Common Ownership Affidavit

Prominence Health Plan

The Health Insurance Portability and Accountability Act and Affordable Care Act state that all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue code shall be considered one employer.

Please list below all affiliated companies that would qualify as one employer under the above-referenced section of the Internal Revenue Code (also shown below on page 2) along with their Tax ID information and percentage of ownership.

Please complete the below and submit to your sales representative at Prominence Health Plan for approval.

Name of Employer Group and/or control Group to be insured:		
Name of Commonly Owned Entities	**Employer Federal Tax ID Number (FEIN)**	**% Ownership**
1.		
2.		
3.		
4.		
5.		
6.		
7.		

Signature ____ **Date** ______________________

Print Name: ____

Relationship to company (*please check one of the following*):

☐ Owner ☐CPA/ Accountant ☐ Attorney representing employer

I certify that the above-listed business entities are considered as one employer under section 414 of the Internal Revenue Code.

The Health Insurance Portability and Accountability Act and Affordable Care Act state that all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue code shall be considered one employer.

Companies with common ownership are considered as a single group if the companies fall under the definition provided under the Health Insurance Portability and Accountability Act (HIPAA), for several purposes to include:

- Determination of whether a small or large group for market reforms and MLR
- Determination of Medicare Primary status

HIPAA states that all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code shall be considered as one employer. If they are not considered as one employer, then they must be insured / covered separately. It is the group's responsibility to establish with us whether a control group exists.

In some cases, we might provide coverage for only a segment of an insured group. If such group qualifies as a large group, it may be rated as a large group even if we insure only a small number of employees, subject to regulatory requirements. Alternatively, such group may be included in Small Group and provided community rates and small group benefits. Whether insured or ASO, the group segment must be included as large group for MLR purposes.

The summaries of control groups listed below are intended to provide a high level understanding of the types of control groups that exist:

Parent-subsidiary control group (IRC 414(b))

Applies to corporations where:

- 80% of the stock of each corporation (except the parent) is owned by one or more corporation in the group; and
- Parent Corporation owns 80% of at least one other corporation.

Brother-sister group (IRC 414(c))

Applies where five or fewer common owners has both a controlling interest and effective control in one or more companies (i.e., partnerships, proprietorships, etc.)

- Controlling interest – at least 80% of the stock is owned by the common owners
- Effective control – the common ownership of each company by the same owners is at least 50% of the stock

Affiliated service groups (IRC 414(m))

- Does not apply unless the companies are engaged in one of the following fields – health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting and insurance - or the company does not have capital (e.g., inventories, machinery, plants, etc.) as a material income-producing part of its business.
- There are different types of affiliated service groups depending on the extent to which the two companies work together, the extent to which one company is an owner/partner of the other company or the extent to which highly compensated employees are owners of one of the companies.
- Status as an Affiliated Service Group is determined based on an election made by the groups for tax and pension purposes as well as for the provision of health insurance.

Non-Profits

- Non-profits (i.e., tax-exempt organizations) are special because there isn't any stock ownership. Therefore, you look for common control or permissive aggregation.
- General rule – common control exists between a tax-exempt entity and another organization if at least 80% of the directors or trustees of one organization are either representatives of, or directly or indirectly controlled by, the other organization.
- Permissive aggregation between 2 tax-exempt entities – Two or more tax exempt organizations can consider themselves a control group if each of the organizations regularly coordinates their day-to-day activities, even if common control does not exist.

Underwriting will consider accounts with ownership or effective control of greater than 50% for combined rating. However, the IRS rules must be followed to determine whether a group is small or large for market reform and MLR and for determination of Medicare primary liability. State law may allow government/municipal groups to include the employees of any agency, department or division of that government and/or volunteer first responders.