

Break-in/break-away policy

The Kaiser Permanente break-in/break-away policy provides customers with 101 or more employees flexibility to explore benefit solutions through pooled purchasers – joint powers authorities, trust funds, multiple employer welfare arrangements (MEWAs), and other types of arrangements. The policy is intended to keep rates neutral, help prevent unfair competition, and allow customers to make decisions based on service and overall value.

Break-in customer – an existing Kaiser Permanente customer entering a pooled arrangement

- ▶ When a customer enters a pool, the quote provided will be based on their current renewal rate (adjusted for benefit changes, commissions or fees, length of contract, and pool-initiated rate modifications).
- ▶ The existing customer is eligible to renew under the pooled purchaser's rating structure after an initial contract period of at least 6 months and up to a maximum of 18 months, based on the new pooled purchaser's contract anniversary date.

Example: An existing customer renews on January 1 and the pooled purchaser renews on March 1. The existing customer joins the pool in January. Because the entering customer has only been in the new pool for 2 months by the March renewal (which doesn't meet the 6-month minimum), they're quoted an initial 14-month contract based on their current rates. The existing customer will then be underwritten and renewed with the pooled purchaser's March renewal of the following contract year.

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Break-away existing customers – exiting a pool or moving to a different purchasing pool

- ▶ Existing customers must stay within the purchasing pool for at least 24 months before leaving, or Kaiser Permanente has the right to re-rate the exiting customer and charge the higher of the 2 rates.
- ▶ When exiting a purchasing pool, an existing customer will get a quote based on their current rate (adjusted for benefit changes, commissions or fees, length of contract, and pool-initiated rate modifications).
- ▶ An existing customer is eligible to be underwritten and renewed separately after an initial contract period of at least 6 months and up to a maximum of 18 months, depending on the contract anniversary date. If the existing customer is entering a new purchasing pool, they'll be underwritten and renewed under the new purchasing pool's rating structure and contract anniversary date (see the break-in customer example above).

Example: The new purchasing pool's contract anniversary date is January 1. The existing customer breaks away from their current purchasing pool on May 1 and chooses a new contract anniversary date of January 1. Because the existing customer will be out of the purchasing pool for more than the 6-month minimum, they're quoted an 8-month initial contract based on their current rates. The existing customer will then be underwritten and renewed separately on January 1.

Customers breaking in that don't currently offer Kaiser Permanente

A customer not currently offering Kaiser Permanente may be eligible to enter a pooled arrangement at the purchasing pool's rates if the customer's number of eligible subscribers, or employees, is less than 10% of the current eligible subscribers in the purchasing pool. If the new break-in customer meets or exceeds 10% of the purchasing pool, underwriting will review and rate as appropriate. Talk to your Kaiser Permanente representative to learn more about the underwriting process for each pooled purchaser.

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Important information when considering breaking in or breaking away

Break-in/break-away policy notifications and requirements

- ▶ Existing customers should break into a new pooled purchasing arrangement on their existing contract anniversary date.
- ▶ Kaiser Permanente should be notified at least 90 days before the proposed break-in/break-away date.
- ▶ An appropriate Letter of Authorization dated within 6 months of the request must be submitted by the existing customer's contract holder, consultant or broker of record, administrator, or authorized representative before the release of any information.

Break-in/break-away policy exceptions and clarifications

- ▶ Small business groups (with 100 or fewer employees) aren't subject to this policy unless they're currently part of a large group contract.
- ▶ This policy doesn't apply to professional employer organizations.
- ▶ CalPERS follows its own break-in/break-away guidelines and is exempt from this policy.
- ▶ Application of the break-in/break-away policy may be subject to federal laws on collective bargaining.
- ▶ Additional information that could affect a group's size or risk may be considered during underwriting.
- ▶ Kaiser Permanente reserves the right to modify this policy at any time and all standard underwriting assumptions apply.

For more information, please contact your Kaiser Permanente representative.

Information may have changed since publication.