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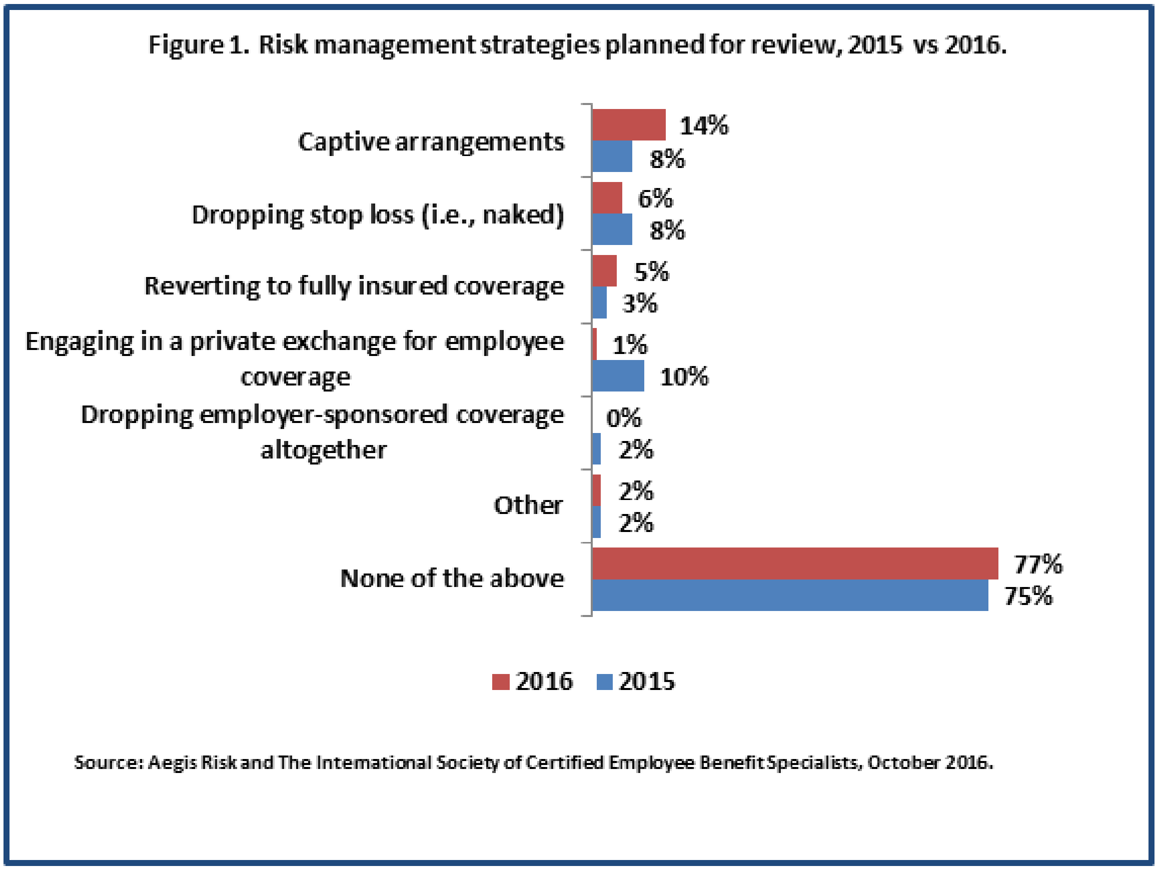
New Survey Results in Stop Loss Activity

Aegis Risk and the International Society of Certified Employee Benefit Specialists have issued their annual employee benefit stop loss market survey which offers among the most complete reviews of the stop loss market place for employers and plan sponsors in the industry.

This year's survey, their tenth, reflects the ongoing rise in stop-loss premiums and a continued commitment to employer-sponsored, self-funded health plans. The occurrence of truly catastrophic claimants – in excess of $1 million – is further verified with over 18% of respondents reporting such a claimant in the last two policy years. For employers, stop loss remains a primary focus of risk management with interest in private exchanges nearly disappearing at 1% amongst respondents. For mid size groups, captive arrangements show an increasing interest. Below are some highlights of this year's stop loss survey worth consideration:

- With the increased expense of stop-loss premium and the growing exposure to catastrophic risk, the stop-loss renewal decision often involves internal audiences beyond benefits and human resources. Finance and/or CFO continue to be predominantly involved at 69%, consistent with recent years.
- Reflective of the organizational risk of catastrophic self-funded health claimants, a companies Risk Management department is involved in the stop loss transaction 18% of the time, up from 11% in 2015.
- As to changes in individual stop loss (ISL) deductible levels, respondents are increasingly uncertain until they perform a review (50%), with fewer focused on a preference to keep it at the current level (37%).
- Reflecting the Affordable Care Act's removal of health plan annual and lifetime dollar limits (which governs the underlying medical plan, but not stop loss), nearly all stop-loss programs had full, unlimited annual and lifetime limits by 2015. As such, it is no longer measured by the survey. For 2015, its last measured year, only 6% had an annual reimbursement maximum, and only 2% reported a lifetime reimbursement maximum.
- 92% of those surveyed include pharmacy under the stop loss coverage.
- Aggregating specific deductibles (ASDs), which are separate deductibles requiring fulfillment before any ISL reimbursements, are often leveraged for their ability to ease renewal rate increases. However, they come with a direct transfer of risk back to the policyholder. Of respondents, 18% reported an ASD, with the average size being 59% of the underlying ISL. In an example, if an ISL is $200,000, the ASD, on average, is $118,000 (59%).
- Fueled by healthcare reform and rising costs, alternative delivery and risk mechanisms are being offered or discussed with self-funded plan sponsors, including private exchanges and

captive arrangements. However, maintaining the status quo seems most prevalent, with 77% responding “none of the above,” consistent with recent years (Figure 1).



The survey represents 252 plan sponsors covering more than 560,000 employees with over $190 million in annual stop-loss premium. Respondents range in size from middle market employers to those with as many as 48,000+ employees. The results speak to how employers continue to rely on self insurance as an effective way to manage and contain healthcare costs.

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