Request for Information – Stop Loss

(1) Stop Loss insurance is always used in all our self-insured arrangements. Employers need the protection from catastrophic loss.

The usage varies depending on the employer's tolerance and financial budget for risk acceptance. Generally speaking the smaller employer takes on less risk and the larger employer takes on more risk.

Nationally we cover over 56,000 employee lives. If one was to include dependents, the number of lives covered would be far greater than 56,000 lives.
The Affordable Care Act is currently thought to have a favorable impact on self-funded as self-funding is governed by ERISA. While strict rules and regulation exist through ERISA, self-funding will allow employers some flexibility to design their own health insurance plans.

(2) Aggregate attachment points vary by group size and by the employer's own plan design and risk assumption. Aggregate attachment points on smaller groups may run from $60,000 to $ 75,000 up to $2,000,000 or more.

(3) Our minimum specific attachment point for our ERISA plans are $20,000 and the maximum specific attachment point is $500,000. Generally speaking, the larger the group the more risk tolerance an employer has and the higher the specific attachment point.

(4) We provide stop loss/excess loss insurance for both small employers and large employers. Self-insured group health plans always purchase stop loss insurance each and every year. The plan documents of an employer may be custom designed by an employer to meet their employees' needs.

(5) For a given attachment point, 100% of the costs up to the attachment point is borne by the employer. 100% of each eligible claim dollar after the attachment point is reimbursed by the stop loss carrier. The loss ratios on a net basis have been consistently higher in recent years. The net loss ratio vary from 77% to 103%. The 77% year, while a good year for the carrier, was an oddity. Generally the loss ratios have been running in the upper 80% range to the upper 90% range.

(6) The administrative costs generally run less for self-funded as they do not incur costs based on an overall percentage of their plan/claim costs. Since we are a MGU and not a TPA, a TPA could perhaps better answer the question regarding administrative costs.

(7) I am not sure there are more participants in a certain employer sector of groups that self-fund. Municipalities/governmental entities, charitable organizations, private employers both large and small are all examples of type of industries that self-fund their health insurance plans. We do require minimum 75% participation of all eligible employees to insure that the employer has a good demographic spread of risk.

(8) Insurance Companies who are regulated by state insurance department are the entities that we work with who issue stop loss insurance.

(9) Our stop loss carriers only allow coverage down to 25 employee lives. There are no increased fees based on size. As previously mentioned sometimes smaller groups have higher stop loss premiums since they take on less risk. However, there are no fee or premium assessments due to a group's size, whether the group is large or small.

(10) Stop loss coverage is based both on the employer's willingness to assume risk (the employer's risk tolerance) and on the stop loss carriers' assessment of an appropriate risk for that group. The underlying self-funded employee benefit plan does impact the stop loss coverage, particularly the aggregate attachment point.

(11) Generally speaking, some states set certain minimum number of lives requirements, minimum specific attachment points and minimum aggregate attachment points. Also states audit the carriers based on state laws, rules and regulations. Also the carrier must adhere to Sarbanes-Oxley laws. States must remember ultimate governance is determined by ERISA. Generally, some states focus on number of lives and the size of the aggregate attachment point.

(12) Sometimes states may create an inhibitive market through laws and regulations where it is more difficult for a group to be self-funded.

(13) Generally speaking, smaller employers (less than 25 lives), may find entry into the self-funded market more difficult as costs are generally less in fully insured markets. However, if the healthcare reform act is deemed constitutional by the U.S. Supreme Court, more and more smaller employers may enter the self-funded stop loss world as conditions would be favorable for small employers to design their own plan, self-fund and realize savings from being self-funded.