Aegis Risk Medical Stop-Loss Premium Survey

Executive Summary

This year's survey, its fourteenth year, captures the ongoing role of medical stop-loss and a continued commitment to employer-sponsored, self-funded health plans. The occurrence of truly catastrophic claimants—in excess of $1 million—is further verified with 31% of respondents reporting such a claimant in the last two policy years. According to the survey, COVID-related business impact on covered stop-loss enrollment and renewal strategy are expected to be minimal. The primary focus of the survey remains current premium rates, as shown in the following graphs and tables. Stop-loss premium reflecting over 822,000 covered employees is measured.

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 total premium expense. 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 COVID-Era Renewal Decisions

Various provisions are common on many stop-loss contracts. Excluding claimants at renewal, known as *lasering,* is not permitted for 60% of respondents—with 46% of those with a renewal rate cap. Altogether, this is an increase from 53% in 2019 with no permitted lasering. Dividend eligible polices are still uncommon at 10%. On upcoming renewals in the COVID environment, the forecast is positive, with only 10% expecting a smaller enrollment at their next renewal. Nearly half (48%) plan to manage their renewal as normal, including the possibility of a competitive bid.

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

	2019	2020
No new laser at renewal; no renewal rate increase cap	23%	14%
No new laser at renewal; with a renewal rate increase cap	30%	46%
"Plan mirroring" of stop-loss contract to underlying health plan language	45%	59%
Dividend eligible if favorable claims experience	6%	10%
None of the above	20%	17%
Do not know	11%	14%

In this current environment, is your stop-loss enrollment at your upcoming renewal date, compared to your prior, expected to be:

Higher (e.g., 5%+ growth)	27%
Smaller (e.g., 5%+ decline)	10%
About the same (within 5%)	60%
Uncertain or varying due to other circumstances (e.g., a spin-off or acquisition).	3%

As well, is your approach to the upcoming stop-loss renewal more likely to:

Focus on a fairly priced renewal, avoiding an underwriter change	22%
Seek competitive market bids, even if a vendor and policy change	30%
Handle as normal, which may include a combination of both of the above.	48%

AEGIS risk

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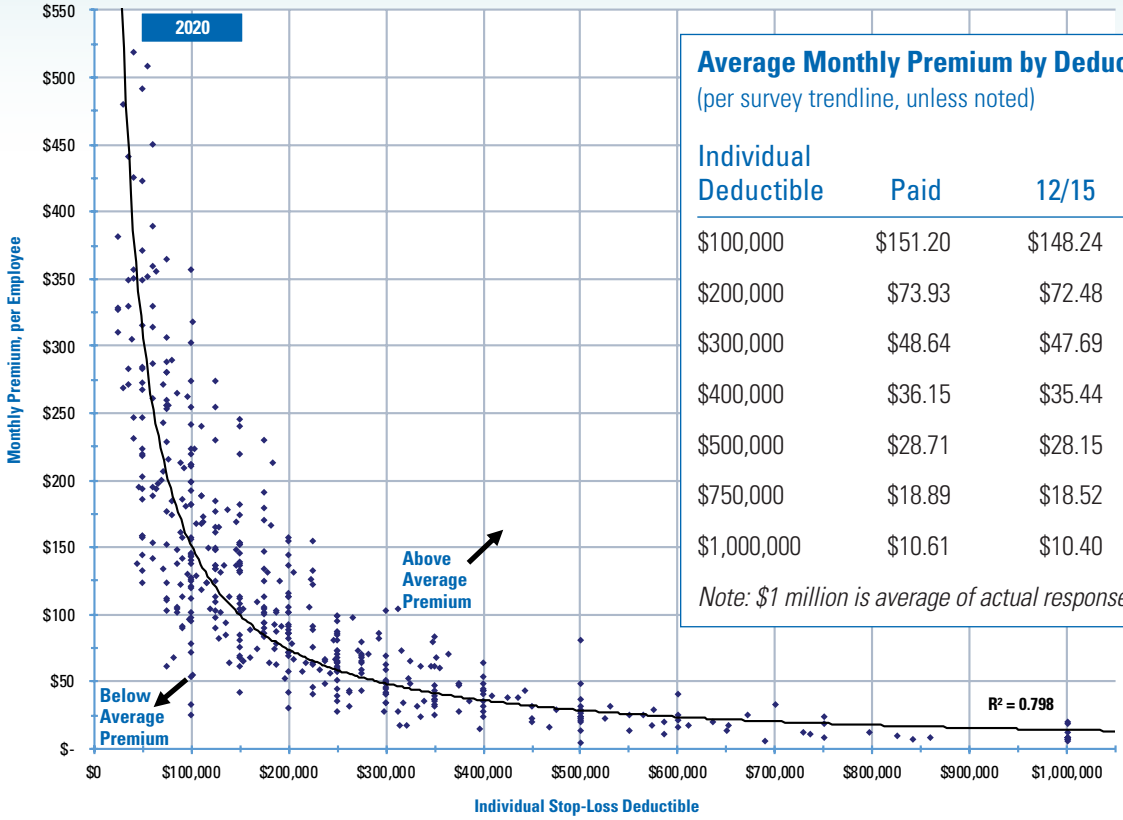
2020 Monthly Premiums, Individual Stop-Loss, by Deductible

(Adjusted to a "Paid" Contract)



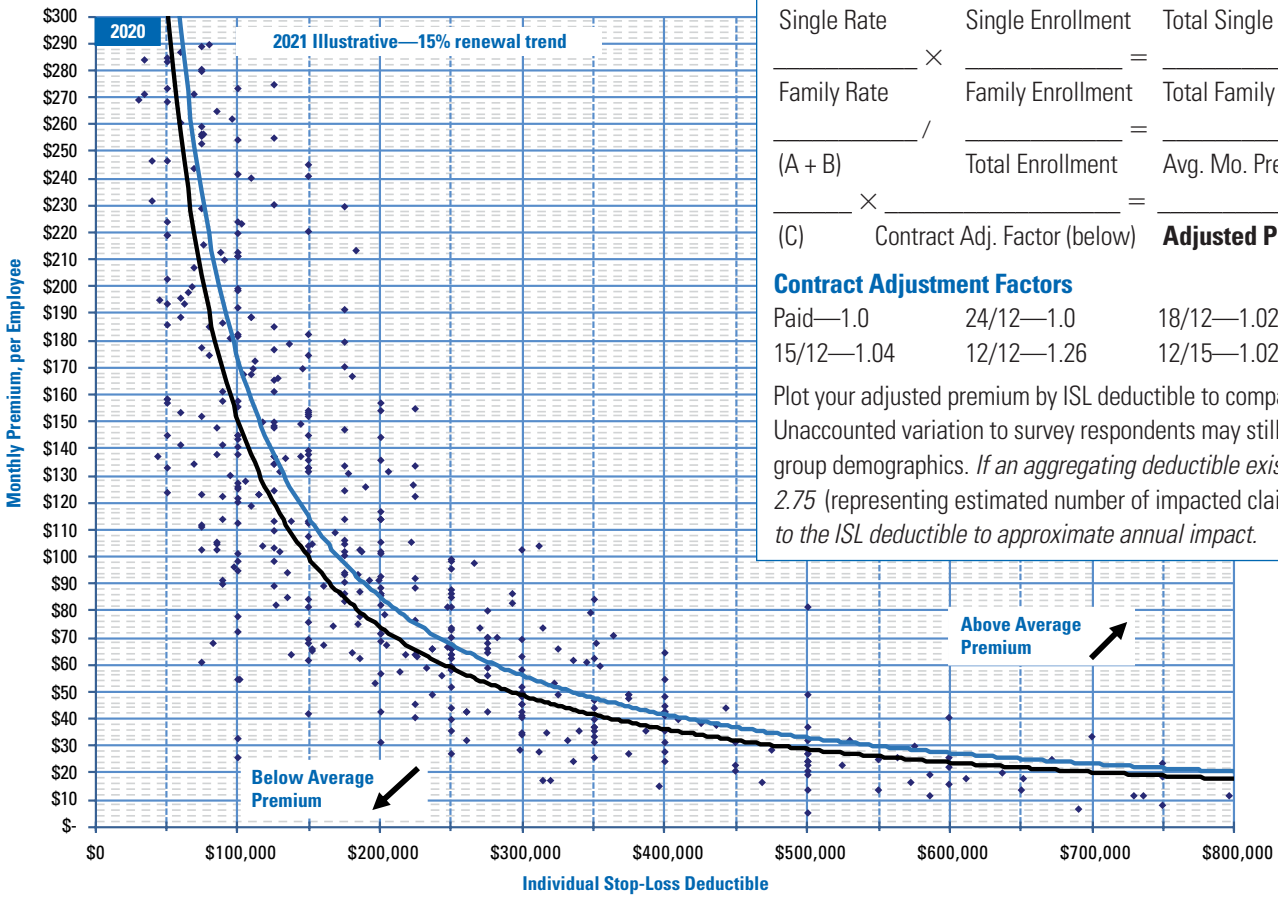
Average Monthly Premium by Deductible and Contract Type

(per survey trendline, unless noted)

Individual Deductible	Paid	12/15	15/12	12/12
$100,000	$151.20	$148.24	$145.38	$120.00
$200,000	$73.93	$72.48	$71.09	$58.67
$300,000	$48.64	$47.69	$46.77	$38.60
$400,000	$36.15	$35.44	$34.76	$28.69
$500,000	$28.71	$28.15	$27.61	$22.79
$750,000	$18.89	$18.52	$18.16	$14.99
$1,000,000	$10.61	$10.40	$10.20	$8.42

Note: $1 million is average of actual responses; n = 10

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—1.26	12/15—1.02

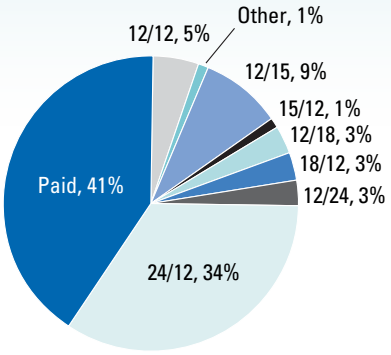
Plot your adjusted premium by ISL deductible to compare with survey. Unaccounted variation to survey respondents may still exist, including group demographics. *If an aggregating deductible exists, divide it by 2.75* (representing estimated number of impacted claimants) and *add to the ISL deductible 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 78% of plans. All are choices for ongoing, comprehensive coverage. Two options for initial coverage, 12/12 and 12/15, are 5% and 9% respectively.

Contract Type, ISL

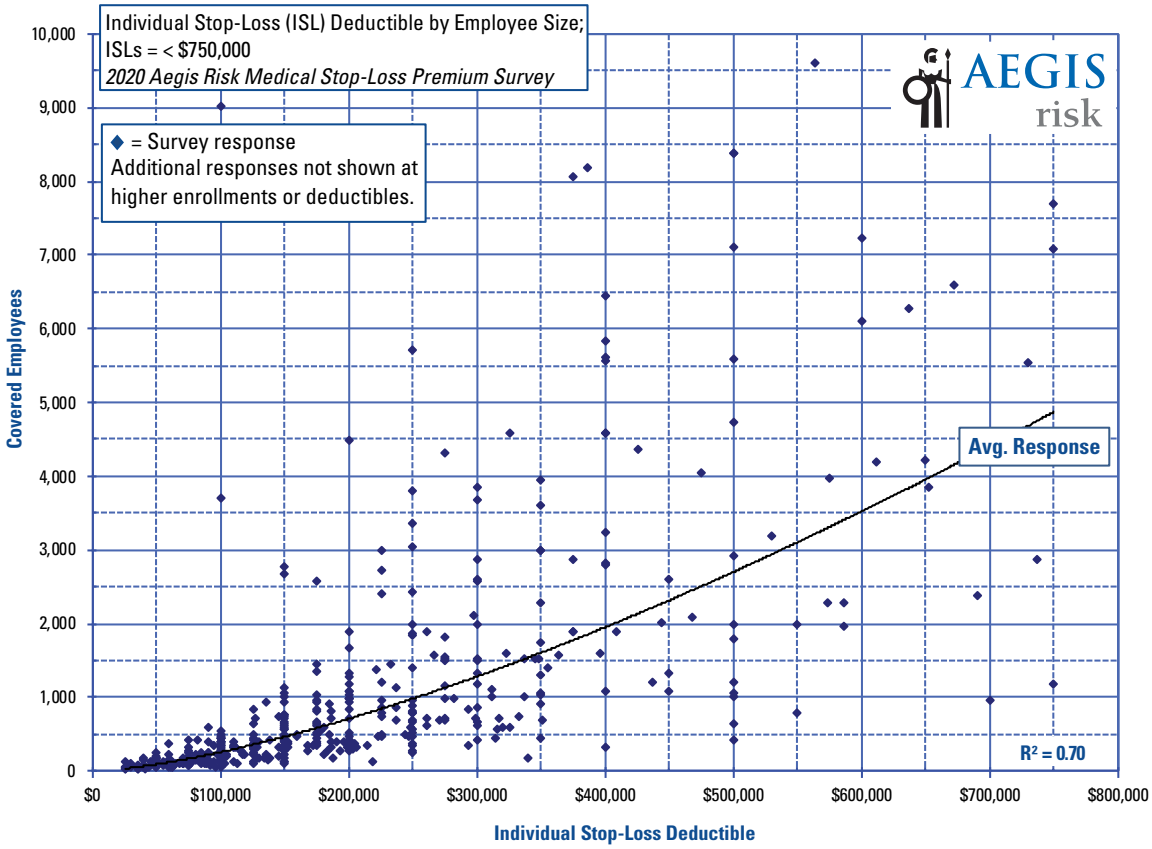


Pharmacy Coverage

98% 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, 25% reported an ASD, with the average size being 55% of the underlying ISL. In an example, if an ISL is $200,000, the ASD, on average, is $110,000 (55%). 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 74% of those with aggregate coverage, with 120% next at 19%.

Average monthly premium varies. If alongside an ISL of $225,000 or less, the average is $10.03. At higher deductibles, the average is $3.58. Median premium overall is $6.94. Although it is a significantly lower expense than ISL, purchasers of aggregate are advised to remain diligent on this expense as well.

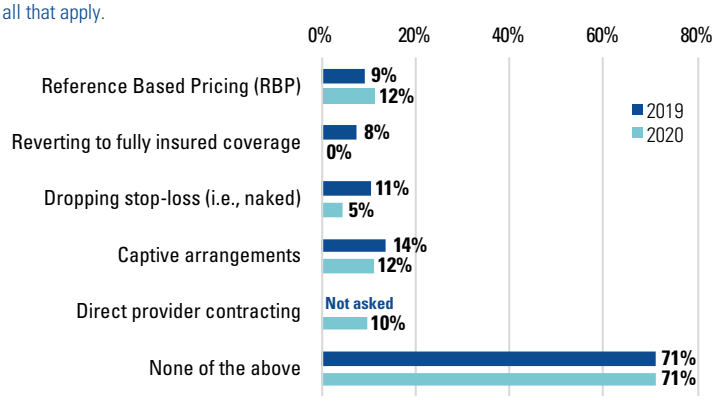
Catastrophic Claimants

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 71% responding "none of the above," consistent with recent years. Captives and RBP have the greatest interest, but slight, both at 12%.

Risk Management Strategies, Planned for Review

Check all that apply.

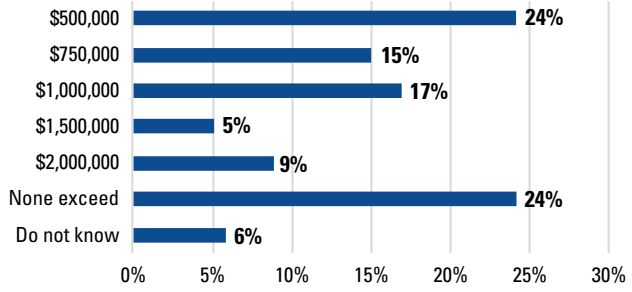


Presence of Catastrophic Claimants

The rising level 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, 70% of respondents incurred a claimant in excess of $500,000—up from 64% in 2019. Claimants in excess of $1 million are rising at 31%, with 9% 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, 21% reported the presence of at least one known lasered claimant—similar to recent years.

2021 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 12% to 17%—with greater increase on higher ISLs of $750,000 or more, where leveraged trend is more amplified. However, the rising occurrence of claimants $1 million or more continues to increase claims to premium loss ratios for underwriters (and erode profits). Uncertain is the pricing impact of COVID, which has arguably lowered recent claims. Altogether, we illustrate (as opposed to forecast) a 15% market-wide leveraged trend for 2021 premiums. However, increases approaching 20% 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, including PPO discounts.
- 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 2020 Aegis Risk Medical Stop-Loss Premium Survey represents 483 plan sponsors covering over 822,000 employees with $427 million in annual stop-loss premium. Respondents range in size from 33 employees to over 49,000.

The 2021 survey opens late spring 2021, 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)

The International Society of Certified Employee Benefit Specialists is a nonprofit educational association providing continuing education opportunities for those who hold or are pursuing the Certified Employee Benefit Specialist® (CEBS®), Group Benefits Associate (GBA), Retirement Plans Associate (RPA) or Compensation Management Specialist (CMS) designations offered through the CEBS program. Visit the Society website at www.iscebs.org.