LISI CARRIERS' PEO GUIDELINES

General Definition of a PEO

A Professional Employer Organization (PEO) (also known as an Employee Leasing Firm) is a company that provides out-sourcing of human resources and payroll functions to small and mid-sized firms. Services include recruitment and training of employees, purchasing and administering workers' compensation programs, managing employment regulation compliance and worksite safety programs and providing employee benefits as well as handling payroll and employment relaed taxes.

Generally, these employees are not considered employees of the client companies, but of the PEO, in order to obtain coverage via the leasing firm and not from the employer to whom they are being leased.

Aetna

PEO's are not eligible. Groups leaving a PEO are eligible. They must provide a copy of the contract termination letter sent from the PEO to the client (employer) business. This letter must verify the cancellation of the leasing arrangement as well as the cancellation date.

Groups only using "payroll services" of a PEO, are eligible if they meet the standard underwriting guidelines.

Groups currently with a PEO who indicate health coverage is not available are eligible, and must provide a letter from the PEO indicating health coverage is not available and a copy of the contract.

DE-9C or payroll is required for groups under 20 enrolled.

Anthem Blue Cross

Employees associated with a PEO are employed by the business listing the employees on its DE-9C. A business leasing employees from a PEO cannot cover these employees under Anthem Blue Cross group coverage.

Groups will be considered if they have cancelled their contract with the PEO. Groups must provide the following:

- Signed and completed Conditions of Enrollment form.
- Copy of PEO client invoice billed to the worksite business, which includes names of each employee previously leased to the worksite employer.
- Company's first 30 days of complete payroll records must be provided within 45 days of the effective date.

Blue Shield

PEO's are not eligible. PEO employees are considered employees of the PEO company.

Groups that have cancelled their PEO arrangement and hired the former PEO employees will be considered for coverage as a qualified small employer pursuant to Small Group rules. Group must provide the following:

- A copy of the letter sent from the PEO to the client business verifying the cancellation of the leasing arrangement will be required.
- If a copy of a payroll register from the PEO company is submitted with the new group application that separates the formerly leased employees by business location, the group will be considered a qualified group.

Groups only using "payroll services" of a PEO may be considered for coverage on a case by case basis. Group must prove that the PEO is only acting as a payroll administrator, and their employees cannot be covered under the PEO's workers' compensation insurance.

CalCPA

PEOs will be accepted as long as the member firm meets standard eligibility guidelines.

California*Choice*®

Please contact your LISI Regional Sales Manager for more information on California*Choice*®.

Chinese Community Health Plan

PEO's are typically not eligible. PEO's may be considered on a case by case basis. Must be reviewed by carrier underwriting department.

CoPower

CoPower products (Delta Dental and VSP) will not consider PEO's. They do not have an employee/employer relationship and therefore are unacceptable. If they are a group breaking off of a PEO and have their own payroll, then it may be considered.

Covered California for Small Business (CCSB)

PEO Coverage for Owners and Administrative staff: PEOs are eligible for CCSB coverage if they meet the definition of qualified small employer.

PEO Sub-groups are eligible to enroll in CCSB. The most recent PEO payroll invoices will be accepted in lieu of DE-9C/payroll records. All other submission requirements apply.

If an employer decides to leave their COBRA participants with the PEO, those COBRA participants would not be eligible for CCSB when their continuation expires (if applicable). If an employer decides to take their COBRA participants with them, then the employee would be eligible for continuation (if applicable) after COBRA expires. A CCSB COBRA enrollment form is required.

Health Net

An employer is guarantee issue if they have had no more than 100 eligible employees for 50% of the prior calendar quarter or prior calendar year, regardless of whether the group utilizes the services of a PEO or not.

Documentation needed:

- DE-9C. If not available then,
- If the PEO files the DE-9C on behalf of the group they must provide a quarterly wage report prepared by the PEO. If not available then
- 6 weeks of payroll immediately prior to the effective date for groups of 6-100 enrolling, or adequate payroll to show the group had between one and fifty employees for at least 50% of the prior calendar quarter for groups of 1-5 enrolling.

Kaiser Permanente

PEO's are not eligible. Employees associated with a PEO are employed by the business listing the employees on its DE-9C. A business leasing employees from a PEO cannot cover these employees under its Kaiser Permanente group coverage.

For a PEO breakaway group that's new or existing to Kaiser, breakaway employees can be noted on the DE-9C or payroll records/roster of the PEO group in order to document the employees. In addition, the group will need:

- A letter from the group stating that it will no longer be leasing employees from the PEO (the group may continue to use the PEO to provide administrative services).
- 6 weeks of payroll for leased employees from the PEO.
- A billing statement from the PEO listing the employees currently being leased by the group.

A breakaway group from an existing Kaiser PEO will move to a metal tier plan.

MediExcel

PEO's are eligible, however they would likely be considered a large group under ACA (common ownership). No restrictions in place, or extra documentation required due to being a PEO.

Sharp Health Plan

PEO's are not eligible. However, in the case where the employer decides to sever the relationship with the PEO and re-establish the employer-employee relationship with themselves, Sharp will consider the group for coverage subject to the following rules:

- Leased employees must all be converted to W-4.
- Group must be actively engaged in business for a minimum of 45 days prior to the requested effective date.
- Must employ at least 1 but not more than 100, permanent, active, full-time employees. The hire dates of the "leased" employees are considered the date in which they employees became W-4 with the employer group.
- Employer must submit:
  - A copy of the letter sent to the leasing company that cancels the leasing agreement.
  - Legitimate payroll from a payroll record service for the 45 day minimum requirement.
  - All standard new group submission documentation.

Sutter Health Plus

PEO's are not eligible.

TriNet PEO

PEO's are not eligible.

UnitedHealthcare

PEO's are not eligible. PEO or leased employees are considered employees of the PEO company. Employers who utilize the services of a PEO generally do not meet the definition of a small employer as the transfer of employees to the PEO in effect severs the employer/employee relationship. As a result, UnitedHealthcare will not consider these employers eligible for coverage under the small group book of business.

An employer group that dissolves its relationship with the PEO and re-establishes the employer/employee relationship will be considered for small group coverage with a coverage date on or after the termination date of the PEO arrangement. The employer group must meet the definition of an AB1672 employer and must have maintained 1-100 employees for 50% of the previous calendar quarter or 50% of the previous calendar year in order to be considered guaranteed issue.

Submission Requirements: In addition to all other standard new business documentation/paperwork, the following is also required from groups applying that have terminated their PEO arrangements.

- A copy of the prior carrier bill from the PEO with employee census confirming prior coverage.
- A copy of the contract termination letter sent from the PEO to the client (employer) business. This letter is generated by the PEO and verifies the cancellation of the leasing arrangement as well as the cancellation date.
- At least two weeks of payroll from a legitimate payroll company for the employer group. The payroll must be issued in the name and Tax Identification Number of the individual employer group, not the PEO. In the event a DE 9C or payroll is unavailable, groups must provide the following:
  - A copy of six weeks of charge back invoices from the PEO to establish AB1672, and
  - A copy of the PEO Benefit Register or prior carrier bill so preexisting will not be applied.
  - A letter from the company owner/officer stating the following: the company has canceled its contract with the PEO and the effective date of cancellation; approval is contingent upon UnitedHealthcare receiving, within 45 days of the effective date, 30 days of payroll records for all employees; and UnitedHealthcare reserves the right to rescind or non-renew coverage if payroll documentation is not provided in a timely manner, or it does not meet UnitedHealthcare criteria for enrollment eligibility.

UnitedHealthcare (continued)

- Groups are still subject to normal new business requirements, including but not limited to, business owner documentation and/or applicable tax forms, prior carrier billing, etc.

The employer group must have offered the employees health insurance previously through the PEO. UnitedHealthcare will not consider the employer group eligible until the employer can meet the definition of a small group employer by satisfying the previous calendar quarter/year test.

Underwriting Guidelines for Small Groups with a PEO Arrangement for Payroll Purposes Only

A small group employer that utilizes the services of the PEO for payroll purposes alone and the PEO otherwise does not act as a "co-employer," UnitedHealthcare will offer coverage to the small group client company without requiring the employer to terminate their PEO contract.

- UnitedHealthcare will only enter into a contract with the "client company" (the employer group) of the PEO.
- The client company must meet the definition of a 1-100 small employer.
- Only an officer of the client company may enter into, and sign, the insurance contract; it cannot be signed by the PEO and/or PEO "co-employer."
- UnitedHealthcare must be the sole provider of health insurance.
- If the employer group currently has UnitedHealthcare health coverage offered or sponsored through a PEO that is covered as an active UnitedHealthcare mid-market group (ADP or Administaff, for example), they will not be considered eligible for coverage as a separate small employer unless they terminate their PEO relationship.
- To qualify on a guaranteed issue basis, the group must meet standard employer/employee eligibility.

Submission Requirements: In addition to all other standard new business documentation/paperwork, the following is also required from groups applying with PEO arrangements for payroll purposes only:

- UnitedHealthcare will accept documentation from the PEO or payroll record service that is issued on behalf of the individual employer.
- This documentation must be in the form of a payroll report from a legitimate payroll record service, issued in the name and Tax Identification Number of the individual employer group. The payroll records may not contain employees of any other PEO client company.
- Presuming the group can provide the "employer-specific" wage/tax or payroll documentation, it will be considered eligible to apply for small group coverage and will not be required to terminate its PEO contract.
- If the group cannot provide the specific wage/tax or payroll noted above, a "co-employer" relationship with the PEO will be determined to exist and the client company will not be eligible to apply unless/until the PEO Contract is terminated.