2021 Aegis Risk Medical Stop-Loss Premium Survey

Executive Summary

This year's survey—its fifteenth year—measures the ongoing expense and coverage of medical stop-loss amongst employer-sponsored, self-funded health plans. The occurrence of catastrophic claimants in excess of $1 million is further verified with 29% of respondents reporting such a claimant in the last two policy years. Amidst coverage strategies, placement with a stop-loss underwriter external to the health plan slightly outranks an integrated underwriting, citing the sentinel effect over a seamless integration. The primary focus of the survey remains current premium rates, as shown in the following graphs and tables. Stop-loss premium reflecting over 1,000,000 covered employees is measured—a new milestone for the survey!

Average Stop-Loss Premium—It Varies

Stop-loss coverage among plan sponsors varies greatly—causing development of an average premium cost—a difficult, if not irrelevant, task. Each group has an individual stop-loss (ISL) deductible and contract type that varies from another—all with significant impact on premiums. Enrollment size and group demographics are other variables.

However, normalization of responses can be reasonably attained: Larger plans typically select higher ISL deductibles, and contract type can be accounted for by underwriting ratios. *For this survey, all contracts are equated to a mature "paid" contract.*

When plotted on a graph, a trend line can be drawn showing average premium cost by size of deductible for the continuum of coverage. Further variation may still exist due to PPO networks, pharmacy coverage and group demographics.

The survey's intent is to show policyholder paid premium expense. Therefore, broker commissions are not removed. They are a frequent component of premium—and may be hidden, if not unknown, to respondents, including the correct manner to deduct. Those with excessive loads may observe it in their comparison to this survey.

Focus on Policy Provisions and Placement Strategies

Various provisions are common on many stop-loss contracts. Excluding claimants at renewal, known as lasering, is not permitted for 56% of respondents—with 40% of those having a renewal rate cap. Altogether, this is similar to recent years. Dividend-eligible policies remain uncommon at 10%. On placement strategies, when rank ordered, coverage with a third-party underwriter is highest ranked, followed by an integrated placement, with a focus on the lowest market rate aside other considerations as third. Evolving placement options were lower ranked.

Which of these provisions (if any) are a component of your current stop-loss policy? (Check all that apply.)

	2020	2021
No new laser at renewal; no renewal rate increase cap	14%	16%
No new laser at renewal; with a renewal rate increase cap	46%	40%
"Plan mirroring" of stop-loss contract to underlying health plan language	59%	37%
Dividend eligible if favorable claims experience	10%	10%
None of the above	17%	23%
Do not know	14%	12%

Which of these placement strategies has the strongest appeal? Rank ordered, one through five:

1. Placement with a third-party underwriter/insurer external to your health plan/ASO, creating a "sentinel" effect on high-dollar claimants paid by your plan administrator. Rate competitive to all market options.
2. Placement with your health plan/ASO, creating a more "seamless" integration of coverage, risk and claim approval, even if at a slightly higher premium rate.
3. Seeking the lowest market rate on your stop-loss contract, with secondary focus on policy language and other underwriter attributes.
4. A stop-loss carve-out focused on claimants with more costly rare disease and gene therapies, "freeing" that risk from your underlying medical stop-loss policy—or permitting it as standalone stop-loss coverage.
5. Placement with an underwriter that assigns variable stop-loss deductibles, based on each covered individual's health claim stratification.

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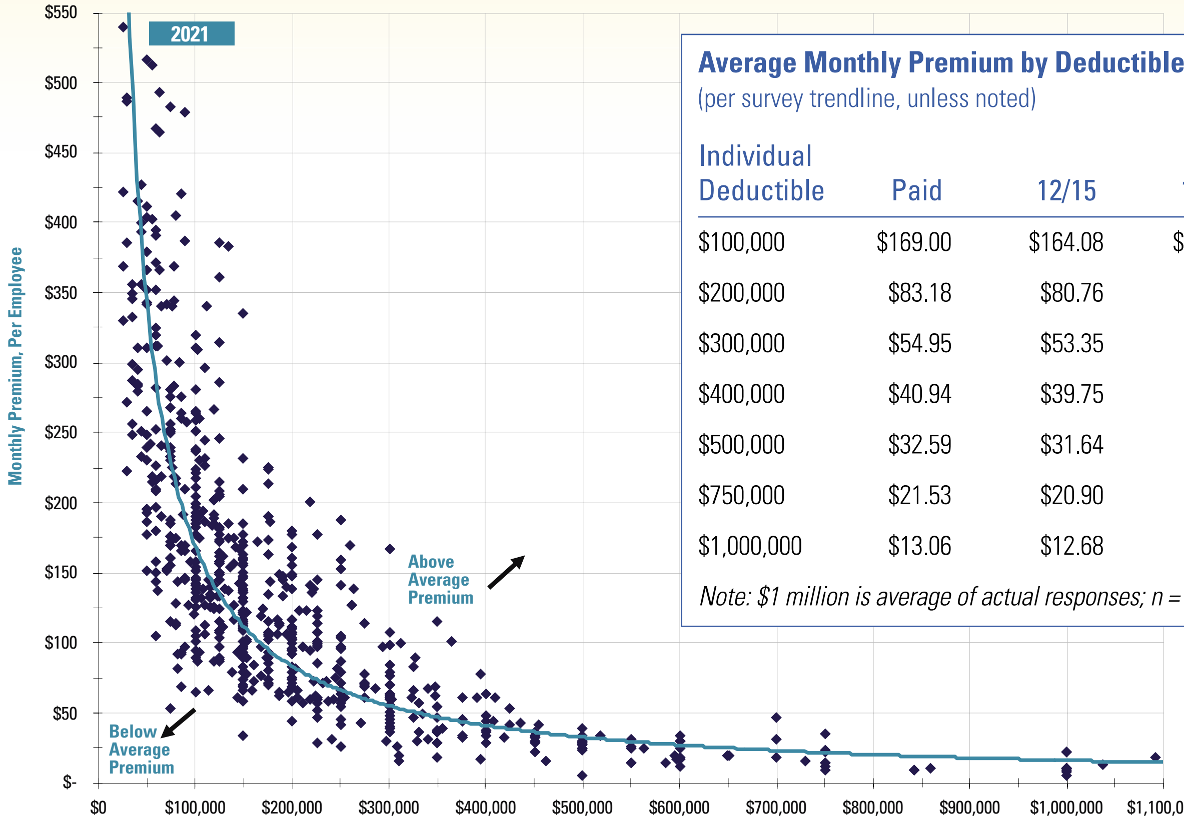
2021 Monthly Premiums, Individual Stop-Loss, by Deductible

(Adjusted to a "Paid" Contract)



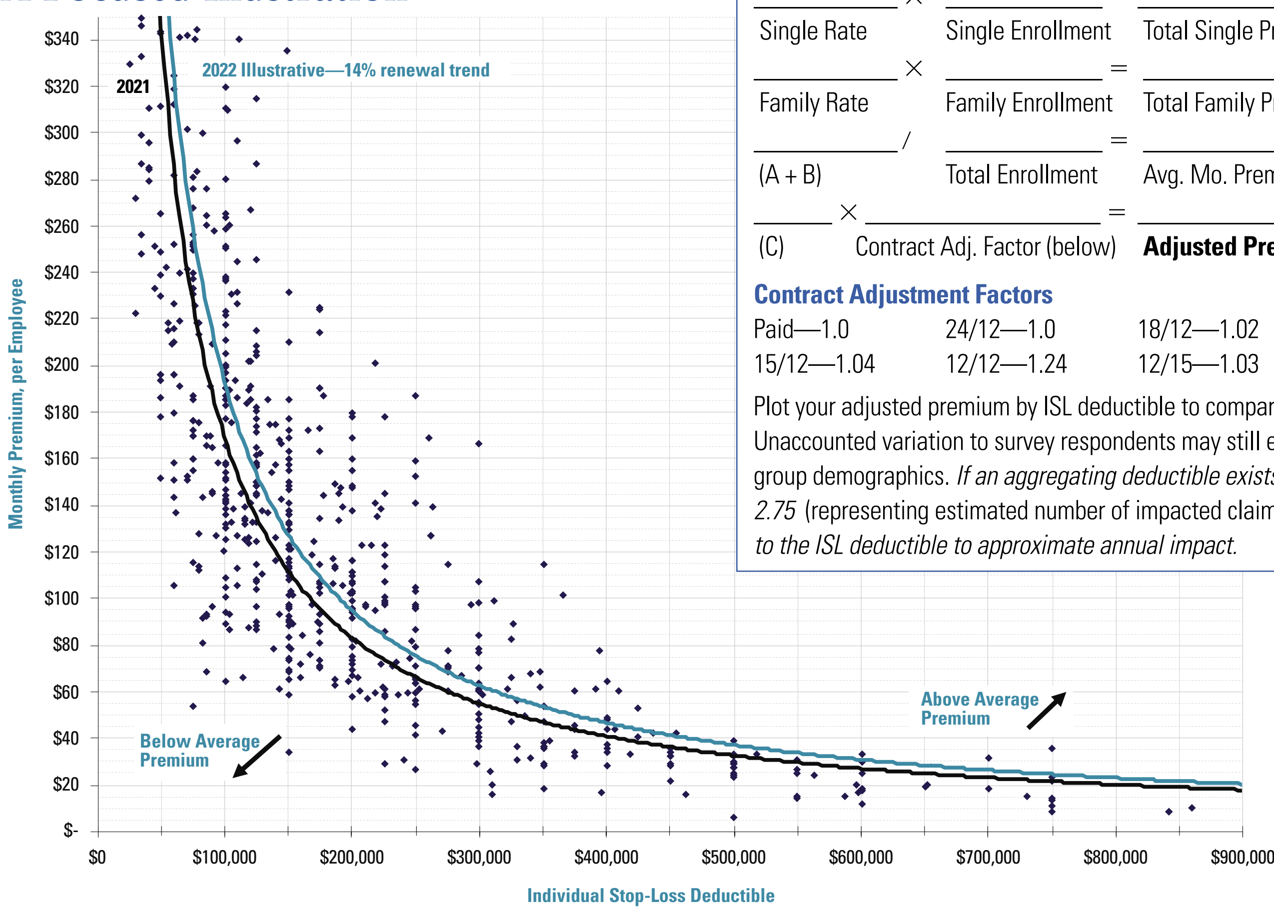
Average Monthly Premium by Deductible and Contract Type

(per survey trendline, unless noted)

Individual Deductible	Paid	12/15	15/12	12/12
$100,000	$169.00	$164.08	$162.50	$136.29
$200,000	$83.18	$80.76	$79.98	$67.08
$300,000	$54.95	$53.35	$52.84	$44.31
$400,000	$40.94	$39.75	$39.37	$33.02
$500,000	$32.59	$31.64	$31.34	$26.28
$750,000	$21.53	$20.90	$20.70	$17.36
$1,000,000	$13.06	$12.68	$12.56	$10.54

Note: $1 million is average of actual responses; n = 9

Make Your Own Comparison— A Focused Illustration



To calculate your adjusted premium for comparison:

________ Single Rate	×	________ Single Enrollment	=	________ Total Single Premium (A)
________ Family Rate	×	________ Family Enrollment	=	________ Total Family Premium (B)
________ (A + B)	/	________ Total Enrollment	=	________ Avg. Mo. Prem. per Emp. (C)
________ (C)	×	________ Contract Adj. Factor (below)	=	________ **Adjusted Premium**

Contract Adjustment Factors

Paid—1.0	24/12—1.0	18/12—1.02
15/12—1.04	12/12—1.24	12/15—1.03

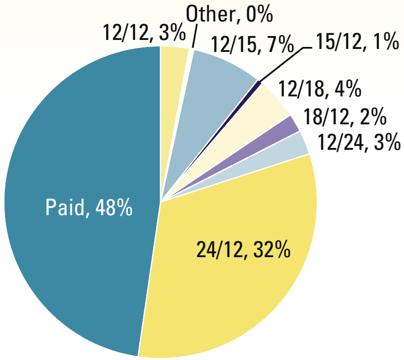
Plot your adjusted premium by ISL deductible to compare with survey. Unaccounted variation to survey respondents may still exist, including group demographics. *If an aggregating deductible exists, divide it by 2.75* (representing estimated number of impacted claimants) *and add to the ISL deductible to approximate annual impact.*

Coverage Specifications

Contract Type (or Claims Basis)

Contract type has many variations, with "Paid" (i.e., 36/12 and longer) and its close equivalents 24/12 and 12/24 accounting for 83% of plans. All are choices for ongoing, comprehensive coverage. Two options for initial coverage, 12/12 and 12/15, are 3% and 7% respectively.

Contract Type, ISL

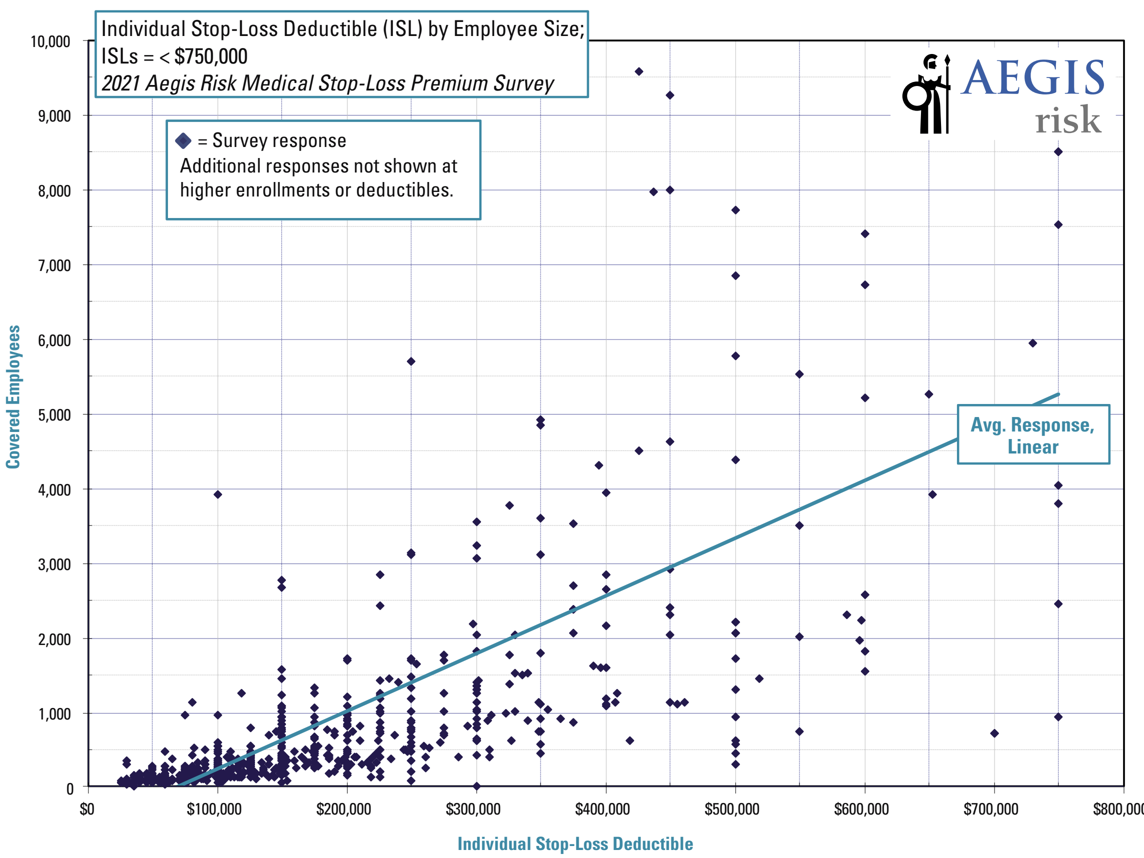


Pharmacy Coverage

99% of surveyed plans cover pharmacy, an ongoing increase from about 92% several years back. Increased high-dollar pharmacy exposure is driving the change, and stop-loss without pharmacy coverage is now ill-conceived. There were no submissions for pharmacy-only stop-loss.

ISL Deductible by Employee Size

Selection of an ISL deductible is an important decision for any plan sponsor. An organization's own risk tolerance should be its strongest guide—Those more risk savvy, if not larger, can manage with higher deductibles. The exhibit to the right highlights the ISL deductible (adjusted for any ASD—divide by 2.75 and add to ISL) of survey respondents by their number of covered employees. A trend line reflecting the average response is provided. ISLs of $750,000 or less are illustrated. Those plans with an even higher ISL are widely dispersed by enrollment but are often 7,000 employees or much higher.



Aggregating Specific Deductibles (ASDs)

ASDs, which are separate deductibles requiring fulfillment before any ISL reimbursements, are often leveraged for their ability to ease renewal rate increases. Alternatively, they can retain risk for a policyholder seeking relief only after a multitude of specific "hits." However, they come with a direct transfer of risk back to the policyholder. Of respondents, 22% reported an ASD, with the average size being 53% of the underlying ISL. In an example, if an ISL is $200,000, the ASD, on average, is $106,000 (53%). For adjustment to the survey, any reported ASD was divided by 2.75 (an approximation of the number of claimants necessary to fulfill) and added to the reported ISL for the survey response.

Aggregate Coverage

This additional coverage, against overutilization of the health plan, is most prevalent alongside ISL deductibles of $225,000 or less and enrollments around or below 1,000. It becomes less common at higher deductibles and/or enrollments—since those tend to be risk-savvier or more stable plans. 125% is the prevalent level, chosen by 85% of those with aggregate coverage, with 120% next at 14%.

Average monthly premium varies. If alongside an ISL of $225,000 or less, the average is $10.57. At higher deductibles, the average is $3.42. Median premium overall is $7.94. Although it is a significantly lower expense than ISL, purchasers of aggregate are advised to remain diligent on this expense as well.

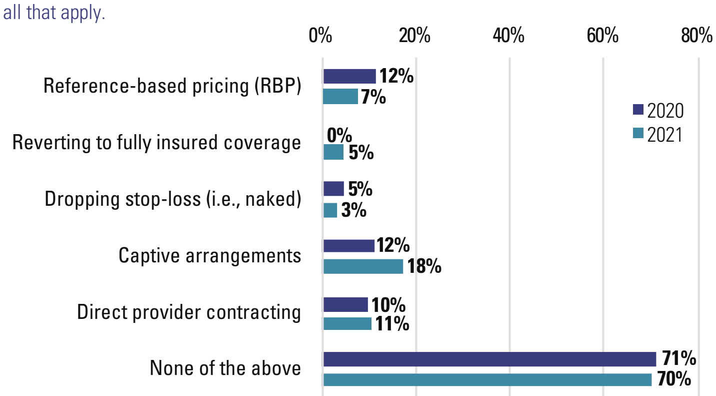
Catastrophic Claimants

Risk Management Strategies

Fueled by further rising costs, alternative health-care delivery and risk mechanisms are being offered or discussed with self-funded plan sponsors, including reference-based pricing (RBP) and captive arrangements. However, maintaining the status quo seems most prevalent, with 70% responding "none of the above," consistent with recent years. Captive arrangements have the greatest interest at 18%, an increase from 12% in 2020.

Risk Management Strategies, Planned for Review

Check all that apply.

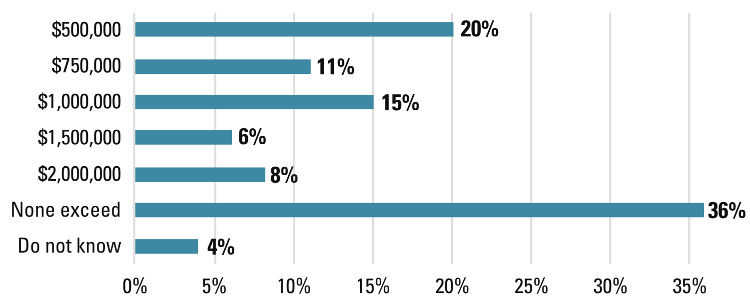


Presence of Catastrophic Claimants

The frequency of truly catastrophic claimants (>$500,000) continues to alarm plan sponsors and underwriters alike. Various attributions include more aggressive hospital billing as well as specialty pharmacy and orphan drug therapies. When inquired on the last two policy periods, 29% of respondents incurred a claimant in excess of $1 million, with 8% of those in excess of $2 million.

Highest Paid Claimant, in Excess

In One Policy Year, Over Last Two



Lasered Claimants

At the initial writing of coverage, or potentially at renewal, an underwriter may exclude—or *laser*—certain individuals from coverage. This may occur at a higher deductible or possibly to full exclusion. Of respondents, 19% reported the presence of at least one known lasered claimant—similar to recent years.

2022 Renewal Premiums and Strategies

Renewal Premiums

Stop-loss typically renews at higher than underlying medical trend due to leveraging—whereby an unchanged deductible bears a larger percentage of future claims. Actual stop-loss pricing, as measured by this survey over the past two years, generally reflects a net increase of 11% to 14%—with greater increase on higher ISLs of $750,000 or more, where leveraged trend is more amplified. The rising occurrence of claimants $1 million or more continues to pressure claims to premium loss ratios for underwriters and impact pricing. However, greater competition as the market exits COVID may counterbalance. Altogether, we illustrate (as opposed to forecast) a 14% market-wide leveraged trend for 2022 premiums. However, increases approaching 20% or more may not be uncommon. Actual plan results will vary, especially for those with significant and ongoing claim activity or, alternatively, stronger claim results.

Renewal Strategies

Actions to reduce your stop-loss premium and ensure adequate coverage:

- Index deductible to medical trend. If not annually, at least biannually.
- Be aggressive! Ask for reductions or review competitive offers. Leverage your plan data and vendor strengths.
- Carefully manage your claims disclosure. Avoid coverage gaps due to nondisclosed claimants.
- Match your risk and your stop-loss contract. Seek those that "mirror" your health plan document and offer "laser-free" renewals with rate caps. Pursue a dividend policy.
- Be knowledgeable. Identify the best underwriter options, including those beyond your health plan's offerings.
- Use an experienced broker or consultant. Stop-loss is highly specialized coverage, with very high claim exposures. It is not an employee benefit. A less experienced advisor can cost your plan hundreds of thousands in premium costs if not in uncovered claims.

The Survey

Sponsored jointly by Aegis Risk and the International Society of Certified Employee Benefit Specialists.

The 2021 Aegis Risk Medical Stop-Loss Premium Survey represents 672 plan sponsors covering over 1,005,000 employees with $581 million in annual stop-loss premium. Respondents range in size from 14 employees to over 100,000.

The 2022 survey opens late spring 2022, with release in late summer. Visit www.aegisrisk.com to participate or register for notification. All respondents receive an immediate copy upon its release. Employers as well as brokers and consultants are encouraged to participate.

About Aegis Risk

Aegis Risk is a specialty consulting firm with a dedicated focus on stop-loss—throughout the plan year. Visit us at www.aegisrisk.com for more information. We help our employer clients and broker/consultant partners obtain:

- Aggressive proposals from leading underwriters
- Market insights, including underwriting and pricing dynamics
- Ongoing claims monitoring and filing support
- Internal risk pool structuring and other creative approaches.

Contact us today for a complimentary review of your coverage or to discuss the market:
Ryan Siemers, CEBS | Principal | Phone: (540) 668-6401 | ryan.siemers@aegisrisk.com

About the International Society of Certified Employee Benefit Specialists (ISCEBS)

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