From:	Nicole Andelin
To:	E-OHPSCA-STOPLOSS.EBSA
Cc:	Nicole Andelin; Barbara Towle; Vicki Espinoza; Brendan Krelle
Subject:	RESPONSE - Request for Information Regarding Stop Loss Insurance from CNIC Health Solutions, Inc. (Colorado)
Date:	Monday, July 02, 2012 5:41:29 PM
Attachments:	CNIC Health Solutions, Inc. RESPONSE to Stop Loss Comments.pdf

Good Afternoon,

Attached are comments from CNIC Health Solutions, Inc., headquartered in Greenwood Village, CO. Please let us know if you have any questions or require clarification on any of our responses.

Thanks,
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Department of the Treasury Stop Loss Request

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)?

   Responses in this document are based on the current commercial self-funded clients of CNIC Health Solutions, Inc. (CNIC), for which CNIC has complete information regarding stop loss premium and reimbursement amounts. These clients are referred to throughout as CNIC Commercial Clients. Responses do not include information for state and federal high risk pools or for clients administered on behalf of CNIC affiliates.

   CNIC tracks census information for Commercial Clients based on Employee Lives, excluding any dependents. This is standard practice in the Third Party Administration (TPA) industry, which generally excludes dependents (such as spouses and children) from census counts. This can be contrasted with the fully insured industry, which usually reports census data in terms of Members. The term "Members" generally includes both employees (also known as Subscribers) as well as dependents. On average, the ratio of Members to Subscribers is 1.8 to 1; i.e. there would be an average of 180 Members for every 100 Subscribers for the average fully insured insurance carrier.

   All of CNIC's Commercial Clients purchase specific (individual level) stop loss coverage. 85% of CNIC Commercial Clients purchase aggregate (group level) stop loss coverage as well. Specific stop loss insurance deductible levels generally vary with the total annual expected claim amount that is projected for each group, based primarily on the group's historical claims experience. Specific stop loss deductible levels are generally set between five and ten percent of expected claims. Smaller groups generally have lower expected claims and risk tolerance (and therefore lower specific stop loss deductibles) than larger groups. All CNIC Commercial Clients that have aggregate stop loss coverage have currently purchased coverage with an attachment point at 125% of expected claims.

   100% of the individuals enrolled in plans sponsored by CNIC Commercial Clients are covered by stop loss insurance. This is generally consistent with our historical experience, and CNIC believes that employers will continue to purchase specific and/or aggregate stop loss insurance to mitigate financial exposure.

Some provisions of the Affordable Care Act have increased expected costs for benefit plans. The elimination of lifetime maximums, the future elimination of annual maximums and the addition of mandated benefits are examples of ACA provisions that have increased expected plan costs. Since both specific and aggregate stop loss premiums are based on expected claim levels, stop loss premiums are expected to increase accordingly. We still expect, however, that employers will most likely continue to purchase stop loss insurance as a way to manage their overall financial risk.

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?

As noted above, all CNIC Commercial Clients which have aggregate (group level) stop loss coverage have currently purchased coverage with an attachment point at 125% of expected claims. Specific (individual level) stop loss deductible levels vary based on expected claim levels and risk tolerance. Specific stop loss deductible levels are generally set between five and ten percent of expected claims, with smaller groups generally having lower levels of total expected claims, and thus lower deductibles. The lowest specific deductible available varies by state. While some states have mandated specific stop loss deductible minimums, the majority of states have not.

Trends seen with CNIC Commercial Clients (excluding outlier cases) are illustrated as follows:

Group Size (in covered Employee Lives)	Typical Specific Deductible Range
Less than 100 Employee Lives	\$20,000 to \$60,000
100 to 249 Employee Lives	\$40,000 to \$85,000
250 to 499 Employee Lives	\$50,000 to \$115,000
500 to 999 Employee Lives	\$150,000 to \$175,000
1,000 or More Employee Lives	\$225,000 to \$400,000

The lowest aggregate attachment point offered to CNIC Commercial Clients customers is currently 125% of expected claims, which is generally consistent with past history. We do not expect movement in these trends in the near future.

With healthcare inflation currently averaging 12% per year, we generally see groups raise specific deductibles by $5,000 to $10,000 every few years, in order to keep deductibles in line with overall inflationary increases in expected claim 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?

   100% of CNIC Commercial Clients have specific coverage, and 85% of CNIC Commercial Clients have aggregate coverage as well. This is generally consistent with historical trends, and we expect these general levels to continue.

   As noted previously, all CNIC Commercial Clients with aggregate coverage have aggregate attachment points at 125% of the expected claims level. Specific deductibles for CNIC clients range from $15,000 to $400,000, depending largely on each group's size (which impacts the expected claims level) and risk tolerance.

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?

   Reinsurance carriers typically work with TPAs and/or with brokers and consultants who represent employers, to provide quotes for reinsurance coverage.

   Reinsurance carriers generally provide CNIC Commercial Clients with options for various specific stop loss deductible levels. Aggregate coverage is generally offered to CNIC Commercial Clients only at 125% of the expected claims level.

   For both specific and aggregate coverage, there may be policy options available to assist employers with cash flow fluctuations. For example, a Specific Accommodation option allows an employer to receive a specific reimbursement advance from the stop loss carrier. The employer uses the advance to fund payment of the related claim(s) to the health care provider(s). An Aggregate Accommodation option allows the employer to receive reimbursement from the stop loss carrier during the policy year in some situations where mid-year claim levels are high, instead of waiting for a settlement after the end of the policy year.

In addition, some specific stop loss policies have provisions where the specific deductible may be set at a higher level for one or more members than for the rest of the group (known as a "laser"), in exchange for a lower premium rate. Other specific stop loss policies may have options that guarantee a maximum rate increase for the following renewal year, or guarantee that there will be no "lasers" at renewal.

Coverage under specific and aggregate policies is based on both the incurred date of the claim (i.e. the date the member received treatment) as well as the date the related claim was paid. Employers can choose from various options. For example, employers may choose to have coverage for all claims paid during a policy year, regardless of the dates of treatment. As another example, employers may choose to have stop loss coverage only for claims incurred during a policy year that are paid no later than 90 days after the policy yearend. Premium rates generally vary depending on which incurred date/paid date combination is selected.

Policies are customized, taking into consideration the level and type of benefits covered under the group's benefit plan(s), the size of the group, and the group's financial ability to assume risk.

Specific stop loss deductible levels offered are generally based on expected claims for the group. Please see the response to Question 2 above for additional information. As previously discussed, aggregate coverage is generally only offered at 125% of expected claims.

CNIC Commercial Clients tend to purchase stop loss coverage(s) anticipating they will purchase it 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?

   Most CNIC Commercial Clients have less than 1,000 Employee Lives. For this population, employers fund approximately 88% of total plan costs (including administrative fees, stop loss premiums, etc). Stop loss carriers fund approximately 12%. The percentage of costs funded by the stop loss carrier does not tend to correlate to the specific deductible level (i.e. the percentage funded by the stop loss carrier does not tend to get either higher or lower as the specific deductible level increases). Percentages funded by employers vary significantly by employer, even for employers with the same specific deductible levels.

CNIC has a comparatively small number of Commercial Clients that have more than 1,000 Employee Lives. These large clients tend to have greater financial resources, enabling them to take on additional risk. Thus, they are able to financially tolerate larger specific deductible levels, and they generally have fewer claims that result in stop loss reimbursements. For this population, employers fund approximately 94% of total plan costs, and stop loss carriers fund approximately 6%. Again, the percentage funded by each employer tends to vary significantly, based on each employer's individual claim experience.

We understand that the primary stop loss carriers utilized by our clients typically experience medical loss ratios that range from 85% to 90%.

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?

Costs incurred by our client benefit plans average as follows:

Administrative and network access fees	4%
Stop loss premiums (including broker commissions)	10%
Claims, net of stop loss reimbursements	86%

Administrative fees of TPAs are typically much lower than those of carriers. Part of the reason for the lower level is that carriers typically charge a "bundled" fee that includes essentially the same services for all clients, whether individual clients find the services to be valuable or not. TPAs typically offer more of a "menu" approach, where clients can choose only those services that they find to be of value for their specific benefit plans.

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 coverage is available to most industries and sectors. 100% of CNIC Commercial Clients have specific coverage and 85% have aggregate coverage as well.

Stop loss carriers generally require that at least 75% of eligible employees participate in the benefit plan before stop loss coverage is available for both small and large groups.

8. What types of entities issue stop loss insurance? How many small entities[11] issue stop loss insurance policies?

   Stop loss coverage is purchased from insurance companies, which are regulated by state departments of insurance. Some stop loss insurance carriers also provide coverage in the fully insured market. All of CNIC Commercial Clients purchase their stop loss insurance from national insurance companies with "A" financial ratings. We are not aware of any CNIC Commercial Clients who purchase stop loss coverage from small entities as defined in this questionnaire.

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

   Pricing of premiums for specific stop loss insurance are based on the specific stop loss deductible purchased. The lower the deductible purchased, the higher the premium. This is because the carrier is taking on more risk of a claim with lower deductibles. For example, if the specific stop loss deductible is $30K per year, the stop loss carrier pays out reimbursements on all claims exceeding $30K per individual per year. If the specific stop loss deductible is $150K, however, there is less chance of an individual's claims exceeding the $150K per year deductible, so the stop loss carrier would likely have to pay out less reimbursement to the employer. Therefore, the premium for the $150K deductible policy would generally be lower on a per employee per month basis than the premium for the $30K deductible policy.

   The premiums for aggregate stop loss coverage are based on the expected claims level for the group based on past claims experience (generally two to three years).

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 use factors similar to fully insured carriers. These include past claims experience, benefits offered by type and level, information on potentially high cost cases in progress, and the health care provider network(s) that the group plans to utilize.

Since the above factors influence expected claims, and both the specific stop loss deductible levels and aggregate coverage are based on expected claims, these factors influence the specific and aggregate coverage(s) offered, as well as the premium rates.

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?

    Most, if not all, states require stop loss carriers to file applications, policies and amendments with the department of insurance. Many states also require carriers to file their rating methodologies (e.g. rate filings). About half of the states have implemented minimum specific deductibles. As an example, Colorado requires a minimum specific stop loss deductible of $15,000. Aggregate stop loss coverage has a minimum requirement of 120% of expected claims. Most states, however, do not regulate stop loss coverage parameters.

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?

    83% of CNIC Commercial Clients have 51 or more employees, so are not considered to be small groups. Small groups (and many larger groups) would not be able to offer self funded coverage without the availability of stop loss coverage.

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 coverage(s) provide employers with additional choice, competitive cost options and increased transparency when selecting employee benefits. The self insured/stop loss option allows employers to more effectively impact the cost and outcomes of health care received by their employees. The option also allows employers to have more flexibility in selecting benefit offerings that best meet the needs of both the employer and its employees.

    Self insurance also provides increased cost transparency for small groups. Self funded groups have full access to their claim data. Fully insured carriers generally do not share claim data with groups that have less than 100 Employee Lives.

    Additional competition in the small group market makes all market offerings, including fully insured options, necessarily as competitive as possible. This benefits small employers, who are challenged with providing benefits to employees in the current economic environment. Due to corporate acquisitions over the past ten to fifteen years, resulting in increased consolidation of the fully insured carrier market, competition is necessary in order to keep premium levels as low as possible.