Small Business Guidelines*. They include:

- You must offer health plan coverage to 100% of your eligible employees.
- You must have at least one but no more than 100 full-time and full-time-equivalent (FTE) employees for at least 50% of your business's working days for the previous calendar quarter or previous calendar year.
 - A full-time employee is a permanent employee actively engaged in the conduct of business on a full-time basis. It doesn't include a sole proprietor or their spouse, and a partner or their spouse. A full-time employee must have a normal workweek averaging 30 hours per week over the course of a month, work at your regular place of business, be subject to withholding on a W-2 form, and have met their group's waiting period, if applicable.
 - FTE employees are a combination of employees, each of whom individually isn't a full-time employee (because they're not employed on average at least 30 hours per week), but who, in combination are counted as the equivalent of a full-time employee.
 - A minimum of one W-2 employee (not including the sole proprietor owner, partners, their spouse or legal domestic partner) is required.
- You must ensure that at least 50% of eligible employees are enrolled in a valid health plan. For purposes of calculating participation, the following are considered valid health plan waivers:
 - Covered by another employer's health plan through a spouse, domestic partner, or parent
 - Covered by another health plan offered by this employer
 - Covered by another employer they work for
 - Group coverage through COBRA or Cal-COBRA
 - Covered by Medicare, Medi-Cal, or TRICARE (military or VA benefits)
 - Covered by an individual health plan

Other types of health plan coverage may qualify as a valid health plan. Kaiser Permanente reserves the right to determine what coverage is considered valid health plan coverage.

- Affiliated companies under common control are required to apply for coverage separately, unless they're eligible to file a combined tax return for the purposes of state taxation. In determining group size, affiliated companies eligible to file a combined tax return for purposes of state taxation are considered one employer, even if you're not presently filing together.
- You must have workers' compensation insurance when required by law.
- You must qualify under live/work rules to be eligible for coverage.
 - Either your physical business address must be located within the Kaiser Permanente HMO service area, or at least one enrolling eligible employee must live within the Kaiser Permanente HMO service area.
 - When a business is located outside the Kaiser Permanente service area in California or out of state, then only employees living in the service area are eligible to enroll.

INELIGIBILITY

Your business is ineligible for small group coverage if it's wholly owned by you or you and your spouse, and you don't have at least one eligible employee other than you or your spouse. **For Corporations and LLC's only:** a corporate officer is considered a W-2 or common-law employee when on payroll. The officers can be husband and wife, domestic partners, or unrelated. Contractors (1099), seasonal and temporary employees, private household help, and domestic help are ineligible for coverage.

RE-ENROLLMENT AND REINSTATEMENT

Re-Enrollment — If your coverage was terminated voluntarily or involuntarily, then you may request a new effective date for coverage to re-enroll as a new group provided you qualify for small group coverage. A new group number and contract will be issued.

Reinstatement — For groups where your Kaiser Permanente coverage was terminated for less than 60 days, you may request reinstatement of your prior contract to avoid a gap in coverage. Kaiser Permanente will consider this request provided unpaid premiums are paid and you qualify for small group coverage.

PLAN OPTIONS

You can choose from any of our ACA-compliant metal plans, subject to eligibility requirements. Current Kaiser Permanente groups may continue to offer their grandfathered (nonmetal) plans. A grandfathered (nonmetal) plan must have (among other requirements):

- Existed on March 23, 2010
- Covered at least one member on each day since March 23, 2010
- Not changed in a way that would cause the plan to lose its status

If a group currently offers a grandfathered (nonmetal) plan(s), and eliminates or replaces one of these plan(s), then the grandfathered (nonmetal) status is generally lost for that plan(s). There are some exceptions, such as when there's a bona fide employment-based reason for the change (other than changing the terms or cost of coverage) or multiple plans remain and currently cover a significant portion of employees.

We don't permit a grandfathered (nonmetal) plan to be replaced by another grandfathered (nonmetal) plan.

GENERAL RATING INFORMATION

Plan rates include many variables, such as benefit costs associated with the delivery of health care for all our small group customers as a whole. We then adjust the plan rates according to rating factors applicable to the plan type — grandfathered (nonmetal) or metal. Final rates are based on actual group enrollment. Rates are guaranteed for 12 months and are valid only from the effective date stated in the group contract.

The rate calculation for ACA-compliant metal plans is different from the rate calculation for grandfathered (nonmetal) plans.

Metal plan rating

Metal plan rates are calculated using 2 factors — rating area and member age. Claims or utilization experience isn't used to determine member premium rates.

Rating area

- If your business is located inside California, rates are based on the physical address (ZIP code and county) of your business.
- If your business is located outside of California, it's assigned to rating area 4.
- A post office box or other purchased address can't be used as your address. If we discover that you're using an address other than your business's physical location, we may rescind or terminate your coverage.

- **Member age**

- Each family member has a separate rate based on his or her age as of the effective date of the group contract. This rate will be used for the full contract year and updated yearly at renewal.
- If a family has more than 3 children under age 21, the premium for each additional child after the third will be \$0.
- Age bands are 0–14, 15, 16, 17, 18, 19, 20, every age from 21 to 63, and 64+.
- All plans include child dental for members under 19 years old as of the group contract effective date. HMO plans apply the cost of child dental only to the 0–14, 15, 16, 17, 18 age bands. PPO plans* include the cost of child dental coverage in the overall rate.

*Kaiser Permanente Insurance Company (KPIC), a subsidiary of KFHP, underwrites the PPO plan.

Grandfathered (nonmetal) plan rating

Grandfathered (nonmetal) plan rates are calculated using 3 factors — rating area, age band, and risk adjustment factor (RAF).

Rating area

- If your business is located in a California service area, rates are based on the physical address (ZIP code) of your business.
- If your business is located outside of California or outside a California service area, rates are based on the ZIP code where the highest number of covered employees reside.
- A post office box or other purchased address can't be used as your address. If we discover that you're using an address other than your business's physical location, we may rescind or terminate your coverage.

Age band

- The subscriber's age as of the effective date of the group contract, plus the family size, is used to determine the rate. This rate is used for the full contract year and updated at renewal. Age bands are <30, 30–39, 40–49, 50–54, 55–59, 60–64, and 65+. Family size categories are:
 - Employee only
 - Employee and spouse
 - Employee and child or children
 - Employee, spouse, and child or children: If a family has more than one child under 26, the premium for each additional child after the first will be \$0.

Risk adjustment factor (RAF)

We apply one RAF to all grandfathered (nonmetal) plans. RAFs are restricted to a 0.90 to 1.10 range. The RAF applied to your group at renewal won't increase by more than 10 percentage points from the RAF applied in the prior rating period.

RAFs are calculated using a model that assigns risk scores to each enrolled member based on the member's age, gender, and the types of prescription drugs the member is taking. Extensive studies have shown that the types of prescriptions for chronic illness used by a group's plan members are an accurate predictor of the group's future medical utilization.

GENERAL RULES AND REQUIREMENTS

- Your minimum contribution must be at least 50% of the employee premium for the lowest-priced Kaiser Permanente medical plan you offer.
- It's your responsibility to ensure that you don't apply a waiting period of more than 90 days (in accordance with the ACA). The effective date of coverage for new employees and their eligible family dependents is always on the first of the month and that date must not go beyond the maximum 90-day waiting period.
- Kaiser Permanente Small Group permits our coverage to be written alongside another carrier's coverage ("sliced") only if that other coverage is a fully insured, age-rated, ACA-compliant small group metal or grandfathered (nonmetal) health plan.
- Kaiser Permanente doesn't write in slice position along CaliforniaChoice® or Covered California (Kaiser Permanente is offered as an option within this exchange).

STATEWIDE EMPLOYERS

Kaiser Permanente has 2 regions in the state, Northern California and Southern California, which contract separately with employers. If you have employees enrolled in both regions, then we may issue a separate contract for each region. Assuming your business location is the home region:

- If you're a new group with 6 or more enrolled subscribers residing in the nonhome region, we'll issue your group separate contracts for Northern California and Southern California.
- If your group grows to 13 or more enrolled subscribers residing in the nonhome region after you enroll in Kaiser Permanente, we'll require you to contract with the nonhome region at renewal.

MULTIPLE PLAN OPTIONS

You're eligible to offer a choice of plans to your employees. The number of medical plans you can offer is based on the number of enrolled Kaiser Permanente subscribers:

- Groups with 1 to 5 enrolled subscribers can offer a choice of up to 4 HMO Kaiser Permanente plans, plus 1 PPO plan for a maximum of 5 plans.
- Groups with 6 or more enrolled subscribers can offer a choice of 1 or more HMO Kaiser Permanente plans, plus 2 PPO plans.

PPO

- Kaiser Permanente must be the sole carrier for all medical coverage.
- You must offer the PPO plan to all eligible employees.

If you have out-of-state employees, the maximum subscribership can't exceed 49% of the overall group enrollment. For example: A group of 10 subscribers can't have more than 4 out-of-state employees on a PPO plan.

CHILD DENTAL

- All metal HMO and PPO plans cover the ACA-defined essential health benefits, which include child dental services.
- HMO members are enrolled in a separate child dental benefit underwritten by Delta Dental of California.
- PPO medical plan members receive child dental PPO benefits as part of their medical coverage and not as a separate plan.
- Child dental services apply to all members under 19 years old. If a child turns 19 before the current contract renews, coverage is extended until the contract renewal date.

SUPPLEMENTAL FAMILY DENTAL PLANS (OPTIONAL)

- Family dental plans are available only to those enrolled in a Kaiser Permanente medical plan.
- If you choose a family dental plan, all subscribers and dependents must participate.
- The DeltaCare HMO family dental plan isn't offered with any PPO medical plans.
- Our family dental plans cover the entire family, including adults and dependent children up to age 26 (if you offer dependent coverage). However, they're not a substitute for the child dental coverage required by ACA regulations for members under 19 years old.

CHIROPRACTIC AND ACUPUNCTURE

Metal plans

Combined coverage for chiropractic/acupuncture care is included in the following ACA-compliant metal plans:

- Platinum 90 HMO 0/10 + Child Dental Alt
- Gold 80 HMO 0/30 + Child Dental Alt
- Gold 80 HMO 1000/40 + Child Dental Alt
- Silver 70 HMO 1900/65 + Child Dental Alt
- Silver 70 HMO 2300/65 + Child Dental Alt
- Silver 70 HMO 2800/65 + Child Dental Alt
- Bronze 60 HMO 5400/60 + Child Dental Alt

Grandfathered (nonmetal) plans

Optional chiropractic/acupuncture coverage is available for grandfathered (nonmetal) plans, except for HSA-qualified high deductible health plans (HDHP).

- If you offer chiropractic/acupuncture coverage, all subscribers and dependents must participate.
- You can add coverage only at renewal.
- You can discontinue coverage anytime up to 4 months before your renewal date or at renewal.

INFERTILITY BENEFIT (OPTIONAL)

The optional infertility benefit is available only to groups with 20 or more eligible employees where Kaiser Permanente is the sole carrier.

- You can only add or discontinue this benefit upon renewal, if it isn't selected as part of the original contract.
- This benefit will be added to all the HMO plans offered, when selected.
- All metal PPO plans include this infertility benefit.

DEDUCTIBLE CREDIT AND CARRYOVER

- We don't offer credit for expenses paid by members toward deductibles or out-of-pocket maximums in a medical or dental plan they had with another carrier prior to joining Kaiser Permanente.
- All deductible and out-of-pocket maximum accumulations for Kaiser Permanente reset to \$0 on the start of the calendar year. No accumulations are carried over from the previous calendar year to the new calendar year.
- Deductible and out-of-pocket maximum accumulations will reset if you move your coverage from Kaiser Permanente to Covered California for Small Business or a private exchange, or from Covered California for Small Business or a private exchange to Kaiser Permanente.

RECERTIFICATION

Employer groups will periodically be required to recertify that the group continues to meet eligibility requirements as a small business, that employees are eligible and have a bona fide employee relationship, and that all other applicable underwriting guidelines are satisfied.

CAUSES FOR TERMINATION

Kaiser Permanente can terminate coverage under any of the following conditions:

- The employer intentionally fails to enforce employee and dependent eligibility rules.
- The employer fails to pay required premiums after the grace period has lapsed.
- The employer fails to comply with underwriting requirements, including participation or contribution standards.
- The employer commits an act of fraud or intentional misrepresentation of material fact.
- The employer has no employees enrolled in a Kaiser Permanente small business plan.
- The employer moves outside Kaiser Permanente's approved California service areas and has no employees enrolled in a Kaiser Permanente small business plan who live in the service area.

Coverage of an employee or dependent can be terminated or rescinded if the individual directly or indirectly commits an act of fraud or intentional misrepresentation of material fact.