

From: [Wendy Kratz](#)
To: [E-OHPSCA-STOPLOSS.EBSA](#)
Subject: Stop Loss Comments
Date: Tuesday, June 19, 2012 10:45:25 AM
Attachments: [Stop Loss comments RFI.pdf](#)

To whom it may concern,

Below please find our comments in regards to the request for information regarding Stop Loss Insurance.

(See attached file: Stop Loss comments RFI.pdf)

Thank you

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DEPARTMENT OF THE TREASURY
Internal Revenue Service
DEPARTMENT OF LABOR
Employee Benefits Security Administration
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
[CMS-9967-NC]
Request for Information Regarding Stop Loss Insurance

AGENCIES:

Internal Revenue Service, Department of the Treasury; Employee Benefits Security Administration, Department of Labor; Centers for Medicare & Medicaid Services, Department of Health and Human Services.

ACTION:

Request for information.

SUMMARY:

This document is a request for information regarding the use of stop loss insurance by group health plans and their plan sponsors, with a focus on the prevalence and consequences of stop loss insurance at low attachment points. Given the limited nature of data available, the Departments of Labor, Health and Human Services (HHS), and the Treasury (collectively, the Departments) invite public comments via this request for information.

II. Solicitation of Comments

The Departments are requesting comments to contribute to the Departments' understanding of the current and emerging market for stop loss products, both generally and with respect to the following specific areas:

1. How common is the use of stop loss insurance in connection with self-insured arrangements? Does the usage vary (and, if so, how) based on the size of the underlying arrangement or based on other factors? How many individuals, if known, are covered under stop loss insurance (either nationally or on a state-specific basis)? 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)?

Stop-loss contracts are more common with self funded arrangements at this time due to the additional benefit requirements as dictated under PPACA. Usage does vary based on the size of the underlying arrangement. (e.g. Employer groups under 5,000 lives/90% have stop-loss contracts and Employer groups under 1,000 lives / 99% have stop-loss contracts). We have several very large accounts which do not have stop-loss contracts and estimate that 65% of our client base purchased stop-loss coverage.

The trends in health care have gone down in the last couple or years. There are so many factors at play with determining trends, that a limited response would not be possible.

Yes, the Affordable Care Act is expected to affect these trends. One of the expected outcomes is that states will lobby against the regulations which will change the dynamics of which groups can choose to be self-funded and which cannot.

2. What are common attachment points for stop loss insurance policies, and what factors are used to determine these attachment points? 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)? What are the lowest attachment points that are available? What are the trends?

The attachment points are calculated on a case by case basis and based on the risk tolerance of the group. Generally speaking, the larger the group, the larger the attachment point. The lowest attachment point that we have seen as an organization is \$25,000.

The trend that we have experienced most often is for the deductibles to get larger not smaller in order to keep the premiums down.

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?

Individual protection is more common only because the group cannot purchase aggregate protection without employee level protection. In regards to trends, more customers continue to purchase both the employee-level protection as well as the aggregate group protection due to the uncertainty of the economy. The most common attachment points are not definable as they are based on the risk tolerance of the group.

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?

Generally the responsibility of stop loss protection falls to the broker and not the carrier as carriers do not make self-funded plans an option. Brokers generally present options which do not exceed the risk tolerance of the group and meets their financial needs.

In looking at the self-funded option, policies are customized to meet the needs of different employer groups. Attachment points are determined in conjunction with the employers needs and risk tolerance. Self-insured group health plans do purchase stop loss insurance anticipating that they will purchase it every year.

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?

The employer is responsible for payment of claims up to the attachment point selected at the inception of the policy. If an employer has a good claims year and no employee or dependent exceed the attachment point then the employer funds 100% of the paid claims. If there are large claimants during a plan year the stop-loss carrier could end up paying a significant portion of the claims, depending on the amount of the claims. Thus, the higher the attachment point selected at policy year inception, the larger the employer's claims paying responsibility. Loss ratios for stop-loss vary from carrier to carrier, group to group, year to year and attachment point to attachment point.

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?

Generally speaking, administrative fees are not related to stop loss insurance. Most third party administrators include stop loss procurement services in their base administrative fees. Also, most third party administrators will allow the broker, consultant or client to secure the stop loss insurance. Administrative costs are generally meant to cover the cost of claims payment, billing, eligibility, reporting, account management, customer service, etc.

In terms of overall health plan costs, stop loss insurance premiums usually account for 12% to 18% of the total cost of the plan.

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?

Stop Loss insurance is prevalent in most industries, sectors and group sizes. There is a minimum employee participation requirement of 75% participation with 50% dependent participation. Some carriers offer flexibility on this requirement but often will "rerate" the group.

8. What types of entities issue stop loss insurance? How many small entities issue stop loss insurance policies?

Stop Loss insurance is offered through direct writing carriers such as HCC, Zurich and HM Life as well as through Managing General Underwriters (MGUs) representing carriers such as American National, Fidelity Security and Gerber

9. Do stop loss issuers increase fees for groups below a certain size or exclude those groups? If so, how?

Stop loss issuers do not increase internal fees for groups based on size, but they will set limits on the size of the group. Most carriers will not quote on group's less than 50 employee lives. Some will not quote on group's less than 100 employee lives.

Generally speaking, smaller groups select smaller attachment points. The smaller the attachment point the higher the premium charged from the stop loss insurer.

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 demographics of the group play an important role in determining the attachment point offered as well as the premium. Included in the demographics of the group are: industry, average age, male vs. female content, plan design, ppo network efficiency, historical claims data, future large claimants, etc. These considerations could result in an increase or decrease to premium.

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 stop loss insurance via minimum group size, minimum attachment point, minimum aggregate corridor, and also may require state specific health benefit mandates. Each state has its own specifications around licensing. Several states have proposed laws or regulations around best practices which include most often minimum attachment points and/or minimum aggregate corridor. States are making these proposals in an effort to keep smaller employer groups from leaving the fully insured market and moving to self insurance.

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?

There are fewer carriers that offer stop loss insurance to small employers thus there are less choices for small employers looking to self insure. Since claims activity for small groups is more volatile than large groups, small groups may be faced with steep increases and limited carrier choice in poor performing years.

13. What impact does the use of stop loss insurance by self-insured small employers have on the small group fully insured market?

Stop loss insurance provides small employers an opportunity to leave the fully insured "pooled" approach and stand on their own claims merit. Self insurance affords groups the opportunity to receive and evaluate their own claims history and thus make changes to plan design when appropriate. Stop loss insurance provides a measure of catastrophic protection for small groups