2017

Aegis Risk Medical Stop-Loss Premium Survey

Executive Summary

This year's survey, its eleventh year, reflects the ongoing prominence 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 over 21% 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 or captive arrangements not exceeding 10% of respondents. 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 710,000 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 and Policy Provisions

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 58%, although this is slightly lower than recent years. Excluding claimants at renewal, known as *lasering*, is not permitted per policy for 44% of respondents; 34% of those with a renewal rate cap. "Mirroring" of the stop-loss policy to underlying health plan language is reported by 40%.

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

No new laser at renewal; no renewal rate increase cap	10%
No new laser at renewal; with a renewal rate increase cap	34%
"Plan mirroring" of stop-loss contract to underlying health plan language	40%
Dividend eligible if favorable claims experience	12%
None of the above	28%
Do not know	12%

Which internal audiences are involved in the stop-loss review and final coverage decision? (Check all that apply.)

	2016	2017
Benefits/Human Resources	88%	87%
Risk Management	18%	9%
Finance/CFO	69%	58%
Executive Leadership (e.g., CEO, President)	45%	36%
Other	7%	10%

AEGIS risk

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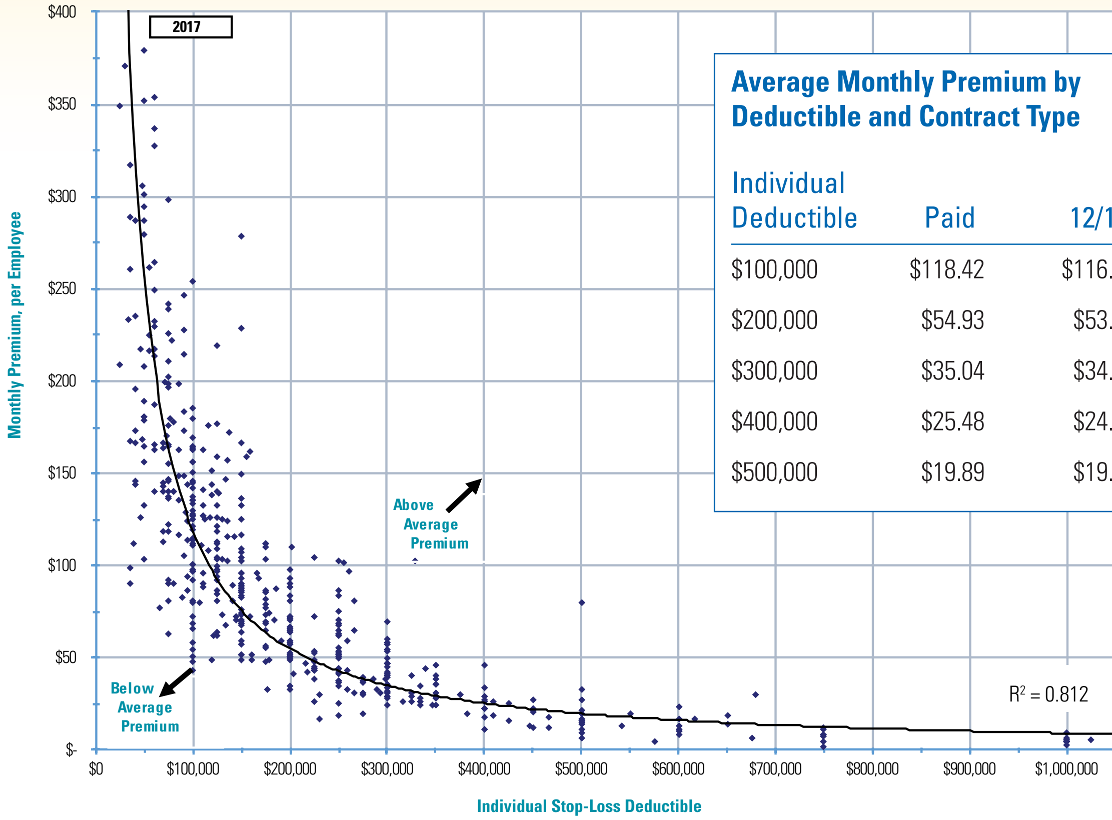
2017 Monthly Premiums, Individual Stop-Loss, by Deductible

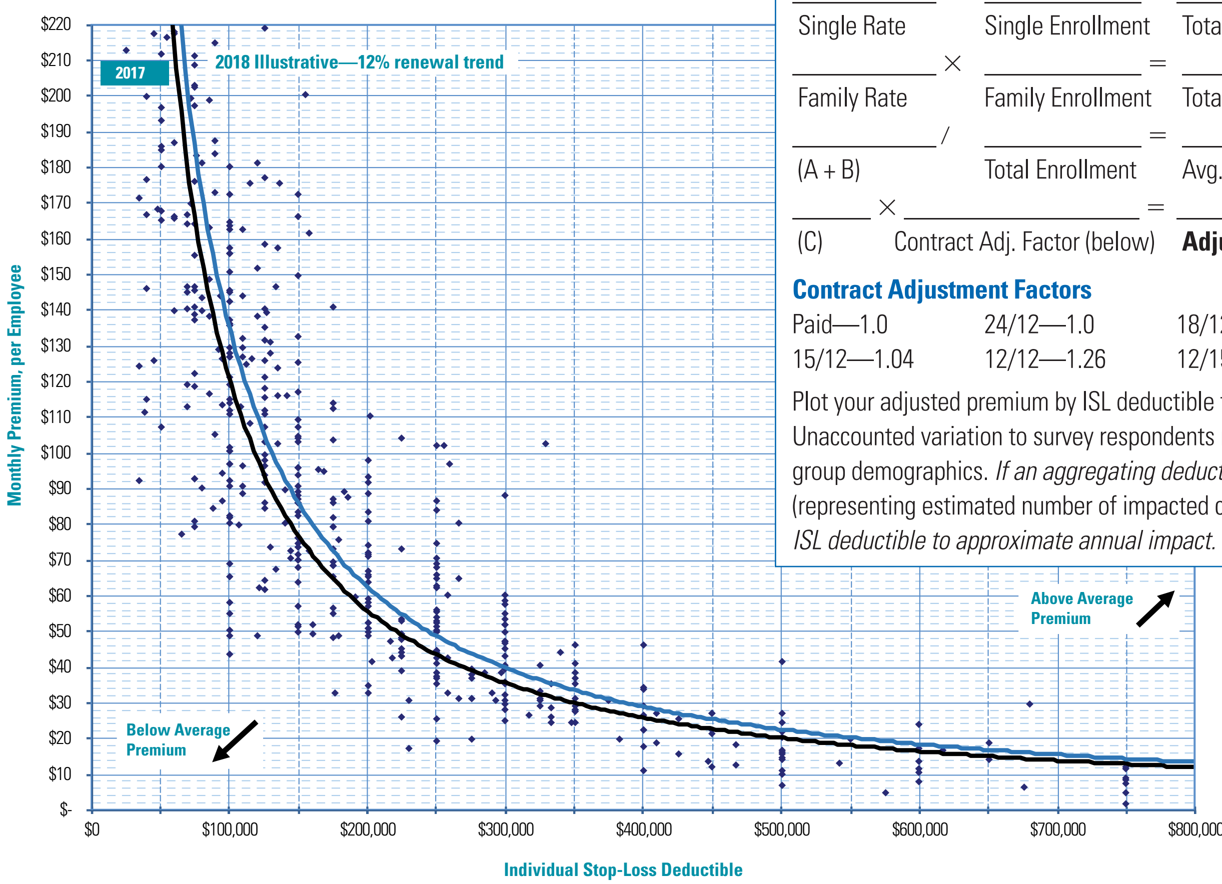
(Adjusted to a "Paid" Contract)



Average Monthly Premium by Deductible and Contract Type

Individual Deductible	Paid	12/15	15/12	12/12
$100,000	$118.42	$116.10	$113.87	$93.98
$200,000	$54.93	$53.85	$52.82	$43.60
$300,000	$35.04	$34.35	$33.69	$27.81
$400,000	$25.48	$24.98	$24.50	$20.22
$500,000	$19.89	$19.50	$19.13	$15.79

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

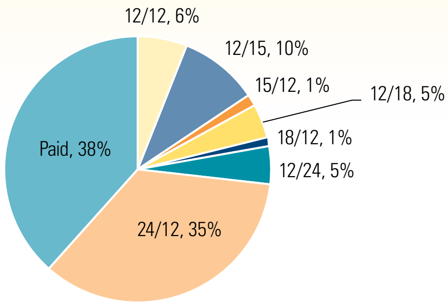
Plot your adjusted premium by ISL deductible to compare with survey. Unaccounted variation to survey respondents may still exist, including group demographics. *If an aggregating deductible exists, divide it by 3* (representing estimated number of impacted claimants) and *add to the ISL deductible to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

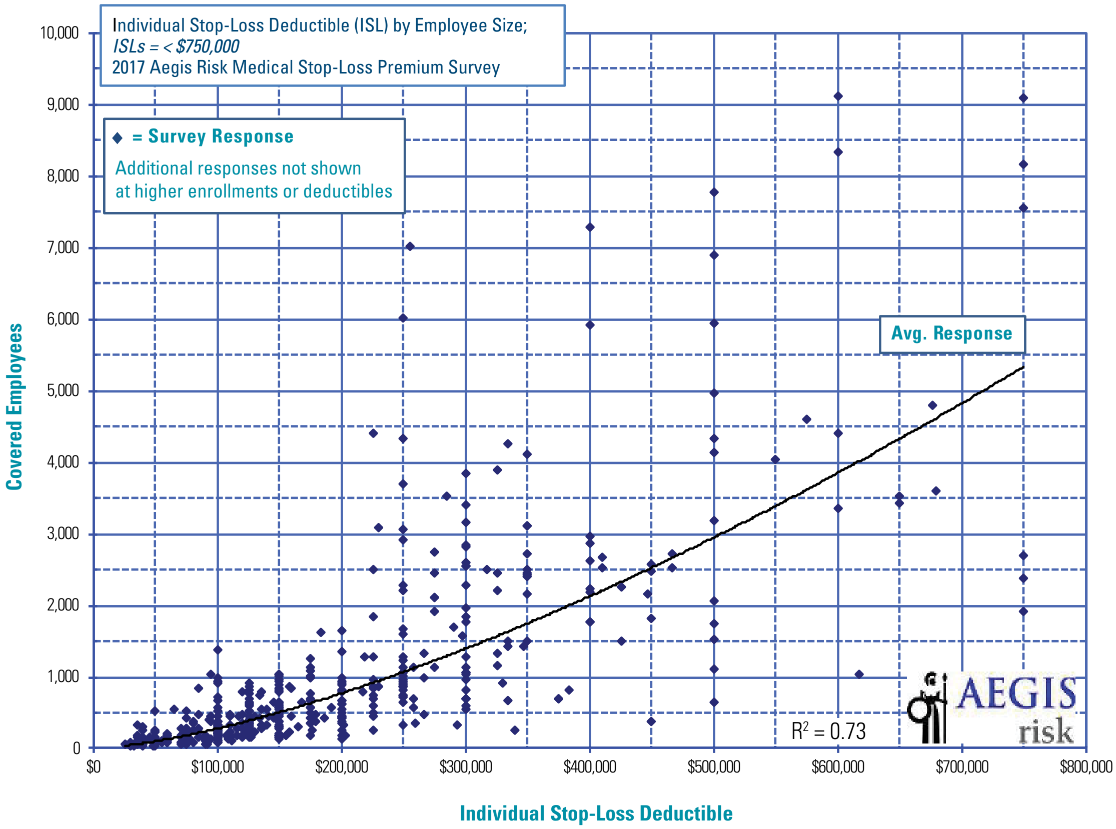


Pharmacy Coverage

98% of surveyed plans cover pharmacy, an uptick from about 92% in recent years. Increased high-dollar pharmacy exposure is likely causing the change.

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, 14% reported an ASD, with the average size being 66% of the underlying ISL. In an example, if an ISL is $200,000, the ASD, on average, is $132,000 (66%). 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 $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 91% of those with aggregate coverage, with 120% next at 6%.

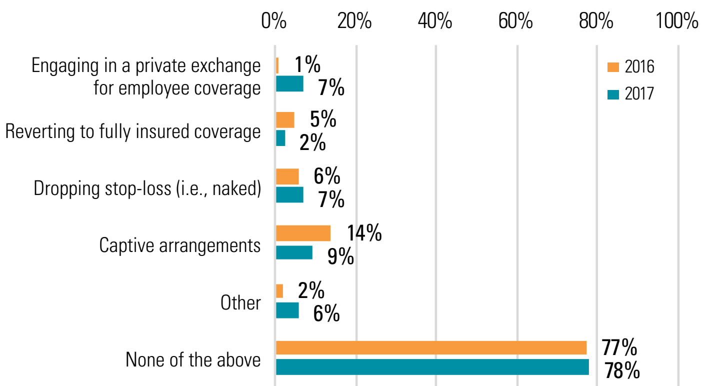
Average monthly premium varies. If alongside an ISL of $200,000 or less, the average is $8.62. At higher deductibles, the average is $3.69. Median premium overall is $6.16. Although it is a significantly lower expense than ISL, purchasers of aggregate are advised to remain diligent on this expense as well. The above average with an ISL of $200,000 or less, as well as the median, each increased about $1.60 relative to the 2016 survey.

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 78% responding "none of the above," consistent with recent years. Captives have the greatest interest but at only 9%.

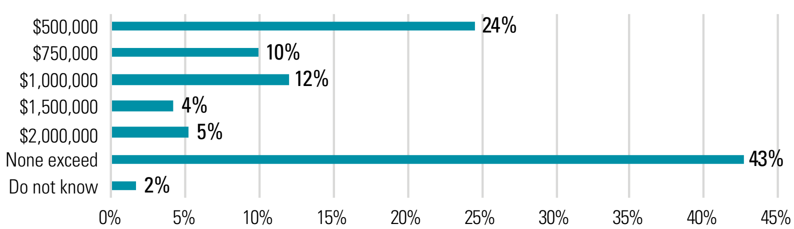
Risk Management Strategies, Planned for Review
Check all that apply.



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, 55% of respondents incurred a claimant in excess of $500,000—similar to 57% in 2016. However, claimants in excess of $1 million remain significant at 21%, with 9% of those in excess of $1.5 million.

Highest Paid Claimant, in Excess
In One Policy Year, Over Last



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, 11% reported the presence of at least one known lasered claimant—down from 18% in 2015.

2018 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 impact on higher ISLs of $400,000 or more. Contributing dynamics may include the ongoing inflow of capital into the reinsurance markets, helping to maintain competitive or "soft" pricing, offset by established claim threat from the highest claimants, often in excess of $5 million. Altogether, we illustrate (as opposed to forecast) a 12% leveraged trend for 2018 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 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.
- 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 2017 Aegis Risk Medical Stop-Loss Premium Survey represents 502 plan sponsors covering over 710,000 employees with over $322 million in annual stop-loss premium. Respondents range in size from 32 employees to over 36,000.

The 2018 survey opens late spring 2018, 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:
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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) designation offered through the CEBS® program. Visit the Society website at www.iscebs.org.