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Bulletin 98-08

To: Commercial Health Insurance Carriers, Blue Cross and Blue Shield of Massachusetts (BCBSMA) and Health Maintanence Organizations (HMOs)

From: Linda Ruthardt, Commissioner of Insurance

Re: Proof of Eligibility for Small Group Health Products

Date: July 21, 1998

We understand that some underwriters are *requiring* copies of state and/or federal income tax returns and/or schedules as a part of applications for coverage sold in the small group market. This is not appropriate. We understand that you must confirm that applicants are eligible, and especially for groups of one, that they are self-employed, and should not be insured through a nongroup market product. We suggest that you consider other indicia of the operation of a legitimate business which may include the following:

1. Licenses (victualers, plumbing, et al);
2. Permits for commercial operations;
3. Declaration pages of commercial insurance products (property/casualty or worker's compensation);
4. Membership records or receipts from employer organizations such as the Chamber of Commerce;
5. Verification from the Secretary of State's Office or applicable city or town clerk's office that the small business exists;
6. A bank reference (i.e. verification that the small business has a line of credit);
7. A report from a business credit rating agency.

Since the above documents are produced by others, they may be more easily relied upon than a copy of a tax return that may or may not have been filed.

Please note that, in some instances, carriers, BCBSMA and HMOs may be able to verify whether a particular business filed certain documents with the Department of Revenue (DOR) which would indicate that an applicant is operating a small business. For example, a small business engaged in retail operations must register to pay a sales tax. A small business with employees must register to pay withholding taxes for those employees. The DOR may be able to verify whether such registrations were made.

Questions regarding this Bulletin may be directed to the Health Unit of the State Rating Bureau at (617) 521-7349.