

Indian River County Board of County Commissioners

Stop Loss Marketing Analysis

Complex Claims Specialty Practice

OCTOBER 1, 2025





Agenda

Executive Summary

Factors Impacting Renewal

Renewal Overview

Next Steps to Secure Coverage

Lockton Clinical

Appendix

Executive Summary



Complex Claims Specialty Practice

LOCKTON'S IMPACT ON HIGH-COST CLAIMS



PURCHASING STRENGTH

- Best-practice terms include multi-year rate caps and no new laser provisions
- Creative alternative risk funding solutions
- Average premium increase of 8% compared to leveraged trend of 17-22%



CLAIM COST REDUCTION

- Cost efficiency and alignment
- Verify site of care
- Alternative treatment methods
- Review pharmacy utilization



CLAIMS MANAGEMENT

- Ongoing claims tracking
- Monthly report monitoring
- Timely claim reimbursement
- Year-end claim reconciliation

7,000⁺

CLINICAL AND
FINANCIAL TRIGGERS

REPRESENTING

1,400⁺

EMPLOYER GROUPS
WITH 2M⁺ EMPLOYEES

20,000⁺

CLINICAL REVIEWS
PERFORMED TO DATE

CLINICAL STRATEGIES
HAVE PRODUCED

\$440M

IN VERIFIED CLAIMS
EXPENSE REDUCTIONS

\$1.6B⁺

IN STOP LOSS
PREMIUMS MANAGED

Current market conditions

RISING COSTS	MEDICAL ADVANCEMENTS	ECONOMIC CONDITIONS	EMPLOYER RESPONSE
- From 2019-2022, 87% of employers were likely to experience a stop loss claim. - Million-dollar claims are up 50% over the past four years (2020 – 2023). - Medical inflation and continued labor shortages, plus revenue loss, result in price increases.	- FDA approval of cell and gene therapy with price per treatment from \$1M-\$3M** - Specialty Pharmacy is driving up catastrophic claim costs; new programs could help mitigate the risk of costly cell & gene therapy. - Data and Analytics are becoming increasingly important for risk selection and decision-making.	- The CDC estimates congenital anomalies affect one in every 33 babies (about 3% of all babies) born in the U.S. each year that can cause lifelong challenges. - Long-term unknowns due to claim re-adjudication that can spread across multiple plan years. - FDA approval of specialty medications, cell and gene therapy continue as new therapies emerge.	- Refine medical plan coverage to address cell and gene therapy coverage. - Point Solutions more prevalent in employer risk strategies. - Purchase renewal protection, including Terminal Liability. - Seek creative alternative risk financing methods.

WHAT'S REALLY DRIVING EMPLOYER HEALTH PLAN COSTS?



Employers' spend



High-cost claims



Specialty medicines



Healthcare inflation



High-cost claimants



Chronic conditions

*2024 Sun Life High-Cost Claims and Injectable drug trends analysis **Gene Therapy Market Size, Share & Growth Report, 2030 (grandviewresearch.com) Gene Therapy Market Size, Growth, Trends, Report 2022-2030 (precedenceresearch.com)

Executive summary

FACTORS IMPACTING YOUR STOP LOSS RENEWAL

MARKET CONDITIONS

Stop loss carriers have tightened underwriting requirements.

- Gene & Cell Therapy treatments are expected to more than double by the end of 2026, with 14 Gene Therapies approved as of mid-2024
- Increase of \$1M claims continues to climb with Newborn/Infant Care average cost increasing by 44% over the last four years
- Cancer drugs continue to dominate the market, making up more than half of the top 20 high-cost injectable drugs

PLAN PERFORMANCE

Carriers review historical utilization to better understand high-cost claimant trends within an employer group.

- Historical cumulative loss ratio is 0%
- Current loss ratio is 0% with claims through April 2025

ONGOING RISK ASSESSMENT

Carrier underwriting is more aggressively reviewing known claimant risk through comprehensive data reviews.

- Known risk on plan of the top 5 claimants by spend is projected to result in 1-5 stop loss deductible breaches
- 5 ongoing claims projected for 2025: \$1.15M-\$1.875M

PEPM RATE VS. BENCHMARK

Underwriters expect large claim risk from new claimants to even out over time, so a lower rate compared to benchmark can lead to carrier losses when claims activity normalizes.

- Current PEPM Rate is lower than Lockton benchmark

Executive summary

RECOMMENDATION

CURRENT CONTRACT TERMS

Contract Type:	\$300K Deductible & \$100K Aggregating Specific Deductible; Paid (36/12) Contract; Specific Coverage; Medical & Rx
Multi-year Protection:	Currently a 40% Rate Cap with No New Laser renewal protection in place

RENEWAL RECOMMENDATION

Recommended Stop Loss Renewal Option:	HM at the \$300K deductible level.
Recommendation Rationale:	HM's firm renewal is below market trend (15-18%), provides a strong contract, no laser liability, renewal protection for 2026, no stop loss carve out fee, and immediate reimbursements for claims over the deductible via bill credit.
Plan Design Review:	Current specific deductible is in line with similarly sized employers.
Recommended Proposal Expiration Date:	July 18, 2025

Factors Impacting Your Renewal



Stop loss plan performance

Historical Plan Performance		
	2022	2023
Stop Loss Carrier	OptumHealth	OptumHealth
Specific Deductible	\$300,000	\$300,000
Aggregating Specific	\$100,000	\$100,000
Contract Basis	24/12	Paid (36/12)
# of Lives	1,650	1,686
PEPM Specific Rate	\$62.51	\$58.82
PEPM Aggregate Rate	\$3.06	\$0.00
Total Paid Premium	\$1,298,286	\$1,190,046
Total Paid Specific Claims	\$0	\$0
Annual Loss Ratio	0%	0%
Cumulative Loss Ratio		0%

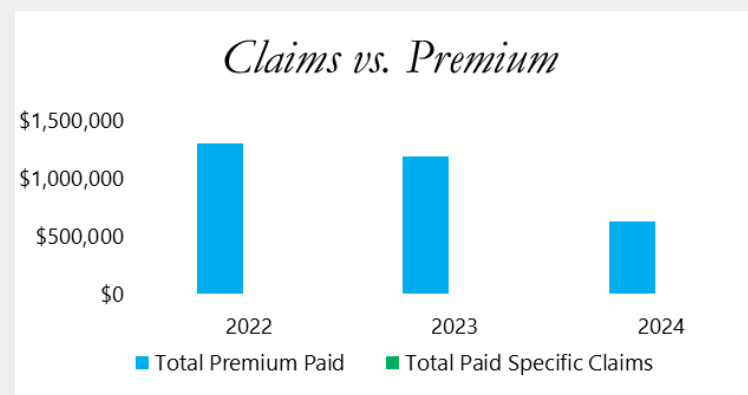
Historical Claimant Activity		
	2022	2023
Claimant 1	\$306,852	\$349,317
Claimant 2	\$339,707	\$346,415

Current Plan Performance	
HM Insurance Group	
Specific Deductible	\$300,000
Aggregating Specific	\$100,000
Contract Basis	Paid (36/12)
# of Lives	1,724
PEPM Specific Rate	\$52.42
PEPM Aggregate Rate	\$0.00
Total Paid Premium	\$632,605
Total Paid Specific Claims	\$0
Annual Loss Ratio	0%

Current Claimant Activity	
Large Claims Thru:	
4/30/2025	



CARRIERS EVALUATE historical plan performance, member demographics and risk from ongoing claimants to assess an employer's future projected costs.



*Enrollment is from the census received in May 2025.

Clinical assessment

Lockton's Complex Claims Specialty Practice has performed a clinical review of the highest-cost plan members by spend to assess potential 2025 liability for the following claimants.

Indian River County Clinical Projections Paid Data Reviewed: 10/1/2024 - 4/30/2025 Specific Deductible: \$300,000								
	Claimant Details	Relationship	Age	Diagnosis Category	Main Cost Driver	Current Paid in Reviewed Period	Projected Low Cost	Projected High Cost
1	Secondary malignant neoplasm of other and unspecified sites	SP	50-65	Neoplasms	Inpatient Stay(s); surgical procedure(s)	\$247,591	\$200,000	\$400,000
2	Cystic fibrosis	CH	18-25	Respiratory	Treating with: Trikafta and Creon	\$237,031	\$350,000	\$400,000
3	Other pulmonary heart diseases	EE	50-65	Circulatory System	Treating with: Adempas, Opsumit	\$186,108	\$250,000	\$375,000
4	Crohn's disease [regional enteritis]	SP	Over 65	Digestive System	Treating with: Stelara	\$184,678	\$200,000	\$375,000
5	Malignant neoplasm of breast	SP	26-49	Neoplasms	Radiation; chemotherapy	\$161,371	\$150,000	\$325,000

Notes:

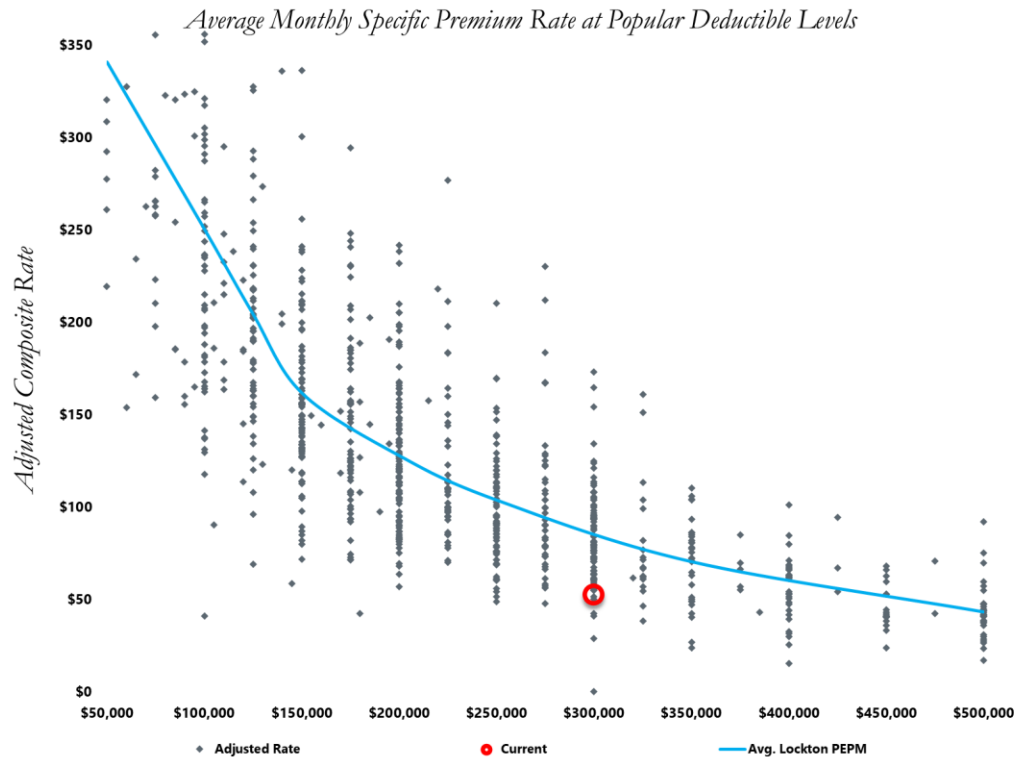
Projected costs are for the 10/1/2025 - 9/30/2026 policy year.

Ongoing projections are made based on information obtained from available reports and paid dates listed. Case and claimant information may be limited or fail to reflect current status which could impact the projected amount listed. Reviewed all claimants.

Report Date: 7/7/2025 8:56

Specific premium evaluation

(\$50K - \$500K)



Avg. Lockton PEPM based on comparable Lockton Complex Claims Specialty Practice Book of Business.

Adjusted Rate based on Lockton Complex Claims Specialty Practice; all policies are mature, or the rates have been actuarially adjusted to be mature.

No adjustments were made for clients with Aggregating Specific Deductible or Lasers.

FINDINGS

- 64% of Lockton's 1/1/2024 business had less than a 15% increase; 33% received less than a 5% increase
- Lockton clients saw on average a 12% reduction from initial results due to plan design changes and negotiations

AVERAGE ANNUAL PREMIUM INCREASES

(At popular deductible levels)

Specific Deductible	Average Premium % Increases
\$50,000	12%
\$150,000	15%
\$250,000	15%
\$350,000	13%
\$500,000	16%

Renewal Overview



Status quo renewal summary

Carrier	Current HM Insurance Group	Renewal HM Insurance Group	Neg. Renewal HM Insurance Group	Option 1 Berkshire Hathaway	Option 2 TMHCC	Option 3 Swiss Re
Quote Status	Current	Initial Renewal	Negotiated Renewal	Quote-Illustrative	Quote-Illustrative	Quote-Illustrative
Coverage Included	Medical, RX	Medical, RX	Medical, RX	Medical, RX	Medical, RX	Medical, RX
Contract Basis	Paid (36/12)	Paid (48/12)	Paid (48/12)	24/12	24/12	24/12
Enrollment*	1,724	1,724	1,724	1,724	1,724	1,724
Specific Deductible	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Aggregating Specific Deductible	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
FINANCIAL ASSESSMENT						
Total Interface Fee	\$0	\$0	\$0	\$16,550	\$16,550	\$16,550
Total Prompt Pay Cost	\$0	\$0	\$0	\$62,064	\$62,064	\$62,064
Total Fixed Cost	\$1,084,465	\$1,244,383	\$1,172,389	\$1,127,289	\$1,324,653	\$1,485,192
Fixed Cost Change \$		\$159,918	\$87,924	\$42,824	\$240,188	\$400,727
Fixed Cost Change %		15%	8%	4%	22%	37%
Total Laser Liability*	\$0	\$0	\$0	\$0	\$0	\$0
2ND YEAR RENEWAL PROTECTION (NO NEW LASERS / RATE CAP)						
Renewal Protection Included	Yes	Yes	Yes	Yes	Yes	Yes
Rate Cap Maximum %	40%	40%	40%	45%	50%	40%
ADDITIONAL NOTES						

Markets Declining: Nationwide, Optum, QBE, Sun Life, Symetra, Voya, Wellpoint

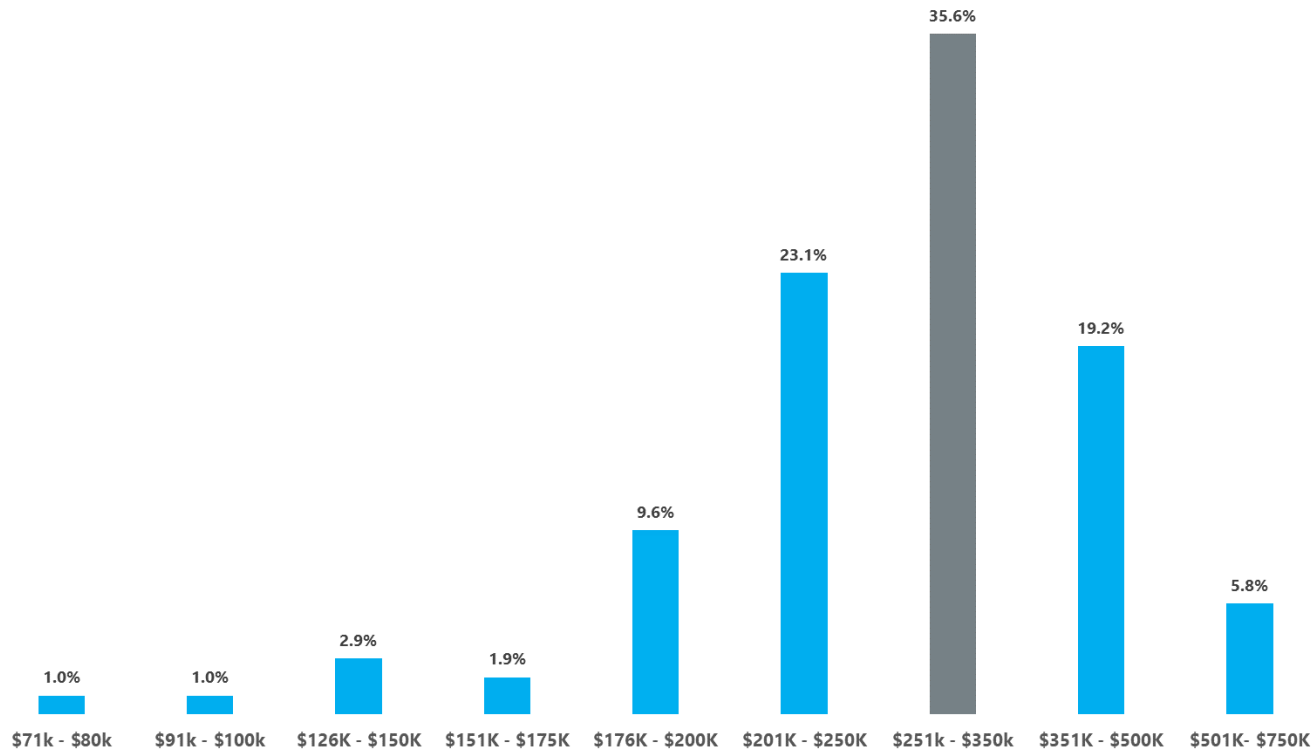
Market DTQ Reasons: Uncompetitive, Ongoing Liability

NOTES

- HM's renewal is firm and offers a pseudo-bundled arrangement which provides for immediate reimbursements over the deductible via bill credit.
 - All other proposals are **preliminary aka illustrative; none have been medically underwritten, rates are subject to change, and lasers may be placed.**
 - All other proposals include Lockton's option Prompt Pay solution at a cost of \$3.00 PEPM. Prompt Pay provides reimbursement ahead of eligibility, approximately 3 days after receipt of a paid claim by Lockton's Claims team.
- FL Blue charges an \$0.80 PEPM interface fee for carved out stop loss administration. This does not apply to HM.
- Multi-year rate protection is included with all options.
 - 2nd year rate cap & No New Laser Provision

Deductible evaluation

ENROLLMENT RANGE (1,501 – 2,500 EMPLOYEES)



NOTES

- We have provided a benchmarking bar graph that illustrates the percentage of employers within a similar range of employees and the deductible they elected.
- Using our benchmarking graph supports a more specific approach to electing a deductible more in line with other employers of similar enrollment.

Proposal detail

HM DEDUCTIBLE OPTIONS

Carrier	Current HM Insurance Group	Renewal HM Insurance Group	Option 1 HM Insurance Group	Option 2 HM Insurance Group
INDIVIDUAL SPECIFIC STOP LOSS COVERAGE				
Individual Specific Deductible	\$300,000	\$300,000	\$325,000	\$350,000
Aggregating Specific Deductible	\$100,000	\$100,000	\$100,000	\$100,000
Contract Basis	Paid (36/12)	Paid (48/12)	Paid (48/12)	Paid (48/12)
Coverage	Medical, RX	Medical, RX	Medical, RX	Medical, RX
# of Lives	1,724	1,724	1,724	1,724
FIXED COST				
Composite Specific Rate	\$52.42	\$56.67	\$50.17	\$47.77
Total Fixed Cost – Specific + Admin Fees	\$1,084,465	\$1,172,389	\$1,037,917	\$988,266
ADDITIONAL POLICY TERMS & CONSULTING FEES				
Commission	0%	0%	0%	0%
Service Fee	5%	5%	5%	5%
LASER LIABILITY				
Total Laser Liability	\$0	\$0	\$0	\$0
TOTAL COMBINED COVERAGE				
Total Fixed Cost	\$1,084,465	\$1,172,389	\$1,037,917	\$988,266
Total Fixed Cost + Additional Liability	\$1,184,465	\$1,272,389	\$1,137,917	\$1,088,266
CHANGE FROM PRIOR YEAR				
\$ Fixed Cost Change		\$87,924	-\$46,548	-\$96,199
% Fixed Cost Change		8%	-4%	-9%
\$ Fixed Cost + Additional Liability Change		\$87,924	-\$46,548	-\$96,199
% Fixed Cost + Additional Liability Change		7%	-4%	-8%
NO NEW LASER RATE CAP COVERAGE				
2024 Rate Cap	40%	40%	40%	40%
Max 2 Year Fixed Cost		\$2,813,734	\$2,491,001	\$2,371,838
Simulated Average Number of Claims		7.9	6.8	5.9
Simulated Average Reimbursements		\$1,798,776	\$1,615,414	\$1,458,030
Value to Change Current Deductible/Carrier (negative is savings)		\$0	\$48,889	\$156,623

*Due to rounding, rates can slightly vary from proposal. Please refer to proposal for carrier rates. Value to Change Deductible = (Renewal Simulated Reimbursements - Alternate Option Simulated Reimbursements) - (Renewal Fixed Cost - Alternate Option Fixed Cost)

*Additional Liability equals Laser Liability and/or Aggregating Specific Deductible

Financial projection analysis

Time period of projection: 1/1/2025 - 12/31/2025

Number of Employees: 1,724

Number of members (estimated): 3,827

Number of Claims Exceeding Specific Deductible

	Renewal	Option 1	Option 2
Carrier Options	HM Insurance Group	HM Insurance Group	HM Insurance Group
Deductible Level	\$300,000	\$325,000	\$350,000
Average	7.9	6.8	5.9
Minimum Based on Simulations	0.0	0.0	0.0
25th Percentile	6.0	5.0	4.0
75th Percentile	10.0	8.0	7.0
Maximum Based on Simulations	22.0	19.0	16.0

Total Dollar Amount of Claims Exceeding Specific Deductible

Carrier Options	HM Insurance Group	HM Insurance Group	HM Insurance Group
Deductible Level	\$300,000	\$325,000	\$350,000
Average	\$1,798,776	\$1,615,414	\$1,458,030
Minimum Based on Simulations	\$0	\$0	\$0
25th Percentile	\$935,000	\$778,875	\$645,000
75th Percentile	\$2,346,500	\$2,127,125	\$1,942,625
Maximum Based on Simulations	\$12,066,000	\$11,740,000	\$11,448,500

What is the plan's expected cost under the various options?

Carrier Options	HM Insurance Group	HM Insurance Group	HM Insurance Group
Deductible Level	\$300,000	\$325,000	\$350,000
Average Simulated Expected Claims	\$27,887,652	\$28,071,013	\$28,228,398
Specific Premium	\$1,172,389	\$1,037,917	\$988,266
Aggregate Premium	\$0	\$0	\$0
Total Expected Cost (Expected Claims + Stop Loss Premium)	\$29,060,041	\$29,108,930	\$29,216,664

% of simulations this option "wins" when all contract options considered

75.4%

22.5%

2.2%

*Average Simulated Expected Claims (paid by plan after specific and aggregate) is based on a simulation dependent on the probability of total claims over the specific deductible and aggregate factors; the change to either could result in different outcomes.

Next Steps to Secure Coverage



Checklist to secure coverage

1	HM's proposal is firm . Please provide renewal election and signed proposal, if applicable, no later than the following date: • HM 7/18/2025
2	Once a stop loss carrier selection is made and confirmations are received, the stop loss team will obtain application paperwork.
3	If changing stop loss carriers, a signed disclosure statement and additional requirements may be needed. Please refer to proposal documents/contingencies for additional information.
4	Leave of absence policy needed.
5	Please supply updated SPDs/PDs/Plan Amendments and wrap documents once available.
6	Confirm if there are any vendor changes (RX, Admin, Network, UR). Please note that this could have a material impact to the rates and/or factors.
7	Confirm if there are any known acquisitions/divestitures. Stop loss carrier approval is required in order to extend coverage.

Coverage considerations

IMPORTANT DISCLOSURES

POLICY DISCLOSURES OF IMPORTANCE

- Certain fees, including administrator capitated fees (mental health, substance abuse, etc.) and/or shared savings fees for groups with unbundled stop loss coverage may not be considered as an eligible expense or may capped.
- Renewal protection rate caps are applicable to the risk portion only and are not subject to any material change in the contract. Material changes include but are not limited to contract terms, effective date, network, commission, vendor(s) and/or plan design changes. Rate caps can be applied to Aggregating Specific Deductible (ASD) amounts.
- Lockton may receive certain incentive compensation including, without limitation, contingency payments, overrides, and bonuses, as a result of being Client's insurance broker (collectively, "Additional Compensation"). Client hereby consents and agrees to Lockton's ability to receive such Additional Compensation under all circumstances.

Compensation disclosure

	Carrier	Commissions (% of Premium)	Lockton Service Fee (% of Premium)
Current	HM	0%	5%
Renewal	HM	0%	5%

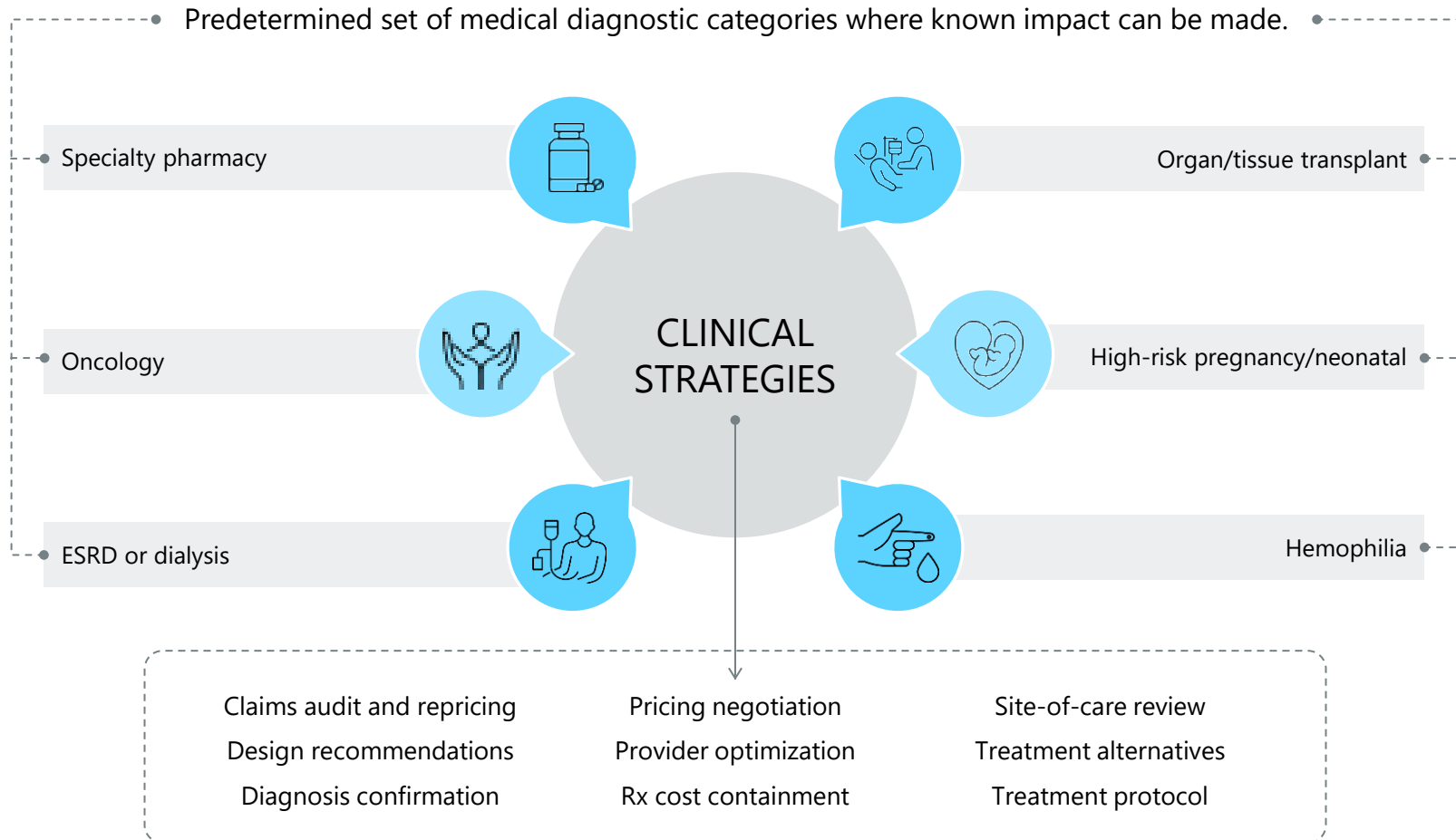
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Lockton Clinical



Cost-containment opportunities

OPPORTUNITIES FOR ACTION



Gene therapy today

Gene therapy is broadly defined as the introduction, removal or change in the content of a person's genetic code. While many believe gene therapy could be curative with a single treatment, the results in real-life settings are mixed. The durability is also unknown based on the current information.

CURRENT STATE OF FDA-APPROVED GENE THERAPY

Drug/Disease	Incidence	Drug Cost (AWP)
Luxturna: Biallelic RPE65 mutation-associated retinal dystrophy	1,000-2,000 patients in U.S.	\$425,000 per eye
Zolgensma: Type 1 spinal muscular atrophy (SMA)	1 out of every 10,000 births each year	\$2.1 million
Zynteglo: Beta thalassemia	1,500 prospective patients in the US	\$2.8 million
Skysona: Early, active cerebral adrenoleukodystrophy (CALD)	40 cases per year in the US	\$3 million
Hemgenix: Hemophilia B (Factor IX deficiency)	1 in 25,000 male births	\$4.2 million
Elevidys: (Duchenne muscular dystrophy)	6 out of 100,000	\$3.2 million
Roctavian: (Hemophilia A)	12 per 100,000 males	\$2.9 million
Casgevy: (Sickle Cell Disease & Transfusion-dependent Beta thalassemia)	100,000 patients in the US	\$2.2 million
Lyfgenia: (Sickle Cell Disease)	100,000 patients in the US	\$3.1 million
Amtagvi: (Metastatic Melanoma)	106,000 patients in the US	\$515,000
Tecelra: (Synovial Sarcoma)	900 new cases per year in the US	\$727,000
Lenmeldy: (Metachromatic leukodystrophy)	1 in 40,000 to 1 in 100,00 in norther European and North American populations	\$4.25 million

Gene therapy pipeline

Estimated Approval	Drug Name	Condition	Incidence
2024	Fidanacogene elaparvovec	Hemophilia B in adults	Ultra-rare
2024	Fordadistrogene movaparvovec	DMD	Ultra-rare
2024	Olenasufligene relduparvovec	Lysosomal storage disorders	Ultra-rare
2024	Lumevoq	LHON	Ultra-rare
2024	OTL-103	Wiskott-Aldrich syndrome	Ultra-rare
2024	Pariglasgene breCAParvovec	Von Gierke disease	Ultra-rare
2024	Botaretigene sparoparvovec	X-linked retinitis pigmentosa	Rare
2024	Generx	Myocardial ischemia & refractory angina due to CAD	1.7% of population
2024-2025	Giroctocogene fitelparvovec	Hemophilia A in adults	Ultra-rare

Updated: August 2024

This is a select pipeline based on IPD Analytics, CVS Health Clinical Affairs based on drugs in Phase III and expected to be approved in 2024-2025.

Cellular (CAR T-cell) therapy

A subcategory within gene therapy is cellular therapy. In this case, cells are removed from a patient, genetically modified to treat a specific disease and transferred back to the patient.

These are commonly called CAR T-cells (chimeric antigen receptor T-cells). Much of the cost for CAR T-cell therapy is medical care and complications from the treatment.

According to Prime Therapeutics, 12% of patients' total cost exceeded \$1 million when accounting for medical costs and complications, with 39% of members experiencing a clinical event¹.

Across Lockton's 3.8-million-member population in Infolock®, we identified 7% of cases at \$1 million, with a median total cost of care of \$538,000 and an average of \$582,888.

CURRENT STATE OF FDA-APPROVED CAR T-CELL THERAPY

Therapy	Incidence	Drug Cost (AWP)
Kymriah: ALL and non-Hodgkin lymphoma, refractory B-cell lymphoma	Rare	\$447K-\$570K
Yescarta: Large B-cell non-Hodgkin lymphoma, follicular lymphoma	Rare	\$478K
Tecartus: Relapsed mantle cell lymphoma, ALL	Ultra-rare	\$478K
Breyanzi: Non-Hodgkin lymphoma	Rare	\$492K
Abecma: Multiple myeloma	Rare	\$503K
Carvykti: Multiple myeloma	Rare	\$500k

1. Chimeric Antigen Receptor T-Cell (CAR-T) Therapy Real-World Assessment of Total Cost of Care and Clinical Events for the Treatment of Relapsed or Refractory Lymphoma among 15 Million Commercially Insured Members, Prime Therapeutics AMCP Poster Presentation, April 13, 2021

Oncology CAR T

Oncology CAR T is a cell therapy currently on the market; they are getting expanded indications, and new therapies are in the pipeline.

- One-time intravenous injections
- Reserved for patients who have tried and failed other therapies, and it is not considered a first-line therapy
- Eligible patient population increases as indications expand
- There are several medical complications and side effects that require intensive monitoring and care

ONCOLOGY CAR T PIPELINE

Estimated Timing	Drug Name	Indication Status	Condition
2023-2024	Obecabatagene autoleucel	New biologic	Lymphoblastic leukemia
2023-2024	CEA Car-T	New biologic	Pancreatic cancer

Mayo Complex Care Program

WHAT IS THE CCP?

- [Complex Care Program](#) is a program for individual complex cases who may benefit from specialist referral and/or care coordination and are identified and referred to Mayo by the Lockton Clinical Team.
- Travel benefit coordinated with employer.
- [More than 1.3 million patients](#) from the U.S. and over [142 countries worldwide](#) choose Mayo clinical each year.¹

Who is eligible?

Members with:

- Fragmented Care
- High Utilizers
- Multiple Comorbidities
- Rare Diseases
- Require assistance for diagnosis confirmation or treatment plan
- Members under the age of 16 are required to go to Mayo Rochester site.

Lockton's Dr. Hale:

“We don’t use typical models and approaches. We walk with members every step of the way, tearing down barriers to create superior care programs and better outcomes. And we are successful because of that!”

Mayo Living Donor Kidney Transplant Program

Living Donor Kidney Transplant (LDKT) is condition-based specialty referral program targeted at providing a more cost-effective approach to End Stage Kidney Disease (ESRD).

LIVING DONOR KIDNEY TRANSPLANT BENEFITS TO MEMBERS

- Better kidney function
- Better overall health
- Longer life and better survival rates
- Fewer complications
- Less need for dialysis before and after the transplant

Who is eligible?

Members with:

- Chronic Kidney Disease Stage 3 or higher
- Prior to use of dialysis

A member who receives a Living Donor Kidney Transplant before dialysis has a 98% chance of living longer without the need for dialysis.²

Appendix



Stop Loss: Market Overview and Best Practices

Medical Funding Arrangements and Stop Loss

Stop loss purchasing considerations

Purchasing terms: Ensure a thorough review of the stop-loss quote, application and contract provisions when placing or renewing stop-loss coverage.

- Contract type aligned with plan sponsor objectives.
- Stop-loss coverage should mirror underlying health plan contract.
 - Covered services, exclusions and experimental and investigative services.
 - No gaps in member eligibility and plan sponsor adherence to leave of absence policy.
 - Pharmacy coverage.
- Evaluate multiyear coverage options with renewal protection.
- Acquisitions and divestitures must be disclosed to stop loss carrier, regardless of size.

Review contract exclusions closely.

Ensure understanding of, and adherence to, disclosure process.

Understand all lasers, aggregating specific or other contract provisions.

Ensure understanding of risk shifting vs. risk retention (e.g., exclusions, lasers, maximums).

Review simulation modeling to determine expected claims and reimbursements at different specific deductible levels.

Summary of individual and aggregate stop loss

SELF-FUNDED GROUPS CAN PURCHASE TWO TYPES OF EXCESS RISK (STOP LOSS) COVERAGE.

- Individual stop loss (ISL): Excess risk coverage (specific) that covers expenses of an individual who exceeds an established yearly deductible for the policy year.
- Claims for individual excess risk are reimbursed on an ongoing basis throughout the plan year.
- Aggregate stop loss (ASL): Excess risk coverage that covers expenses for an entire group that exceeds an established attachment point for the policy year.
- Claims for aggregate excess risk are reimbursed at year-end after a full 12 months of claims have been paid and audited.

General formula for aggregate attachment point or threshold:¹

Claims (expected) threshold		Covered lives		Months		Aggregate corridor		Aggregate threshold
\$400	x	1,000	x	12	x	1.25	=	\$6,000,000

¹The aggregate attachment point or threshold is the total claims deductible, which is determined by a contractual formula (see example above). The deductible excludes ISL claims reimbursements.

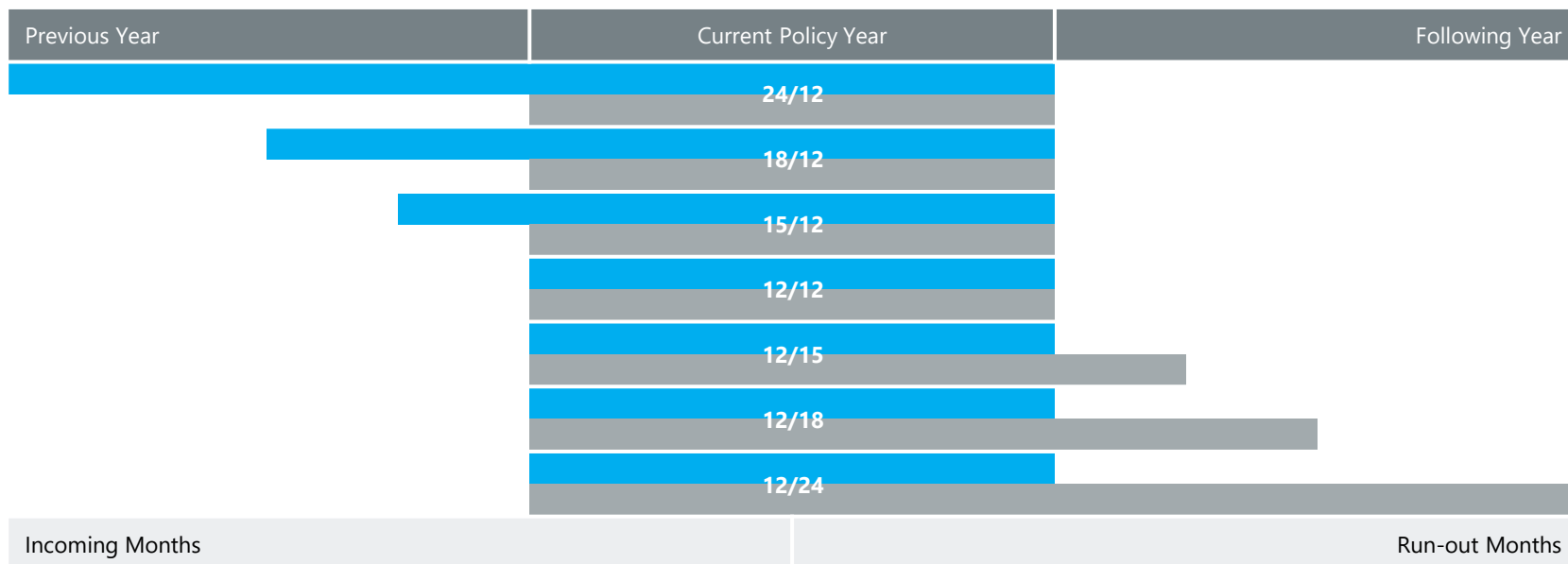
Sample coverage levels

Group size (which inversely affects claims variability) has been a traditional guide for setting an individual stop loss (specific) deductible. However, a plan sponsor's risk tolerance, cash status and the relative premium for each ISL option should be the final determining factors when selecting a deductible level.

Group size (enrolled members)	Individual stop loss	Aggregate stop loss
100–149	\$50,000–\$125,000	Yes
150–199	\$75,000–\$100,000	Yes
200–499	\$100,000–\$150,000	Yes
500–999	\$150,000–\$200,000	Gauge risk tolerance
1,000–2,499	\$200,000–\$250,000	Gauge risk tolerance
2,500–4,999	\$250,000–\$500,000	No

Stop loss contract types

MEDICAL STOP LOSS ACCUMULATION PERIODS



Terminal Liability Option (TLO)

- A stop loss contract addition that must be purchased at renewal, TLO extends stop loss coverage on paid contracts by additional months following the termination of stop loss coverage.
- Available for both specific and aggregate stop loss coverage.
- Must be purchased at the start of the contract period.
 - Some major medical carriers may charge additional fees upon termination.
- Generally available as a three- or six-month extension.
- Does not add more incurred months.
- Not necessary on incurred contracts due to their natural run-out protection.
- Can be used to convert from a contract with run-in (paid) to a contract with run-out (incurred).
 - Carrier-specific restrictions may apply.
- TLO is an underwritten product. Additional premium applies.



*Also available as a six-month extension.

Aggregating specific deductibles

An aggregating specific contract enables the plan to pay a reduced premium in return for assuming additional claims liability. This liability is not specific to a single claimant but is satisfied through an accumulation from all covered claimants.

The aggregating specific deductible is simply an additional deductible that must be met before the stop loss carrier begins to pay specific deductible claims. The employer meets the deductible with claims amounts that exceed the specific deductible. The employer can meet the aggregating specific deductible with one or a combination of several plan participants. Employers need to meet the aggregating specific deductible only once during the year.

	Specific contract	Aggregating specific
Specific deductible	\$100,000	\$100,000
	Enrollment	
Single	225	225
Family	275	275
Total	500	500
	Monthly premium rate	
Single	\$25.00	\$18.00
Family	\$45.00	\$32.00
Annual premium	\$216,000	\$154,200
Additional claims liability	N/A	\$70,000 (This component is the aggregating specific liability.)
Cost and liability	\$216,000	\$224,200

Leveraged trend

Leveraged trend is an underwriting approach that adjusts premium rates for the effect of medical inflation on large claims. Leveraged trend can be mitigated by increasing the specific deductible level on an annual basis. If the specific deductible remains at the same level year over year, reinsurers will pass along the effect of leveraged trend to the premium rates to offset the increased risk exposure. If the deductible is not increased, the plan becomes more conservative in terms of risk tolerance.

	Year 1	Year 2 (with static deductible)	Year 2 (with increased deductible)
Specific deductible	\$100,000	\$100,000 No change in ISL	\$110,000 10.0% increase in ISL
Claim amount increase over Year 1	Illustrative Year 1 claim \$200,000	Illustrative Year 2 claim \$220,000 10.0%	Illustrative Year 2 claim \$220,000 10.0%
Net client payment	\$100,000	\$100,000 0.0%	\$110,000
Reinsurance's obligation	\$100,000	\$120,000 20.0%	\$110,000 10.0%

Stop loss captive solutions

Group Captive

- Risk transfer/pooled program to coexist with alternative networks, point solutions and/or cost containment programs that can include many unrelated companies
- Fully insured transition
- Unjustified stop loss premium increases
- Low enrollment (<1,000)
- Favorable experience and benchmarking

Rent-a-Cell

- An employer might consider “renting” a segregated cell and receiving many of the benefits of a captive with less cost commitments
- Multiple companies that share common ownership interested in pooling risk with themselves can create a closed group captive

Single Parent/Wholly Owned Captive

- A self-funded employer group may look to form a captive insurance company to insure a portion or all risks normally covered by a traditional carrier; stop loss and other P&C lines
- This insurance, which allows an employer to finance its own exposures, can be set up to distribute risk amongst the parent company and its affiliates

Bundling stop loss coverage

Reimbursements:

- Automatically submitted.
- Rely solely on administrator claims review.
- Limited scrutiny of employee eligibility, accordance with leave management policies and timely COBRA offerings.
- Generally made to claims-paying account or as an automatic credit off the next claims draw.

Pricing and risk-sharing options are often less flexible.

- Potential limitations on stop loss plan design and contract type.

Likely to take a book of business approach to stop loss pricing and risk.

- Less likely to offer multiyear renewal protection.
- Rate changes less likely to directly reflect employer experience and risk.

Medical administration and PBM costs may be blended with stop loss premiums.

- Making changes to stop loss policy may impact other administrative fees.

Coverage through third-party carrier

Claim review prior to reimbursement:

- Claims, eligibility, leave management and timely COBRA offerings are monitored to ensure they are being paid appropriately and per plan documents and employer policies.
- Direct/ACH reimbursement available with most carriers.
- Carrier selection and administrator reporting will affect time from claim payment to stop loss reimbursement.

Pricing and risk-sharing options are often more flexible.

Likely to take an experience-based approach to stop loss pricing and risk:

- More likely to offer rate cap and laser protection that ensure additional liability will not be placed on the client at renewal.
- High level of medical underwriting scrutiny. Laser liability more common.

Interface fees may be charged by medical administrator.

Acquisitions and divestitures

Stop loss carrier must be notified:

- Regardless of size.
- Acquisitions and divestitures can significantly alter the rating and risk mix for the employer and stop loss carrier.

Need to ensure proper steps are followed for disclosure to avoid additional liability, including but not limited to:

- Census (including employee status: COBRA, retirees, leave, FT, PT).
- Monthly and large claims and enrollment reporting.
- Medical and pharmacy plan documents.
- Disclosure of known risk not included in claims reporting.

Acquisition risk is more difficult to determine with groups that are fully insured today due to utilization reporting limitations.

Important to identify large-claims concerns that may be leaving or joining the plan.

Acquisitions and divestitures

CHECKLIST



- Copy of the current stop loss or fully insured policy
- Complete census inclusive of acquisition/divestiture group
- Large claimant report inclusive of claimant's name and diagnosis for disclosure purposes*
- Signed disclosure statement for carrier acquiring business*

Checklist

- ✓ Effective Date
- Effective Date under Acquiring Company's Plan (if different than above)
- ✓ Acquired Employer Legal Name
- ✓ Address
- ✓ Tax ID
- ✓ Subsidiaries/Affiliates
- ✓ Retiree Coverage?*
- ✓ Current funding: Self-Funded or Fully Insured?*
- ✓ If Self-Funded: who will handle the run-in/run-out coverage?*
- ✓ Name of current stop loss or fully insured carrier*
- ✓ Effective date of current policy*
- ✓ Will the acquired company remain on their current benefit plan or change to the plan offered by the acquiring company?*
- ✓ Are there any COBRA participants coming over?*
- ✓ Any changes to the current commissions structure?*
- ✓ Were any concessions made as a result of the acquisition negotiations (ex: waiving of waiting period, pre-x, etc.)*

Independence changes everything.