

From: [Becky Henderson](#)
To: [E-OHPSCA-STOPLOSS.EBSA](#)
Cc: ["Anne Lennan"; "Fred Hunt"](#)
Subject: Request for Information Regarding Stop Loss Insurance
Date: Wednesday, June 20, 2012 1:19:39 PM
Attachments: [Stop Loss Client List deidentified.xls](#)
[Response to Request for Information Regarding Stop Loss Insurance.doc](#)
Importance: High

Dear Sir or Madam,

Attached are our responses to the questions posed in your Request for Information Regarding Stop Loss Insurance.

If you have any questions, please feel free to contact me.

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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? **All our self-funded groups utilize reinsurance, both individual (specific) and group (aggregate) for medical and prescription coverage. Self-insured dental, vision and STD do not require specific coverage but in some cases may be encompassed in the aggregate coverage.**

Does the usage vary (and, if so, how) based on the size of the underlying arrangement or based on other factors? **Usage varies from company to company depending on their risk tolerance and their size. However, we have seen large groups who have low risk tolerance because their budgets are so tight, but have seen small groups whose risk tolerance is high because they are secure financially and/or they understand self-funding and reinsurance because they have been self-funded for so many years. Many small employers "hold on" to their self-funded plan because it has worked so well for them. Lower cost year over year cover higher claims costs if/when a group has a year with higher losses.**

How many individuals, if known, are covered under stop loss insurance (either nationally or on a state-specific basis)? **Our TPA covers approximately 8,000 employee lives and approximately 15,000 participants. All of these participants are covered by stop loss insurance. We have attached a spreadsheet representing a typical sampling of our groups detailing the number of employee lives, total participants covered, contract type for both specific and aggregate contracts, specific deductible levels, renewal dates and original effective date of the self-funded plan for your review.**

What are the trends? **We expect to continue to see stop loss utilized at some level by all our self-funded groups.**

Are past trends expected to be predictive of future trends? **Yes.**

Is the Affordable Care Act expected to affect these trends (and, if so, how)? **No, not unless the insurance companies all abandon the United States for better markets in other countries due to the constraints put in place by PPACA.**

2. What are common attachment points for stop loss insurance policies, and what factors are used to determine these attachment points? **In our client base, groups over 100 lives have an average specific (individual) attachment point of \$50,000 or more. This is normally determined based on the client's past claims history, stop loss premiums, risk tolerance and understanding of self-funding.**

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)? **We have only two groups with specific stop loss levels less than \$30,000. These two groups are extremely small to remain self-funded (31 or less employee lives) but have been self-funded for many years. Based on our groups, we find that groups of 30 – 50 lives average \$30,000 - \$50,000; groups of 50 – 500 average \$50,000 - \$125,000; and groups of over 500 average \$150,000 and up.**

What are the lowest attachment points that are available? **Except in unusual situations, the lowest specific deductible amounts available to our clients are in excess of \$30,000 - \$50,000. Most groups of 100 employee lives and over have specific stop loss limits in excess of \$50,000.**

What are the trends? **With respect to our clients, many have been self-funded for long periods and therefore understand all risk involved and are willing to take some risk at both the specific and aggregate levels. They understand that TPAs are “risk managers” who carefully review and monitor their claims and keep their costs as low as possible with negotiations with providers for discounts and watching for incorrect or “creative” billing that can be corrected. These measures also protect participants from unnecessary balance billing by providers for anything denied whenever possible.**

3. Are employee-level (“specific”) attachment points more common, or are group-level (“aggregate”) attachment points more common? **Most of our self-funded plans carry both specific and aggregate coverage.**

What are the trends? **Trend is the same – both specific and aggregate coverage.**

What are the common attachment points for employee-level and group-level policies? **Employee-level (specific deductible) and group-level (aggregate) attachment points are reviewed with the group by a Risk Manager of the TPA and, if needed, with the stop-loss carrier underwriters to help determine what level of reinsurance (both specific and aggregate) is best suited to the client’s risk tolerance. The level of stop loss to purchase is a business decision and is made like any other business decision. Stop loss levels that are too low are not cost-effective for the group, much like stop loss on your automobile. As your automobile deductible increases the premium decreases, so you balance the risk (deductible) against the premium, decide what your risk tolerance is, and purchase that level of coverage. Groups manage their stop loss in the same manner.**

4. How do insurers work with small employers to integrate stop loss insurance protection with self-insured group health plans? **Again, a Risk Manager and, if needed, stop-loss underwriter work with the group to determine the group’s risk tolerance. It is the group health plan’s ERISA fiduciary responsibility to decide what level of stop loss coverage is best to protect their plan from unnecessary losses while protecting plan assets by not purchasing more reinsurance than is prudent.**

What kinds of options are generally made available? **Most stop loss carriers work with the TPA and the group to customize a stop loss policy that is financially viable for the plan. Both stop loss cost and risk tolerance are taken into consideration during this decision.**

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? **Again, employee-level (specific deductible) and group-level (aggregate) attachment points are reviewed with the group by a Risk Manager of the TPA and, if needed, with the stop-loss carrier underwriters to help determine what level of reinsurance (both specific and aggregate) is best suited to the client’s risk tolerance.**

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? How much do the relative percentages vary for different attachment points? What are the loss ratios associated with stop loss insurance policies? **This answer would vary from group to group and from year to year. Self-funded group health plans are designed to cover the day-to-day claims of most participants. Stop loss is purchased for those catastrophic and unpredictable claims that would otherwise cause serious detriment to the financial stability of the plan.**
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? **Administrative costs for our groups are normally charged on a per employee per month basis. Self-funded administrative costs, stop loss coverage, and other costs of a self-funded plan (i.e., Precertification, PPO access, etc.) are normally added together and are normally still less than the administrative costs under a health insurance policy from an issuer.**
7. Is stop loss insurance more prevalent in certain industries or sectors? **No. Stop loss is a tool that protects ANY plan from catastrophic and unpredictable claims that would cause serious detriment to the financial stability of the plan.**

Are there any minimum employee participation requirements for a small employer to be offered stop loss insurance? **In most groups, both self-funded and fully insured and both large and small group, there are participation requirements – and they are normally fairly standard across both segments. Most fully insured carriers and stop-loss carriers require 75% of those eligible (not including those in waiting periods, those who have coverage elsewhere, etc.) and/or not less than 50% of the entire group.**

8. What types of entities issue stop loss insurance? ^{**}How many small entities issue stop loss insurance policies? **Stop loss insurance is issued by both insurance carriers as well as Managing General Underwriters (MGUs). Measuring the “size” of a company will create distortions. Many of the MGUs are “small”, but their risk and the coverage they represent may be quite substantial. Stop loss must meet state insurance laws, so that will be the key factor.**
9. Do stop loss issuers increase fees for groups below a certain size or exclude those groups? If so, how? **No. Reinsurers charge premiums, not fees. Certain reinsurers write certain size groups. The difference in premium is based on the claims history as well as the risk the group is willing to take with respect to their coverage. Smaller specific coverage and lower aggregate coverage results in higher premiums. If a small employer is not willing or able to tolerate the risk of a high deductible (both specific and aggregate), then their premiums are higher.**

^{**} 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.

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? **Stop loss insurers evaluate groups based on claims history and health conditions of the group. In addition, they look at the size of the group for the purposes of spreading the risk. Aggregate coverage is claims experience rated. Specific coverage is “pool rated” based on the reinsurers block of business (based on a “rate book”). The profile of the plan has no effect on the attachment points available.**
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? **Actual Stop-Loss entities can better answer this question. Our understanding is that they are insurance companies and are licensed or authorized as such.**
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? **As of this point in time, it has no effect. In the early 80’s, small groups were self-funded. In the 90’s, reinsurance was very hard to obtain for small groups, so most were forced to purchase fully insured coverage. The trend is now bringing these smaller groups back to self-funding. The decision of the group is almost always entirely based on cost.**
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 has stabilized the self-funded market in a time when medical prices have skyrocketed out of control. The attraction of self-funding over fully insured plans is the ability, under ERISA, to custom-design coverage. This allows a group to offer benefits that satisfy the wants and needs of their particular population. It allows employers to attract and retain quality employees.**

GROUP CONTRACT INFORMATION

Group	# of Employee Lives	# of Participants	Specific Contract	Specific Deductible	Aggregate Contract	Renewal	Original Eff Date
Group 1	74	185	24/12	\$60,000.00	24/12	02/01/2013	02/01/1996
Group 2	28	40	12/12	\$20,000.00	12/12	07/01/2012	07/01/1996
Group 3	199	414	15/12	\$100,000.00	15/12	04/01/2013	04/01/2005
Group 4	344	522	15/12	\$125,000.00	15/12	10/01/2012	10/01/1992
Group 5	92	114	15/12	\$50,000.00	15/12	04/01/2013	04/01/1989
Group 6	92	184	15/12	\$65,000.00	12/12	06/01/2012	06/01/1989
Group 7	82	113	36/12	\$30,000.00	36/12	01/01/2013	05/01/1992
Group 8	115	285	12/15	\$45,000.00	15/12	05/01/2013	05/01/2010
Group 9	31	38	24/12	\$25,000.00	24/12	02/01/2013	02/01/2009
Group 10	101	156	24/12	\$45,000.00	24/12	09/01/2012	09/01/1988
Group 11	25	37	15/12	\$40,000.00	15/12	04/01/2013	04/01/1989
Group 12	80	141	15/12	\$35,000.00	15/12	12/01/2012	12/01/2003
Group 14	164	286	24/12	\$125,000.00	24/12	04/01/2013	04/01/1997
Group 15	1,613	3,693	15/12	\$175,000.00	No Agg	01/01/2013	08/01/2002
Group 16	142	381	12/15	\$85,000.00	12/12	01/01/2013	01/01/2010
Group 17	134	324	12/15	\$85,000.00	15/12	01/01/2013	01/01/2010
Group 18	351	889	15/12	\$140,000.00	24/12	04/01/2013	04/01/2003
Group 19	194	411	24/12	\$75,000.00	12/12	03/01/2013	03/01/1992
Group 20	120	158	15/12	\$70,000.00	15/12	04/01/2013	04/01/2010
Group 21	45	62	24/12	\$40,000.00	24/12	06/01/2012	06/01/1999
Group 22	166	275	15/12	\$50,000.00	15/12	08/01/2012	08/01/2002
Group 23	47	90	15/12	\$50,000.00	15/12	09/01/2012	09/01/1997
Group 24	262	598	24/12	\$60,000.00	12/12	06/01/2012	06/01/1996
Group 25	102	218	15/12	\$30,000.00	15/12	06/01/2012	06/01/2002
Group 26	84	123	24/12	\$70,000.00	24/12	10/01/2012	10/01/1984
Group 28	192	352	24/12	\$80,000.00	24/12	07/01/2012	07/01/2005
Group 29	44	57	48/12	\$30,000.00	48/12	04/01/2013	04/01/1993
Group 30	39	89	36/12	\$55,000.00	36/12	04/01/2013	04/01/1992
Group 31	64	140	12/12	\$50,000.00	12/12	01/01/2013	09/01/1991
Group 32	370	1,061	15/12	\$75,000.00	15/12	09/01/2012	09/01/1991
Group 33	52	66	24/12	\$40,000.00	24/12	06/01/2012	06/01/1991
Group 34	34	88	15/12	\$50,000.00	15/12	10/01/2012	10/01/1999
Group 35	59	126	15/12	\$50,000.00	15/12	11/01/2012	11/01/1992
Group 36	467	1,114	18/12	\$170,000.00	48/12	01/01/2013	08/01/2003
Group 37	162	212	12/15	\$50,000.00	12/12	07/01/2012	07/01/2003
Group 38	168	261	15/12	\$60,000.00	15/12	10/01/2012	10/01/2006
Group 39	119	283	15/12	\$40,000.00	15/12	01/01/2013	04/01/2004
Group 40	86	135	24/12	\$60,000.00	24/12	11/01/2012	04/01/1988
Group 41	25	46	12/15	\$30,000.00	12/12	01/01/2013	01/01/2012
Group 42	131	234	15/12	\$75,000.00	15/12	01/01/2013	01/01/2010
Group 43	479	691	15/12	\$105,000.00	15/12	11/01/2012	11/01/2009
Group 44	38	73	12/12	\$30,000.00	12/12	05/01/2013	01/01/1992