

## **Qualitative Overview: Major Market Players and Their Product Lines California's Individual Health Insurance Market Winter 2001 – Spring 2002**

Each of the five statewide carriers included in the study has a somewhat different approach to marketing individual coverage. A brief description by carrier is as follows:

- Blue Cross markets its individual program as PlanScape, offering in spring 2002 a choice of seven PPO benefit plans<sup>1</sup> — four lower-priced packages, three medium-priced packages — and an HMO program that is described as higher priced. Three lower-priced PPO options are underwritten by Blue Cross Life & Health, regulated by the DOI.<sup>2</sup> PlanScape includes one or two HMO plans, depending upon where an applicant lives. (HMO Saver, the lower priced option, is the only HMO available statewide.)
- Health Net's offerings in spring 2002 include four HMO, two POS, and seven PPO options. All of Health Net's PPO products are underwritten by its insurance arm, Health Net Life, which is DOI-regulated.
- Blue Shield relabeled its seven PPO plans in spring 2002, with all plans continuing to be offered under the aegis of DMHC. In addition, Blue Shield offers its Access+HMO through DMHC.
- PacifiCare offers three HMO and two POS options for individual applicants under DMHC, and as of spring 2002, no PPO coverage was available for individual enrollees.
- Kaiser Foundation Health Plan offers individual enrollees only one benefit package, an HMO plan known as Personal Advantage.

One feature of the individual insurance market worth noting is the disappearance of the large HMO players from rural markets. In Shasta County, as the study began, Blue Cross sold one low-option HMO product, Blue Shield two HMO products, and PacifiCare four HMO/POS products. Kaiser coverage was unavailable. By the study's end, PacifiCare had entirely withdrawn from the market, Blue Shield marketed only PPO products, and, as of June 2002, Blue Cross may have had the only available HMO.<sup>3</sup>

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<sup>1</sup> A review of the Blue Cross of California website, on June 22, 2002, showed a brochure for PlanScape, dated 7/1/2001, with a listing for 7 PlanScape PPOs - four lower-priced and three medium-price.

<sup>2</sup> According to its marketing materials, dated 12/1/01 for coverage effective 2/1/02, one medium-priced plan, PPO Share 1000, may also be underwritten by Blue Cross Life & Health.

<sup>3</sup> On September 25, 2001 Blue Cross issued an enrollee advisory that it had received approval from the Department of Managed Health Care "to discontinue renewing HMO plans in Shasta and Tehama Counties, beginning November 1, 2001." However, as late as June 24, 2002, rates for the HMO Saver plan were quoted on the Blue Cross web site for Shasta County (zip code 96049). Whether Blue Cross is actually signing up individuals in Shasta for its HMO product remains unknown.

## **Qualitative Overview: Major Market Players and their Product Lines California's Small Group Health Insurance Market Winter 2001 – Spring 2002**

Each of the six statewide carriers included in the study has a somewhat different approach to marketing of small group health insurance. A brief review of key changes between 2001-2002 is as follows:

**Aetna:** During the course of the study, Aetna was in the process of retooling its operations, and its benefit offerings, following a poor financial performance in 2000-2001. As reported in the *Wall Street Journal* (February 22, 2002), one strategy employed by Aetna nationally in its financial turnaround was to shed high cost employer groups. In California, Aetna ceased enrolling new groups in PacAdvantage in January, 2002, with formal elimination of its availability for continuing groups on July 1, 2002. Effective January 1, 2002, Aetna retooled its benefit programs for small groups, paring down its HMO options to three, plus offering three POS options, three PPOs, and a traditional indemnity program. Under the Aetna program, employers with two to 15 employees can offer only a single plan, with dual choice allowed for groups of 16 to 50. Additionally, for groups of 16 to 50, Aetna may be written when Kaiser is a separate offering, provided Aetna enrolls 60 percent of eligibles.

Nationwide, Aetna is also in the process of rolling out a new HealthFund (defined contribution) product. Under this arrangement, employers fund a specific dollar credit for employees to spend on health benefits of their choice; after this money is spent, employees must satisfy a high deductible before receiving additional health coverage. This plan is now being marketed in 24 states, including California, to self-insured and fully insured employers with more than 50 employees.

**Blue Cross:** Introduced prior to the start of this study, Blue Cross' FlexScape program has significantly changed the marketing of small group benefits in California. FlexScape is the first carrier-based program in California to offer employees multiple choice of health plans *combined with* four defined contribution options for employers. These contribution choices include: a monthly contribution of \$80 or \$100 per employee, a fixed amount in excess of \$100, and a fixed percentage, covering at least 50 percent or more of the total monthly employee cost. Depending upon the contribution strategy selected by the employer, employees have a choice of six to nine health benefit options, with employees paying the balance premium.<sup>1</sup> Employers also have the option of including dental benefits, term life, and disability benefits in the program.

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<sup>1</sup> A tenth plan, a low-cost Basic PPO Plan, is available only in special situations. A choice of 6 plans is offered to employers using the defined \$80 contribution; otherwise the choice is 9 plans.

As of spring 2002, Blue Cross' small group options, available through FlexScape or as stand-alone options, fall into three broad categories:

- Four lower priced plans (Basic PPO, High Deductible EPO, Saver PPO, and Saver HMO);<sup>2</sup>
- Two medium priced plans (PPOs with \$30 and \$40 copays); and
- Three higher priced options (HMO 100 percent, two PPOs with no deductibles and either a \$10 or \$20 copay).

For its PPO options, Blue Cross uses a two-tier hospital benefit for in-network services. That is, Blue Cross applies “Preferred” and “Participating” designations to contracting hospitals, with additional coinsurance and/or deductibles applied to the “Participating” category.

In terms of its underwriting approach, during the study period Blue Cross offered all new qualifying AB1672 groups of 10 to 50 employees an initial 12 month medical rate and benefit guarantee.<sup>3</sup> Blue Cross also permitted new employer groups to offer Kaiser coverage, subject to a minimum participation rate of 60 percent *and* a minimum of 15 employees enrolling with Blue Cross.<sup>4</sup> Finally, effective November 1, 2001, Blue Cross withdrew its HMO products from Shasta — a study site.

**Blue Shield of California:** Historically, Blue Shield has used a semi-annual rating cycle (July 1 and January 1). Benefit packages were renamed, effective January 1, 2002, and, effective April 1, 2002, a two tier hospital network was put in place for HMO, POS, and PPO contracts. Contracting hospitals were designated as Choice or Affiliated, with an additional \$100 copayment per day or an increased coinsurance rate of 10 percent for care at affiliated hospitals. Certain inpatient professional services, delivered by affiliated providers, also involved higher copayments.

Blue Shield offers small employers (2 to 9 employees) dual choice, with triple or quadruple choice limited to groups of 10 or more eligible enrolled employees. The triple and quadruple choices are prepackaged with specific Access+HMO Plans, 80/50 PPO plans, and 90/70 PPO plans. Available as part of any multiple plan package is Blue Shield's Access Baja HMO, a cross-border plan offered to employees residing in Tijuana and within a 40 mile radius of the United States/Mexican border.

**Health Net:** Health Net offers a wide range of options to small employers, with employers selecting from the following:

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<sup>2</sup> Blue Cross Saver PPO and Blue Cross Basic PPO are offered through Blue Cross Life & Health Insurance Company.

<sup>3</sup> After rate protection period expires, groups receive current market-based rates, which incorporate any premium increases that occurred during the rate protection period.

<sup>4</sup> When Kaiser is present, the employer may choose from one PPO and one HMO plan only.

- Traditional HMO coverage, with varying levels of copayment;
- ELECT Open Access plans where coverage is coordinated by a primary care HMO physician and the enrollee can directly access any specialist in the HMO network;
- Four types of POS coverage, depending on choice of primary care provider and contracting status of treating physicians;
- PPO coverage, underwritten by Health Net Life Insurance Company; and
- Flex Net Managed Indemnity, an alternative option for 10 percent or less of employees in an employer group, primarily for employees or retirees residing outside Health Net's California service area.

Employers can use one benefit option or select two different types as a dual-choice offering (HMO/POS, PPO/POS, or HMO/PPO).<sup>5</sup> Effective in 2002, employers can also offer two of the same plan types, subject to certain underwriting requirements. Health Net can also be written alongside another carrier (e.g., Kaiser), provided 50 percent of employees, with 10 employees as a minimum, sign up with Health Net. Health Net offers cross-border products (HMO, PPO, EPO), labeled Salud con Health Net, for employers in designated Southern California locations.

Effective January 1, 2002, Health Net withdrew its HMO and POS products in five Northern California counties. On May 1, 2002, Health Net added three new plans to its portfolio, with increased cost sharing for office visits, emergency room, hospital services, and prescription drugs.<sup>6</sup> On August 1, 2002, Health Net eliminated three of its plans with the lowest office copays (HMO 5, ELECT POS 5 and 10), along with a PPO with high cost sharing requirements (PPO Basic).

**Kaiser:** Kaiser offers new small group employers a choice of four plans, plus an "Added Choice" (POS) program. For the POS program, benefits not provided through the HMO are underwritten by the Kaiser Permanente Insurance Company and the provider network is administered by a separate preferred provider management company (CCN, formerly known as Community Care Network). For the HMO product line, there is limited differentiation across the four plans, based on the cost of brand drugs (\$15 to \$25), office visit copayments (\$5 to \$30)<sup>7</sup>, a hospital copayment for one plan (\$500) and optical coverage. During the study period, all plans saw an increase in cost of emergency room care and ambulance services (raised to \$50).

**PacifiCare:** PacifiCare offers employers a broad choice of options with varying copays and deductibles under its Elite and Premier product labels. However, PacifiCare does not offer small employers a suite of small group products from which employees select a

<sup>5</sup> For groups with employees outside the Health Net service area, Flex Net can be added to a dual-choice plan design.

<sup>6</sup> A fourth new Health Net option was scheduled for June 1, 2002.

<sup>7</sup> Effective January 1, 2002, Kaiser dropped the \$10 office visit copayment plan originally included in this study.

plan. Instead, employers can purchase a PPO plan on a standalone basis or as a dual option with one of PacifiCare's HMO plans. As of January 1, 2002, PacifiCare began offering a new Premier 30 HMO plan for small groups. Designed as "an affordable option," with a monthly premium approximately 25 percent lower than comprehensive HMO coverage, the plan contains several new features for PacifiCare:

- A split copayment system, with members paying \$30 for a primary care office visit and \$40 for a specialist visit;
- A hospital copayment of 30 percent (based on PacifiCare's contracted rate); and
- A managed care formulary, with members paying \$10 for covered generics and \$35 for covered brand-name drugs. (Coverage for non-formulary prescriptions was eliminated.)

Effective January 1, 2002, PacifiCare withdrew its HMO products (for individual, small group, and large group) from 11 non-urban counties in Northern and Central California and from selected zip codes in two other counties. At the same time, PacifiCare introduced its "Select Hospital" HMO program, whereby hospital benefits are paid in full at a limited set of hospitals while users of other contracting (but non-Select) hospitals incur a per diem copayment based on the plan selected by the employer. However, as of May 1, 2002, this Select Hospital program was offered only to medium- and large-sized groups (50+ employees). Finally, PacifiCare has begun to market a PPO product line using its Life and Health subsidiary.

**Benefits in California's Individual Health Plans  
At Two Points in Time:  
September 2001 and May 2002**

Note: Detail on benefit plans derived primarily from carrier marketing materials. Benefit plans, including coverage limitations and exclusions, are not fully presented in matrix below. Two classes of deductibles are presented: front-end general and benefit-specific.

<i>Health Plan</i>	<i>Time Period</i>	<i>Product Name</i>	<i>Type</i>	<i>OOP Max (1)</i>	<i>Deductible (2)</i>	<i>OVs - in Net</i>	<i>Other Profess.(3)</i>	<i>Rx Ded. (4)</i>	<i>Rx Copay (5)</i>	<i>ER-in-net</i>
Blue Cross (10)	Sep-01	Individual HMO	HMO	\$3,000	None	\$10	\$10	\$250 BD	\$10/\$25	\$50+20%
	May-02	Individual HMO* (17)	HMO	\$3,000	None	\$10	\$10	\$250 BD	\$10/\$30	\$50+20%
Blue Cross (10)	Sep-01	HMO Saver	HMO	\$3,000	see HD	\$10	\$10	\$250 BD	\$10/\$25	\$50+20%
	May-02	HMO Saver* (17)	HMO	\$3,000	see HD	\$10	\$10	\$250 BD	\$10/\$30	\$50+20%
Blue Shield (14)	Sep-01	Access+Value	HMO	not stated	\$1,500	\$10	\$10	None	\$10/\$25	\$50
	May-02	Access+HMO	HMO	\$3,000	\$1,500	\$10	\$10	None	\$10/\$30	\$50
Blue Shield (14)	Sep-01	Access+High	HMO	not stated	None	\$10	\$10	None	\$10/\$25	\$50
	May-02	see Access+HMO								
Health Net	Sep-01	HMO 15	HMO	\$2,500	None	\$15	\$15	None	\$15/\$25/\$35	\$75
	May-02	HMO 15	HMO	\$2,500	None	\$15	\$15	\$100	\$15/\$25/\$35	\$75
Health Net	Sep-01	HMO 40	HMO	\$2,500	see HD	\$40	\$40	None	\$15/\$25/\$35	\$100
	May-02	HMO 40	HMO	\$2,500	see HD	\$40	\$40	\$100	\$15/\$25/\$35	\$100
Health Net	Sep-01	Elect Open Access 15	HMO/POS	\$2,500	None	\$15	\$15	None	\$15/\$25/\$35	\$75
	May-02	Elect Open Access 15	HMO/POS	\$2,500	None	\$15	\$15	\$100	\$15/\$25/\$35	\$75
Kaiser	Sep-01	Personal Advantage	HMO	\$1,500	None	\$15	\$15 (11)	None	\$10	\$35
	May-02	Personal Advantage	HMO	not stated	None	\$15	\$15 (11)	None	\$10/\$25	\$50
PacifiCare	Sep-01	HMO 10	HMO	\$1,500	None	\$10	\$10 (11)	None	\$10/\$25	\$50
	May-02	HMO 10	HMO	\$1,500	None	\$10	\$10 (11)	None	\$10/\$25	\$50
PacifiCare	Sep-01	HMO 15	HMO	\$1,500	None	\$15	\$15 (11)	None	\$10/\$25	\$50
	May-02	HMO 15	HMO	\$1,500	None	\$15	\$15 (11)	None	\$10/\$25	\$50
PacifiCare	Sep-01	POS 500	HMO/POS	\$1500 in-net	None in-net	\$10	\$10 in-net	None	\$10/\$25	\$50
	May-02	POS 500 (15)	HMO/POS	\$1500 in-net	None in-net	\$10	\$10 in-net	None	\$10/\$25	\$50
PacifiCare	Sep-01	POS 1000	HMO/POS	\$1500 in-net	None in-net	\$10	\$10 in-net	None	\$10/\$25	\$50
	May-02	POS 1000 (15)	HMO/POS	\$1500 in-net	None in-net	\$10	\$10 in-net	None	\$10/\$25	\$50
Blue Cross L&H	Sep-01	PPO Saver	PPO	\$5,000	\$5000 + HD	2 visits @ \$30 (16)	None until OOP (13)	\$500 BD	\$10/\$25	\$30+20% NF
	May-02	PPO Saver (17)	PPO	\$5,000	\$5000 + HD	2 visits @ \$30 (16)	None until OOP (13)	\$500 BD	\$10/\$30	\$30+20% NF

Excerpted from October 2002 California HealthCare Foundation report, *Benefit and Premium Trends in California's Small Group and Individual Markets: August 2001-May 2002*, by Joan B. Trauner, Ph.D.

## Benefits in California's Individual Health Plans

### At Two Points in Time:

### September 2001 and May 2002

Note: Detail on benefit plans derived primarily from carrier marketing materials. Benefit plans, including coverage limitations and exclusions, are not fully presented in matrix below. Two classes of deductibles are presented: front-end general and benefit-specific.

Health Plan	Time Period	Product Name	Type	Hosp. Ded. (6)	Inpt Hosp (7)	Hosp.Outpt Surg	Maternity (8)	General Notes
Blue Cross (10)	Sep-01	Individual HMO	HMO	None	None	20% NF	\$1,000	<p>(1) OOP Maximum is for single individual. Some carriers exclude specific costs (e.g., fertility, prescription drug, maternity) or increase OOP Max for care by non-preferred providers. Some itemized deductibles may apply to OOP</p> <p>(2) <i>Annual deductible</i> is for single enrollee and may increase for care by non-preferred/non-HMO providers.</p> <p>(3) Includes lab, x-ray, and other diagnostic services. In some plans, specialty physician visits may also fall into this category.</p> <p>(4) Separate Rx deductibles may exist for specific drugs (e.g., fertility drugs).</p> <p>(5) Generic/brand drugs/non-formulary (NFm) drugs May have annual dollar limit on drug spending (\$500-\$1000).</p> <p>(6) In-network benefits only. May also apply to outpatient surgery and ambulatory surgery centers. Added penalties for non-authorized services. Maternity costs are separate.</p> <p>(7) In-network hospital; if 2 tier, another rate may prevail. Some carriers have maximum per diem allowance for 2nd tier.</p> <p>(8) Hospital or professional deductible (depending on carrier).</p> <p>(9) Blue Cross has \$500 admission charge for 2nd tier</p>
	May-02	Individual HMO* (17)	HMO	None	None	20% NF	\$1,000	
Blue Cross (10)	Sep-01	HMO Saver	HMO	\$1500/year	None	20% NF+HD	\$1,000	
	May-02	HMO Saver* (17)	HMO	\$1500/year	None	20% NF+HD	\$1,000	
Blue Shield (14)	Sep-01	Access+Value	HMO	None	None	\$100/visit	see annual D	
	May-02	Access+HMO	HMO	None	None	\$150/visit	see annual D	
Blue Shield (14)	Sep-01	Access+High	HMO	None	None	\$100/visit	\$1,000	
	May-02	see Access+HMO						
Health Net	Sep-01	HMO 15	HMO	None	None	None	\$1,500	
	May-02	HMO 15	HMO	None	None	None	\$1,500	
Health Net	Sep-01	HMO 40	HMO	\$2000/year	None	None	\$2000+ HD	
	May-02	HMO 40	HMO	\$2000/year	None	None	\$2000 + HD	
Health Net	Sep-01	Elect Open Access 15	HMO/POS	None	None	None	\$1,500	
	May-02	Elect Open Access 15	HMO/POS	None	None	None	\$1,500	
Kaiser	Sep-01	Personal Advantage	HMO	None	None	\$15	None	
	May-02	Personal Advantage	HMO	None	None	\$15	\$500	
PacifiCare	Sep-01	HMO 10	HMO	None	None	None	\$1,000	
	May-02	HMO 10	HMO	None	None	None	\$1,000	
PacifiCare	Sep-01	HMO 15	HMO	\$250	20% NF	\$250+20% NF	\$1000+20% NF	
	May-02	HMO 15	HMO	\$250	20% NF	\$250+20% NF	\$1000+20% NF	
PacifiCare	Sep-01	POS 500	HMO/POS	None in-net	None in-net	None in-net	\$1,000	
	May-02	POS 500 (15)	HMO/POS	None in-net	None in-net	None in-net	\$1,000	
PacifiCare	Sep-01	POS 1000	HMO/POS	None in-net	None in-net	None in-net	\$1,000	
	May-02	POS 1000 (15)	HMO/POS	None in-net	None in-net	None in-net	\$1,000	
Blue Cross L&H	Sep-01	PPO Saver	PPO	\$500 + (9)	20% NF	20% NF	Not covered	
	May-02	PPO Saver (17)	PPO	\$500 + (9)	20% NF	20% NF	Not covered	

Excerpted from October 2002 California HealthCare Foundation report, *Benefit and Premium Trends in California's Small Group and Individual Markets: August 2001-May 2002*, by Joan B. Trauner, Ph.D.

**Benefits in California's Individual Health Plans  
At Two Points in Time:  
September 2001 and May 2002**

Note: Detail on benefit plans derived primarily from carrier marketing materials. Benefit plans, including coverage limitations and exclusions, are not fully presented in matrix below. Two classes of deductibles are presented: front-end general and benefit-specific.

<i>Health Plan</i>	<i>Time Period</i>	<i>Product Name</i>	<i>Type</i>	<i>OOP Max (1)</i>	<i>Deductible (2)</i>	<i>OVs - in Net</i>	<i>Other Profess.(3)</i>	<i>Rx Ded. (4)</i>	<i>Rx Copay (5)</i>	<i>ER-in-net</i>
Blue Cross L&H	Sep-01	Basic PPO 1000	PPO	\$3,500	\$1,000	None until OOP	None until OOP (13)	Not covered	Not covered	\$30+20% NF
	May-02	Basic PPO 1000 (17)	PPO	\$3,500	\$1,000	None until OOP	None until OOP (13)	Not covered	Not covered	\$30+20% NF
Blue Cross L&H	Sep-01	n/a								
	May-02	Share 5000 (17)	PPO	\$7,500	\$5,000	30% NF	30%NF	\$750 BD	\$10/\$35	\$30+30% NF
Blue Cross	Sep-01	Share 2500	PPO	\$5,000	\$2,500	25% NF	25% NF	\$500 BD	\$10/\$25	\$30+25% NF
	May-02	Share 2500* (17)	PPO	\$5,000	\$2,500	25% NF	25% NF	\$500 BD	\$10/\$25	\$30+25% NF

**Benefits in California's Individual Health Plans  
At Two Points in Time:  
September 2001 and May 2002**

Note: Detail on benefit plans derived primarily from carrier marketing materials. Benefit plans, including coverage limitations and exclusions, are not fully presented in matrix below. Two classes of deductibles are presented: front-end general and benefit-specific.

<i>Health Plan</i>	<i>Time Period</i>	<i>Product Name</i>	<i>Type</i>	<i>Hosp. Ded. (6)</i>	<i>Inpt Hosp (7)</i>	<i>Hosp. Outpt Surg</i>	<i>Maternity (8)</i>	<i>General Notes</i>
Blue Cross L&H	Sep-01	Basic PPO 1000	PPO	None (9)	20% NF	20% NF	Not covered	hospital.
	May-02	Basic PPO 1000 (17)	PPO	None (9)	20% NF	20% NF	Not covered	
Blue Cross L&H	Sep-01	n/a						(10) Blue Cross Individual HMO available only in select Southern California counties; Saver HMO available statewide.
	May-02	Share 5000 (17)	PPO	None (9)	30%NF	30% NF	\$1000+30% NF	
Blue Cross	Sep-01	Share 2500	PPO	None (9)	25% NF	25% NF	\$1000+25% NF	(11) Copay for other physician services but lab/x-ray at no charge.
	May-02	Share 2500* (17)	PPO	None (9)	25% NF	25% NF	\$1000+25% NF	

**Benefits in California's Individual Health Plans  
At Two Points in Time:  
September 2001 and May 2002**

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<i>Health Plan</i>	<i>Time Period</i>	<i>Product Name</i>	<i>Type</i>	<i>OOP Max (1)</i>	<i>Deductible (2)</i>	<i>OVs - in Net</i>	<i>Other Profess.(3)</i>	<i>Rx Ded. (4)</i>	<i>Rx Copay (5)</i>	<i>ER-in-net</i>
Blue Cross	Sep-01	Share 1500	PPO	\$4,000	\$1,500	25% NF	25% NF	\$250 BD	\$10/\$25	\$30+25% NF
	May-02	Share 1500* (17)	PPO	\$4,000	\$1,500	25% NF	25% NF	\$250 BD	\$10/\$25	\$30+25% NF
Blue Cross	Sep-01	Share 1000	PPO	\$4,000	\$1,000	25% NF	25% NF	\$250 BD	\$10/\$25	\$30+25% NF
	May-02	Share 1000* (17)	PPO	\$4,000	\$1,000	25% NF	25% NF	\$250 BD	\$10/\$25	\$30+25% NF
Blue Cross	Sep-01	Share 500	PPO	\$4,000	\$500	25% NF	25% NF	\$250 BD	\$10/\$25	\$30+25% NF
	May-02	Share 500* (17)	PPO	\$4,000	\$500	25% NF	25% NF	\$250 BD	\$10/\$25	\$30+25% NF
Blue Cross	Sep-01	EPO (MSA)	PPO	\$3,000	\$2,400	50% NF	50% NF	see annual D	15%/35%	50% NF
	May-02	EPO (MSA)	PPO	\$3,000	\$2,400	50% NF	50% NF	see annual D	15%/35%	50% NF
Blue Shield (14)	Sep-01	\$25 Plan	PPO	\$3,500	None	\$25	\$25 or 20% (12)	\$250 BD	\$10/\$25/\$45	\$75
	May-02	\$500 Deduct.	PPO	\$3,500	\$500	\$30	\$30 or 25% (12)	\$250 BD	\$7/\$25/\$45+10%	25%
Blue Shield (14)	Sep-01	\$35 Plan	PPO	\$3,500	None	\$35	\$35 or 30% (12)	\$250 BD	\$10/\$25/\$45	\$75
	May-02	\$750 Deduct.	PPO	\$4,000	\$750	\$35	\$35 or 30% (12)	\$250 BD	\$10/\$30/\$45+10%	30%
Blue Shield (14)	Sep-01	\$45 Plan	PPO	\$3,500	None	\$45	\$45 or 40% (12)	\$250 BD	\$10/\$25/\$45	\$75
	May-02	see \$750 Deduct.								
Blue Shield (14)	Sep-01	\$1000 Deductible Plan	PPO	\$3,500	\$1,000	\$35	\$35 or 20% (12)	\$250 BD	\$10/\$25/\$45	\$75
	May-02	\$1500 Deduct.	PPO	\$4,500	\$1,500	\$40	\$40 or 30% (12)	\$250 BD	\$7/\$25+10%/\$45+10%	30%
Blue Shield (14)	Sep-01	\$2000 Deductible Plan	PPO	\$3,500	\$2,000	\$45	\$45 or 20% (12)	\$250 BD	\$10/\$25/\$45	\$100
	May-02	\$2000 Deduct.	PPO	\$5,000	\$2,000	\$45	\$45 or 30% (12)	\$250 BD	\$10/\$30+10%/\$45+10%	30%
Blue Shield (14)	Sep-01	Preferred Svgs. \$1650	PPO	\$3,000	\$1,650	\$30 or 20% (18)	20%	see annual D	20%	\$50+20%
	May-02	Preferred Saving \$1700	PPO	\$3,000	\$1,700	\$30 or 30% (18)	30%	see annual D	30%	\$50+30%
Blue Shield (14)	Sep-01	Preferred Svgs. \$2250	PPO	\$3,000	\$2,250	\$30 or 20% (18)	20%	see annual D	20%	\$50+20%
	May-02	Preferred Savings \$2400	PPO	\$3,000	\$2,400	\$30 or 30% (18)	30%	see annual D	30%	\$75+30%
Health Net	Sep-01	Value PPO 1000	PPO	\$3,000	\$1,000	covered in full after OOP max is met		\$100	\$15/\$35	25%
	May-02	Value PPO 1000	PPO	\$3,000	\$1,000	covered in full after OOP max is met		\$100	\$15/\$35	25%
Health Net	Sep-01	Value PPO 500	PPO	\$2,500	\$500	2 visits @ \$20 (16)	None until OOP	\$100	\$15/\$35	\$75+20%
	May-02	Value PPO 500	PPO	\$2,500	\$500	2 visits @ \$20 (16)	None until OOP	\$100	\$15/\$35	20%
Health Net	Sep-01	Value PPO 2500	PPO	\$2500 (ded.)	\$2,500	covered in full after deductible		\$100	\$10/\$35	covered in full
	May-02	Value PPO 2500	PPO	\$2500 (ded.)	\$2,500	covered in full after deductible		\$100	\$10/\$35	after deductible

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**Benefits in California's Individual Health Plans  
At Two Points in Time:  
September 2001 and May 2002**

Note: Detail on benefit plans derived primarily from carrier marketing materials. Benefit plans, including coverage limitations and exclusions, are not fully presented in matrix below. Two classes of deductibles are presented: front-end general and benefit-specific.

<i>Health Plan</i>	<i>Time Period</i>	<i>Product Name</i>	<i>Type</i>	<i>Hosp. Ded. (6)</i>	<i>Inpt Hosp (7)</i>	<i>Hosp.Outpt Surg</i>	<i>Maternity (8)</i>	<i>General Notes</i>
Blue Cross	Sep-01	Share 1500	PPO	None (9)	25% NF	25% NF	\$1000+25% NF	(12) Sept. '01 has % copay for lab, x-ray and diagnostics, and for inpatient professional services. May 2002 has routine screening lab at \$ copay and inpatient professional services at % copay.
	May-02	Share 1500* (17)	PPO	None (9)	25% NF	25% NF	\$1000+25% NF	
Blue Cross	Sep-01	Share 1000	PPO	None (9)	25% NF	25% NF	\$1000+25% NF	(13) Inpatient physician services at 20% NF. Otherwise, no benefits until OOP max is met.
	May-02	Share 1000* (17)	PPO	None (9)	25% NF	25% NF	\$1000+25% NF	
Blue Cross	Sep-01	Share 500	PPO	None (9)	25% NF	25% NF	\$1000+25% NF	(14) Effective 4/1/02, Blue Shield initiated a two tier hospital net-work, with increased coinsurance & copays for use of lower tier facilities (and its physicians). Use of 2nd tier generally adds \$100 or 10% to outpatient surgery charges and \$100 day or 10% to inpatient (non-emergency) costs.
	May-02	Share 500* (17)	PPO	None (9)	25% NF	25% NF	\$1000+25% NF	
Blue Cross	Sep-01	EPO (MSA)	PPO	None (9)	50%	50% NF	50% NF	(15) Primary difference between two PacifiCare POS products is \$500 deductible OON for POS 500 and \$1000 deductible OON for POS 1000.
	May-02	EPO (MSA)	PPO	None (9)	50%	50% NF	50% NF	
Blue Shield (14)	Sep-01	\$25 Plan	PPO	None (14)	\$250/day	\$250+20%	\$1000 for MD	(16) 2 adult/4 child office visits until OOP max is met, then covered OON in full.
	May-02	\$500 Deduct.	PPO	None (14)	25%	\$250+25%	\$1000 for MD	
Blue Shield (14)	Sep-01	\$35 Plan	PPO	None (14)	\$250/day	\$250+30%	\$1000 for MD	(17) Implementation of some plan changes announced by Blue Cross, for effective date of 2/1/2002 were delayed until 4/1/2002 or later. Benefits for plans with * are those reported as of 12/31/02, since actual date when changes went into effect remains unknown.
	May-02	\$750 Deduct.	PPO	None (14)	30%	\$250+30%	\$1000 for MD	
Blue Shield (14)	Sep-01	\$45 Plan	PPO	None (14)	\$250/day	\$250+40%	\$1000 for MD	(18) Annual adult physical at fixed dollar copay; otherwise at percentage copay.
	May-02	see \$750 Deduct.						
Blue Shield (14)	Sep-01	\$1000 Deductible Plan	PPO	None (14)	20%	20%	\$1000 for MD	
	May-02	\$1500 Deduct.	PPO	None (14)	30%	30%	\$1000 for MD	
Blue Shield (14)	Sep-01	\$2000 Deductible Plan	PPO	None (14)	20%	20%	\$1000 for MD	
	May-02	\$2000 Deduct.	PPO	None (14)	30%	30%	\$1000 for MD	
Blue Shield (14)	Sep-01	Preferred Svgs. \$1650	PPO	None (14)	20%	20%	20%	
	May-02	Preferred Saving \$1700	PPO	None (14)	30%	30%	30%	
Blue Shield (14)	Sep-01	Preferred Svgs. \$2250	PPO	None (14)	20%	20%	20%	
	May-02	Preferred Savings \$2400	PPO	None (14)	30%	30%	30%	
Health Net	Sep-01	Value PPO 1000	PPO	None	25%	25%	Not covered	
	May-02	Value PPO 1000	PPO	None	25%	25%	Not covered	
Health Net	Sep-01	Value PPO 500	PPO	None	20%	20% (15)	Not covered	
	May-02	Value PPO 500	PPO	None	20%	20% (15)	Not covered	
Health Net	Sep-01	Value PPO 2500	PPO	inpt/outpt covered in full after deductible is met			\$1250 & ded.	
	May-02	Value PPO 2500	PPO	inpt/outpt covered in full after deductible is met			\$1250 & ded.	

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**Benefits in California's Individual Health Plans  
At Two Points in Time:  
September 2001 and May 2002**

Note: Detail on benefit plans derived primarily from carrier marketing materials. Benefit plans, including coverage limitations and exclusions, are not fully presented in matrix below. Two classes of deductibles are presented: front-end general and benefit-specific.

<i>Health Plan</i>	<i>Time Period</i>	<i>Product Name</i>	<i>Type</i>	<i>OOP Max (1)</i>	<i>Deductible (2)</i>	<i>OVs - in Net</i>	<i>Other Profess.(3)</i>	<i>Rx Ded. (4)</i>	<i>Rx Copay (5)</i>	<i>ER-in-net</i>
Health Net	Sep-01	Value PPO No Deductible	PPO	\$4,000	None	\$40	35%	None	\$10//\$30	35%
	May-02	Value PPO No Deductible	PPO	\$4,500	None	\$40	40%	\$100	\$10/\$30	40%
Health Net	Sep-01	Value PPO 20	PPO	\$2,000	\$1,000	\$20	20%	None	\$10/\$35	\$75+20%
	May-02	Value PPO 20	PPO	\$3,000	\$1,000	\$20	20%	\$100	\$10/\$35	\$30
Health Net	Sep-01	Executive PPO 20	PPO	\$2,000	\$500	\$20	20%	None	\$10/\$35	\$75+20%
	May-02	Executive 20	PPO	\$2,000	\$500	\$20	20%	\$100	\$10/\$35	\$75+20%
Health Net	Sep-01	Optimum PPO 10	PPO	\$2,000	None in-network	\$10	10%	None	\$10/\$15/50%	10%
	May-02	Optimum PPO 10	PPO	\$2,000	None in network	\$10	10%	\$100	\$10/\$15/50%	10%

**Benefits in California's Individual Health Plans  
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Note: Detail on benefit plans derived primarily from carrier marketing materials. Benefit plans, including coverage limitations and exclusions, are not fully presented in matrix below. Two classes of deductibles are presented: front-end general and benefit-specific.

<i>Health Plan</i>	<i>Time Period</i>	<i>Product Name</i>	<i>Type</i>	<i>Hosp. Ded. (6)</i>	<i>Inpt Hosp (7)</i>	<i>Hosp. Outpt Surg</i>	<i>Maternity (8)</i>	<i>General Notes</i>
Health Net	Sep-01	Value PPO No Deductible	PPO	None	35%	35%	\$1500+35%	<u>Abbreviations:</u> D Deductible HD Hospital Deductible POS Point-of-service BD Brand Name Deductible OOP Out-of-pocket Rx Prescription Drug OON Out of Network NF Negotiated Fee
	May-02	Value PPO No Deductible	PPO	None	40%	40%	\$1500+40%	
Health Net	Sep-01	Value PPO 20	PPO	None	20%	20%	\$1250+20%	
	May-02	Value PPO 20	PPO	None	20%	20%	\$1250+20%	
Health Net	Sep-01	Executive PPO 20	PPO	None	20%	20%	\$1250+20%	
	May-02	Executive 20	PPO	None	20%	20%	\$1250+20%	
Health Net	Sep-01	Optimum PPO 10	PPO	None	10%	10%	\$1000+10%	
	May-02	Optimum PPO 10	PPO	None	10%	10%	\$1000+10%	

## Benefit Descriptions, Small Group Health Plans At Two Points in Time: September 2001 and May 2002

Important Notes: Detail on benefit plans derived primarily from carrier marketing materials. Coverage limitations and exclusions are not fully presented in matrix below. Two classes of deductibles are presented: front-end general and benefit specific. Coinsurance applies only to PPO products, not HMO-based plans.

Health Plan	Time period	Product Name	OOP Max (1)	Deductible (2)	Co-insurance	OVs - in Net	Rx Ded. (3)	Rx Copay (4)	ER-in-net	Hosp. Ded.	Inpt Hosp (5)	Outpt Surg (5)
<b>HMO</b>												
Aetna	Sep-01	Patriot X-X	\$1,500	None	----	\$10	None	\$10/\$20/\$35NF	\$50	None	No Charge	No Charge
	May-02	Premier 10	\$1,500	None	----	\$10	None	\$10/\$20/\$35NF	\$50	None	No Charge	No Charge
Aetna	Sep-01	Value Plus XV-XV	\$1,500	None	----	\$15	None	\$10/\$20/\$35NF	\$50	\$240/admit	see HD	\$100/admit
	May-02	Standard 15	\$1,500	None	----	\$15	None	\$10/\$20/\$35NF	\$50	\$350/admit	see HD	\$150/admit
Blue Cross	Sep-01	HMO 100%	\$1,750	None	----	\$10	\$150 brand Rx	\$10/\$20	\$50	None	No Charge	No charge
	May-02	HMO 100%	\$1,750	None	----	\$10	\$150 brand Rx	\$10/\$20	\$50	None	No Charge	No charge
Blue Cross	Sep-01	HMO Saver	\$2,250	see HD	----	\$10	\$150 brand Rx	\$10/\$25	\$50	\$1500 (6)	see HD	see HD
	May-02	HMO Saver	\$2,250	see HD	----	\$10	\$150 brand Rx	\$10/\$25	\$50	\$1500 (6)	see HD	see HD
Blue Shield (8)	Sep-01	Plan D	\$2,500	None	----	\$15/\$30 (7)	None	\$10/\$25F	\$50	None	80% of allowed	\$100/visit
	May-02	\$15 Copay	\$2,500	None	----	\$15/\$30 (7)	\$250 brand Rx	\$15/\$25F	\$100	\$500 day/up to 3 days (9)		\$300/surgery
Blue Shield (8)	Sep-01	Plan E	\$1,000	None	----	\$10/\$30 (7)	None	\$10/\$15F	\$50	None	No Charge	\$50/visit
	May-02	\$10 Copay 100% Inpt	\$1,000	None	----	\$10/\$30 (7)	None	\$10/\$15F	\$50	None	No Charge	\$50/visit
Health Net	Sep-01	Plan 15	\$1,500	None	----	\$15	None	\$10/\$20/\$35NF	\$50	None	20%	20%
	May-02	Plan 15	\$1,500	None	----	\$15	None	\$10/\$20/\$35NF	\$50	None	20%	20%
Health Net	Sep-01	Open Access 10	\$1,500	None	----	\$10/\$30 (7)	None	\$10/\$20/\$35NF	\$50	None	No Charge	No Charge
	May-02	Open Access 10 HMO	\$1,500	None	----	\$10/\$30 (7)	None	\$10/\$20/\$35NF	\$50	None	No Charge	No Charge
Kaiser	Sep-01	Plan 3/C	\$1,500	None	----	\$10	None	\$7F	\$35	None	No Charge	No Charge
	May-02	not matched										
Kaiser	Sep-01	Plan 4/D	\$1,500	None	----	\$15	None	\$10F	\$35	None	No Charge	No Charge
	May-02	Plan 15	\$1,500	None	----	\$15	None	\$10/\$20	\$50	None	No Charge	No Charge
PacifiCare	Sep-01	Elite 15	\$1,500	None	----	\$15	None	\$10/\$20/\$25NF	\$50	\$250/admit	see HD	\$250/admit
	May-02	Elite 15	\$1,500	None	----	\$15	None	\$10/\$20/\$25NF	\$50	\$250/admit	see HD	\$250/admit
PacifiCare	Sep-01	Premier 10	\$1,000	None	----	\$10	None	\$10/\$25/\$35NF	\$50	None	No Charge	No Charge
	May-02	Elite 10	\$1,000	None	----	\$10	None	\$10/\$20/\$25NF	\$50	None	No Charge	No Charge

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## Benefit Descriptions, Small Group Health Plans At Two Points in Time: September 2001 and May 2002

<b>PPO</b>		<b>(10)</b>										
Aetna	Sep-01	Plan A	\$1,000	\$250	10%/30%	\$10	None	\$10/\$20/\$35NF	10%	None (15)	10%	10%
	May-02	Premier Open Choice 90/70	\$2,000	\$250	10%/30%	\$10	None	\$10/\$20/\$35NF	\$50+10%	None (15)	10%	10%
Blue Cross	Sep-01	Premier \$10 Copay	\$2,000	None	10%/30%	\$10 (12, 13)	None	\$5/\$10	\$50+10%	None	10% (14)	10% (14)
	May-02	Premier \$10	\$2,000	None	10%/30%	\$10 (12, 13))	None	\$5/\$10	\$50+10%	None	10% (14)	10% (14)
Blue Shield (9)	Sep-01	90/70, \$250 D	\$2,000	\$250	10%/30%	\$15	None	\$10/\$20/\$35NF	\$75	None (15)	10%	10%
	May-02	Preferred 90/70, \$15	\$2,000	\$250	10%/30%	\$15	None	\$10/\$20/\$35NF	\$50+10%	None (15)	10% (11)	10% (11)
Health Net	Sep-01	Optimum 10	\$2,000	None	10%/30%	\$10	None	\$10/\$15/50%NF	\$10+10%	None	10%	10%
	May-02	Optimum 10	\$2,000	None	10%/30%	\$10	None	\$10/\$15/50%NF	10%	None	10%	10%
PacifiCare	Sep-01	Elite PPO 250	\$4,000	\$250	20%/30%	\$15	None	\$10/\$30	\$50+20%	None (15)	20%	20%
	May-02	Elite PPO 250	\$4,000	\$250	20%/30%	\$15	None	\$10/\$30	\$50+20%	None (15)	20%	20%

### General Notes

- (1) OOP Maximum is for single individual. Some carriers exclude specific costs (e.g., fertility, prescription drug, maternity) or increase OOP Max for care by non-preferred providers.
- (2) *Annual deductible*, not per service deductible. Itemized deductibles may not apply to OOP Max, depending on carrier. Annual deductibles may increase for care by non-preferred providers.
- (3) Separate Rx deductibles may exist for specific drug categories (e.g., fertility drugs).
- (4) Generic/brand drugs/non-formulary (NF) drugs.
- (5) *In-network services*. Separate penalties for non-authorized services are not listed.
- (6) Applies to inpatient/outpatient hospital and ambulatory surgery.
- (7) In-network provider with referral/in-network POS self-referral.
- (8) Effective 4/1/02, Blue Shield set up 2 tiers of in-network professional and hospital providers: Choice and Affiliated. Listed percentages are for Choice providers, which have lowest cost-sharing.
- (9) Hospital deductible is for a maximum of 3 days, with additional charge of \$100/day for care at an Affiliated hospital.
- (10) First listing is percentage for preferred providers, based on negotiated fees. Second listing is percentage for non-preferred providers where carriers pay percentage of negotiated fee or of customary and reasonable, with patient paying all excess charges.
- (11) Requires extra 10% copay for care in *Affiliated* hospital.
- (12) For initial 12 visits; then at 30% of negotiated fee.
- (13) Maternity, diagnostic lab, and x-ray at 10% of negotiated fee. Physical exams at \$10 plus 10% NF.
- (14) Blue Cross has 2nd tier of PPO hospitals, known as Participating Hospitals, which have a \$500 admission fee plus 10% coinsurance.
- (15) Inpatient hospital and outpatient surgery are subject to annual deductible.

### Abbreviations:

NF	Negotiated fee	OOP	Out-of-pocket	F	Formulary	HD	Hospital deductible	D	Deductible
Rx	Prescription drug	POS	Point of service						

**Premium Ratios: Age 60 Compared to Age 20  
Individual Health Insurance in California  
May 2002**

	<i>N</i>	<i>Ratio of Premiums Age 60:Age 20</i>	
		<i>Los Angeles</i>	<i>San Francisco</i>
<b><i>HMOs</i></b>			
Blue Cross HMO	1	1.94	2.00
Blue Shield HMO	1	2.75	2.75
Health Net HMOs	2	2.88	2.83
Kaiser	1	2.05	2.23
PacifiCare	4	3.16	3.16
<b><i>PPOs</i></b>			
Blue Cross PPOs	8	4.14	4.14
Blue Shield PPOs	6	4.98	4.95
Health Net PPOs	7	4.75	4.66

*Notes:*

Premium ratio = premium for age 60 individual / premium for age 20 individual.

N = number of HMO or PPO products for which ratios were calculated.

When N > 1, the premium ratio shown in the table is the median of the plan premium ratios.

**Regional Price Differences  
San Francisco vs. Los Angeles Counties - May 2002**

**Selected Small Group Products Premium Comparison<sup>1</sup>**

<i>HMOs</i>	<i>San Francisco Premiums as % of Los Angeles</i>
Aetna Standard 15	124%
Blue Cross HMO 100%	116%
Blue Shield \$15 Copay	120%
Health Net Plan 15	118%
Kaiser Plan 15	101%
PacifiCare Elite 15	124%
<i>PPOs</i>	
Aetna Open Choice 90/70	72%
Blue Cross Premier	77%
Blue Shield 90/70-\$250 Ded	81%
Health Net Optimum 10	85%
PacifiCare Elite PPO 250	96%

**Individual Health Insurance Comparison of Average Premiums<sup>2</sup>**

<i>HMOs<sup>3</sup></i>	<i>Age 20</i>	<i>Age 30</i>	<i>Age 40</i>	<i>Age 50</i>	<i>Age 60</i>
Average HMO Premium					
San Francisco	\$170	\$226	\$264	\$340	\$482
Los Angeles	\$153	\$198	\$235	\$306	\$427
<i>SF premiums as % of LA</i>	<i>111%</i>	<i>114%</i>	<i>112%</i>	<i>111%</i>	<i>113%</i>
<i>PPOs<sup>4</sup></i>					
Average PPO Premium					
San Francisco	\$69	\$96	\$147	\$229	\$314
Los Angeles	\$91	\$126	\$194	\$303	\$419
<i>SF premiums as % of LA</i>	<i>76%</i>	<i>76%</i>	<i>76%</i>	<i>76%</i>	<i>75%</i>

<sup>1</sup> Excerpted from tables 5 and 8 in Part I of the full report.

<sup>2</sup> Excerpted from tables 10 and 11 in Part II of the full report.

<sup>3</sup> Average HMO premium reflects a total of 10 HMOs from five health plans (Blue Cross, Blue Shield, Health Net, Kaiser, PacifiCare).

<sup>4</sup> Average PPO premium reflects 21 PPOs from three health plans (Blue Cross, Blue Shield, Health Net).

**Sales Commissions and Incentives  
In California's Health Insurance Markets  
Winter 2001 - Spring 2002**

Sales commissions in the small group market are reported at between 7 and 10 percent of the initial year's premium, depending on the health plan. Commissions for individual insurance are reported at 15 to 20 percent of the initial year's premium, depending on the health plan. In subsequent years, the commission is smaller; for example, it is often half of the initial year in the case of individual insurance.

Commission structures can have many variations. Commissions for small groups are often graded. A graded commission structure involves setting different percentages based on the total premiums collected by the carrier from each group for the entire contract year. For example, the first \$30,000 or \$50,000 in annual premiums may yield a commission of 10 percent, the next \$30,000 to \$50,000 may be paid a commission of 7 percent, and the next tier paid 5 percent. In some cases, carriers also pay different commission levels based on the total subscribers that an agent/broker has placed with that carrier (across all employer groups).

Plans use a broad range of approaches to encourage agents/brokers to sell their products. For example, in addition to a standard commission schedule, carriers may designate certain months for sales campaigns, offering one-time cash bonuses for each new group sale above a minimum size (e.g., 10, 15, or 20 employees). These bonuses may be paid on a group basis (e.g., \$250 to \$500 per group), subject to a maximum payout, or by number of new enrollees (e.g., \$15 to \$18 per qualifying member). Plans may also offer incentive travel programs for their top-producing brokers.

***Additional Information:***

Jackson, Leslie Conwell, "The Role of Health Insurance Brokers", *Issue Brief No. 57*, Washington, DC, Center for Studying Health System Change, October 2002, [www.hschange.org](http://www.hschange.org)

**Participation and Enrollment Guidelines  
for Small Groups\*  
Winter 2001 – Spring 2002**

In winter 2001 and spring 2002, health plans in California maintained specific requirements for small groups with respect to most or all of the following:

- Minimum percentage of eligible employees signing up for coverage, typically 70 to 75 percent, excluding spouses that are covered through another employer. (Health plans may have a slightly lower minimum enrollment requirement, e.g., 60 percent, if Kaiser is offered as another health plan choice.)
- Percentage of the total group located in California (e.g., 51 percent or more).
- A minimum employer contribution towards the employee-only rate (e.g., 50 percent). Minimum contributions for dependent coverage are not usually stipulated.
- Definition of "eligible employees" (e.g., permanent employees, working at least 20 to 30 hours a week, for whom a W-2 form is filed with the IRS). Typically excluded are independent contractors, individuals working less than 20 hours a week, and those individuals hired on a seasonal, leased, or substitute basis.
- Presence of workers' compensation coverage.

Health plans may require completion of individual employee health questionnaires for very small groups (e.g., fewer than 10 employees) and may require employer-level health questionnaires for larger groups.

\* Minimum group size of 2