

STOP LOSS REQUEST FOR INFO - DUE 7/3/12

| QUESTION | RESPONSE | comment |
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| 1. How common is the use of stop loss insurance in connection with self-insured arrangements? | In the past it has been extremely common for groups with less than 10,000 lives to purchase some level of stop loss insurance, basing the amount of risk that they take on the size of their group, their claims experience and the tolerance for risk. Very large groups, such as those with 10,000 employees or more would probably be able to assume \$1,000,000 or higher per member covered which is a higher deductible than most stop loss carriers have to offer. | |
| Does the usage vary (and, if so, how) based on the size of the underlying arrangement or based on other factors? | Usage does vary based particularly on the size of the group but also due to current the recently enacted Patient Protection and Affordable Care Act (PPACA), requiring over then next several years that groups increase their plan maximums to unlimited. This is an increase for many groups from \$1,000,000 or even less for many health and welfare groups to unlimited. This may produce a trend toward large employers that have not seen the need for coverage until now due to increased plan maximums to seek coverage at the level that used to be their plan maximum. | ok |
| How many individuals, if known, are covered under stop loss insurance (either nationally or on a state-specific basis)? | Based on current information provided by the Self Insurance Institute of America (SIIA) - According to a 2000 report by the Employee Benefit Research Institute (EBRI), approximately 50 million workers and their dependents receive benefits through self-insured group health plans sponsored by their employers. This represents 33% of the 150 million total participants in private employment-based plans nationwide. | ok |
| What are the trends? | The accelerating cost of healthcare in the US is forefront in everyone's mind, particularly company executives that offer benefits to their employees. In general, the larger the company, the higher the possibility that the group is self-funded either with or without stop loss insurance. As was recently included in PPACA, it is required over the next several years that groups increase their plan maximums to unlimited. This may produce a trend toward large employers that have not required coverage until now due to plan maximums to seek coverage for protection against the possibility of an extremely large claim. There is also a trend toward small to medium sized companies with 50 plus employees that are currently fully insured to at the very least understand more about the self funded concept by obtaining a quote at the time of the renewal of their group insurance. | ok |
| Are past trends expected to be predictive of future trends? | Between the changes dictated by PPACA as well as facility costs increasing at abnormal levels due to unpaid charges incurred by the uninsured, deep discounts provided for Medicare and Medicaid as well as to select PPO networks and the increasing costs to purchase new and better equipment in order to remain competitive, future trends will likely accelerate to a different level than in the past. | |
| Is the Affordable Care Act expected to affect these trends (and, if so, how)? | The components of the PPACA such as the increase to unlimited maximums, the increase in dependent coverage to age 26, covering mental/nervous claims at the same level as all other benefits as well as the need to now cover clinical and experimental drugs which are costs that can be completely unknown yet always expensive will greatly affect these trends and is causing employers even more so to be as involved as possible in understanding how they can offer the coverage that their employees need while maintaining some control over the cost of their employee benefit plan. | I think this is headed in the right direction. Add the need to now cover clinical and experimental drugs which are costs that can be totally unknown but always expensive |
| 2. What are common attachment points for stop loss insurance policies, and what factors are used to determine these attachment points? | There isn't a common attachment point for specific (individual) or aggregate (group). Both individual and group aggregate attachment points are offered and vary by the size, age, sex, location, plan design, past claims experience and tolerance for risk of the group. | ok |
| 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)? | Many states do not allow groups with under 50 covered employees to have conventional stop loss however, in many cases they are beginning to purchase very high deductibles from their fully insured carriers and are self funding the deductible with our without a limited self funded contract. In general, a groups' aggregate attachment point is determined by removing the claims over the individual specific from the total paid claims and dividing by the average number of lives covered in the period. This amount is then trended, adjusted for the contract type and 25% margin is applied. Depending on the requirements of the carrier and reinsurer, this result may be blended by a manual attachment point based on the groups' age, sex, location, type of contract and plan design. The individual attachment point or specific level is preferably between 5 and 15% of the group attachment point. This is only partially determined by the employer's size but also by plan design, location etc; anything having an effect on past claims experience used to underwrite the group aggregate attachment point. This applies to all size groups with an exception being that the larger the group, the more likely they are to not purchase a group attachment point. | ok |
| What are the lowest attachment points that are available? | Lowest attachment point for individual specific deductibles for our company is \$25,000. For aggregate it depends on the size of the group, the claims experience and the group's tolerance for risk. Generally, the lowest individual specific level quoted is \$25,000 which, based on the percentages above would require the lowest group aggregate to be approximately \$210,000. | ok |
| What are the trends? | Because the attachments are based on claims experience and claims experience is increasing due to the increase in the cost of provider's services, the actual attachment points increase each year in most cases. Because the individual specific deductibles are so far from first dollar payments, unless a group increases their specific deductible each year as their underlying claims increase, the cost can be prohibitive. | ok |
| 3. Are employee-level ("specific") attachment points more common, or are group-level ("aggregate") attachment points more common? | Specific are more common. Larger self funded groups experience is more credible, so they are less likely to purchase aggregate coverage. With groups with 1000 lives there is less fluctuation in the claims experience so aggregate coverage is less common. Most carriers and reinsurers require the sale of specific deductibles in order to provide aggregate coverage; therefore making specific deductibles the more common product. | ok |
| What are the trends? | Some newer products do exist that cover everything under aggregate attachment points and may or may not have an individual limit per individual. An product increasing in popularity is an aggregate only product being offered to small fully insured groups that choose to decrease their premium by greatly increasing their plans deductible and then purchasing an aggregate only product that caps the total amount paid toward those deductibles. The cost of this is much less expensive than the premium to fully insure the lower underlying deductible because there are very little expenses related to the self funded portion due to a margin applied to the expected claims amount. | ok |
| What are the common attachment points for employee-level and group-level policies? | As they refer to each other, the employee or individual level specific attachment point is generally 5 to 15% of the group level attachment point. | |

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| 4. How do insurers work with small employers to integrate stop loss insurance protection with self-insured group health plans? | <p>This is typically handled by the brokers and Administrator, not the insurer directly. The broker, Administrator and Group will evaluate the group's tolerance for risk and then the broker, administrator and insurer will work with the group to determine several different stop loss options for them to evaluate. Most stop loss policies offer an option sometimes referred to as Advanced Specific Funding in order to provide reimbursement under the specific portion of the policy subsequent to the payment of the claim in order to assist the policyholder in managing their cash flow. Most also offer an option commonly referred to as Monthly Aggregate Accommodation where a group would be reimbursed on a month to date basis if the aggregate attachment point is exceeded and where they would return the payment if claims do not exceed the aggregate attachment point on a year to date basis at year end. Several carriers are now offering an option to provide an aggregate only option for small groups that remain fully insured but chose to reduce their premium by purchasing a deductible higher than they offer to their employees. In this case they self fund the portion of the deductible from the level that they choose to offer their employees to the amount of the deductible that they purchase with their fully insured product.</p> | ok |
| What kinds of options are generally made available? | <p>Specific and aggregate, lasing individuals, aggregating specific deductibles, pricing options based on plan document wording, PPO networks, or any other specialty cost containment programs that may be a part of the plan document. Carve-out of transplant costs if transplant carve-out network is included as part of the plan. There are many flexible options. Additional options offered to all stop loss policyholders are to :laser individuals with known potential claims in lieu of charging higher premiums based on the risk; Offer another layer of risk referred to as an aggregated specific where, prior to reimbursement for a claim that has exceeded the individual specific level, another pre-determined level of risk is established that is payable by the policyholder in order to further provide a reduction in the premium; Offer pricing options based on changes to the benefit plan; Offer appropriate discounts based on the selection of Preferred Provider Organization (PPO); Offer pricing adjustments for specialty cost containments programs that are included within the plan document; Offer pricing adjustments for use of carve out programs such as for transplant costs or prescription drug costs.</p> | ok |
| Are policies customized to meet the needs of different employers? | <p>Yes. Absolutely the policyholder is able to customize their plan based on what they feel best meets the needs of their employees and their dependents.</p> | ok |
| How are the attachment points for a stop loss policy determined for an employer? | <p>It is based on group's actual claims experience, the average # of lives based on that experience, adding trend and a margin of 120-125%. For smaller employers, it is common to blend the group's actual claims experience calculation, with a manual calculation, which is derived from actuarial data based on the group's demographics (age, sex, location, plan document, PPO Network, etc.). The group aggregate attachment point is determined using the 2 or 3 most current years of the groups' actual claims experience and applying trend and margin. In some cases this is blended with a manual attachment point for small groups. The individual specific attachment point is determined to be usually in the range of 5 and 15% of the group aggregate attachment point depending upon the groups' tolerance for risk .</p> | ok |
| Do self-insured group health plans purchase stop loss insurance anticipating that they will purchase it every year? | <p>Self insured employers typically continue to elect stop loss once they've entered the self funded arena; however, there are situations where a self funded employer will elect to change to a fully insured product. Self funded policies can be purchased based on a paid basis or on an incurred basis. Most often fully insured policies are written on an incurred basis. If a group is interested in leaving fully insured to self funding, they can opt to elect an incurred policy so that in the transition back to fully insured would be seamless. In most cases however, once a group is self funded, it remains that way.</p> | ok |
| 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? | <p>If a groups' aggregate attachment point is properly underwritten the expected claims are determined and then a margin usually of 25% is added. This is not expected to be penetrated and so the premium is very low. Therefore, a majority of the time, the total medical costs are paid for by the employer. The individual specific attachment point is exceeded when an individual's claims unexpectedly exceed the specific. Premium for the individual specific attachment point is generally higher than the group aggregate attachment point because generally, there is more chance that this will be exceeded due to the onset of a previously unknown illness or accident. In both cases all of the medical costs are paid for by the employer and if either the group or the individual attachment points are exceeded, the group is reimbursed by the insurance carrier. The percentage reimbursed by the carrier completely depends on the number of claims that exceed the attachment point and vary by policy.</p> | ok |
| How much do the relative percentages vary for different attachment points? | <p>The amount reimbursed is directly related to the actual attachment points.</p> | ok |
| What are the loss ratios associated with stop loss insurance policies? | <p>The loss ratio associated with the group aggregate attachment point is the percentage of the year to date paid claims to the year to date attachment point. The loss ratio associated with the individual specific attachment point is the percentage of claims reimbursed year to date to the year to date paid specific premium.</p> | ok |
| 6. What are the administrative costs to employers related to stop loss insurance purchased for the employers' self-insured group health plans? | <p>The employer's administrative costs are not related to stop loss, they are a result of needing to administer a self funded plan, are determined by the Third Party Administrator (TPA) and include the cost to pay claims, costs for actuarial services, legal services, access to PPO networks and access to vendor services to help control claim costs. The costs to employers associated with stop loss are a result of the premium charged for the coverage selected.</p> | ok |
| How do these costs compare to the administrative costs related to purchasing a health insurance policy from an issuer? | <p>It is difficult to determine how these costs compare to the costs of the same services within a fully insured program because generally with a fully insured carrier, the costs may or may not be split out. Generally, self funded policy holders have more choices when selecting partners for various administrators and so more opportunity to contain costs.</p> | ok |
| 7. Is stop loss insurance more prevalent in certain industries or sectors? Are there any minimum employee participation requirements for a small employer to be offered stop loss insurance? | <p>Stop loss insurance is found in all industries and sectors with possibly a higher percentage found among hospitals and other medical groups, municipalities and school districts and unions. Generally, to avoid being selected against, carriers require that no less than 75% of the employees that do not receive coverage elsewhere (such as through their spouse) must be covered under the plan.</p> | ok |
| 8. What types of entities issue stop loss insurance? --How many small entities issue stop loss insurance policies? | <p>Insurance companies of all sizes issue stop loss coverage. The largest of these companies are the Blue Cross organizations, Aetna, CIGNA and United Healthcare. These companies may or may not offer the stop loss along with administrative services making the product more similar to a fully insured situation and eliminating some of the advantages of choices that may occur when administrative services are handled through the TPA community. At any time there may be 25 to 30 Insurance companies in addition to those mentioned above that offer stop loss insurance who work with TPAs to administer their policyholder's claims.</p> | ok |
| 9. Do stop loss issuers increase fees for groups below a certain size or exclude those groups? If so, how? | <p>Premum charged is based on demographics and claims experience. Some stop loss carriers have thresholds for the minimum number of employee lives that they will offer stop loss insurance for. Others do not.</p> | ok |

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| 10. How do stop loss insurers evaluate the plans seeking coverage and how is this evaluation reflected in the coverage or premiums offered? | The plan document which includes the benefit plan is one of the factors that affects the stop loss premiums. If there is no change in benefits, the groups' experience is reflective of that benefit plan and there is no need for additional evaluation. If the group is interested in exploring changes to their benefit plan, actuarial studies are used to determine how the premiums are effected. | ok |
| Does the profile of the plan have an effect on the attachment points available? | With a change in plan design requested, an increase or decrease the group aggregate attachment point may be necessary as determined by the actuarial evaluations mentioned above. The premium cost of the individual specific attachment point may also be affected by a change in the plan design however, the individual specific attachment point itself is unlikely to be effected. | ok |
| 11. How do States regulate stop loss insurance? | Stop loss is federally regulated by ERISA however policies must be filed by each insurance company in the states in which they choose to offer their product. As well, agents of the insurance companies must be appointed by those companies and TPA's must be licensed in states that they wish to do business as well. | ok |
| In States that are regulating this insurance, what are the licensing processes and standards? | The licensing processes and standards are determined based on individual state requirements by the individual insurance companies. | ok |
| Have States proposed laws, regulations, or best practices with regard to stop loss insurance? | Various states have proposed regulations against groups with less than 50 covered employees from purchasing stop loss insurance. Also various states impose assessments to the insurance companies offering stop loss in addition to premium tax to make up for taxes lost by the reduction of premium paid for stop loss vs. fully insured premium. | ok |
| Do such proposals focus on attachment points, size of the group, percent of total claims paid by the stop loss insurer, or other criteria? | They focus on the size of the groups and on the group attachment points with regard to the additional assessments. | ok |
| What are the issues States face in regulating stop loss insurance? | Since it is federally regulated by ERISA, any additional regulating by state must conform with ERISA first. | ok |
| 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? | Stop loss provides small employers an opportunity to better and separately control the costs of their administration, stop loss policies, plan design and various use of vendors that best suit their employees and their covered dependents. | ok |
| 13. What impact does the use of stop loss insurance by self-insured small employers have on the small group fully insured market? | It is difficult to determine the effect of self funded group's claims if they were fully insured. However, by being allowed to take an active role in choosing their plan design, their administrator, various vendors and from which carrier they choose to purchase stop loss coverage, small groups that are self funded play a larger role in containing their costs while offering their employees and their dependents the best and most affordable products available to them. In many cases fully insured carriers will not share with their policyholders claims that have been paid under their plans, they offer little choice in benefit plans, and they have offer no participation to the policyholder in containing the costs of their claims. The policyholders are left in the dark with regard to exactly what they are paying for and given no chance to reduce their costs with the exception of maybe greatly increasing their deductible and self funding up to that increased level. The more the potential for controlling where their dollars are spent is realized by small groups, and unless more and more states prevent them from exploring the possibility of self funding, the number of groups that move to self funding in the future in order to take a role in the cost of their plan could most definitely have an impact on the small | ok |

-- 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.

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