

Common Ownership & Group Size Regulations

Producer Communication #655

Issued November 12, 2013

Updated October 29, 2015

Summary

Certification forms for Group Eligibility to Combine and Group Size have been created and are to be used to indicate aggregation rules on common ownership combinations and group size.

The Certification of Group Size form (C-432) has been updated. Begin using this updated form immediately. Groups enrolling for a 1/1/16 effective date and after are required to utilize this version of the form.

Details

Certification of Group Eligibility to Combine (C-433)

If a group is part of a control group or a commonly owned group and is subject to aggregation rules under Internal Revenue Code IRC section 414, the group should be applying for coverage at the aggregated group size. The group needs to make this determination on their own and must be willing to sign the certification form (*Attachment A*) that they have considered the regulations when stating their group size. If a group has any questions regarding this they should be advised to consult with their legal counsel. The Certification of Group Eligibility to Combine should be completed for each EIN if a group determines they should be quoted separately and not together. If the group signs one certification document that shows they have 100+ total average employees, they will be quoted as one large group.

Please note:

If it has been determined that aggregation rules do apply to two or more companies and when combined these companies have a total average of 51 or more employees, the groups will NOT be able to be sold or renewed as separate Small Groups. The Large Group PPACA rules apply.

New groups:

This form is required to be completed with the corporate tax docs for each entity anytime more than one company qualifies to combine. The form needs to be included with the final sold paperwork submitted to CBC sales.

Existing groups:

This form is required to be completed with the corporate tax docs of each entity anytime a current customer wants to add another business into its current policy or split apart if already combined. This form and the tax docs should be submitted to CBC account executive for Underwriting Compliance review and approval **before the enrollment is split, added to, or merged.**

Certification of Group Size (C432)

The Certification of Group Size (**Attachment B**) form should be used when a group's enrollment does not match their true group size for rating purposes. Instructions for calculating the average number of employees can be found on page 3 of the Medical Loss Ratio (MLR) Questionnaire (C-424) as shown in the below image.

Producer Bulletin



Calculating the Average Number of Employees—Enter the total number of employees* employed by your company on business days for each month during the 2012 calendar year. Include those who worked only a portion** of the month.

January	<input type="text"/>	April	<input type="text"/>	July	<input type="text"/>	October	<input type="text"/>
February	<input type="text"/>	May	<input type="text"/>	August	<input type="text"/>	November	<input type="text"/>
March	<input type="text"/>	June	<input type="text"/>	September	<input type="text"/>	December	<input type="text"/>

Your average*** number of employees for calendar year 2012 is: _____

EXAMPLE: In January, you had 10 full-time employees, 2 part-time employees, and one person who worked until the 15th of the month. There are 21 business days in January, 10 of which fall between the 1st and 15th. Ten divided by 21 is 0.5. Your average number of employees for January is 12.5 $[10+2+(1*0.5)]$. Repeat this calculation for each month.

- * An employee is any individual employed by the employer, so both full- and part-time employees are counted.
- ** For employees who worked a portion of a month, divide the number of business days for the month the employee was employed by the total number of business days in that month.
- *** The average is calculated by adding the monthly employee counts and dividing that number by 12.

New groups:

By default, Sales360° considers the group size based on the census entered into Sales360° for a prospect quote.

For example, if a Producer enters 47 subscribers, Sales360° will automatically classify the group as small group (2-50) and produce a Per Member Rate Calculation quote with small group benefits. If, however, the group has 51 or more average number of employees, the Certification of Group Size should be completed indicating the correct group size. Once the form is completed by the group, the Producer should send it to their assigned CBC Sales Executive. The Sales Executive must submit the completed form to the Sales Technology team to have the account updated accordingly. Once Sales360° is updated with 51+ average number of employees, the Producer can create a new Mid Market quote with a census consisting of fewer than 50 subscribers. Any prior quotes from the Small Group catalog would no longer be honored once the group attests to having more than 50 employees.

Existing groups:

If the group has already received a renewal for the incorrect size segment, the Certification of Group Size Form (C-432) should be completed indicating the correct group size. Once the form is completed by the group, the Producer should send it to their assigned CBC Account Executive. The Account Executive must submit the completed form to Sales Technology to have Sales360° updated so a revised renewal quote may be made available under the correct size segment. A proposal document will be provided as an updated renewal format document will not be available.

A group will not be eligible for both small and mid market options. For example, if they attest to being size 51+ average number of employees, the Small Group 2-50 renewal quote will no longer be honored.

Attachments

- **Attachment A** – Certification of Group Eligibility to Combine
- **Attachment B** – Certification of Group Size

Questions

Contact your Preferred Agent with questions. Thank you.