The following comments are respectfully submitted in response to the Request for Information Regarding Stop Loss Insurance by the Internal Revenue Service, Department of the Treasury; Employee Benefits Security Administration, Department of Labor; and the Centers for Medicare & Medicaid Services, Department of Health and Human Services. (EBSA-2012-0025-0001).

HealthSCOPE Benefits appreciates the opportunity to take part in this meaningful discussion and submit comments on this important topic.

1. How common is the use of stop loss insurance in connection with self-insured arrangements? Does the usage vary (and, if so, how) based on the size of the underlying arrangement or based on other factors? How many individuals, if known, are covered under stop loss insurance (either nationally or on a state-specific basis)? What are the trends? Are past trends expected to be predictive of future trends? Is the Affordable Care Act expected to affect these trends (and, if so, how)?

In our industry, the majority of self-insured plans within a small- to mid-size range currently have stop loss policies in-force, with much larger groups now considering stop loss insurance as a means of protection against catastrophic losses due to rising health care costs and the financial impact of the Affordable Care Act ("ACA"). Usage varies from group size and demographics, financial stability and risk tolerance, among other factors.

Due to substantial health care expenses, stop loss ensures an employer's financial ability to absorb major expenses across the board for participating members in the employer's health plan. More and more employers offering self-insured plans are seeking out the protection of stop loss insurance to help mitigate their financial risk while continuing to offer health care plans to their employees. This is especially true in light of ACA's prohibition on lifetime dollar limits on essential benefits for individual members. While health care costs continue to rise and ACA's requirements are imposed, the expectation is the use of stop loss policies will continue to increase as companies seek some measure of protection from unlimited lifetime dollar limit exposure while they struggle to provide health care for employees during a weak economy.

2. What are common attachment points for stop loss insurance policies, and what factors are used to determine these attachment points? What are common attachment points by employer size (e.g., for plans with fewer than 50, between 50 and 100, or between 100 and 250 employees, and how do these compare to attachment points used by larger plans)? What are the lowest attachment points that are available? What are the trends?

A specific or common number does not really exist. Several factors come into play based on the individual group and the group's own demographics, claims experience history, number of participating employees and dependents, the benefit designs being offered to the participating members, cost containment programs, as well as the client's risk tolerance and financial stability, among other various factors that are determined throughout the underwriting process.

3. Are employee-level (“specific”) attachment points more common, or are group-level (“aggregate”) attachment points more common? What are the trends? What are the common attachment points for employee-level and group-level policies?

Specific stop loss is more common as larger groups tend to purchase specific-only policies, while small- to mid-size groups tend to purchase both specific and aggregate coverage.

4. How do insurers work with small employers to integrate stop loss insurance protection with self-insured group health plans? What kinds of options are generally made available? Are policies customized to meet the needs of different employers? How are the attachment points for a stop loss policy determined for an employer? Do self-insured group health plans purchase stop loss insurance anticipating that they will purchase it every year?

Insurance Agents and Third Party Administrators work with employers to evaluate their health plans and assist the employer with obtaining coverage options that best meet their needs. Stop loss contracts are written based on the employer group demographics, experience history, and financial needs of the individual group, with contracts being subject to certain state limitations. The purpose of stop loss coverage is to ensure the group has a means of protection against catastrophic losses on any one individual, or high losses in aggregate throughout the policy plan year. The majority of employers will select stop loss options based on the financial needs of their group health plan, and will continue to renew their stop loss contracts year after year in order to meet their specific needs.

5. For a given attachment point, what percentage of total medical costs incurred by the employees is typically paid for by the employer and what percentage is typically paid for by the stop loss insurance policy? How much do the relative percentages vary for different attachment points? What are the loss ratios associated with stop loss insurance policies?

ERISA governs the majority of self-insured plans. Under ERISA, the employer pays 100% of total medical costs insured by its group health plan. For stop loss purposes, the attachment point is determined by the individual group demographics, plan design, and past claims experience, among other factors. Once paid claims under the health plan exceed the attachment point, the employer will file a claim with its insurance carrier to seek reimbursement on any amounts paid out over and above the attachment point. Stop loss coverage is a means to protect the employer against the financial risk of catastrophic losses across the health plan. This is especially important to protect a health plan’s viability when complying with the ACA's prohibition on lifetime dollar limits for members.

Percentage points and loss ratios vary across the board among self-insured health plans that carry stop loss coverage. Determining an average would be difficult considering the variances in contract terms and impact of losses associated with those terms.

6. What are the administrative costs to employers related to stop loss insurance purchased for the employers' self-insured group health plans? How do these costs compare to the administrative costs related to purchasing a health insurance policy from an issuer?

Typically, there is very little administrative cost to the employer related to purchasing a stop loss policy, and a comparison of cost to the actual administration of a health plan is not applicable as the two are very different products.

Administrative expenses associated with stop loss insurance carriers are included in the premiums paid by the employer and can vary among insurers. The cost is typically minimal. Administrative fees for services provided by a Third Party Administrator vary based on the services and programs purchased by the employer.

7. Is stop loss insurance more prevalent in certain industries or sectors? Are there any minimum employee participation requirements for a small employer to be offered stop loss insurance?

No, stop loss insurance is utilized by many different industries across the board. Certain participation requirements may be imposed by the stop loss carrier; on average 75% - 80% may be a stated minimum. However, lower percentages may be considered depending on other factors that are reviewed at the time of underwriting.

8. What types of entities issue stop loss insurance? **How many small entities issue stop loss insurance policies?

Stop loss insurance is issued by insurance companies that are licensed and regulated at the state level.

9. Do stop loss issuers increase fees for groups below a certain size or exclude those groups? If so, how?

Premiums are determined by individual group demographics, experience, and several other factors, all of which are determined by actuarial rating methodology. Stop loss carriers typically do not charge fees, only premiums for the purchase of coverage. Limitations vary by the issuing carrier and are typically based on industry standard requirements.

10. How do stop loss insurers evaluate the plans seeking coverage and how is this evaluation reflected in the coverage or premiums offered? Does the profile of the plan have an effect on the attachment points available?

Several factors are reviewed during the underwriting process to determine appropriate rates including the group demographics such as industry, average age, locations, etc., in addition to the plan design, cost containment programs being utilized, networks, and the group's experience history.

11. How do States regulate stop loss insurance? In States that are regulating this insurance, what are the licensing processes and standards? Have States proposed laws, regulations, or best practices with regard to stop loss insurance? Do such proposals focus on attachment points, size of the group, percent of total claims paid by the stop loss insurer, or other criteria? What are the issues States face in regulating stop loss insurance?

Insurance carriers issuing stop loss insurance must be licensed and are regulated at the state level. Some states do impose minimum restrictions on stop loss based on group size.

12. What effect does the availability of stop loss insurance with various attachment points and other particular provisions have on small employers' decisions to offer insurance to employees?

Stop loss insurance is utilized as a means of assisting a small group employer with protecting its health plan against catastrophic losses that could create a financial hardship or otherwise prevent continued viability of the health plan. Many small employers are unable to afford premiums imposed by a fully insured carrier and need an affordable means to continue to offer health care to their employees while having some ability to control costs and offer benefits that are customized directly to the needs of their participating members.

13. What impact does the use of stop loss insurance by self-insured small employers have on the small group fully insured market?

As stated previously, many small employers are not able to afford fully insured premiums. Having access to stop loss insurance allows the employer an affordable means to offer insurance coverage to employees while obtaining protection against catastrophic losses that could create financial hardship to the plan. Stop loss insurance does not create adverse selection in the fully insured market. Because employers have a choice between fully insured coverage and stop loss coverage, this allows for both markets to continue to offer competitive and affordable pricing. Limiting the employers' options would not make health care more affordable for employers or plan participants.