From:	Kathy Lohrke
To:	E-OHPSCA-STOPLOSS.EBSA@dol.gov.
Cc:	Kathy Lohrke
Subject:	FW: SPBA Email Alert: Request for Information - Stop-Loss
Date:	Wednesday, May 02, 2012 4:46:18 PM

From: Cindy Sheffield
Sent: Wednesday, May 02, 2012 3:41 PM
To: Kathy Lohrke
Subject: FW: SPBA Email Alert: Request for Information - Stop-Loss

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From: Kathy Lohrke
Sent: Wednesday, May 02, 2012 2:52 PM
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From: SPBA [mailto:SPBA_@xmr3.com]
Sent: Tuesday, May 01, 2012 9:17 AM
To: Susanne Wollman
Subject: SPBA Email Alert: Request for Information - Stop-Loss

SPBA Email Alert – May 1, 2012

Request for Information – Stop Loss

Six Federal agencies issued a Request for Information to be submitted by July 3, 2012 on the issue of stop-loss insurance. The Internal Revenue Service, Department of the Treasury, Department of Labor, Centers for Medicare and Medicaid Services and HHS have posted

several questions that they want answered regarding how companies self-insure health care benefits and the inter-play of stop-loss insurance. A copy of the RFI has been posted on the SPBA website. (www.spbatpa.org - Look on the main page under "What's New")

The solicitation of comments will help the Departments' understand the emerging market for stop loss products, especially once the Exchanges are in place in 2014.

Questions include:
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? Stop loss is used most self funded health plans.
Does the usage vary (and, if so, how) based on the size of the underlying arrangement or based on other factors? Yes the size of an employer group will dictate the type and level of stop loss coverage. Very large groups (20,000 or more ee lives) are able to take more funding risk and will go without or purchase only specific or aggregate. Stop loss protection (specific and aggregate) work very much the same as the internal "pooling" levels of a fully insured health plan. The pooling level – or specific stop loss helps to protect the financial integrity of the plan from large shock claims. How many individuals, if known, are covered
under stop loss insurance (either nationally or on a state-specific basis)? As a guess I believe 95% of employers with over 1500 employees are self-funded with stop loss protection. Today there are reinsurers who are willing to offer smaller group stop loss arrangements. What are the
trends? With the embracing of "wellness" and meaningful "population health management" employers are looking at ways to direct better risk management and behavior changes of members taking better care of themselves to their own bottom line. A self-funded plan is the only way that happens. Employers are less likely to invest in wellness when the carriers are the benefactors. Are past trends expected to be predictive of future trends? The new trend that is affecting this is the consumer driven models and wellness. Is the Affordable Care Act expected to affect these trends (and, if so, how)? No I think the trend and movement to more self-funded models is helping to promote and incent employers into active participation in their health plan risk and wellness of their members. They want more control and direct bottom line benefit to actively manage this risk.

2. What are common attachment points for stop loss insurance policies, and what factors are used to determine these attachment points? By attachment point I assume "maximum aggregate stop loss" What are common attachment points by
employer size (e.g., for plans with fewer than 50 110 to 125% of expected claims, between 50 and 100 120 – 125% of expected, 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? To be a legal self-funded ERISA plan the attachment point must be more than the expected claims. Most – regardless of size –are at 125%

3. Are employee-level ("specific") attachment points more common, or are group-level ("aggregate") attachment points more common? For 99% of the self-funded group plans both are equally common. It is very rare to find just specific or just aggregate stop loss on groups

with less than 2,000 ee lives. What are the trends? Increasing Specific points annually to hold down the premium costs. What are the common attachment points for employee-level and group-level policies? There is no such thing.. Each group is set depending on the level risk they are willing and able to handle. The lower the Specific the more the premium.

4. How do insurers work with small employers to integrate stop loss insurance protection with self-insured group health plans? By small employers I assume less than 100 ee lives. Certain stop loss reinsurers have created stop loss products to fit the market size they underwrite. There are only a few carriers in the less than 50/ee life size. We see this expanding with new carriers entering this market each year. What kinds of options are generally made available? There are several funding options that are designed to help employers offer competitive health plan benefits to their employees. 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? Both Specific and Aggregate are determined as an integrated part of the Whole Plan. We weigh the premium against the exposed liability. It is no different than setting the deductible on home owners policies. How much to save in premiums against potential claims risk. Do self-insured group health plans purchase stop loss insurance anticipating that they will purchase it every year? Yes. The contract type will change from year to year in order to cover run in and IBNR.

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? We are not a stop loss insurer so do not know their loss ratios. We know that they underwrite and set the maximum attachment points at 125% of expected claims which means they "expect" an 80% claims expense.
If a group has an 80% Loss Ratio year (total claims paid under the specific deductible) we expect to see a "trend" increase to the attachment point in the next year.

6. What are the administrative costs to employers related to stop loss insurance purchased for the employers' self-insured group health plans? Most TPA fees for administration are on an Per Employee Per Month basis. Average costs will range from $20 to $40PEPM depending on the size, plan, and special processing requirements. How do these costs compare to the administrative costs related to purchasing a health insurance policy from an issuer? Insurers have self-funded plans and they are called ASO (Administrative Services Only). The fees insurers charge are higher than TPAs. Many insurers charge as a percentage of paid claims. A 2,000/ee group with a BCBS pays 5% of paid claims for the ASO. The average total converted to a PEPM fee is $62 PEPM.

7. Is stop loss insurance more prevalent in certain industries or sectors? Reinsurers have markets that they may restrict. Are there any minimum employee participation requirements for a small employer to be offered stop loss insurance? Yes this is State regulated as to employer size for purchasing a plan. Participation is the same as fully insured – 80% of eligible employees.

8. What types of entities issue stop loss insurance? None.. stop loss is issued by a reinsurance company. HCC, Gerber, American Fidelity, Hartford, Sun Life etc.. **How many small

entities issue stop
loss insurance policies?

9. Do stop loss issuers increase fees for groups below a certain size or exclude those groups? Groups are rated based on the plan, demographics, size, location, and industry. They do set "size" parameters for offers. Many only issue stop loss to groups over 100 ee lives. If so, how?

10. How do stop loss insurers evaluate the plans seeking coverage and how is this evaluation reflected in the coverage or premiums offered? Demographics, prior health claims history, health questionnaires (small groups), location, ppo network discounts, plan design. Does the profile of the plan have an effect on the attachment points available? All of the above affects the stop loss quote – no different than fully insured.

11. How do States regulate stop loss insurance? Carriers must be admitted. Most set the group size limit and some States set the minimum attachment point without regard to employee size. In States that are regulating this insurance, what are the licensing processes and standards? TPAs must have a license in the State the members are. Have States proposed laws, regulations, or best practices with regard to stop loss insurance? No not that I am aware. 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? Do not know

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? It is part of the total review of the benefit plan offered. Being self-funded has no bearing on the members as they see the same doctors, use the same type of id cards and rx programs etc.. Employers much understand how they work – pros and cons – before going self-insured. They need to want to have control over the risk and plan destiny. Once they do, however, it is rare that they ever go back.

13. What impact does the use of stop loss insurance by self-insured small employers have on the small group fully insured market? There are only a few reinsurers in this space today. Brokers are under educated in self-funding so more education and access has to happen before there is much impact. The fully insured carriers, however, are moving into this market –i.e. CIGNA and Assurant go down to 15 employee lives with self-funded products.

** 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.

A copy can be reviewed and comments can be filed at http://www.regulations.gov
Fill in subject and search.
