

# Medical Stop Loss Premium Survey

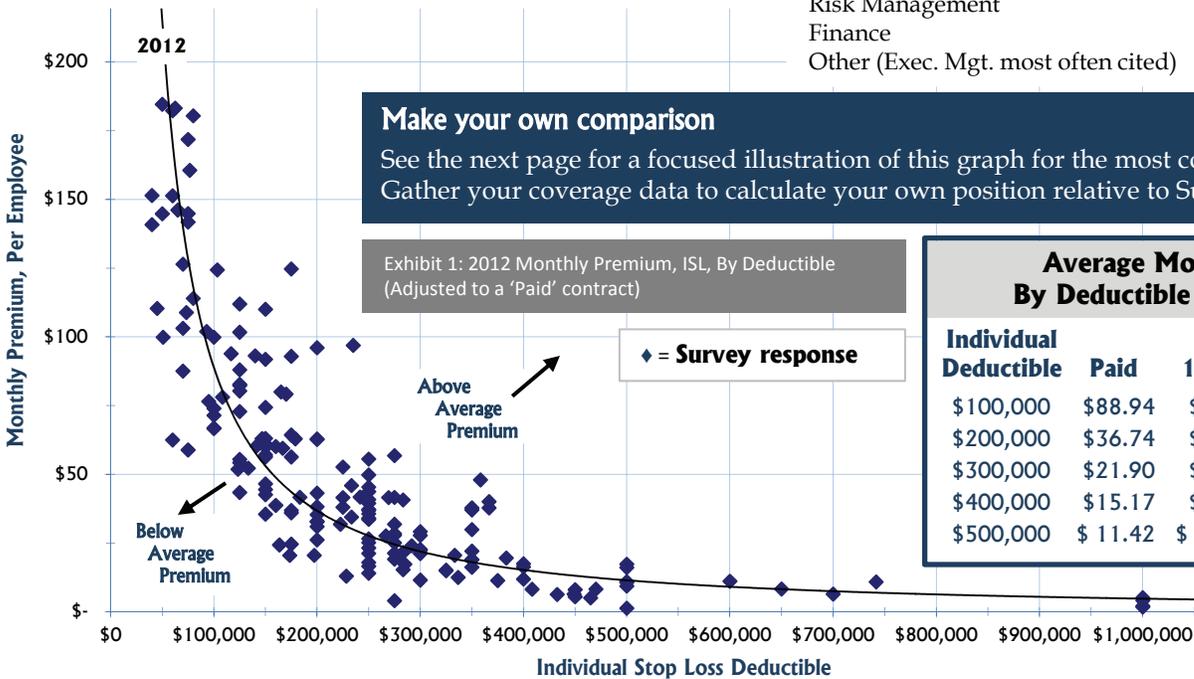


## Average Stop Loss Premium — An Elusive but Measurable Figure

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** This year's Survey, its sixth year, further reflects the impact of health care reform and the resulting prevalence of unlimited lifetime maximums on stop loss coverage. Of surveyed plans, 88% report such coverage — a steep increase from 13% in 2010. About half pair an unlimited lifetime with an interim annual maximum of \$5 million or less. Premiums continue to rise (to no surprise) and are 60% to 70% higher than levels reported in our initial Survey in 2007. The primary focus of the Survey, current premium rates, is shown in the following graphs and tables.

## A Focus On Renewal Decisions

Leveraged trend on unchanged deductibles, and wider interest in stop loss inspired two focused questions:

### Do you plan to change your ISL deductible?

No. Prefer to keep at the current level:	51%
Yes. Will seek a moderate increase to offset rate increase:	7%
Uncertain. Will review a range and make a determination:	40%
None of the above:	2%

### Which internal audiences are involved in the review and final decision? Check all that apply:

Benefits/HR	89%
Risk Management	13%
Finance	56%
Other (Exec. Mgt. most often cited)	18%

Average Monthly Premium By Deductible & Contract Type				
Individual Deductible	Paid	12/15	15/12	12/12
\$100,000	\$88.94	\$87.20	\$85.52	\$70.59
\$200,000	\$36.74	\$36.02	\$35.33	\$29.16
\$300,000	\$21.90	\$21.47	\$21.06	\$17.38
\$400,000	\$15.17	\$14.87	\$14.59	\$12.04
\$500,000	\$11.42	\$11.20	\$10.98	\$9.06

## Individual Coverage Specifications

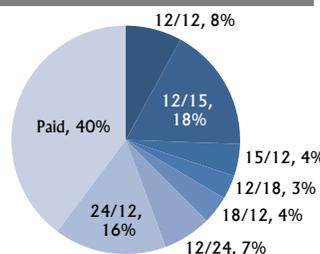
### Contract Type (or Claims Basis)

Contract type varies widely, with Paid and its close equivalents 24/12 and 12/24 accounting for 63% of plans. All are choices for ongoing, comprehensive coverage.

### Pharmacy Coverage

88% of surveyed plans cover pharmacy, consistent with recent years.

Exhibit 2: Contract Type, ISL, 2012



## Individual Annual and Lifetime Maximums

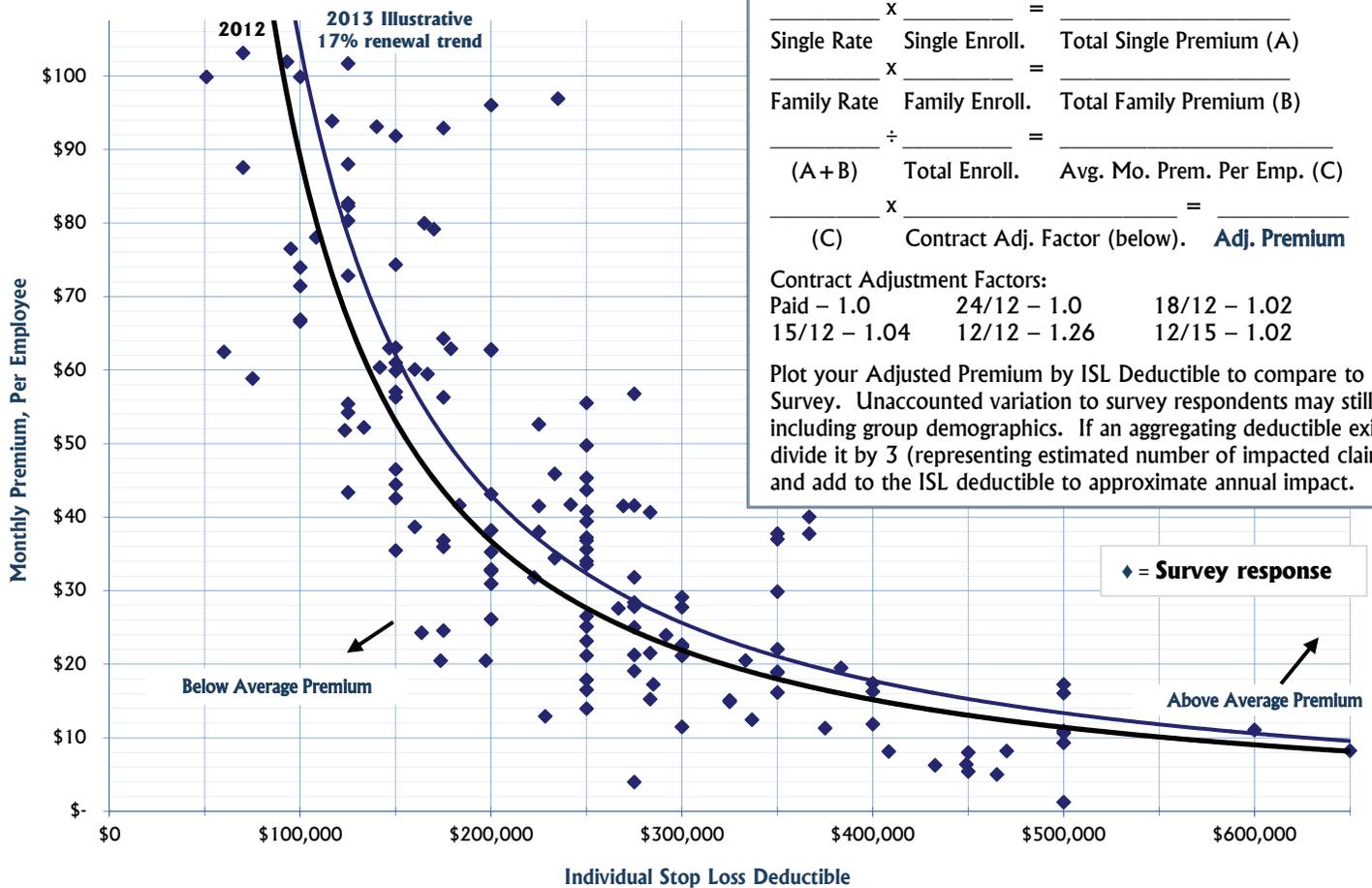
Reflecting the implementation of health care reform, unlimited lifetime maximums are the most common, reported by 88% — a significant increase from 13% in 2010. For the 49% of respondents reporting an interim annual limit, amounts above \$1 million to \$2 million are the most prevalent.

### Lifetime Limits:

\$1 million or less:	3%
>\$1 million to \$2 million:	5%
>\$2 million to \$5 million:	4%
Unlimited:	88%

### Annual Limits:

\$1 million or less:	7%
>\$1 million to \$2 million:	33%
>\$2 million to \$5 million:	9%
Not specified or none:	51%



**To calculate your Adjusted Premium for comparison:**

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

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

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

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

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 92% of those with coverage, with 120% covering the balance.

Average monthly premium varies. If alongside an ISL of \$175,000 or less, the average is \$5.61. At higher deductibles, the average is \$3.51. Median premium overall is \$4.85.

**2013 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 2013 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 2012 Aegis Risk Medical Stop Loss Premium Survey represents 178 plan sponsors covering approximately 450,000 employees with over \$130 million in annual stop loss premium. Respondents range in size from 36 employees to over 24,000. It is completed in partnership with the International Society of Certified Employee Benefits Specialists.*

*The 2013 Survey opens in Spring 2013, 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.

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