Welcome to Cigna Healthcare℠ Small Group

Important Information on whether your small businesses and employees qualify for Cigna Healthcare Small Group (CHSG) health insurance.

At Cigna Healthcare Small Group, we believe being very clear about how we do things saves time and hassle down the road. So, we simplified our underwriting guidelines to help you understand which clients may be eligible for Cigna Healthcare plans. Read on to get familiar with our policies and applicable state and federal laws.

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Employer Group Eligibility Requirements

Employer Eligibility	A group is eligible for small group coverage if it meets the "small employer" criteria as defined by Patient Protection and Affordable Care Act (ACA) and any State definitions. The Employer must also meet the following requirements: 1. The employer maintains business licensure and/or appropriate state filings allowing the company to actively conduct business in the State. 2. The employer has at least 50% of enrolled eligible individuals living in Cigna Healthcare Small Group service area.
Group Size	Size is a major factor in determining if a group is eligible for small group coverage. The group must have between one (1) and fifty (50) full-time and/or FTE employees for 50% of the preceding calendar quarter or the preceding calendar year to qualify. Size is defined as the 1. Number of full-time employees plus, 2. Number of FTE part-time employees. Employees are considered part-time if they work, on average, less than 30 hours per week [Arizona employers: full-time minimum hours set by the employer (A.R.S. § 20-2307)].

	To calculate a group's FTEs from part-time employees, add up the part-time hours worked during the month. Divide the total by 120 and round down to the nearest whole number. • For example, if you have four part time employees who each work 20 hours per week, there are 320 part-time hours worked per month. Divided by 120, these four part time employees count as two FTEs. This total may include employees who are not eligible to participate in a plan given the number of hours they work each week. Contractors and seasonal employees who worked less than 120 days during the average year should not be included when determining group size. Past employees currently enrolled in COBRA or State Continuation plan should not be included when determining group size.
New Groups	Employers must be in existence for at least four (4) weeks prior to enrolling. The group size will be based on the number of employees during that time.
PEOs	Employers who are leasing or sharing employees from a PEO may not cover these employees if the employees do not appear on the group's tax documents. If a group originally using the services of a PEO later decides to employ former PEO employees full-time, they must meet the employee eligibility requirements. Additionally, the following documentation is required: • Payroll documentation for all enrolling employees • A letter from PEO or screenshot from the PEO web portal indicating date membership in PEO canceled
Affiliated Companies	In determining group size, if a company has an affiliated company with which it is eligible to file a joint state tax return or is treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986, the two affiliated companies will be considered one employer and the affiliate's employees will be counted when determining if the group is eligible to enroll in small group coverage. Affiliated companies under common control may enroll together if they are eligible to file a combined state tax return and the entire group meets all eligibility requirements.
Spinoffs	A breakaway or spin-off is a company that is newly formed from employees of an existing company to become a distinct and separate entity. Employees forming this company are no longer employed by the original company and may apply for coverage under a new contract. A breakaway employer must meet all the qualifications for a small group in order to be accepted for coverage. • If the breakaway company is still affiliated per section 414 of the Internal Revenue Code of 1986, or can file a combined tax return with the former group, then the

	companies are treated as a single company. The group is still considered to be a single company even if the companies choose to file separate tax returns. • For all existing breakaways, the original employer remains with Cigna Healthcare Small Group on the existing contract, while the breakaway employer receives a new Cigna Healthcare Small Group contract.
Takeover Provision	Cigna Healthcare Small Group takeover provisions comply with the following: • Any carrier providing replacement health coverage within a period of 60 days from the date prior coverage is discontinued and which provided health coverage comparable to the new contract will be required to cover all employees and dependents who were both validly covered under the prior contract at the time the contract was discontinued AND within the definitions of eligibility under the succeeding carrier's contract.
Management Carveouts	A carve out or class out where only certain classes of employees are offered coverage, with different waiting periods, or with different contribution levels is allowed. It is the group's responsibility to ensure that any carve out or class out comply with applicable Internal Revenue Code non-discrimination rules. The group of employees should be easily identified by a clear class designation that is reasonable, non-discriminatory and uses objective business criteria for identification. Valid classes would include the following unless otherwise stated: • Management / Non-Management • Hourly / Salary • Union / non-union
One Life Groups	In order to qualify as a "group health plan" under ERISA, an employer must have at least one (1) common law employee - defined as an employee receiving a W-2 that is neither the owner nor owner's spouse- that is eligible and enrolled. • Partnerships or Limited Partnerships: If only partners and their spouses are covered, they are not a group health plan, unless there is at least one (1) other common law employee eligible and enrolled in coverage or if the partners are bona fide partners pursuant to 45 CFR 146.145(c)(2). 1099 Contractors are not considered common law employees. • Partnerships where only the partners and / or their spouses are covered, are not a group health plan, unless there is at least one (1) other common law employee eligible and enrolled in coverage or if the partners are bona fide partners pursuant to 45 CFR 146.145(c)(2).

	• Corporations (S or C) or LLCs: Two owners who are not spouses, qualify as a group health plan in all cases, if at least one of the owners can document that they are actively working and must enroll. • Marriage would include civil unions as allowed by state law. Domestic partners who are not married and individuals who are legally divorced are not considered "spouses" for health insurance eligibility. • Children of the sole owner may be the other common law employee, so long as s/he is over the age of 18 and is enrolled for employee coverage under the terms of the employer-sponsored plan.
Minimum Employer Contribution	Employers must contribute at least 50 percent of the employee premium. If an employer contributes 100 percent of the employee premium, 100 percent of the employees must enroll. If groups are enrolling during the Federal Enrollment Period, contribution requirements may not apply.

Participation Requirements	Groups must ensure that employee participation requirements are met at the time the group initially enrolls and each year upon renewal.
	
	• 50% of eligible employees must enroll after valid waivers
	  ○ Add up enrolling employee
	  ○ Divide by total FTE, minus valid waivers
	  ○ Result must be greater than or equal to 50%
	
	Regardless of where an employee may reside, they must be included in the FTE calculation. If an employee chooses to waive coverage, Cigna Healthcare Small Group reserves the right to confirm participation requirements. If groups are enrolling during the Federal Enrollment Period, participation requirements may not apply.

Federal Enrollment Period	Groups enrolling during the Federal Enrollment Period may not be subject to participation requirements may not apply. Refer to section "Annual Enrollment Period" for additional information.
Not Eligible Groups	These groups are not eligible for coverage: - Employers not authorized to conduct business in State they are located - Groups formed with the sole purpose of obtaining health insurance - Associations, multiple employer trusts, union trust plans or Taft Hartley groups - Groups that do not have at least one (1) W-2 employee - Groups that have been in existence for less than four (4) weeks - Less than 50% of enrolled employees living within the designated service area Groups of 100 percent independent contractors will not be accepted; there must be at least one W2 employee on a Wage and Tax Statement.

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<tr>
<td>Required Documents</td>
<td>To apply for coverage for a group, Cigna Healthcare Small Group requires all of the following:

Business Enrollment Form
Employee Enrollment application(s)

One (1) application for each enrolling employee or COBRA/State Continuation recipient.

Employee Waiver form(s) and applicable waiver documentation

One (1) form is needed for each employee waiving or refusing coverage, including COBRA/State Continuation employees.

Business Entity Documentation
Quarterly or Annual Wage or Tax Withholding Report

Only required for with seven (7) or less eligible enrolling employees
Documents submitted must match enrolling employees

Payroll verification via tax documentation based on type below:

<table>
<tr><th>Employer Type</th><th>Documents required</th></tr>
<tr><td>Sole Proprietorship</td><td>One of the following:
IRS Schedule C and 1040 Form
IRS Schedule F and 1040 Form for Farms</td></tr>
<tr><td>Corporation</td><td>Confirmation from Secretary of State, and one of the following:
Owner Affidavit
IRS Schedule K-1 (Form 1120-S) - include all K-1’s totaling 100% ownership, IRS Form 1120 (pages 1-2), IRS Form 1125-E or IRS Schedule G or a W-2
Additional proof of income if tax filings are not available
Corporations established out of state will also need to provide a Certificate of Qualification or Statement by Foreign Corporation in addition to the above documentation.</td></tr>
<tr><td>Partnership / Limited Liability Partnership (LLP)</td><td>One of the following:
Recent IRS Schedule K-1 (Form 1065): include all K-1’s totaling 100% ownership, or Partnership Agreement & Tax ID Appointment Letter
W-2
Partnerships or LLPS established out of state will also need to provide a Certificate of Qualification or Statement by Foreign Partnership in addition to the above documentation.</td></tr>
<tr><td>Limited Liability Company (LLC)</td><td>One of the following:
Statement of Organization with Operating Agreement
Recent IRS Schedule K-1 or other applicable tax filing</td></tr>
<tr><td>Non-Profit Company</td><td>Most recent Quarterly Federal Tax Return (IRS Form 941), current payroll report, and one of the following:
IRS letter 501c3</td></tr>
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		• IRS application for exempt status • Secretary of State confirmation • National Federal Credit Union confirmation
	Group who filed a consolidated tax return as an affiliated group	• IRS Form 851, or a letter from a CPA
	Churches	• IRS Form 941 • Payroll records from the prior four (4) weeks
	Spinoffs/Startups	• Four (4) weeks of payroll or Quarterly Wage and Tax Withholding Statement • Documentation listed above depending on type

Employee and Dependent Eligibility Requirements

Waivers	Employees covered coverage through another plan due to the following reasons are considered a "valid waiver": 1. Coverage by another group's plan 2. Coverage by Medicare, Medicaid, or AHCCS 3. Coverage by Champus, VA, or TRICARE 4. Coverage by Indian Health Services (IHS) 5. Enrolled as an individual in an individual marketplace health plan 6. Enrolled as a dependent in a group health plan through a different employer. Simply choosing not to enroll is not a valid waiver. All eligible employees waiving coverage must complete the Employee Waiver Form.
Eligible Employee	An eligible employee is any permanent employee who is actively engaged on a full-time basis in the conduct of the business of the small employer with a normal workweek of at least 30 hours at the small employer's regular places of business, who has met any statutorily authorized applicable waiting period requirements. [Arizona employers: full-time minimum hours set by the employer (A.R.S. § 20-2307)] Officers, Sole proprietors or partners of a partnership are eligible employees, if they are actively engaged on a full-time basis in the small employer's group, receive a W-2 and are included as employees under a health care plan contract of a small employer. Permanent employees who work at least 20 hours but not more than 29 hours are deemed to be eligible employees if all of the following apply: • They otherwise meet the definition of an eligible employee except for the number of hours worked. • The employer offers such employees health coverage under a health benefit plan.

	• All similarly situated individuals are offered coverage under the health benefit plan. • The employee must have worked at least 20 hours per normal work week for at least 50 percent of the weeks in the previous calendar quarter. • And meets the individual employee criteria as defined by the State Small Group Act for an eligible part-time employee. Cigna Healthcare Small Group may request any necessary information to document the hours and time period in question, including, but not limited to, payroll records and employee wage and tax filings. The following types of employees are not eligible: • Leased/shared employees • Board of Director members and stockholders, unless they are also working at least 20 hours per week • Temporary and seasonal employees • Residents of Hawaii, Puerto Rico or workers living outside the United States • Former employees who are covered through retiree benefits
Eligible Dependents	Eligible dependents include spouses, natural children, stepchildren, legally adopted children, unmarried disabled children, newborn children, children for whom the employee has legal custody, and children for whom the employee has court ordered custody and are chiefly dependent on the employee for support. Foster children and grandchildren are not covered unless the employee is the legal guardian. Spouses and domestic partners who work for the same employer may enroll separately, or one may enroll as a dependent. If a child's parents are employees of the same employer, the child may only be covered under one plan. Children are eligible for coverage until the end of the month in which they reach the age of 26. Disabled children may be eligible to remain on the plan if the child continues to meet the following criteria: • The child is incapable of self-sustaining employment by reason of a physically or mentally disabling injury, illness, or condition; and, • The child is chiefly dependent upon the subscriber for support and maintenance. Cigna Healthcare Small Group shall notify the subscriber that the dependent child's coverage will terminate upon reaching the age of 26 unless the subscriber submits proof of the criteria above within 60 days of the subscriber's receipt of notification. Cigna Healthcare Small Group will send this notice to the subscriber at least 90 days prior to the date the child will reach the age of 26. Cigna Healthcare Small Group will determine whether the child meets the criteria before the child reaches age 26. Cigna

	Healthcare Small Group may request more information about the child whose coverage is continued beyond age 26 as needed, but not more frequently than annually after the child reaches age 26. Cigna Healthcare Small Group may request such proof as may be needed to determine eligibility status, such as birth certificates, marriage documents, proof of domestic partnership, adoption papers or court orders.

Enrollment Rules

Annual Enrollment Period	The annual enrollment period is the 30 days prior to the group's renewal date. During the annual enrollment period, eligible employees who did not enroll during the new hire enrollment period, including late applicants, may sign up for coverage and enrolled employees may change plans or add/remove dependents. Groups may also change the designated waiting period, and plan offerings within 30 days of their eligibility date. Other Rules still apply. Groups that do not meet our participation and/or contribution requirements listed in the sections above are eligible to enroll between November 15 and December 15 of each year for a January 1 effective date.

Special Enrollment Period	Outside of annual enrollment, when an employee or dependent (including the employee's spouse) loses coverage or experiences a qualifying life event (QLE), they may be eligible for a Special Enrollment Period. Please note that the employee and dependents must otherwise be eligible to enroll.
	
	Supporting documentation must be submitted with the Qualifying Life Event, such as a letter from the member's prior insurer indicating date coverage ended, a marriage certificate, a birth certificate, etc. The employee, spouse, domestic partner and/or dependents may enroll within 31 days (AZ: 61 days) of the loss of coverage due to:
	
	• Loss of minimum essential coverage
	• An Employee or Dependent has lost or will lose coverage under another employer health benefit plan as a result of
	  ○ termination of his or her employment;
	  ○ termination of employment of the individual through whom he or she was covered as a Dependent;
	  ○ change in his or her employment status or of the individual through whom he or she was covered as a Dependent;
	  ○ termination of the other plan's coverage;
	  ○ exhaustion of COBRA or State Continuation coverage
	  ○ Cessation of an Employer's contribution toward his or her coverage;
	  ○ death of the individual through whom he or she was covered as a Dependent, or
	  ○ legal separation, divorce or termination of a Domestic Partnership.

	• Employee gains or becomes a dependent, including in the case of legal guardianship • Health coverage issuer substantially violated a material provision of the health coverage contract • Employee or Dependent gains access to new health benefit plans as a result of a permanent move • Employee or Dependent gains access for Exchange coverage or help paying for coverage, including newly eligible or ineligible for advance payments of the premium tax credit (APTC) or has a change in eligibility for cost-sharing reductions (CSR) • Employee or Dependent are survivors of domestic abuse or spousal abandonment
Late Enrollees	Eligible employees and dependents who did not sign up for the group's health plan when they were first eligible to enroll and later request enrollment are designated as "late enrollees." A late applicant must wait until the group's next enrollment period to request coverage. This does not include "New Hires" or employees that have a valid QLE.
Waiting Periods	Waiting periods are elected by the group employer and can only be changed during the annual enrollment period. They are not applicable during the group's initial enrollment and will go into effect for employees joining after the group's initial coverage start date. The group may not impose a waiting period that exceeds 90 days. If the group chooses to impose a waiting period, it must be consistently applied to all employees. Waiting period options may be applied as follows: 1. None 2. First of the month following Date of Hire 3. First of the month following one month (30 days) from Date of Hire 4. First of the month following two months (60 days) from Date of Hire The employer may waive the waiting period for all new hires at the initial group enrollment only. The group's waiting period is applied to all employees in the group with no exceptions for any eligible employee. Note: Dual waiting periods are not allowed.
Plan Choices	Employers may select up to three (3) Cigna Healthcare Small Group benefit plans to offer their employees. There are no restrictions on the combination of plan options. Eligible employees and their dependents that live outside of the defined Cigna Healthcare Small Group State service area must enroll in a Cigna Healthcare Small Group Open Access Plus plan. Dependents must be enrolled in the same Cigna Healthcare Small Group as the eligible employee. If any dependents resides outside the Cigna Healthcare Small Group State

	service area, then the employee and all dependents must enroll in a Cigna Healthcare Small Group Open Access Plus plan unless the dependents resides in another Cigna Healthcare Small Group State service area different from the employer's Cigna Healthcare Small Group State service area.
COBRA and State Continuation	The employer is responsible for administering COBRA within the guidelines set by the federal government for employer groups. Employers may choose to administer COBRA or may use a COBRA Third Party-Administrator (TPA). Cigna Healthcare Small Group does not administer COBRA on behalf of employer groups. COBRA participants are included on the monthly employer group invoice. The employer must collect premiums and send any required notices to COBRA enrollees. Employers may charge up to 102% of the group rate for COBRA enrollees. Groups employing between two (2) to nineteen (19) FTE employees for at least 50% of the preceding calendar year are required to offer State Continuation Coverage to employees who are no longer eligible for group health coverage. The following events are State Continuation Coverage qualifying events: • Employee's termination of employment or reduction in hours • Death of subscriber • Divorce or legal separation from the subscriber • Loss of eligible dependent status of an enrolled child • Subscriber becomes entitled to Medicare • Expiration of COBRA coverage if COBRA lasted 18 months It is the employer's responsibility to comply with State COBRA Continuation requirements through mailing notices and collecting premium payments.

Effective Date Rules

Effective Dates & Important Deadlines	New groups may start coverage on the 1st or 15th of any future month. Once the effective date has been set and confirmed during the Annual Enrollment Period, requests for a change in effective date will not be allowed. Small groups may begin their applications as early as 60 days in advance of the desired effective date. However, final rates are based upon final enrollment date and enrollee information for composite rating. All completed applications and requested documents must be submitted by the 10th calendar day after the effective date, whichever is earlier, in order to honor the requested effective date.

Group Buy-downs	Buy-downs, in other words, selecting a plan with lesser premium, will not be accepted outside a group's Annual Enrollment Period. Should the group request "re-write", 60 days written notice must be provided. Additionally, the group will have to change their policy / plan year in accordance to their ERISA group health plans. Prior year deductible credits will not be given.
Group Terminations	A group must provide written notice to Cigna Healthcare Small Group Eligibility Team requesting the group's termination by the day before the effective date.
Group Reinstatement	If a group is terminated for non-payment, the group can be reinstated up to 61 days from the last date of effective coverage, inclusive of any payment grace periods.

Plan Administration Rules

Employee Terminations	A group must notify Cigna Healthcare Small Group Eligibility Team as soon as an enrollee (holder, spouse, or dependent) no longer meets the eligibility requirements of the policy. Written notice must be provided within 30 days of the event. Coverage will terminate on the actual date specified by the group or employee or at the end of the month. If the group or employee requests to terminate coverage retroactively, then employees can be terminated up to 30 days retroactively from the date written notice is received by the Cigna Healthcare Small Group Eligibility team.
Retroactive Employee Changes	A group must notify Cigna Healthcare Small Group Eligibility Team as soon as an enrollee (holder, spouse, or dependent) was enrolled in the wrong plan or in the wrong coverage tier. Coverage changes will be in effect on the date specified by the group or employee or at the end of the month. If the group or employee requests to change coverage retroactively, then employees can be changed up to 30 days retroactively from the date written notice is received by the Cigna Healthcare Small Group Eligibility team.
Rate Calculations	<u>Individual Rating:</u> Premium rates are guaranteed for 12 months and are based on the employer's location, not on the health history of the group. A group's final rate is calculated once the completed group enrollment has been submitted. Rates are based on the enrollees' ages on the effective date of the contract. Rates are recalculated on the contract anniversary. Final rates, effective date and group approval will be determined by Cigna Healthcare Small Group Eligibility Team. <u>Composite Rating:</u> Premiums are calculated based on the average age of all employees at the time of enrollment. Rates are fixed for the 12 month contract period, regardless of the addition or removal of employees. Rates will be quoted based on predicted census, but the final premium will be recalculated to include the final census as of the effective date.

Payment Process	ACH Authorization Form ACH payments is highly recommended to expedite member ID card delivery. ACH payments can be set up for automatic deduction on the first of every month or can be uploaded solely for an automatic first payment. If the group wishes to pay the first premium amount due via check, the check should be mailed expedited delivery along with the bill stub to the following address: CIGNA Overnight Premium Address Attn Cigna Healthcare-551 6125 Lakeview Road Suite 800 Charlotte, NC 28269
Medicare Reporting	Each year all carriers must report to Centers for Medicare & Medicaid Services (CMS) the number of Medicare Secondary Payer (MSP) groups and the number of employees, based on the number of employees provided by the employer. Cigna Healthcare Small Group follows CMS guidelines in coordinating benefits for Medicare-entitled employees and dependents based on age, disability, and end-stage renal disease (ESRD)
Workers Compensation	Enrolled employers must offer a workers' compensation policy as required by law.
Guaranteed Renewability	A group must be renewed unless the group has been terminated for one of the following reasons: • Fraud or misrepresentation of material facts • Failure to meet service area requirements if no employee lives, works or resides in the service area • Inability to meet group requirements under eligibility rules or applicable state and federal law • Cigna Healthcare discontinues a class of plans or withdraws from the market.
Prior Carrier Deductible Credit	Cigna Healthcare Small Group will credit the amount of the deductible satisfied for medical expenses under the benefit plan of the employer group's prior carrier in the same calendar year as the selected Cigna Healthcare Small Group plan; however, there is no prior carrier deductible credit for prescription drug coverage. The employer's prior carrier information can be provided via a deductible credit form and/or through accumulator values or EOBs in spreadsheet form. Prior deductible credit is available only for individuals enrolled in the group plan as of the initial effective date.