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Comments from: Blue Cross Blue Shield of Kansas (Topeka, KS)
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HHS Request for Information Regarding Stop Loss Insurance

II. Solicitation of Comments

1. How common is the use of stop loss insurance in connection with self-insured arrangements? *93% of Kansas self-funded groups have stop loss.* Does the usage vary (and, if so, how) based on the size of the underlying arrangement or based on other factors? *Other factors taken into consideration may include region, utilization, size of the employer, stop loss limit, underlying benefit design.* How many individuals, if known, are covered under stop loss insurance (either nationally or on a state-specific basis)? *For Kansas, we cover approximately 90,600 members under stop loss.* What are the trends? *Stop loss member growth was 3.9% over previous year.* Are past trends expected to be predictive of future trends? *No.* Is the Affordable Care Act expected to affect these trends (and, if so, how)? *Yes, we anticipate small employers may consider self-funding to avoid certain tax implications.*
2. What are common attachment points for stop loss insurance policies, and what factors are used to determine these attachment points? *Aggregates (ASL) of 120% and 125% are our most common.* What are common attachment points by employer size (e.g., for plans with fewer than 50... *only 125%*, between 50 and 100... *120% & 125%*, or between 100 and 250 employees... *115% - 130%*, and how do these compare to attachment points used by larger plans)... *the same ASLs are offered.* ? What are the lowest attachment points that are available? *For smaller groups under 100, the lowest ASL is 120%.* What are the trends? *125% is the most common ASL. See question 3 for most common specific (ISL) options.*
3. Are employee-level ("specific") attachment points more common, or are group-level ("aggregate") attachment points more common? *If an employer wishes to have stop loss coverage, Kansas requires a minimum standard of stop loss coverage. Specific stop loss (ISL) can be no less than \$10,000 per person and ASL no less than 120%. Typically Kansas's average employer will purchase both ASL and ISL coverage. Kansas does not allow ASL only coverage.* What are the trends?... *Our ISL options range from \$10,000 - \$75,000 for groups under 100. For groups greater than 100 the ISL options range from \$30,000 - \$400,000. Kansas's ASL options range from 115% - 130%.* What are the common attachment points for employee-level and group-level policies? *120% ASL is the most common, with \$50,000 - \$150,000 being the most common ISL options*
4. How do insurers work with small employers to integrate stop loss insurance protection with self-insured group health plans? *Kansas obtains required large claim data to custom rate stop loss exposure for the employer's particular need.* What kinds of options are generally made available? *By group size, we have minimum and maximum ISL standards.* Are policies customized to meet the needs of different employers? *Yes.* How are the attachment points for a stop loss policy determined for an employer? *We custom price our own stop loss and claims liability for attachment points by using group specific information and expected claim distribution patterns.* Do self-insured group health plans purchase stop loss insurance anticipating that they will purchase it every year? *Yes.*

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? *For a common \$75,000 ISL coverage, an average of 12-15% of the claims fall to stop loss.* How much do the relative percentages vary for different attachment points? *For ISL coverage, the average varies greatly, anywhere from 1% - 40%.* What are the loss ratios associated with stop loss insurance policies?
6. What are the administrative costs to employers related to stop loss insurance purchased for the employers' self-insured group health plans? How do these costs compare to the administrative costs related to purchasing a health insurance policy from an issuer?
7. Is stop loss insurance more prevalent in certain industries or sectors? *Not necessarily.* Are there any minimum employee participation requirements for a small employer to be offered stop loss insurance? *Not that are different from our underwritten eligibility requirements. Kansas does require a financial review of the employer's business prior to entering into a self-funded agreement. This helps ensure they can meet their financial obligation to reimburse claims.*
8. What types of entities issue stop loss insurance? *In Kansas, property and casualty, life, and health insurers write stop loss insurance for health plans.* How many small entities issue stop loss insurance policies? *The Kansas Insurance Department does not monitor the size of insurers that write stop loss coverage other than for the companies' financial stability.*
9. Do stop loss issuers increase fees for groups below a certain size or exclude those groups? If so, how? *Kansas does have a graded scale based on the size of the employer to account for administrative efforts.*
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? *Financial review approval and the size of the employer determine whether ASO is an option and what stop loss coverage would be available to them.*
11. How do States regulate stop loss insurance? *Kansas Insurance Department regulates all stop loss insurance in Kansas.* In States that are regulating this insurance, what are the licensing processes and standards? *Insurers that write stop loss insurance in Kansas and TPAs and/or group funded pools that sell stop loss insurance must be licensed to do business in Kansas with the Kansas Insurance Department.* Have States proposed laws, regulations, or best practices with regard to stop loss insurance? *The Kansas Insurance Department issued two bulletins (1993-12 and 1997-7) to provide insurers with best practices for writing stop loss insurance. The Kansas Insurance Department also issued a regulation (K.S.A. 49-1-49) to provide standards for writing and selling stop loss insurance in Kansas.* Do such proposals focus on attachment points, size of the group, percent of total claims paid by the stop loss insurer, or other criteria? *Yes, In Kansas, stop loss must be no less than a minimum of \$10,000 ISL and not less than 120% on ASL coverage. Stop loss coverage may be sold to a small group.* What are the issues States face in regulating stop loss insurance? *States must monitor that stop loss insurance is not being used to help employers establish self funded plans in an effort to avoid following state insurance laws and regulations. One way to monitor this problem is to require stop loss policies do the following: 1) A stop loss policy must be issued to the plan or the plan's sponsor, not the individual health plan participants; 2) An insurer shall only make payments to the plan or plan's sponsor, not the employees, members, or providers in the plan.*

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? *Choosing attachment points that are too high could jeopardize a small employer's business. Counseling is required. Minimum and maximum standards along with financial reviews help to protect small employers from taking on too much risk.*

13. What impact does the use of stop loss insurance by self-insured small employers have on the small group fully insured market? *Typically one could assume the employers with better risk or better utilization would have a lower rate advantage under self-insurance. This would then create an adverse selection in the small group fully insured market by leaving the higher risk groups in the small group pool.*