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To: [E-OHPSCA-STOPLOSS.EBSA](#)
Subject: Request for Information - Stop Loss
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1. The use of stop-loss is very common in connection with self-insured arrangements. The level of coverage depends on the size and the risk the group is willing to assume when designing a self insured plan. Most employers with at least 200 employees will resort to a self insured plan with stop loss coverage. More and more employers are looking toward self insured plans due to the fact that it gives them the flexibility to design their own plan and control their cost. Any cost savings are maintained by the employer rather than an insurance company. This savings benefits the employees as well by not burdening them with continuous rate increases. As government mandates continue to add benefits to health plans, the "cost" trend will continue to escalate.
2. The attachment is determined by the size of the group and the risk the group is willing to assume. A small group employer does not fit into the self insured arrangement so this is not applicable to smaller groups.
3. Specific attachment points are the most common. These levels vary based on the group's size and the risk the group is willing to assume as previously stated as this is what self insurance is about-the flexibility that suits the employer and his employee's needs.
4. This is not applicable as small groups are generally not self insured.
5. An employee pays only a small percentage compared to what the employer pays as most out of pocket maximums for an employee are roughly \$2,000 per year. And most employees do not meet this max. The employer pays the specific deductible amounts. The dynamics are totally different with self insured plans and must be understood.
6. The administrative cost for the employer is less than 15% of the total cost for the self insured health plan. Therefore 85% is maintained to cover the cost of the employee claims. If claims cost are less than 85%, the self insured plan maintains the reserves which helps to offset any future increased medical costs. When claims exceed 85%, the stop loss carrier pays the difference, thereby limiting the risk to the employer. With a traditional fully insured plan, all profit is maintained by the insurance company and not generally passed on to the covered employees. They may still receive an increase in premium at renewal time.
7. No, self insurance is not more prevalent in certain industries or sectors. Most self insured plans require 75% participation of employees regardless of group size.
8. Insurance carriers "issue" stop loss policies. There are many more "Reinsurance" or stop loss carriers than fully insured carriers.
9. The larger the group, the more the risk can be spread thereby reducing the rates. Smaller groups may incur higher fees based on their risk-but keep in mind there are

other factors besides size to help determine rates.

10. Rates are based on the size of the group, the average age and gender of the group, the health conditions and benefit design of the group.
11. States do not regulate self insurance. It is regulated by ERISA. A Third Party Administrator is required to be licensed/registered in order to administer a self insured plan.
12. The level of the attachment point is set by the employer as well as the stop loss carrier. These options give the employer the flexibility to decide what is most affordable. Fully insured does not offer these options.
13. The self insured plan offers flexibility whereas the fully insured does not offer flexibility.