

Article 3

SUBSIDISED EMPLOYER GROUP CRITERIA

QUALIFYING AS SUBSIDISED

For a health insurance scheme to qualify as subsidised by Southern Cross:

- The employer must subsidise 100% of the premium of a defined plan for all employees in the billing group¹
- Eligibility to receive this subsidy must be clearly defined
- Employees must join as a result of a one-time offer (i.e. within a certain time period after commencing employment), and
- Southern Cross must be the sole health insurer.

Some accounts classed as 'voluntary' will have elements of employer subsidy. However, the subsidised amount will not be sufficient enough to ensure that Southern Cross will not be selected against. Therefore the account will not qualify for Southern Cross subsidised group status.

ELIGIBILITY DEFINITIONS

This defines whether someone qualifies to join a group scheme or not. It must be clearly defined, agreed to by Southern Cross, and confirmed each year on group renewal.

There are four ways the subsidy can be defined:

1. **Eligibility:** who gets the subsidy offer?
2. **Tenure:** when will they get it?
3. **Subsidised Members:** whose cover is paid for by the employer?
4. **Which plan the employer pays for.** Or if it is a dollar subsidy, what is the amount?

Typical options

One option needs to be selected from each column:

| Eligibility | Tenure Immediate | Subsidised members |
|---------------------|--|---------------------|
| All Staff | Immediate | Employee only |
| All Full Time Staff | After 3 months, any day policy start | Whole Family |
| All Part Time Staff | After 3 months, 1st of month policy start | Employee and Spouse |
| All Salaried Staff | After 6 months, any day policy start | Other* |
| All Waged Staff | After 6 months, 1st of month policy start | |
| Partners or Owners | After 12 months, any day policy start | |
| Selected Staff* | After 12 months, 1st of month policy start | |
| Other* | Other* | |

For example

| | | |
|---------------------|-----------|--------------|
| All Full Time Staff | Immediate | Whole Family |
|---------------------|-----------|--------------|

* Whenever 'other' or 'selected staff' is selected this must be defined and agreed to by Southern Cross.

¹ A billing group is a group of policies charged at the same base premium rate.

Article 3

CONTINUED

Which plan?

By way of guidance, it is better for an employer to limit the plan to one with either no excess or a maximum excess of \$500. Plans with \$1000 excesses can sometimes mean the benefit will be of less immediate value to some employees. Also, if a member moves from a \$1000 excess plan to a lower excess plan, this is currently classed as an underwriting 'upgrade' by Southern Cross. Existing health conditions will only be covered to the plan they were on before the upgrade.

Multiple subsidy levels?

What if a business wants to give its senior staff a higher subsidy than other staff members? This is not a problem, so long as the category and the four criteria above are clearly defined. It is best if each category has its own 'billing group'.

For example

| | Executives | Other staff |
|--------------------|---------------------------------|---|
| Sample Definition | CEO and Direct Reports | All Other Staff |
| Eligibility | Selected Staff | All Staff |
| Tenure | Immediate (i.e. on appointment) | After 3 months employment but before a 6 month tenure |
| Subsidised Members | Whole Family | Employee Only |
| Plan | VIP 4 | VIP2 |

ONE TIME OFFER

When there is a defined group of employees who are eligible to receive the subsidy, they are each given a one time 'use it or lose it' offer to join within a limited timeframe, typically three months. If the timeframe is open, or they are given the offer more than once, then 'anti-selection' occurs (i.e. people only join when they are sick).

The offer needs to be 'we will pay for your health insurance', and not 'if we had payroll deductions, and you got cover for existing health conditions who would join?'

In the above example, executive staff have three months from commencing employment to join Southern Cross. Other staff members have from completion of their 3rd month of employment to the end of their 6th month. Southern Cross's application forms capture 'employee start date' so we can verify eligibility for any underwriting concessions.

EMPLOYEE TURNOVER

In the example above, when a staff member leaves, their replacement needs to be offered the subsidy after they have worked for three months. The person leaving will be offered the chance to continue Southern Cross membership as an individual on individual rates.