

FAQs: Large Group Fully Insured Broker Service Fees

1.) What was the effective date of the change from BCBSRI paying commissions to brokers to BCBSRI collecting broker service fees on behalf of the employer and passing the service fee through to brokers? *For plan years beginning on or after January 1, 2016, BCBSRI stopped including commission as part of the premium. For groups that entered into a Broker Service Fees Agreement (Fee Agreement), BCBSRI started collecting broker service fees on their behalf after submission of the signed agreement. This change applies to large group fully insured business only, for medical, dental, and vision product lines. Commissions for self-insured business are not impacted.*

2.) If an employer group changes brokers during a given policy period, does a new Fee Agreement need to be signed?

Yes, a new Fee Agreement needs to be signed informing BCBSRI of the change in broker(s) and including the service fee negotiated between the new broker and the employer group.

3.) If an employer group renegotiates the service fee with their existing broker during the policy period, does a new Fee Agreement need to be signed?

No, a Notice of Service Fee change can be submitted in place of a new Fee Agreement. The Notice of Service Fee Change form requires customer signature only. The change will be effective the first of the month following submission of the correct documentation or the requested effective date, whichever is later.

4.) Is the Fee Agreement replacing the Broker of Record (BOR) form for brokers doing business with fully insured large groups?

Yes, the Fee Agreement can be used in place of the BOR form.

5.) Will BCBSRI assist employers in meeting the 1099 requirement?

It is the employer's responsibility to issue a 1099 reflecting any service fees paid to their broker. BCBSRI will issue a 1099 to the broker reporting any bonus payments made over the amount of \$600.

6.) To whom should the executed Fee Agreement be sent for processing? *The executed Fee Agreement should be sent to the BCBSRI Account Executive and/or his/her delegate along with all other required renewal and new business forms/documents.*

7.) How far in advance of the group's new business effective or renewal date does the Fee Agreement need to be collected? *To ensure the broker receives service fee payments consistent with the group's first billing cycle, the fully executed Fee Agreement should be submitted with all other renewal/new business documentation three weeks prior to the new business or renewal effective date.*

8.) In cases where the business is split between two or more brokers, how should the Fee Agreement be handled? *Each broker must submit to BCBSRI a separate Fee Agreement executed by their client representing the fee negotiated between that broker and the group. If there is a question*

about whether one Fee Agreement supersedes the other, or if both should be applied, we will ask for an updated BOR form.

9.) Does the Fee Agreement need to be signed annually if there is no change in the fee amount? *No, the broker does not need to have his/her client sign a Fee Agreement annually if there is no change in fee amount. The Fee Agreement remains in effect until one of the parties terminates it as provided for in the Fee Agreement.*

Display of broker service fees on premium bills

10.) Have large group fully insured employer groups been notified about this change to how broker commissions are paid, as well as how these changes are reflected on the premium bill?

Yes. We mailed a letter to affected customers in early May explaining the changes to the premium bills. We also sent brokers a Broker Blast email on May 11 with the same information.

11.) How is the broker service fee displayed on the premium bill for large group fully insured clients with per contract per month service fee arrangements?

Beginning with the June 2016 premium bill, the per contract per month broker service fee is included in the Current Month Billing amount in Section 1 and is a part of the Total Amount Due. Any retroactive broker service fees due to enrollment changes are added to the Retroactive Adjustment amount in Section 1 and are also included in the Total Amount Due. In Section 2, the field "premium rates plus service fees" include the broker service fees. The Total Amount Due at the bottom of Section 2 reflects inclusion of the broker service fee and matches the Total Amount Due in Section 1.

12.) How is the broker service fee displayed on the premium bill for large group fully insured clients with flat fee service fee arrangements?

Where a group has negotiated a flat service fee amount, that broker service fee (and retroactive broker service fee amounts, if applicable) is added to the Current Month Billing amount in Section 1 of the bill and is reflected in the Total Amount Due. In addition, the Total Amount Due at the bottom of Section 2 also includes the broker service fee and matches the Total Amount Due in Section 1. The other components of Section 2 do not reflect the broker service fee.

13.) If the client doesn't pay its premium bill in full, will the service fee be paid to the broker on a pro-rated basis?

Broker service fees are paid to the broker when the premium bill is paid in full. Broker service fees are no longer tied to premium; therefore, the service fee does not get paid on a pro-rated basis if the premium bill is partially paid. For example, if a client pays \$97,000 of its \$100,000 January premium bill, the broker will not be paid the service fee in his/her February payment. The broker will be paid the January service fee once the account pays the \$3,000 balance on the February premium bill.