

Administrative Services Only (ASO) For Small Business

Producer Communication #645

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Summary

To expand and enhance our offerings to employer groups with 20 to 99 enrolled subscribers, Capital BlueCross is offering an Administrative Services Only (ASO) option to this size segment with effective dates after 7/1/2013. Automated quoting through Sales360° is now available to producers for small business ASO products.

Product offerings will be based off our current mid-market designs. Please refer to the current product catalog for available ASO small business plans. Ancillary products (dental and vision) must be fully insured.

Small business ASO 12/15 will be a maximum liability arrangement (as opposed to a claims reimbursement model) with only the possibility of a refund at settlement. The rate quoted for the group will include projected claims, stop loss, administration fees, and broker commissions.

For quotes effective 7/1/14 and after the following changes are being made:

1. PCORTF and Reinsurance fee will no longer be collected from the group. Groups will be responsible for paying these fees directly to the government.
2. Level premium rate is based on the collection of 110% of expected claims.

Both changes have been made to increase competitiveness in the market by producing a lower level premium rate.

For effective dates of 7/1/14 and after a new ASO small business option has been added to the portfolio of products. Groups with 51+ enrolled subscribers now have the option to select a contract that covers claims, both incurred and paid over a 12 month period. This contract is referred to as ASO 12/12.

The standard ASO small business product will be referred to as ASO 12/15 due to it covering claims incurred within 12 months and received within 15 months from the contract start date. Please see the settlement section for specific details.

Please refer to the ASO small business fact sheet (*Attachment A*) for additional details to the 20-50 and 51-99 ASO offerings.

Details

Plan Design Options

Small business ASO 12/15 will be offered selected standard medical and Rx plan designs. Small business ASO groups will not be permitted to customize the benefit plans. As market demand is assessed, more standard ASO small group products may be introduced to the market.

ASO 12/12 will be offered across the same products as ASO 12/15 and apply the same underwriting rules for groups with 51+ enrolled subscribers.

Quoting Process

Quotes for the ASO 12/15 small business financial arrangement are generated through Sales360° by selecting the ASO catalog on the quote. Both the ASO Proposal and the Rate Illustration Sheet must be provided to the group in order to present a complete quote.

The ASO Proposal is selected from the available templates on the proposal tab of the quote and generated as a standard small group proposal is generated today. Other available templates include the ASO highlight sheets, the ASO working document and the ASO census detail.

The ASO Rate Illustration Sheet will be auto generated on the Attachments tab within the quote. The quote must contain less than 35 medical and rx combinations for this to be processed without error. After a producer has entered a quote and received rates the ASO Rate Illustration Sheet will be made available on the Attachment tab of the quote within 3 hours.

For groups with 20 to 50 eligible subscribers, one stop loss specific-deductible level of \$25,000 is being offered. Groups with 51-99 eligible subscribers may select between two specific deductible levels, \$25,000 and \$35,000. Groups quoted prior to a 7/1/14 effective date have been provided rates based on 120% of their expected claims. Groups being quoted for effective dates of 7/1/14 and after will be provided rates based on 110% of expected claims being collected. This change will result in a lower monthly maximum premium rate for 7/1/14 and after groups than would have been obtained if 120% was used.

Quoting for June 2014 effective dates will not be permitted in order to allow the new rating structure to be put into place.

The rates issued for the ASO small business will include medical, drug, and stop loss, thus there will be no need to request or issue a separate stop loss proposal for these ASO small business products. A minimum of 20 eligible subscribers are required to generate an ASO quote in Sales360°. Stop Loss for ASO small business will be underwritten by Capital Advantage Insurance Company (CAIC).

In order for ASO 12/12 to be quoted, a standard ASO small business 12/15 quote must first be generated. Once the 12/15 quote is produced, a request for a 12/12 quote with the ASO 12/15 rate illustration page must be submitted to the Sales Executive. ASO 12/12 quotes may take two business days to be completed. The Sales Executive will advise when completed.

Underwriting Requirements

If the number of actual enrolled subscribers for a group electing an ASO product falls below 20 at the time of initial enrollment or at renewal, the group **must** convert to a fully-insured policy. If a group exceeds 100 contracts they will no longer be considered mid-market and the group will be transitioned from Sales360° as a large group.

Pennsylvania State Law required that a minimum aggregate attachment point of \$100,000 be met in order for a plan to be considered self-insured. A recent determination from the state has removed this requirement and therefore reference to this provision will be removed from renewals and proposal released after 6/5/2015. **The \$100,000 threshold will no longer be required.**

Groups sized 20-50 will be rated through MedPoint and must complete the ASO 20-50 application form for effective dates through September 2015.

Beginning with 10/1/2015 effective dates, the Milliman GRx tool will be utilized for rating in the 20-50 ASO segment. Member disclosure forms are not required with the new rating tool.

Producers must run a quote in the sales system entering valid member level census information.

To receive preliminary rates, the member level census, the valid quote with revision number, and a completed Application for Group Benefits (C-70) must be submitted to the Capital BlueCross Sales Executive. The Sales Executive will submit a service request to underwriting for preliminary rates using the Milliman GRx tool. The census must include name, sex, DOB, contract type, employment status (active or retiree), zip code, and Medicare eligibility status. Social Security number is not required. The

info on the census must be accurate and complete in order for the rates to process correctly, missing info will delay the process and may result in a denial of the rate request.

In addition, beginning with 1/1/2016 effective dates, all Central Groups; both Fully Insured and ASO prospect quotes with less than 51 subscribers on the census will be sent to Milliman GRx for final and/or preliminary rates.

The participation requirement for small business ASO is 75%. No multiple coverage discount (MCC) is available to small business ASO customers. Ancillary services such as dental and vision will only be available as fully insured products.

Additional ASO Requirements for Groups

Groups will receive separate contracts for their ASO agreement, the Stop Loss agreement, and any ancillary products purchased. Groups will have additional forms to complete such as the NYHCRA election form. A Small Business ASO Paperwork Requirements reference tool is provided as *Attachment B*. Groups that are new to ASO are required to complete the NYHCRA Payor Election Application and Electronic Filing User ID Application (*Attachment C, Attachment D*). If the group you are working with is not new to ASO, please work with your CBC Sales Executive to determine the NYHCRA forms required.

Groups must also be aware that by choosing to offer an ASO product they may be subject to additional financial liabilities. Some taxes may be imposed directly on self funded groups. Groups should discuss the additional responsibilities they may face as an ASO provider with their tax professional.

The PCORTF tax (\$2 PMPY) and Reinsurance tax (\$5.25 PMPM) required under PPACA have been built into the ASO small business rates for quotes with effective dates prior to 7/1/14. Groups will receive notice when these taxes are due as well as funds to cover their calculated liability.

Beginning with rates issued for effective dates of 7/1/2014 and after the PCORTF and Reinsurance tax will not be included in the ASO small group level premium rate. ASO groups will be responsible for calculating and paying these taxes on their own.

Billing

Although the rates issued in the proposal will include medical, Rx and stop loss under one rate, the invoice issued to the group will have three separate amounts for each line of business broken out. Invoices will be generated on the same business cycle utilized for small group rated business which is the 15th of the month prior to the due date which is the 1st of the following month.

Settlement Process

ASO 12/15

Approximately five (5) months after the end of the contract year, a settlement for the contract year will be made by Capital BlueCross. The settlement will include the aggregate attachment point (12 month sum of enrolled subscribers multiplied by the appropriate aggregate factors), less the difference between claims incurred in the 12 month contract period with 3 months of run-out and completion factors applied and claims that were eligible for specific stop loss coverage. If the settlement calculation results in a surplus, the surplus will be returned in its entirety to the group. If the settlement calculation results in a deficit, there will be no exchange of funds.

If a group terminates its ASO Maximum Rate financial arrangement at any time, including at the end of a contract year, Capital BlueCross will continue to pay claims that were incurred prior to the termination date even if the services are billed after the contract is terminated. A termination of the financial

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arrangement prior to the end of the contract year will result in no settlement for the abbreviated contract year.

ASO 12/12

Approximately two (2) months after the end of the contract year, a settlement for the contract year will be made by Capital BlueCross. The settlement will include the aggregate attachment point (12 month sum of enrolled subscribers multiplied by the appropriate aggregate factors), less the difference between claims incurred and paid in the 12 month contract period and claims that were eligible for specific stop loss coverage. If the settlement calculation results in a surplus, the surplus will be returned in its entirety to the group. If the settlement calculation results in a deficit, there will be no exchange of funds.

If a group terminates this 12/12 term ASO Maximum financial arrangement at any time, including at the end of a contract year, Capital BlueCross will not be liable for claims that are received after the termination date under the terms of this service agreement. Termination of the financial arrangement prior to the end of a contract year will result in no refund for the abbreviated contract year.

Upon termination, the group will be billed a sum equal to 3 months maximum fees associated with the underlying medical and pharmacy benefits including administration fees (based on final month's enrollment). Payment will be due 30 days after the invoice date. Capital BlueCross will pay claims that are incurred prior to the termination date but received after the termination date from this claims reimbursement pool. After a 3 month run out period, a settlement will take place of the claims reimbursement pool. The settlement will be calculated by including the amount of the claims reimbursement pool except the admin fees, less claims incurred in the 12 month contract period and paid in the 3 months after termination, less an estimate of remaining outstanding claims. The group will owe or receive funds based on this final calculation approximately 5 months after the contract period. No stop loss is in place on claims received after the contract termination date; therefore, all claims incurred but not received until after the termination date will be the full responsibility of the group.

Post-Sale Process

The sales process for ASO 12/15 groups sold with effective dates of 1/1/14 and after will be processed within Sales360° for groups with total subscriber counts of 100 or less.

Sold ASO 12/12 groups will be processed outside of Sales360° in the large group sales system. Producers will not have access to this system.

Reporting

A standard reporting package consisting of the Group Dashboard, an Executive Summary, a Savings Reporting, and a Stop Loss Package will be offered to small business ASO customers on a monthly basis to be delivered through the Blue*Insights* portal. An Annual Utilization Profile report will be distributed through Sales 360° upon the completion of the group's second year renewal.

Customization of reporting by small business ASO groups will not be permitted. Reporting for Small Business ASO will be automatically configured by the Analytics and Reporting team, identifying the CBC Account Executive as the report recipient. Additional report recipients can be requested through the group's Account Executive.

Commissions

Producer commissions for all small business ASO will be paid at the same level as small group fully insured products.

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Attachments

- **Attachment A – ASO Small Business Fact Sheet**
- **Attachment B -- ASO Small Business Paperwork Requirements**
- **Attachment C – NYHCRA Payor Election Application for New ASO Groups**
- **Attachment D – NYHCRA Electronic Filing User ID Application for New ASO Groups**

Questions

Contact your Preferred Agent with questions. Thank you

CapitalBlue Cross ASO 20-99 Program

	20-50 Enrolling Employees	51-99 Enrolling Employees
Minimum Size Group	20 enrolled employees; Max 99 enrolled employees	
Specific Deductible Levels/Amounts	\$25,000	\$25,000 or \$35,000
Aggregate Deductible %	110%	110%
medical and Rx combined	Yes	Yes
Contract Terms 1st year Renewal	ASO 12/15 ASO 12/15 renews @ 12/15	ASO 12/15 & ASO 12/12 ASO 12/15 renews @ 12/15; ASO 12/12 renews @ 24/12
Name of carrier/reinsurer that will underwrite the stop-loss product	CAIC (Capital Advantage Insurance Company)	CAIC (Capital Advantage Insurance Company)
Are any member lasers applied?	No lasers	No lasers
How is the Level Premium- ASO product developed	If with CBC: claims history; SIC, demographics and company zip. If not current CBC: SIC, demographics and company zip.	If with CBC: claims history; SIC, demographics and company zip. If not current CBC: SIC, demographics and company zip.
Underwriting required? If yes, for what size group? Brief outline of type of underwriting method utilized	Yes 20-50 enrolled employees risk assessment process through MedPoint, simply requesting enrolling members to sign Rx utilization disclosure. For effective dates of 10/1/15 and after risk assesment will be provided through Milliman GRx, member level census must provided and include name, sex, DOB, contract type, employment status (active or retiree), zip code, and Medicare eligibility status.	No
Is the group considered 100% credible regardless of size?	No, group under 100 enrolled is not considered 100% credible	No, group under 100 enrolled is not considered 100% credible
What options are available for surplus amounts?	100% Refund to group; Apply to future program costs.	100% Refund to group; Apply to future program costs.
When does the settlement occur, if group renews?	12/15: settlement approximately five (5) months after the end of contract year. Includes 3 months of run-out, completion factors and claims that were eligible for specific stop loss coverage.	12/15: settlement approximately five (5) months after the end of contract year. Includes 3 months of run-out, completion factors and claims that were eligible for specific stop loss coverage. 12/12 - Approximately two (2) months after the end of the contract year, a settlement for the contract year will be made by Capital BlueCross. The settlement will include the aggregate attachment point (12 month sum of enrolled subscribers multiplied by the appropriate aggregate factors), less the difference between claims incurred and paid in the 12 month contract period and claims that were eligible for specific stop loss coverage. If the settlement calculation results in a surplus, the surplus will be returned in its entirety to the group. If the settlement calculation results in a deficit, there will be no exchange of funds.
How and when are renewals calculated?	Timing and renewal calculated similar to fully insured small group.	Timing and renewal calculated similar to fully insured small group.
Residency Requirements within service area	<u>Standard Underwriting Guidelines</u> - 25% of the enrolled employees must reside within CBC's service area, with a 30-mile border leniency applied.	<u>Standard Underwriting Guidelines</u> - 25% of the enrolled employees must reside within CBC's service area, with a 30-mile border leniency applied.
Eligibility Requirements	<u>Standard Underwriting Guidelines</u> for eligibility	<u>Standard Underwriting Guidelines</u> for eligibility
Participation Requirements	<u>Standard Underwriting Guidelines:</u> 20-50 employees: 75% participation	<u>Standard Underwriting Guidelines:</u> 20-50 employees: 75% participation
Retiree Limitations	<u>Standard Underwriting Guidelines</u> - no more than 20% enrolling may be retirees.	<u>Standard Underwriting Guidelines</u> - no more than 20% enrolling may be retirees.
Percent of the total eligible employees may waive coverage	<u>Standard Underwriting Guidelines</u> - No maximum percentage of total eligible may waive coverage with valid waiver.	<u>Standard Underwriting Guidelines</u> - No maximum percentage of total eligible may waive coverage with valid waiver.
Who pays the ACA taxes?	Group is responsible to pay applicable PPACA required taxes	Group is responsible to pay applicable PPACA required taxes

CapitalBlue Cross ASO 20-99 Program

What ACA taxes DO NOT apply under this type of arrangement?	Most notable are: Health Insurer Tax (HIT), Risk Adjustment and Exchange Fee	Most notable are: Health Insurer Tax (HIT), Risk Adjustment and Exchange Fee
Is TLO an option?	12/15: N/A (completion factors are included in settlement so CBC will continue to pay claims that were incurred prior to the termination date even if the services are billed after the contract is terminated).	12/15: N/A (completion factors are included in settlement so CBC will continue to pay claims that were incurred prior to the termination date even if the services are billed after the contract is terminated). 12/12: Not currently available.
Penalty for group terming coverage prior to end of contract?	Standard contract language applied: 12/15: no settlement will be calculated so no refund possible.	Standard contract language applied: 12/15: no settlement will be calculated so no refund possible. 12/12: CBC will not be liable for claims that are received after the termination date and no refund for the abbreviated contract year.
Can you offer this funding option alongside a multiple plan and/or group defined contribution plan?	Yes, multiple plan options can be sold - standard underwriting guidelines for offering up to 5 options. And Yes can be offered in defined contribution plan.	Yes, multiple plan options can be sold - standard underwriting guidelines for offering up to 5 options. And Yes can be offered in defined contribution plan.
Does the group receive a reporting package?	Yes	Yes
What happens upon termination of group?	12/15: If a group terminates at any time, including at the end of a contract year, Capital BlueCross will continue to pay claims that were incurred prior to the termination date even if the services are billed after the contract is terminated. A termination of the financial arrangement prior to the end of the contract year will result in no settlement for the abbreviated contract year.	12/15: If a group terminates at any time, including at the end of a contract year, Capital BlueCross will continue to pay claims that were incurred prior to the termination date even if the services are billed after the contract is terminated. A termination of the financial arrangement prior to the end of the contract year will result in no settlement for the abbreviated contract year. 12/12: Upon termination, the group will be billed a sum equal to 3 months maximum fees associated with the underlying medical and pharmacy benefits including administration fees (based on final month's enrollment). Payment will be due 30 days after the invoice date. Capital BlueCross will pay claims that are incurred prior to the termination date but received after the termination date from this claims reimbursement pool. After a 3 month run out period, a settlement will take place of the claims reimbursement pool. The settlement will be calculated by including the amount of the claims reimbursement pool except the admin fees, less claims incurred in the 12 month contract period and paid in the 3 months after termination, less an estimate of remaining outstanding claims. The group will owe or receive funds based on this final calculation approximately 5 months after the contract period. No stop loss is in place on claims received after the contract termination date; therefore, all claims incurred but not received until after the termination date will be the full responsibility of the group.
Are monies required to be set aside in a trust?	Not required by CBC. This is a client's decision on what they wish to do with any money returned at settlement.	Not required by CBC. This is a client's decision on what they wish to do with any money returned at settlement.
Minimum # of years required to be in this funding arrangement?	No Requirements. Group can leave at anytime (see comments on "what happens upon termination of group", for details).	No Requirements. Group can leave at anytime (see comments on "what happens upon termination of group", for details).
Is there Monthly Accommodation-Advance Funding available?	N/A, since we are using an integrated/single arrangement stop loss carrier (CAIC), no advance funding is required.	N/A, since we are using an integrated/single arrangement stop loss carrier (CAIC), no advance funding is required.