



Aegis Risk Medical Stop-Loss Premium Survey

Executive Summary

This year's survey—its sixteenth year—measures the ongoing expense and coverage of medical stop-loss amongst employer-sponsored, self-funded health plans. The occurrence of catastrophic claimants in excess of \$1 million is further verified with nearly one out of four respondents reporting such a claimant in the last two policy years—and one out of ten in excess of \$1.5 million. The primary focus of the survey remains current premium rates, as shown in the following graphs and tables. Stop-loss premium reflecting nearly 1,100,000 covered employees is measured—a further milestone for the survey!

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 paid premium expense. Therefore, 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 (or minimal) loads may observe it in their comparison to this survey.

Focus on Policy Provisions and Renewal Decisions

Various provisions are common on many stop-loss contracts. Excluding claimants at renewal, known as *lasering*, is not permitted for 61% of respondents—with 43% of those having a renewal rate cap. Altogether, this is similar to recent years. Plan mirroring is more common, now at 49%. Stop-loss renewal decision making, last reported in 2019, strongly involves benefits/HR at over 90% with finance/CFO present in over half (56%).

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

	2021	2022
No new laser at renewal; no renewal rate increase cap	16%	18%
No new laser at renewal; with a renewal rate increase cap	40%	43%
"Plan mirroring" of stop-loss contract to underlying health plan language	37%	49%
Dividend eligible if favorable claims experience	10%	10%
None of the above	23%	15%
Do not know	12%	9%

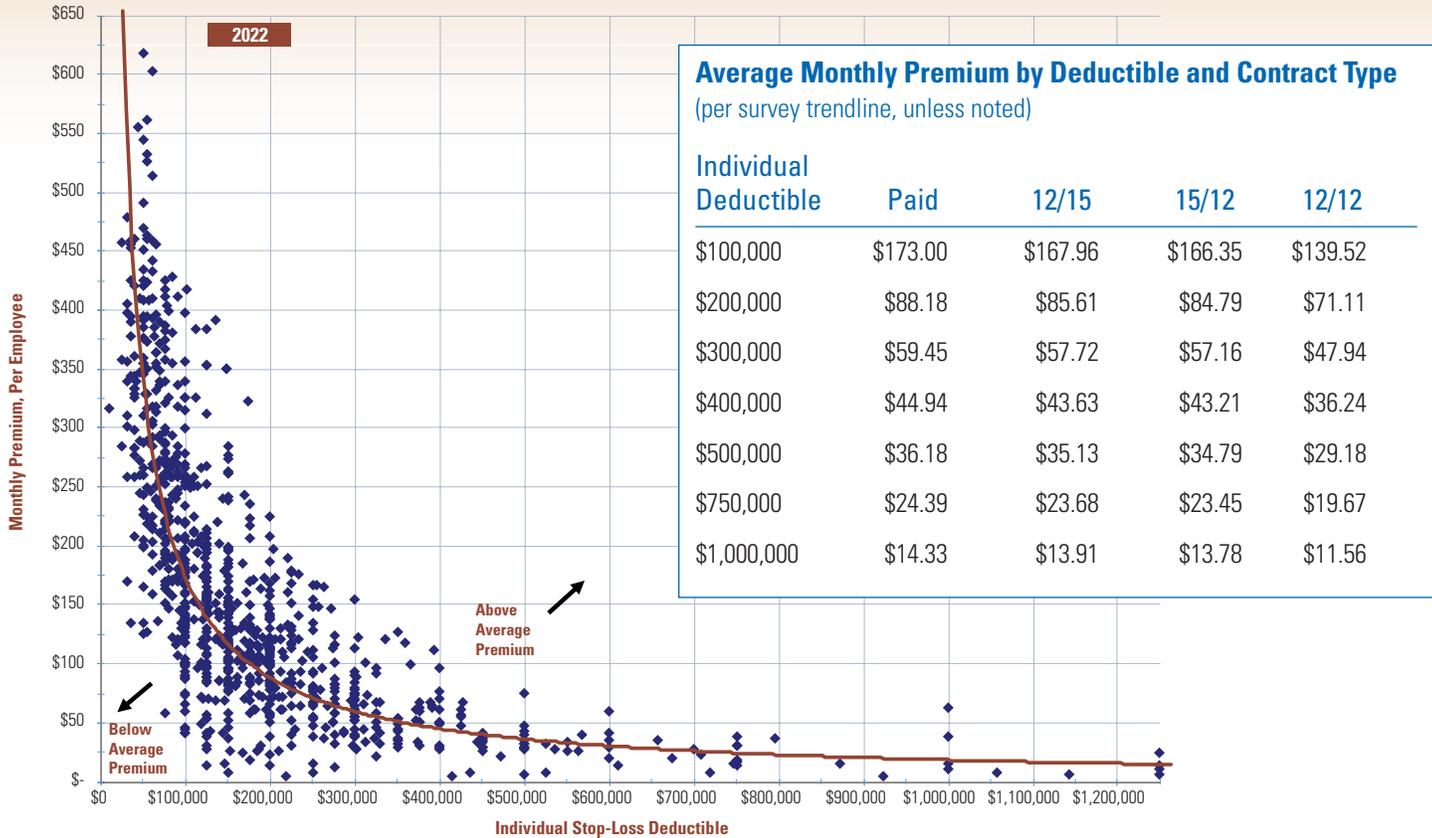
Which internal audiences are involved in the stop-loss review and final coverage decision? (Check all that apply.)

	2019	2022
Benefits/human resources	98%	91%
Risk management	17%	7%
Finance/CFO	59%	56%
Executive leadership (e.g., CEO, president)	41%	34%
Other	9%	9%

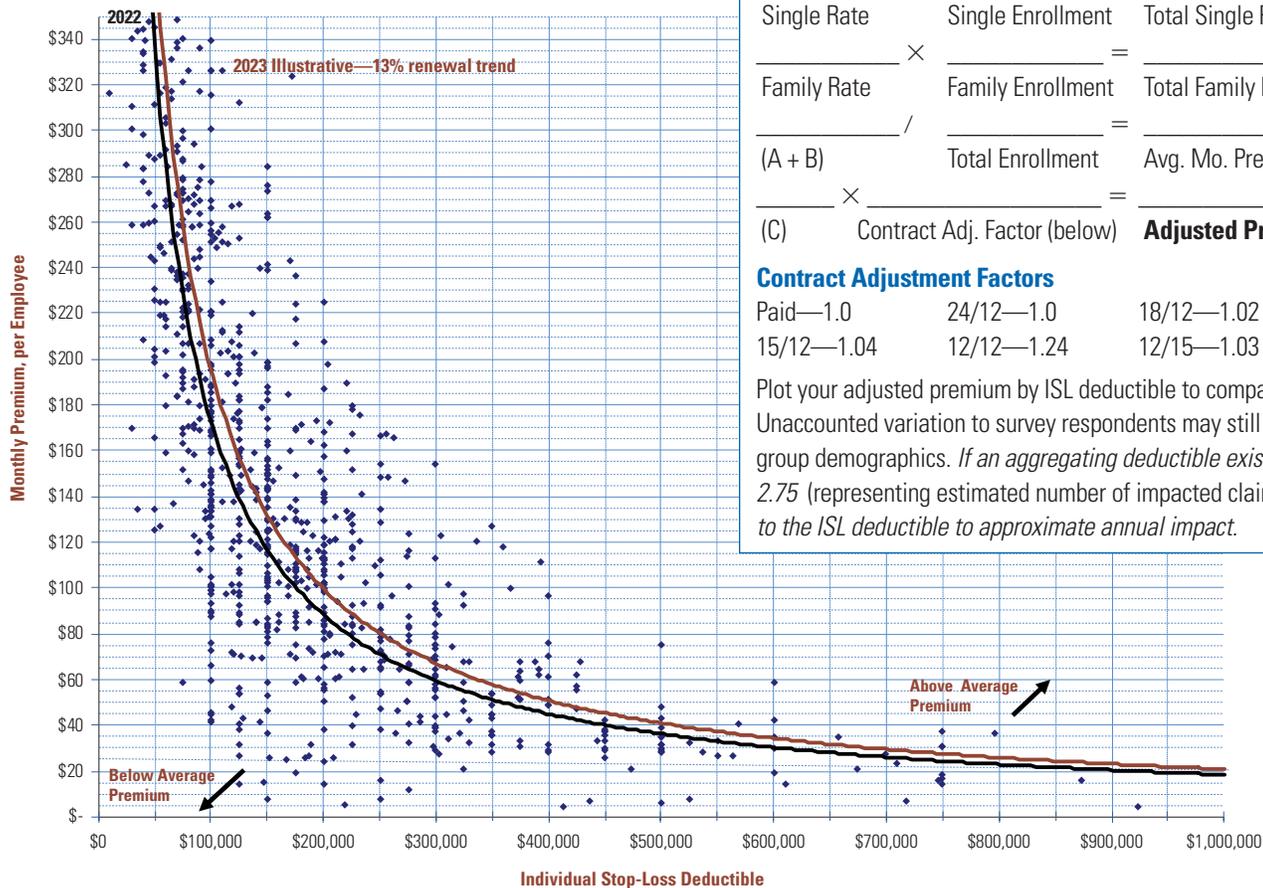


2022 Monthly Premiums, Individual Stop-Loss, by Deductible

(Adjusted to a "Paid" Contract)



Make Your Own Comparison— A Focused Illustration



To calculate your adjusted premium for comparison:

$$\frac{\text{Single Rate}}{\text{Family Rate}} \times \frac{\text{Single Enrollment}}{\text{Family Enrollment}} = \frac{\text{Total Single Premium (A)}}{\text{Total Family Premium (B)}}$$

$$\frac{\text{Total Single Premium (A)}}{\text{Total Family Premium (B)}} \div \frac{\text{Total Enrollment}}{\text{Total Enrollment}} = \frac{\text{Avg. Mo. Prem. per Emp. (C)}}{\text{Total Enrollment}}$$

$$\frac{\text{Avg. Mo. Prem. per Emp. (C)}}{\text{Contract Adj. Factor (below)}} = \text{Adjusted Premium}$$

Contract Adjustment Factors

Paid—1.0	24/12—1.0	18/12—1.02
15/12—1.04	12/12—1.24	12/15—1.03

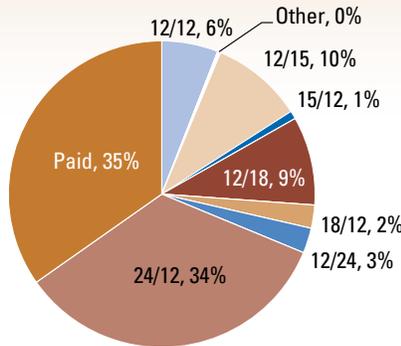
Plot your adjusted premium by ISL deductible to compare with survey. Unaccounted variation to survey respondents may still exist, including group demographics. *If an aggregating deductible exists, divide it by 2.75 (representing estimated number of impacted claimants) and add to the ISL deductible to 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 72% of plans. All are choices for ongoing, comprehensive coverage. Two options for initial coverage, 12/12 and 12/15, are 6% and 10% respectively.

Contract Type, ISL

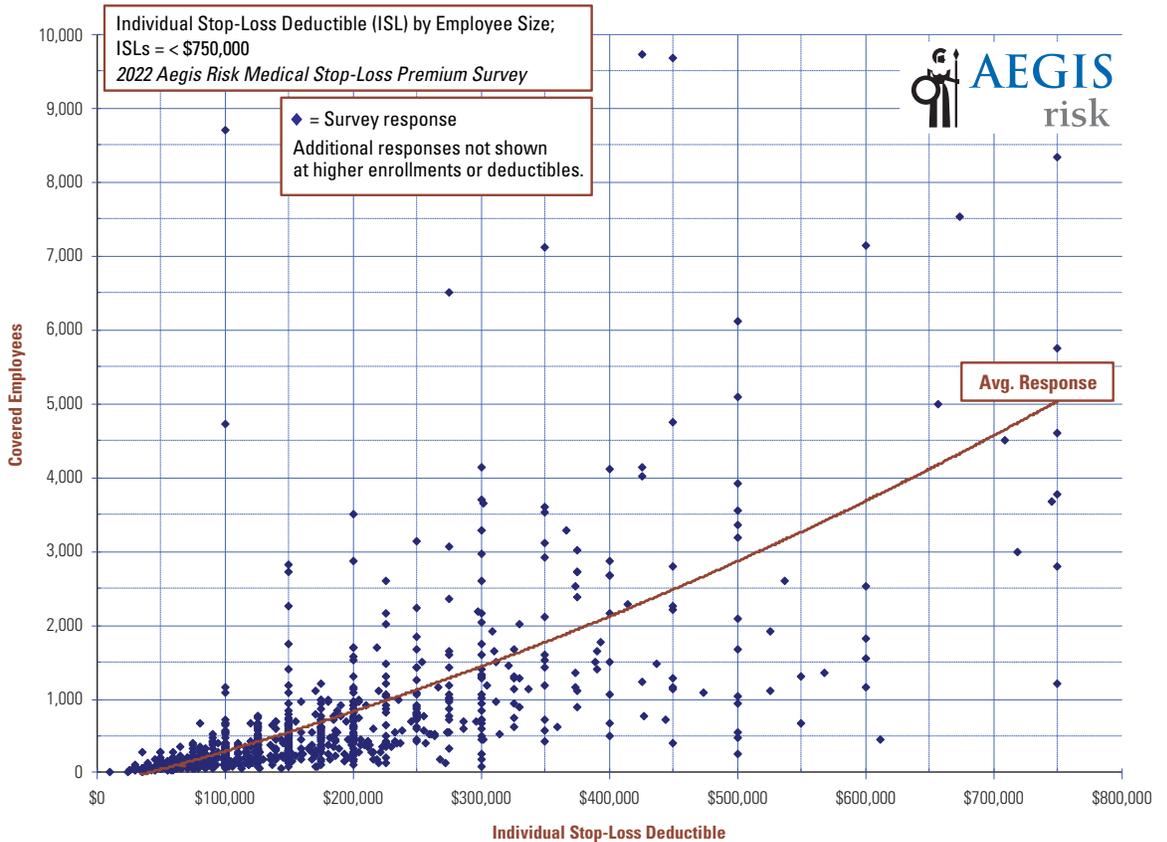


Pharmacy Coverage

98% of surveyed plans cover pharmacy, an ongoing increase from around 90% 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, 20% reported an ASD, with the average size being 64% of the underlying ISL. In an example, if an ISL is \$200,000, the ASD, on average, is \$128,000 (64%). 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 92% of those with aggregate coverage, with 120% next at 4%.

Average monthly premium varies. If alongside an ISL of \$225,000 or less, the average is \$10.80. At higher deductibles, the average is \$4.20. Median premium overall is \$7.92. Although it is a significantly lower expense than ISL, purchasers of aggregate are advised to remain diligent on this expense as well.

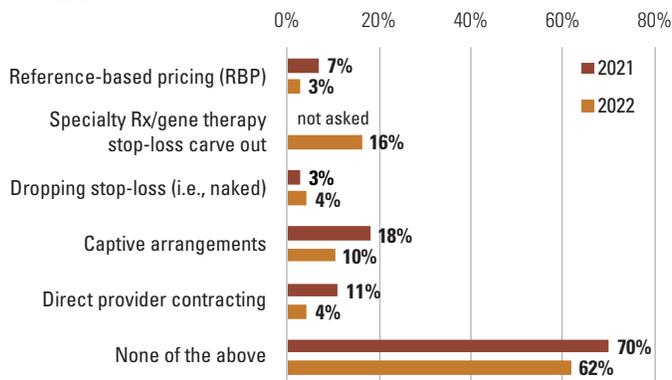
Catastrophic Claimants

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 specialty Rx/gene therapy carve-out and captive arrangements. However, maintaining the status quo seems most prevalent, with 62% responding “none of the above,” consistent with recent years. Reference-based pricing (RBP) further slips to 3%.

Risk Management Strategies, Planned for Review

Check all that apply.

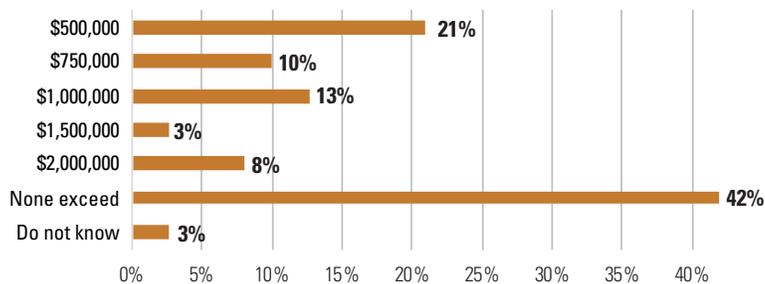


Presence of Catastrophic Claimants

The frequency 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, 24% of respondents incurred a claimant in excess of \$1 million, with 8% 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, 23% reported the presence of at least one known lasered claimant—an uptick from 19% in 2021.

2023 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 11% to 14%—with greater increase on higher ISLs of \$750,000 or more, where leveraged trend is more amplified. The rising occurrence of claimants \$1 million or more continues to pressure claims to premium loss ratios for underwriters and impact pricing. However, further competition as the market exits COVID may counterbalance. Altogether, we illustrate (as opposed to forecast) a 13% market-wide leveraged trend for 2023 premiums. However, increases approaching 20% or more 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 and vendor strengths.
- 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 2022 Aegis Risk Medical Stop-Loss Premium Survey represents 938 plan sponsors covering over 1,089,000 employees with \$775 million in annual stop-loss premium. Respondents range in size from 15 employees to over 100,000.

The 2023 survey opens late spring 2023, 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) designations offered through the CEBS program. Visit the Society website at www.iscebs.org.