

# Medical Stop Loss Premium Survey



**AEGIS**  
risk

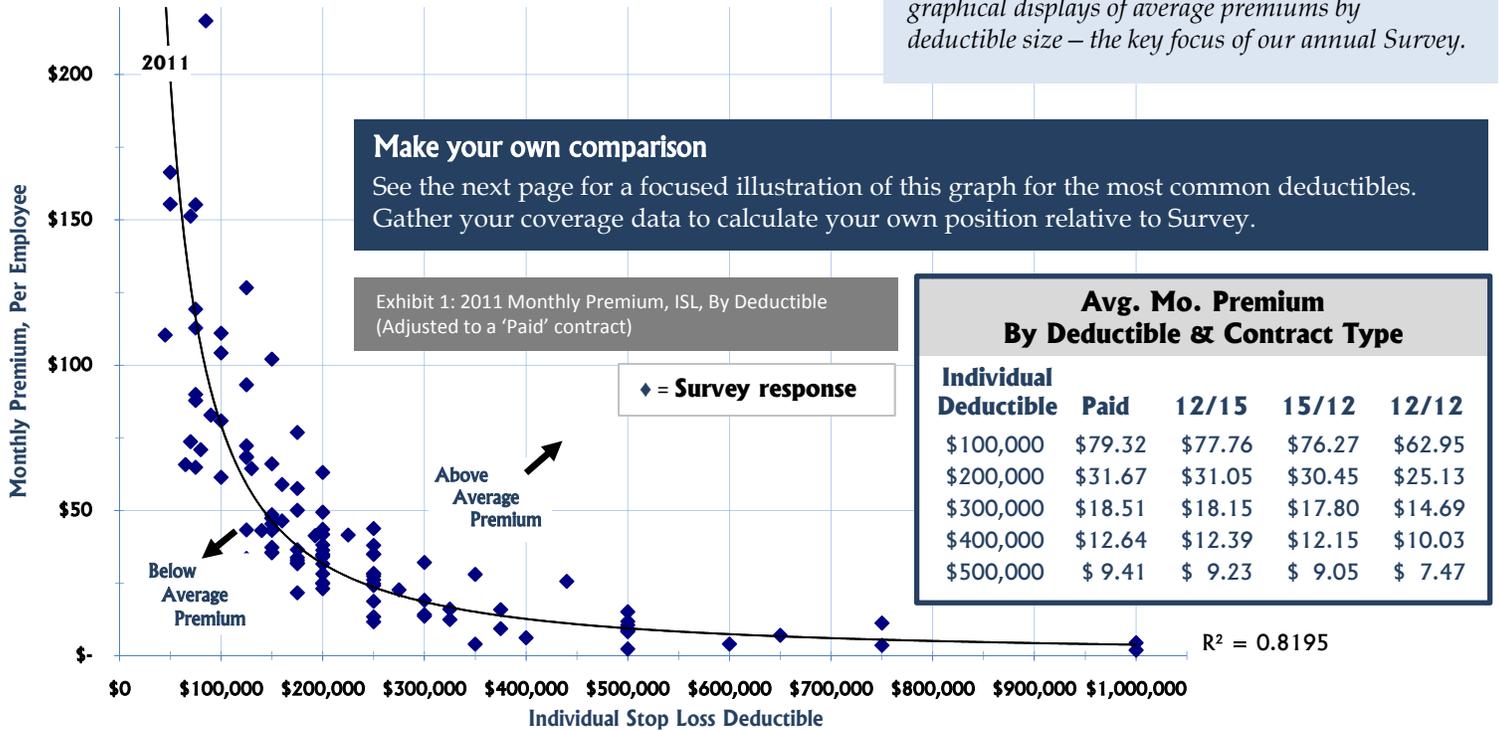
2011

## Average Stop Loss Premium — An Elusive but Measurable Figure

Stop loss coverage amongst 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, contract type and lifetime maximum 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 lifetime maximums, pharmacy coverage, broker commissions and group demographics, however, a strong approximation can still be made.



## Executive Summary — In the Wake of Health Care Reform

This year's Survey, in its fifth year, was the first completed after the implementation of federal health care reform and its removal of individual lifetime coverage limits on most employer health plans. Although not mandated by health care reform, stop loss coverage invariably changed to more broadly cover the requirements placed on its underlying risk. Related observations from this year's Survey include:

- Unlimited lifetime maximums are now prevalent and found on 82% of plans — a steep increase from 13% in 2010.
- Approximately four in ten plans have an annual maximum alongside an unlimited lifetime.
- 2011 premiums, as measured by the Survey, remained consistent to 2010 levels — perhaps reflecting continued 'soft' market pricing.

Further detail is provided herein, including graphical displays of average premiums by deductible size — the key focus of our annual Survey.

## Individual Coverage Specifications

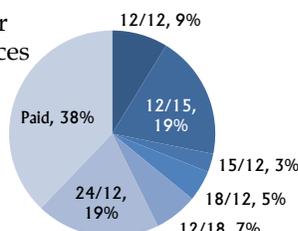
### Contract Type (or Claims Basis)

Contract type varies widely, with Paid and its close equivalent 24/12 accounting for nearly 60% of plans. Both are common choices for ongoing, comprehensive coverage.

### Pharmacy Coverage

88% of surveyed plans cover pharmacy, reflecting a slight increase from the 2009 and 2010 Surveys.

Exhibit 2: Contract Type, ISL, 2011



## Individual Annual and Lifetime Maximums

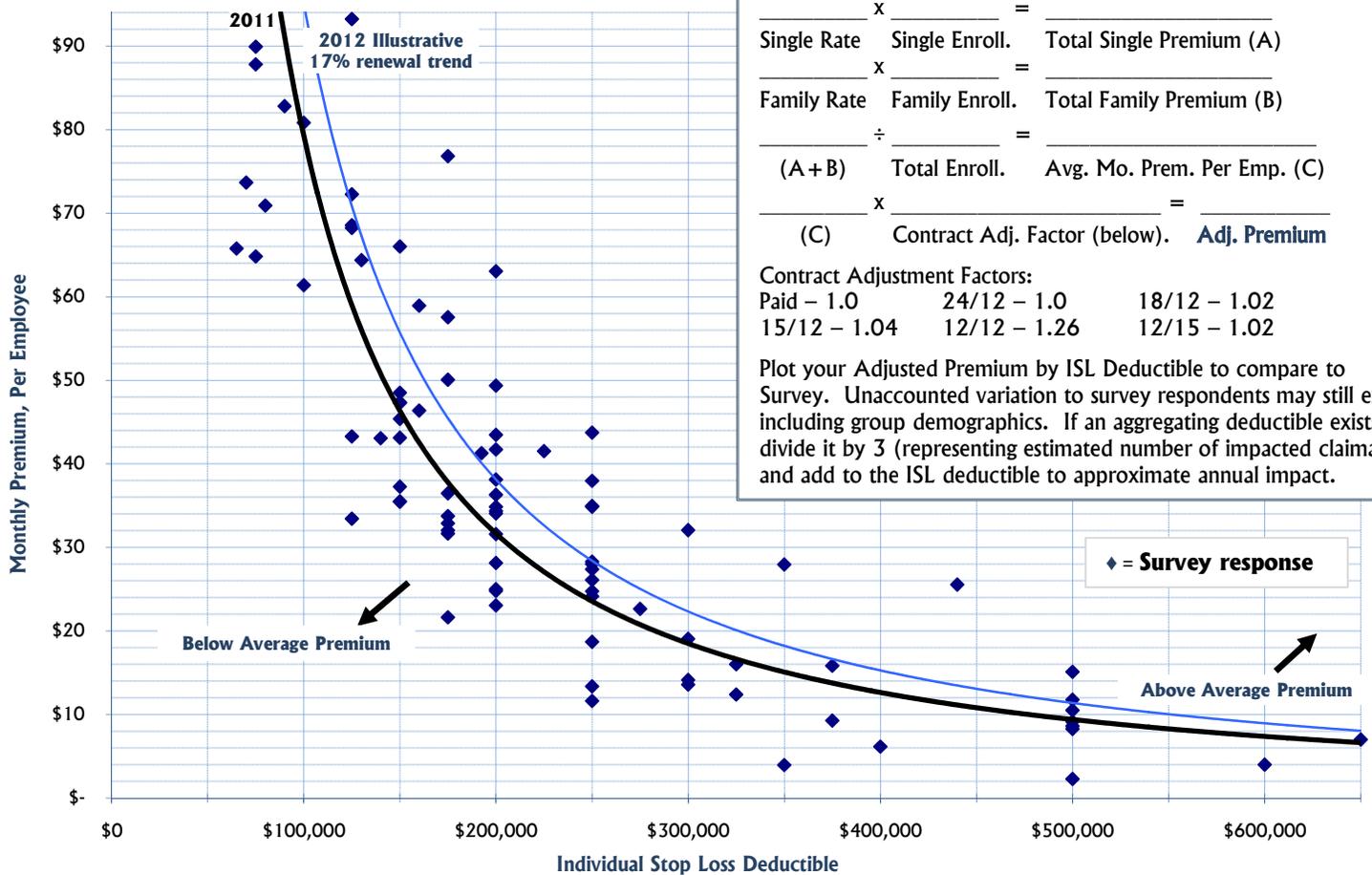
Reflecting the implementation of health care reform, unlimited lifetime maximums are the most common, reported by 82% — a significant increase from 13% in 2010. For the 41% of respondents reporting an interim annual limit, amounts above \$1 million to \$2 million are the most prevalent.

### Lifetime Limits:

\$1 million or less:	5%
>\$1 million to \$2 million:	8%
>\$2 million to \$5 million:	5%
Unlimited:	82%

### Annual Limits:

\$1 million or less:	14%
>\$1 million to \$2 million:	25%
>\$2 million to \$5 million:	2%
Not specified or none:	59%



### To calculate your Adjusted Premium for comparison:

$$\frac{\text{Single Rate}}{\text{Single Enroll.}} \times \text{Total Single Premium (A)}$$

$$\frac{\text{Family Rate}}{\text{Family Enroll.}} \times \text{Total Family Premium (B)}$$

$$\frac{\text{(A + B)}}{\text{Total Enroll.}} = \text{Avg. Mo. Prem. Per Emp. (C)}$$

$$\text{(C)} \times \text{Contract Adj. Factor (below).} = \text{Adj. Premium}$$

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 to Survey. Unaccounted variation to survey respondents may still exist, including group demographics. If an aggregating deductible exists, divide it by 3 (representing estimated number of impacted claimants) and add to the ISL deductible to approximate annual impact.

## Aggregate Coverage

This coverage is most prevalent alongside ISL deductibles of \$175,000 or less. It becomes less common at higher deductibles. 125% is the prevalent level, chosen by 88% of those with coverage, with 120% covering most of the balance.

Average monthly premium varies. If alongside an ISL of \$175,000 or less, the average is \$4.90. At higher deductibles, the average is \$2.86. Median premium overall is \$3.99.

## 2012 Projections

Stop loss typically renews at higher than underlying medical trend due to leveraging – whereby an unchanged deductible bears a larger percentage of future claims. We illustrate a 17% leveraged trend increase for 2012 premiums. Recent moderation in underlying medical trend, as well as an ongoing softness in the reinsurance markets, may allow some plan sponsors to gain more favorable results.

## Renewal Strategies

Actions to reduce your stop loss premium:

- Index deductible to medical trend.
- Be aggressive! Ask for reductions or review competitive offers.
- Avoid early renewals (prior to October for a 1/1) – you'll pay for extra margin.
- Review your risk tolerance and consider an annual reimbursement maximum alongside any unlimited lifetime maximum.
- Be knowledgeable. Identify the best carrier options, leverage data, and use an experienced broker or consultant – stop loss is a highly specialized coverage, fully distinct from other employee benefits.

## The Survey

The 2011 Aegis Risk Medical Stop Loss Premium Survey represents 106 plan sponsors covering approximately 310,000 employees with over \$77 million in annual stop loss premium. Respondents range in size from 31 employees to over 33,000. It is completed in partnership with the International Society of Certified Employee Benefits Specialists.

The 2012 Survey opens in Spring 2012, with release in late Summer. Visit [aegisrisk.com](http://aegisrisk.com) to participate.

All respondents receive an immediate copy of the Survey results, as well as an exclusive supplement with further analysis and an exhibit showing ISL deductible by employee size.

## About Aegis Risk

Aegis Risk is a specialty consulting firm located in Alexandria, Virginia with a dedicated focus on stop loss – throughout the plan year. We partner nationally with employers, as well as other brokers and consultants.

Visit [aegisrisk.com](http://aegisrisk.com) for more information.

Survey development and analysis provided by Ryan A. Siemers, CEBS.