

From: [Steve Chapman](#)
To: [E-OHPSCA-STOPLOSS.EBSA](#)
Subject: RE: Request for Information Regarding Stop Loss Insurance
Date: Monday, June 18, 2012 4:42:15 PM

I am the COO for a third party administrator (TPA). We provide administrative services to companies self funding their health benefit plans. We have a great deal of experience dealing with stop loss coverage. I am responding to your Request for Information Regarding Stop Loss Coverage (CMS-9967-NC).

I appreciate the opportunity to respond and help clarify your understanding of stop loss insurance. Answers to your questions:

1. The vast majority of self funded health plans have stop loss coverage to protect the general assets of the employer against catastrophic losses (exceptions would sometimes be very large employer groups). All plans that we administer have stop loss insurance. I would not expect that trend to change. Since the employer takes 100% of the cost and risk of the plan they purchase stop loss insurance to cover large unexpected claim costs that cannot be anticipated or budgeted.
I would not expect the Accountable Care Act to affect these trends, but that depends on how health care costs are affected by ACA.
2. Most all self funded health plans have a specific (individual) attachment point and an aggregate (total company) attachment point. The number chosen is generally driven by the employers budget constraints and risk tolerance. As a TPA we see very few employers with a specific attachment point less than \$35,000 and none below \$20,000 (In the past seven years we have not worked with an employer with an attachment point lower than \$20,000). The ability to offer many different specific deductible sizes helps groups of all size self fund.
3. See #2
4. Stop loss insurers will work with the employer with consulting provided through the TPA and/or Broker to find the best fit for the plan taking into account employer benefits and plan customization. Considerable attention is given to working with the client to ensure the stop loss policy provides catastrophic coverage to the employer Most Self insured plans would purchase stop loss insurance every year.
5. That can vary wildly. All depends on the medical costs incurred by the individual employee. Assuming no large dollar catastrophic and unpredictable claims, the employer would pay 100% of incurred medical costs for employees.
6. Administrative costs related to purchasing stop loss insurance for employees is miniscule. We estimate approximately 0.15% (less than 1/5 of 1 percent) of health plan administration expense is due to stop loss administration.
7. No. Stop loss coverage is applicable to all size and types of employers who meet the applicable legal and fiduciary requirements.
8. Stop loss coverage is issued by insurance carriers or through Managing General Underwriters (MGU's) all of whom must meet state insurance laws. As a TPA, we only contract with stop loss carriers rated A or better.
9. Stop loss insurers base their premiums on expected claims as determined by their underwriters.
10. Stop loss insurers rely on their underwriters to determine the expected claim cost and

appropriate premium. The health plan document, claim history, and federal/state laws all impact the premium.

11. Differs by state and would be better answered by stop loss carriers.
12. Customized stop loss within the requirements of ERISA law has made self funding a viable option for small employers including those under 100 employees. We administer many self funded groups under 100 lives.
13. Minimal if any impact. Private employers choose self funding because of the ability to custom design coverage for the specific needs of their employees and which can be applied across all states. Non-federal governmental public employers also choose self funding for the same reasons and due to the unique ability to better manage costs.

I hope this helps clarify your understanding of the role of stop loss coverage for self funded plans.

Thanks.

Steve Chapman

Vice President - Chief Operating Officer

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