2016 Aegis Risk Medical Stop-Loss Premium Survey

Executive Summary

This year's survey, its tenth year, reflects the ongoing rise in stop-loss premiums 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 over 18% of respondents reporting such a claimant in the last two policy years. Stop loss remains the primary focus of risk management, with interest in private exchanges nearly disappearing at 1% amongst respondents. Captive arrangements show increased interest, but still slight at 14%. Additional updates are provided on individual stop-loss deductible by employer size and other coverage provisions, including aggregate stop loss. The primary focus of the survey remains current premium rates, as shown in the following graphs and tables. Stop-loss premium reflecting over 560,000 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, broker commissions and group demographics. However, as the survey's intent is to show plan sponsor total expense, a strong approximation of average premium cost is still made.

A Focus on Renewal Decisions

With the increased expense of stop-loss premium and the growing exposure to catastrophic risk, the stop-loss renewal decision often involves internal audiences beyond benefits and human resources. Finance and/or CFO continue to be predominantly involved at 69%, consistent with recent years. Reflective of the organizational risk of catastrophic self-funded health claimants, Risk Management is involved in 18%, up from 11% in 2015. As to renewal change in ISL deductible, respondents are increasingly uncertain until they perform a review (50%), with fewer focused on a preference to keep it at the current level (37%).

Do you plan to change your ISL deductible?	2015	2016
No. Prefer to keep at the current level	42%	37%
Yes. Will seek a moderate increase to offset rate increase	8%	13%
Uncertain. Will review a range and make a determination	48%	50%
None of the above	2%	0%

Which internal audiences are involved in the stop-loss review and final coverage decision? Check all that apply:	2015	2016
Benefits/Human Resources	92%	88%
Risk Management	11%	18%
Finance/CFO	66%	69%
Executive Leadership (e.g., CEO, President)	45%	45%
Other	2%	7%

AEGIS risk

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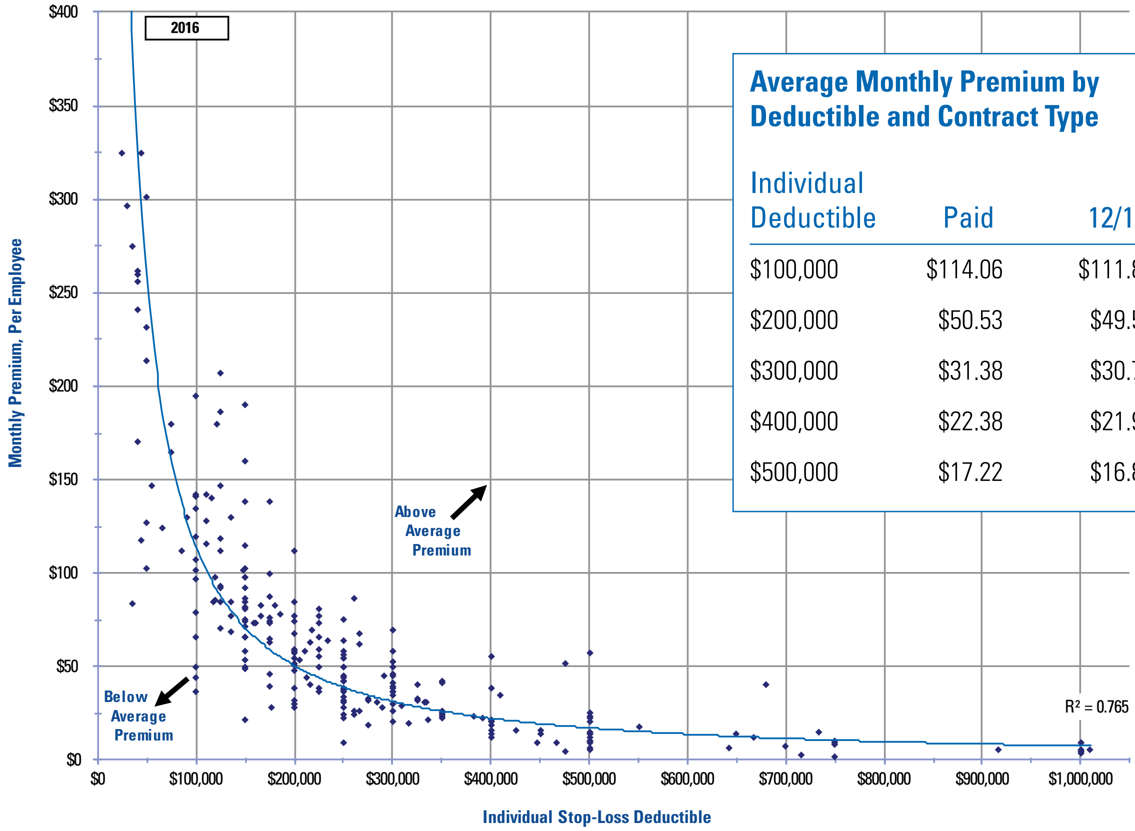
2016 Monthly Premiums, Individual Stop Loss, by Deductible

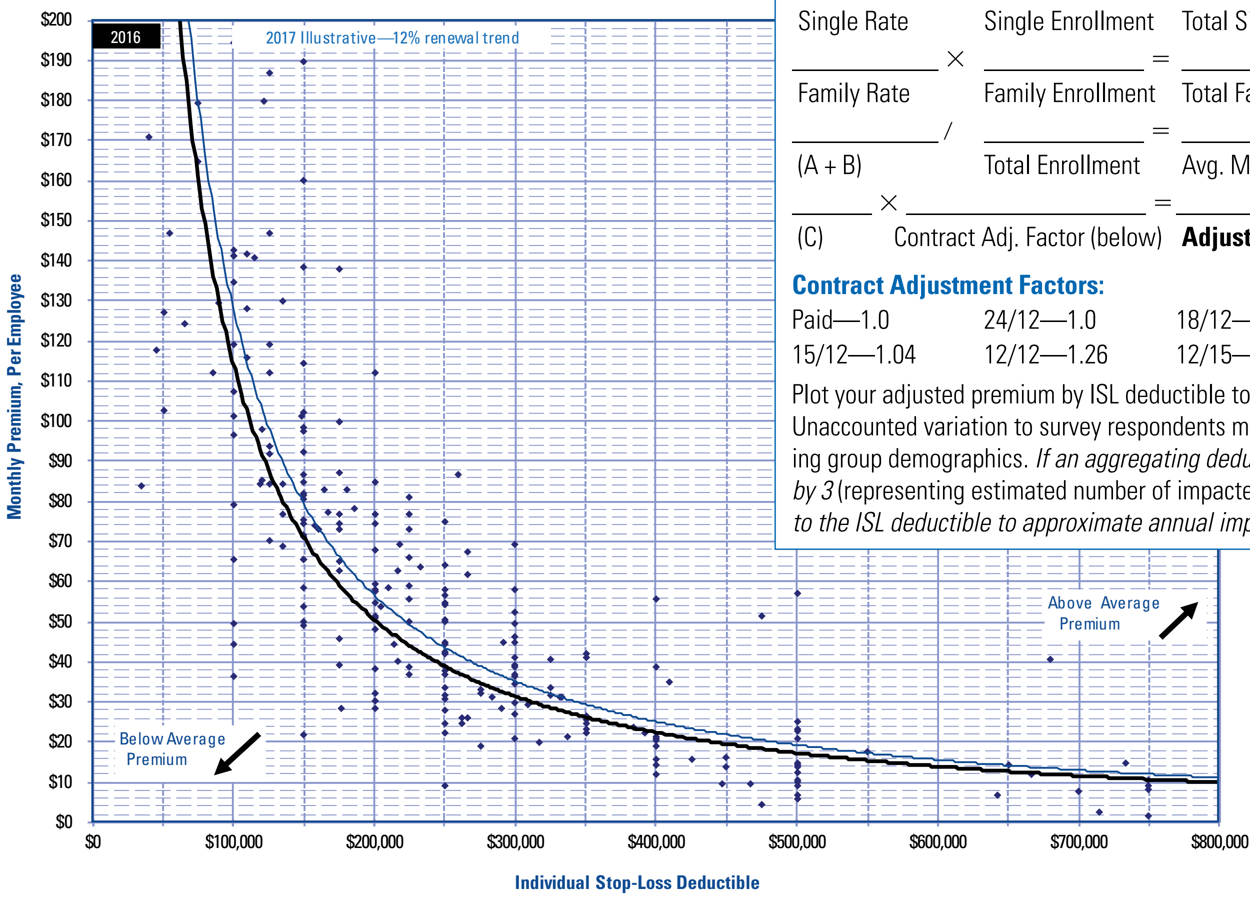
(Adjusted to a "Paid" Contract)



Average Monthly Premium by Deductible and Contract Type

Individual Deductible	Paid	12/15	15/12	12/12
$100,000	$114.06	$111.82	$109.67	$90.52
$200,000	$50.53	$49.54	$48.59	$40.10
$300,000	$31.38	$30.76	$30.17	$24.90
$400,000	$22.38	$21.94	$21.52	$17.76
$500,000	$17.22	$16.88	$16.56	$13.67

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

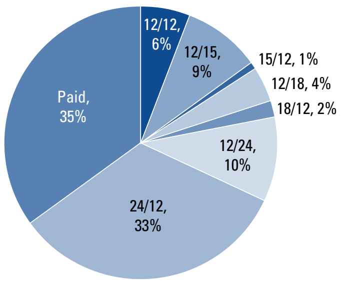
Plot your adjusted premium by ISL deductible to compare with survey. Unaccounted variation to survey respondents may still exist, including group demographics. *If an aggregating deductible exists, divide it by 3* (representing estimated number of impacted claimants) and *add to the ISL deductible to 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.

Contract Type, ISL



Pharmacy Coverage

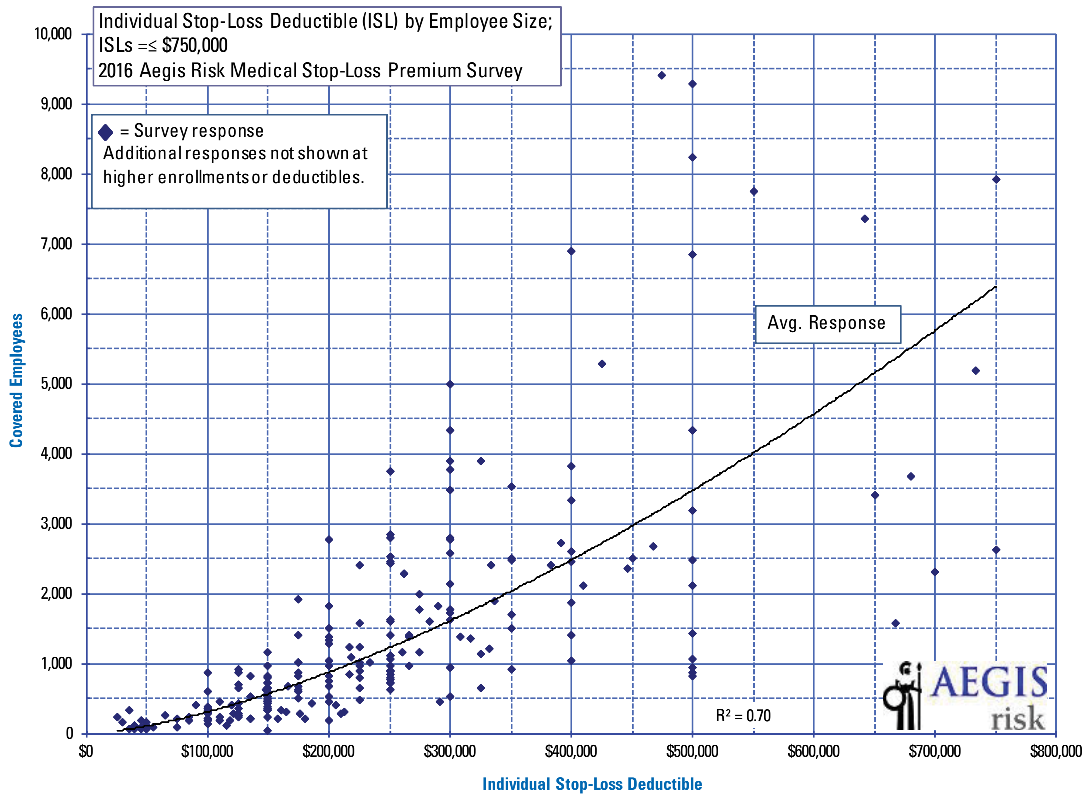
92% of surveyed plans cover pharmacy, consistent with recent years, if not slightly increasing.

Individual Annual and Lifetime Maximums

Reflecting the Affordable Care Act's removal of health plan annual and lifetime dollar limits (which governs the underlying medical plan but not stop loss), nearly all stop-loss programs had full, unlimited annual and lifetime limits by 2015. As such, it is no longer measured by the survey. For 2015, its last measured year, only 6% had an annual reimbursement maximum, and only 2% reported a lifetime reimbursement maximum.

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) 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.



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. However, they come with a direct transfer of risk back to the policyholder. Of respondents, 18% reported an ASD, with the average size being 59% of the underlying ISL. In an example, if an ISL is $200,000, the ASD, on average, is $118,000 (59%). For adjustment to the survey, any reported ASD was divided by three (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 $200,000 or less and enrollments around or below 1,000. It becomes less common at higher deductibles and/or enrollments—as those tend to be risk savvier or more stable plans. 125% is the prevalent level, chosen by 87% of those with aggregate coverage, with 120%, 110% and 115% reported in frequencies of 3% to 4% each.

Average monthly premium varies. If alongside an ISL of $200,000 or less, the average is $6.95. At higher deductibles, the average is $3.28. Median premium overall is $4.60. Although it is a significantly lower expense than ISL, purchasers of aggregate are advised to remain diligent on this expense as well. Several respondents reported premium in excess of $15.00—often for coverage at 115% and 110%.

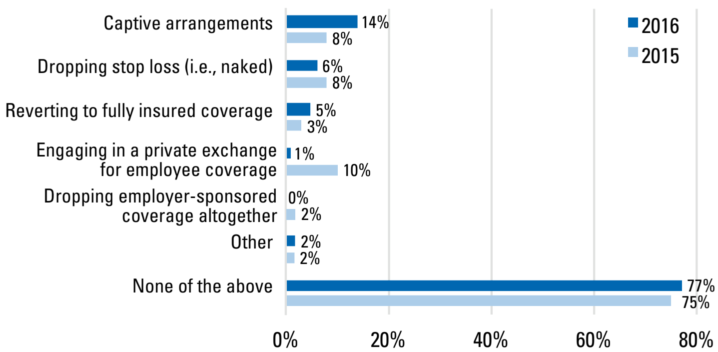
Catastrophic Claimants

Risk Management Strategies

Fueled by health care reform and rising costs, alternative delivery and risk mechanisms are being offered or discussed with self-funded plan sponsors, including private exchanges and captive arrangements. However, maintaining the status quo seems most prevalent, with 77% responding "none of the above," consistent with recent years. Captives have the greatest interest but is still slight at 14%.

Risk Management Strategies, Planned for Review

Check All That Apply

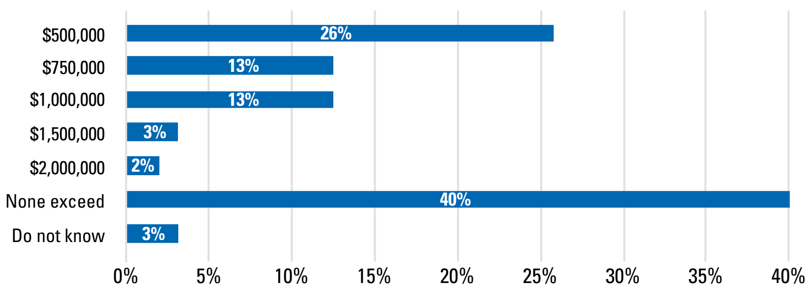


Presence of Catastrophic Claimants

The rising level of truly catastrophic claimants (>$500,000) continues to alarm plan sponsors and underwriters alike. Various attributions include more aggressive hospital billing post-removal of health plan dollar limits as well as specialty pharmacy and participant morbidity. When inquired on the last two policy periods, 57% of respondents incurred a claimant in excess of $500,000—similar to 56% in 2015. However, claimants in excess of $1 million remain significant at 18%, with 5% of those in excess of $1.5 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, 10% reported the presence of at least one known lasered claimant—down from 18% in 2015. However another 10% were uncertain.

2017 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. Historically, this may produce requested increase of 20% or higher. However, actual stop-loss pricing, as measured by this survey over the past two years, generally reflects a net increase of 9-13%—with greater uptick in the past year. Contributing dynamics may include the ongoing inflow of alternative capital into the reinsurance markets, helping to maintain competitive or "soft" pricing, offset by evolving claim threat from the highest claimants, often in excess of $5 million. Altogether, we illustrate (as opposed to forecast) a 12% leveraged trend for 2017 premiums. 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, including dividend contracts. Leverage your plan data, including PPO discounts.
- Carefully manage your claims disclosure. Avoid coverage gaps due to non-disclosed 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.
- Be knowledgeable. Identify the best carrier options, including those more known in the property/casualty and reinsurance markets.
- 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 2016 Aegis Risk Medical Stop-Loss Premium Survey represents 252 plan sponsors covering over 560,000 employees with over $190 million in annual stop-loss premium. Respondents range in size from 39 employees to over 48,000.

The 2017 survey opens late spring 2017, with release in late summer. Visit 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 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:
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About the International Society of Certified Employee Benefit Specialists (ISCEBS)

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