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)?

It is very common for self-insured groups to purchase stop loss insurance. This is due to the increase in extremely large claims and the plan's fiduciary responsibility to protect the plan. In fact, larger groups who have not purchased stop loss insurance are now looking to stop loss insurance. Especially with the extremely large bills being seen these days, combined with the increased annual maximums and unlimited lifetime maximums, plan sponsors are protecting their self-insured plans with stop-loss insurance. Generally the underlying plan of benefits does not affect whether or not a plan would purchase stop loss insurance. It is almost impossible to determine how many lives are covered by stop loss, however, it is safe to assume the vast majority of lives covered under a self-insured group are covered by stop-loss insurance. Based on health care trends, it is safe to assume the use of stop loss insurance will continue. ACA's affect of stop loss trends will depend largely to ACA's impact on health care costs.

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?

Specific Deductibles (specific attachment points) range from $10,000 to $500,000 and up. The level of the specific attachment point depends largely upon the risk tolerance of the employer. Generally, the larger the group, the larger the specific deductible and vice versa. A 50 life group may have a $20,000-$30,000; a 100 life group may have a $50,000-$75,000; and a 250 life group may have a $75,000-$100,000. It is rare to see a group purchase a $10,000 deductible as the premium tends to be very high, but some of the very small groups do purchase a $10,000 specific. We are seeing more and more groups increase their specific deductible to stay in line with increased health care costs.

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?

Although both specific and aggregate deductibles are common, specific deductibles are more common. Once again, the size of the specific deductible is a reflection of the groups risk tolerance more than anything. The aggregate attachment point is a reflection on the groups overall claims experience.

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?

Typically, small employers will work with a Third Party Administrator (TPA) and or a consultant to integrate stop loss with their plan. TPA's specialize in arranging all the necessary components of plan for the employer. There are many policies available, each one slightly different. The policies themselves are not customizable, but the terms of the policy (deductible, contract, etc.) are very easily customized. These terms are influenced by the employers risk tolerance. Yes, stop loss is purchased anticipating that it will be purchased 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?

For example, we are going to consider a $50,000 specific deductible. Total claims for an individual are $150,000. As stop loss insurance is a reimbursement contract, the employer is responsible for the full $150,000. The insurance company would reimburse the plan $100,000 or the amount over the specific deductible. So, the employer would end up having paid $50,000 and the insurance company would have paid $100,000. Loss ratios vary widely from group to group. Since stop loss insurance is designed to protect from unknown catastrophic claims, loss ratios can be 0%, or they can be over 200% depending on the groups experience.

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 stop loss insurance are much less than those associated with a fully insured policy. The premium is much less to begin with since stop loss has large deductibles as well as the fact it is designed to protect from catastrophic claims. Each policy and insurer will have different expense loads, but they will all be much less than a fully insured policy.

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 not more prevalent in certain industries than others. Participation requirements vary by insurer. Typically, 65% of eligible employees is the requirement.

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

There are two types of entities that issue stop loss polices. Direct writers, or insurance companies who issue their own policies and Managing General Underwriters (MGUs). MGUs are given the authority to quote stop loss, collect premium, issue policies, and pay claims on behalf of an insurance company. In this arrangement, essentially, and insurance company outsources their stop loss business.

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

No. Stop loss premiums are a reflection of the specific deductible quoted. For example, a group will be more claims at the $20,000 range than at the $200,000 range. Some insurance companies, for various reasons will not quote below a certain group size. Other insurance companies are happy to write the very small groups.

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?

Due to the fact that stop loss insurance is a relatively low premium and designed to protect from unknown catastrophic claims, generally, rates are manually rated. Experience does affect premiums to a certain extent, however only the very large groups can be solely experience rated due to the predictability of those groups. Yes, the size of the group and their experience does have an affect of 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?

Yes, states do regulate stop loss insurance. Some states will mandate what size group can self-insure and by stop loss. Some states mandate what the lowest specific deductible can be sold. Some states mandate how low aggregate attachment points may be offered. Being an MGU we rely upon our carriers' compliance departments to keep up with the different state mandates and therefore we can not fully answer this question. An insurance company or the Self Insurance Institute of America or the Society of Professional Benefit Administrators would be a good resource.

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?

This will be a group specific decision, however small employers will have a certain risk tolerance. If certain deductibles are not available, they may not decide to self fund as they would not want to accept the risk up to the available deductibles.

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

In general, I would not think that the self insured market has much impact on the small group fully insured market. Certain groups want to have the predictability of the fully insured premium. Others who want to know exactly what their plan is spending and operate their plan in the most efficient manor (less administrative expenses) will self fund.