From:	Lee Johnson
To:	E-OHPSCA-STOPLOSS.EBSA
Subject:	request for information- stop loss
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Response to request for stop loss information

Answers are provided by Mid-American Benefits- Third Party Administrator for self funded plans for over 30 years-
location- Omaha- NE

answers by question #:

1. Stop loss coverage is utilized by every employer we administer for that self funds.

2. Common attachment points for our clients (average) 50-100 employees- $20K to $40K. 100-250 employees- $50K to $100K. 250 + employees $100K to $200K
The lowest attachment point I am aware of for stop loss is 15K. Trend- stop loss points tend to rise a little with inflation.

3. Most clients protect themselves with stop loss on each covered participant (see above averages) as well as an aggregate contract to protect against dollar loss on excessive claims under the individual stop loss. Employer then has a means to quantify what the ""at worst" cost may be for the group for the contract year.

4. Insurers work with employers in a number of ways to place a contract that works for both. One option that can decrease premiums is use of an "aggregating specific", if the employer so chooses. The employer can also accept a laser, if offered, on an individual, that still retains coverage on that person, but decreases premium for the employer. Employers determine their stop loss point based on comfort level. The range is so wide that an employer has no problem finding the level that best suits their needs. Employers understand that stop loss, generally, is the most efficient way to purchase health coverage.

All plan expenses are itemized and accounted for and the employer knows where every penny goes, and so can tweak the plan as needed for the most efficient utilization of assets. When compared to other forms of insurance coverage (Medicare, Medicaid, fully insured, etc), the low administrative costs and efficiencies of self funding make it the premier low cost model. Nothing else comes close.

Because employers know this, they plan on staying with the self funded model for the long run. In over 30 years as a Third Party Administrator we have perhaps seen two or three clients leave self funding (and one came back the very next year).

5. Answering who pays how much of a given bill:
Example:
Total bill for a participant for hospital and doctors = $195,000
Stop loss contract = $80,000
Assume that the participant has some deductible and coinsurance responsibility of $3,000 (fairly average)
Breakdown for $195,000 bill:
participant- $3,000
employer - $77,000 (adding these two gets to the $80,000 stop loss point)
insurance company providing stop loss coverage- $115,000

For aggregate coverage the loss ratio is calculated to be approximately 80% of the maximum amount

of funds set aside for claims.
Example:
Aggregate contract (those dollars spent by employer under the individual stop loss) in contract year: $3,000,000
Typically a client with this 3 million cap will spend approximately $240,000. Of course if the employer spends over 3 mil, anything over that is covered by the aggregate contract.

6. Administrative costs: Our typical fee for administration is $17 per employee per month. Additional costs are for the pre certification vendor ($2.00 pepm) and the typical PPO's fee of $5.00 pepm.   Total- $25 pepm. Compare that to Medicare, Medicaid, fully insured, etc. and the cost efficiencies of self funding are undeniable.

7. Some carriers in the stop loss market are averse to some industries such as hospitals and trucking. But there are others who might actually specialize in those areas. Employee participation in an employer plan using stop loss is similar to all group markets where 70%-75% participation is expected.

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