



Small Group FAQ

Eligibility Requirements

Q. What are the general employee requirements to apply for group coverage?

An employer must employ at least one eligible employee consisting of a common-law employee or, for instance, a bona fide partner.

The employer must offer coverage to all eligible employees working the defined hours per week requirement selected by the employer, without any additional classification restrictions. The defined hours per week requirement must be at least 20 hours per week.

At least one eligible employee working the defined hours per week must actually be enrolled in the group plan. However, see Q4, below.

Q. What is a common-law employee?

This depends upon the particular facts, but in general, under common-law rules, an individual who performs services for an employer is an employee if the employer controls the work that will be done and how it will be done.

An employer must properly classify individuals as either employees or independent contractors. Generally, an employer must withhold income taxes, withhold and pay Social Security and Medicare taxes, and pay unemployment tax on wages paid to an employee.

Questions concerning whether an individual is a common law-employee should be reviewed with an accountant or attorney.

Q. What is a bona fide partner?

Under the common-law employee standard, partners in a partnership are generally not considered employees. The exception to this rule would be for "bona fide" partners. The determination of whether or not a partner is "bona fide" is based on all the relevant facts and circumstances, which may include, for instance, what services, if any, the individual actually performs on behalf of the partnership.

A bona fide partner would be treated as an employee for purposes of coverage purchased by a partnership. A non-bona fide partner is someone who does not meet the test of a bona fide partner.

Questions concerning whether an individual is a bona fide partner should be reviewed with an accountant or attorney.



Q. What rules apply to an entity that is wholly owned by an individual or by the individual and his or her spouse?

Pursuant to Department of Labor regulations, “an individual and his or her spouse shall not be deemed to be employees with respect to a trade or business ... which is wholly owned by the individual or by the individual and his or her spouse” and “a partner in a partnership and his or her spouse shall not be deemed to be employees with respect to the partnership.”

Where a plan covers **exclusively** the owner of the trade or business and/or his or her spouse, an employee welfare benefit plan (and thus a group health plan) does not exist, and the individual(s) is/are not eligible for coverage in the group market. Similarly, where a plan covers exclusively one or more partners of a partnership - none of whom qualifies as a bona fide partner - and/or the spouse(s) of such non-bona fide partner(s), an employee welfare benefit plan (and thus a group health plan) does not exist, and the individual(s) is/are not eligible for coverage in the group market.

Q. Can an owner or partner be the only enrolled eligible employee?

Only if the owner or partner meets the legal definition of an eligible common-law employee or bona fide partner, respectively. However, see Q4, above.

As a general rule, an entity must have at least one common-law employee in order to sponsor a group health plan and any health insurance coverage sold to such an entity must cover at least one eligible common-law employee in order to constitute group coverage. As indicated above, different rules apply in the context of partnerships.

Q. Is a Sole Proprietorship eligible for coverage?

A sole proprietorship, which covers only the sole proprietor and/or his or her spouse, will not be considered an eligible small employer (see Q4, above). By contrast, if a sole proprietorship employs an eligible nonspouse employee that will be covered under the plan, the sole proprietorship may be eligible for group coverage.

Questions concerning whether a business is a sole proprietorship should be reviewed with an accountant or attorney.

Q. Is a Partnership eligible for coverage?

A partnership will be considered for group coverage if it includes bona fide partners and/or common-law employees. However, see Q4, above.

Questions concerning whether a business is a partnership should be reviewed with an accountant or attorney.



Q. Is a Corporation eligible for coverage?

A corporation that employs any common-law employees will be considered for group coverage. An owner of a corporation may qualify as an employee if the owner meets the legal definition of an employee. However, see Q4, above.

Questions concerning whether a business is a corporation should be reviewed with an accountant or attorney.

Q. What is a Limited Liability Company {LLC}?

An LLC is a type of entity that may be organized and operated pursuant to state law. LLCs can be treated for federal income tax purposes as a partnership, a corporation, or a “disregarded entity”. Eligibility for group coverage will be determined based upon how the LLC is treated for federal income tax purposes.

Questions about an LLC and its classification for federal income tax purposes should be reviewed with an accountant or attorney.

Q. What types of documents may be required by Underwriting during the review of a new prospect?

The documentation required for a new prospect will depend on the classification of the entity and circumstances for the prospect. Documentation includes quarterly wage detail reports, along with other state and federal tax documents that will be used to confirm the filing status of the entity, and other organizational and ownership information, along with the eligibility of employees.

Examples of documents (in addition to quarterly wage detail reports or payroll records) that may be requested by Underwriting include, but are not limited to:

- o Sole proprietor: Schedule C
- o Partnership: Schedule K-1 (Form 1065)
- o Articles of Incorporation
- o Entity Classification Election (Form 8832)
- o Letters from Accountants or Attorneys

Q. What is the effective date of these guidelines?

These guidelines are currently in effect.

Final decisions concerning the eligibility of all new business prospects and the individuals applying for coverage cannot be made until all enrollment forms, along with all supporting documents requested by the Underwriting Department are reviewed and approved by the Underwriting Department. Blue Cross and Blue Shield of Minnesota and Blue Plus (Blue Cross) are unable to provide tax, compliance or legal advice, and this document should not be relied upon as same. Inquirers should consult with an accountant or attorney to answer specific questions pertaining to their entity.





Association Health Plan Member Participation

Industry Organizations who CAN participate:

- Appliance Installers
- Architects
- Asphalt
- Audio Visual (A/V)
- Brick/Masonry
- Cabinet Makers
- Closet Installers
- Concrete
- Demolition
- Doors
- Drywall
- Electricians
- Excavators
- Fireplace Installation
- Floor Installation
- Framers
- Garage Doors
- Cutter Systems
- HVAC (Heating, Ventilation, Air Conditioning)
- Insulation
- Interior Designers
- Landscapers
- Lighting Installation
- Low Voltage
- Lumberyards
- Painters
- Plumbers
- Restoration
- Resnet Raters
- Roofers
- Security Systems
- Sheetrock
- Siding
- Solar Installation/Panelization
- Sprinklers
- Stair Lifts & Elevators - Residential
- Swimming Pools - Residential
- Tile Setters
- Window Film Installation
- Window Installers
- Windows
- Window Treatments

Industry Organizations who CAN NOT participate:

- Advertising & Marketing
- Banks & Credit Unions
- Doctors
- Engineers
- Insurance Agents
- Lawyers
- Professional Services
- Realtors
- Sign Companies
- Web Designers

