

From: [Shellie Reitzel](#)
To: [E-OHPSCA-STOPLOSS.EBSA](#)
Subject: SPBA questions Self-funding and stop loss
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Questions include:

The Departments are requesting comments to contribute to the Departments' understanding of the current and emerging market for stop loss products, both generally and with respect to the following specific areas:

1. How common is the use of stop loss insurance in connection with self-insured arrangements? **99% of our self-insured clients have purchased stop loss. Only very large groups consider running without stop loss, for example those with 5,000 or more employees.**

Does the usage vary (and, if so, how) based on the size of the underlying arrangement or based on other factors? **The Agreement is between the stop loss carrier and the client. The use of a stop loss carrier varies by size of the employer group as well as risk tolerance, financial securities.**

How many individuals, if known, are covered under stop loss insurance (either nationally or on a state-specific basis)? **Unknown**

What are the trends? **More employers are looking at self funding their benefit plans from fully insured benefit plan options.** Are past trends expected to be predictive of future trends? **Yes, the ability to customize plan specific to the employer will continue.**

Is the Affordable

Care Act expected to affect these trends (and, if so, how)? **We feel that the Affordable Care Act is prompting more employers to look toward self funding. The ACA will impact the customization of plans based on mandated benefits however the employer will still have more control over benefit designs than if they were fully insured.**

2. What are common attachment points for stop loss insurance policies, and what factors are used to determine these attachment points? **The employer's claims history and number of employees.**

What are common attachment points by

employer size (e.g., for plans with fewer than 50, between 50 and 100, or between 100

and 250 employees, and how do these compare to attachment points used by larger

plans)? **The attachment points are figured by the stop loss carrier's underwriting department actuarial numbers based on the claims history (experience) of the group and their month by month enrollment.**

3. Are employee-level ("specific") attachment points more common, or are group-level

("aggregate") attachment points more common? Specific stop loss guidelines are more common: 101 to 150 employees - \$25,000 to \$50,000 per individual; 151 to 250 employees - \$50,000 to \$100,000 per individual, 251-500 employees - \$75,000 to \$150,000, 501 – 1,000 employees - \$100,000 to \$250,000 and over 1000 employees - \$150,000 to \$500,000. What are the lowest attachment points that are available? We have clients that have \$35,000 individual stop loss contracts, and we have a client that has \$500,000 in stop loss. What are the trends? The amount of stop loss seems to be moving upward depending upon the client's cash flow situation and reserves.

4. How do insurers work with small employers to integrate stop loss insurance protection

with self-insured group health plans? Most often the agent or TPA does the requesting of stop loss from the carriers. As a TPA we "shop" the stop loss for our clients with a list of carriers that have approved us as a Third Party Administrator for claims payment. What kinds of options are generally made

available? Are policies customized to meet the needs of different employers? Stop Loss policies are issued by the various insurance companies and they are customized according to the employer's Summary Plan Document and ERISA. How are

the attachment points for a stop loss policy determined for an employer? By the actuarial factors determined by the Underwriters based on claims history and large claims information. Do self-insured

group health plans purchase stop loss insurance anticipating that they will purchase it every year? Yes, very few self funded clients fly without stop loss contracts.

5. For a given attachment point, what percentage of total medical costs incurred by the

employees is typically paid for by the employer and what percentage is typically paid for

by the stop loss insurance policy? If there are large claims, the stop loss carrier reimburses the employer \$ for \$ on claims over the specific stop loss amount purchased. How much do the relative percentages vary for

different attachment points? What are the loss ratios associated with stop loss insurance

policies? Those loss ratios are factored by the Underwriting departments (actuarial numbers) determined by the stop loss carrier (insurance carrier).

6. What are the administrative costs to employers related to stop loss insurance purchased

for the employers' self-insured group health plans? Administrative costs are determined by the Third Party Administrator or claims payer. Fees for stop loss coverage depend on the specific deductible purchased, how many employees are covered, as well as other coverage such as aggregate coverage. How do these costs compare to the

administrative costs related to purchasing a health insurance policy from an issuer? They are

determined by the overall book of business for processing claims, the plan design and the size of the group.

7. Is stop loss insurance more prevalent in certain industries or sectors? **Yes, but our clients vary from manufacturing to finance and health care providers.** Are there any

minimum employee participation requirements for a small employer to be offered stop

loss insurance? **Typically a group would not be self insuring if they averaged under 100 employees.**

8. What types of entities issue stop loss insurance? **All entities that have a relatively stable number of employees from month to month.** ****How many small entities issue stop**

loss insurance policies? **Our client size ranges from 200 employees to 6,000 employees.**

9. Do stop loss issuers increase fees for groups below a certain size or exclude those

groups? **Sometimes certain types of groups are excluded and quotes are declined to be issued depending on the group's demographic information (age/gender). Also the claims experience of the group, the industry (SIC) code is also a factor and location of the employer group. The Provider network is a factor also.** If so, how?

10. How do stop loss insurers evaluate the plans seeking coverage and how is this evaluation reflected in the coverage or premiums offered? Does the profile of the plan have an effect on the attachment points available? **The group is evaluated by demographic, location, type of industry, claims experience and large claims history.**

11. How do States regulate stop loss insurance? **Stop Loss carriers are governed by ERISA.** In States that are regulating this insurance, what are the licensing processes and standards? Have States proposed laws, regulations, or best practices with regard to stop loss insurance? Do such proposals focus on attachment points, size of the group, percent of total claims paid by the stop loss insurer, or other criteria? What are the issues States face in regulating stop loss insurance?

12. What effect does the availability of stop loss insurance with various attachment points

and other particular provisions have on small employers' decisions to offer insurance to

employees? **The premium tax laws and other plan design decisions are an attraction to smaller employers. We have been quoting groups as low as 75 employee lives contemplating self funding their benefit plans.**

13. What impact does the use of stop loss insurance by self-insured small employers have on the small group fully insured market? **Our best guess is there will most likely be a trend to move toward self funding if the group is interested in premium tax savings. It will most likely not impact the fully insured market for groups of under 100 employees.**

**** For this purpose, a small entity is defined as (1) a proprietary firm meeting the size standards of the Small Business Administration or (2) a nonprofit organization that is not dominant in its field.**

A copy can be reviewed and comments can be filed at <http://www.regulations.gov>

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Tara A. Stombaugh
Account Manager
Avera Health Plans
3816 S. Elmwood Avenue
Sioux Falls SD 57105
tara.stombaugh@avera.org
Ph: (605) 322-4563
Toll free: 1 (888) 322-2115
Fax: (605) 322-4754

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