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Subject: Responses to Request for Information Regarding Stop Loss Insurance  
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## Submitted by Health Cost Solutions, Inc.

**As a Third Party Administrator of Self-funded ERISA plans, we typically do not see any low specific attachment points, usually specific attachment points start around \$30,000 or higher. Also, stop loss policies are not mandatory, and are usually used as a tool to help contain plan costs, in light of uncontrolled and skyrocketing medical costs. Stop loss policies issued by Stop Loss Carriers and Managing General Underwriters are regulated at the state level regarding limits and licensure.**

1. How common is the use of stop loss insurance in connection with self-insured arrangements? **Most employers who self-fund obtain stop loss insurance to protect unpredictable and catastrophic claims. The majority of self-funded groups use stop loss protection with the possible exception of groups of 3,000 employees and above.**

Does the usage vary (and, if so, how) based on the size of the underlying arrangement or based on other factors? **The underlying plan design will dictate the risk being taken by the employer and other factors involved (could be past claims' history, industry type, and the demographics of the group).**

How many individuals, if known, are covered under stop loss insurance (either nationally or on a state-specific basis)? **This is really an unknown number however, self-funded groups are required to file a 5500 with the Department of Labor and the Schedule A will outline the stop loss for the group.**

What are the trends? Are past trends expected to be predictive of future trends? Is the Affordable Care Act expected to affect these trends (and, if so, how)? **If the question pertains to financial trends, self-funded plans would be exposed to the same medical inflation experienced by all health plans whether fully-insured or self-funded. The Affordable Care Act would affect self-funding and stop loss as a result of mandated benefits contained in the act. This could influence healthcare costs which would in turn influence the availability and cost of stop loss insurance.**

2. What are common attachment points for stop loss insurance policies, and what factors are used to determine these attachment points? **There are actually two types of stop loss protection, one pertaining to a claims' limit on individuals and the other would be aggregate reinsurance which acts as umbrella protection for the entire group. The aggregate reinsurance (stop loss) is based on a percentage of expected claims which is normally 125%.**

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 smaller the plan, the less opportunity to spread the risk which means that smaller groups will have lower individual specific deductibles. Likewise, the larger the employer, the more opportunity to spread the risk which would lead to higher individual specific deductibles. However, the aggregate attachment point would still be based, in most situations, on 125% of expected claims.**

What are the lowest attachment points that are available? **Of all the groups we administer, the smallest individual specific deductible is \$30,000 per person and the highest is \$250,000 per person.**

What are the trends? **There really are no trends. It would depend on the financial tolerance of the employer.**

3. Are employee-level (“specific”) attachment points more common, or are group-level (“aggregate”) attachment points more common? What are the trends? What are the common attachment points for employee-level and group-level policies? **These two types of stop loss protection usually work hand-in-hand but some groups will purchase specific stop loss only because of their financial tolerance. It is very, very, rare that a group will have aggregate stop loss without specific stop loss.**

4. How do insurers work with small employers to integrate stop loss insurance protection with self-insured group health plans? What kinds of options are generally made available? Are policies customized to meet the needs of different employers? How are the attachment points for a stop loss policy determined for an employer? Do self-insured group health plans purchase stop loss insurance anticipating that they will purchase it every year? **The size of the employer really makes no difference when integrating stop loss insurance protection. The stop loss insurance carriers will have predetermined policies that are usually approved by the State and really do not offer policies customized for different employers. Virtually all employers view stop loss as an ongoing necessity to help control the losses of the plan.**

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? How much do the relative percentages vary for different attachment points? What are the loss ratios associated with stop loss insurance policies? **This question is irrelevant because the best situation would be for the stop loss protection to never come into play which means the employer and the plan had a good claims’ year which will be reflected in better rates at renewal.**

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? **There are really no administrative costs associated with the purchase of stop loss insurance.**

**Nor would there be any administrative costs related to purchasing a health insurance policy from an insurance company other than costs embedded in the premium.**

7. Is stop loss insurance more prevalent in certain industries or sectors?

**Certain industries or sectors would be no different when purchasing stop loss insurance because here again stop loss insurance is intended to protect the plan assets and this would not change between industries or sectors.**

Are there any minimum employee participation requirements for a small employer to be offered stop loss insurance? **With regard to participation requirements, most carriers whether offering stop loss insurance or fully-insured policies would have participation requirements which are usually in the neighborhood of 75% of eligible participants.**

8. What types of entities issue stop loss insurance? How many small entities<sup>11</sup> issue stop loss insurance policies? **Stop loss insurance is offered by licensed insurance carriers which are rated by AMBest as well as other financial entities which rate the financial strength of the carrier. Stop loss carrier must be licensed in the state they do business and as a result will pay premium taxes to the state.**

9. Do stop loss issuers increase fees for groups below a certain size or exclude those groups? If so, how? **The stop loss insurance amount is usually determined by the size of the group and the lower the stop loss limits, the higher the premium. Under self-funding, all groups are more or less rated based upon their claims' experience.**

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 richer the plan design, the more costly the claims will be and thus lead to more expensive premiums.**

11. How do States regulate stop loss insurance? 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? **States regulate the stop loss carrier just like they regulate carriers of fully-insured policies. In fact, some carriers that offer fully-insured policies also offer stop loss insurance policies. With regard to licensing process and standards, that would be better answered by the actual stop loss carriers. Some states do regulate the minimum size of the individual specific stop loss which must be at a minimum dollar amount.**

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 size of the employer really makes no difference if**

**the employer has the financial stability to offer insurance coverage to his/her employees whether self-funded or fully-insured.**

13. What impact does the use of stop loss insurance by self-insured small employers have on the small group fully insured market? **The stop loss insurance allows the employer to offer coverage that possibly could not have been affordable without stop loss coverage. Under a self-funded plan, the employer has the ability to customize benefits for his or her workforce as compared to fully-insured carriers that offer prepackaged plan design.**

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