Aegis Risk Medical Stop-Loss Premium Survey

2023

Executive Summary

In its seventeenth year, the *2023 Aegis Risk Medical Stop-Loss Premium Survey* measures the ongoing expense and coverage of medical stop-loss amongst employer-sponsored, self-funded health plans. Recent pricing and renewal requests are further detailed with annualized increases ranging from 6.9% at a $100,000 deductible to higher, more leveraged increases of 15.9% at $500,000. The primary focus of the survey remains current premium rates, as shown in the following graphs and tables. Stop-loss premium reflecting nearly 850,000 covered employees for a total of $727 million in annual premium expense is measured.

Average Stop-Loss Premium—It Varies

Stop-loss coverage among plan sponsors varies greatly, causing development of an average premium cost to be 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.*

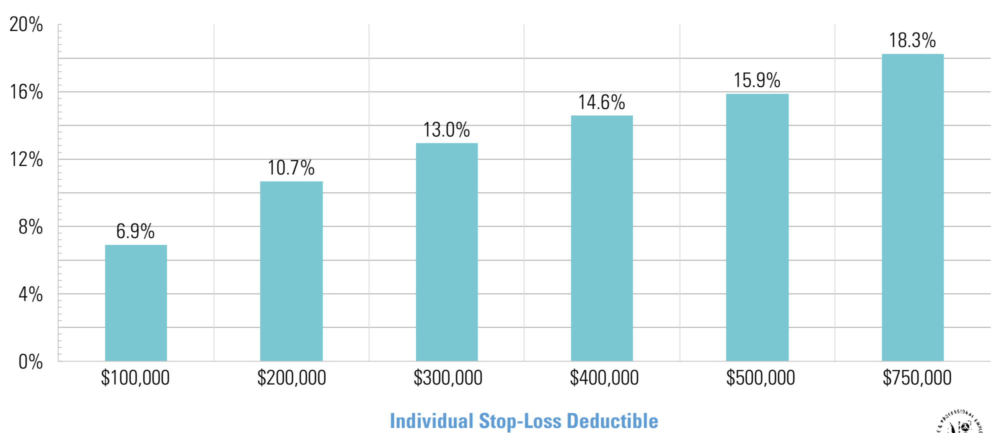
When plotted on a graph, a trend line can be drawn showing average premium cost by size of deductible for the continuum of coverage. Further variation may still exist due to PPO networks, pharmacy coverage and group demographics.

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.

Pricing and Renewal Rate Increases

This annual survey provides opportunity to compare current year pricing to prior year's data. The graph below shows annualized increase from 2021 to 2023—over two renewal cycles. At every deductible level, leveraged (i.e., amplified) trend occurs as that threshold remains unchanged, but the underlying cost of catastrophic medical claimants rise and are fully borne by stop-loss. It further amplifies as the deductible increases, as covered claimants and their trended dollars become larger.

Annualized Premium Increase, 2021 Through 2023, by Individual Stop-Loss Deductible



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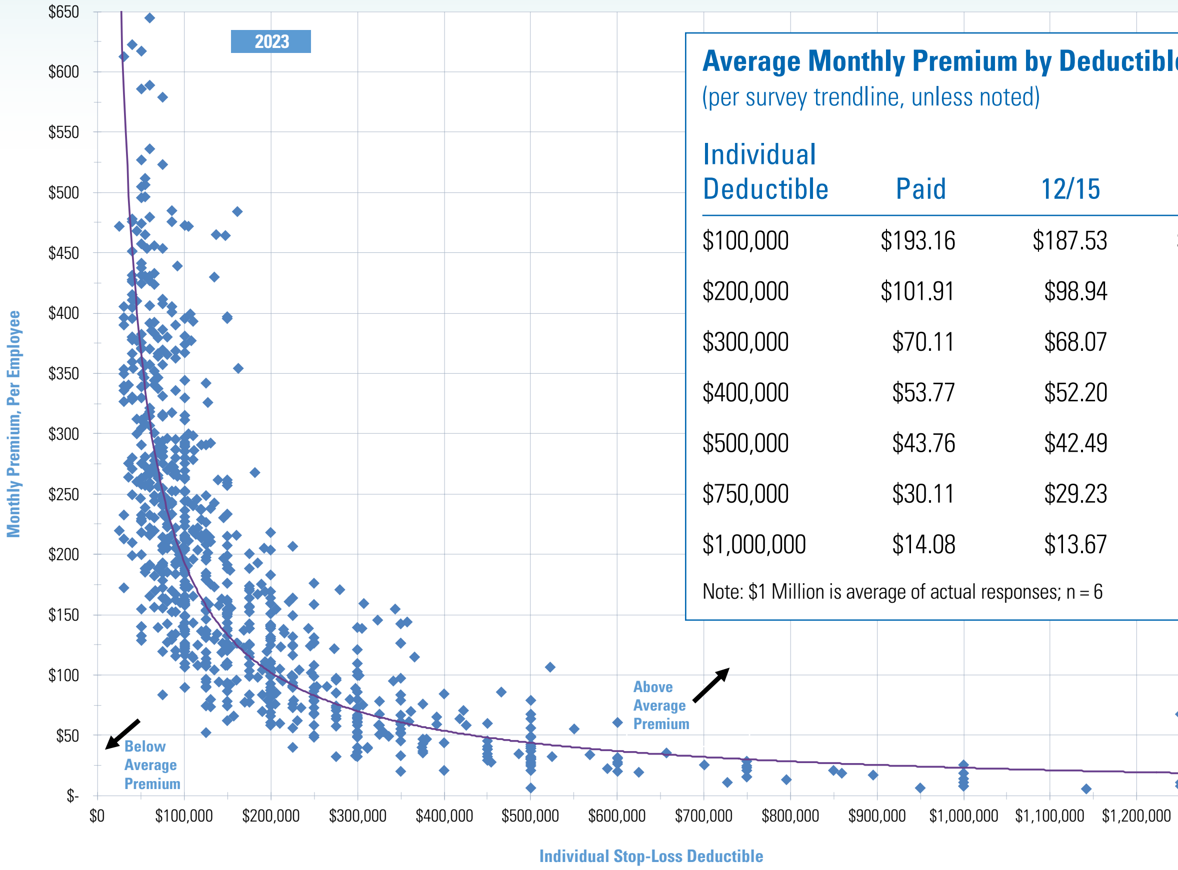
2023 Monthly Premiums, Individual Stop-Loss, by Deductible
(Adjusted to a “Paid” Contract)

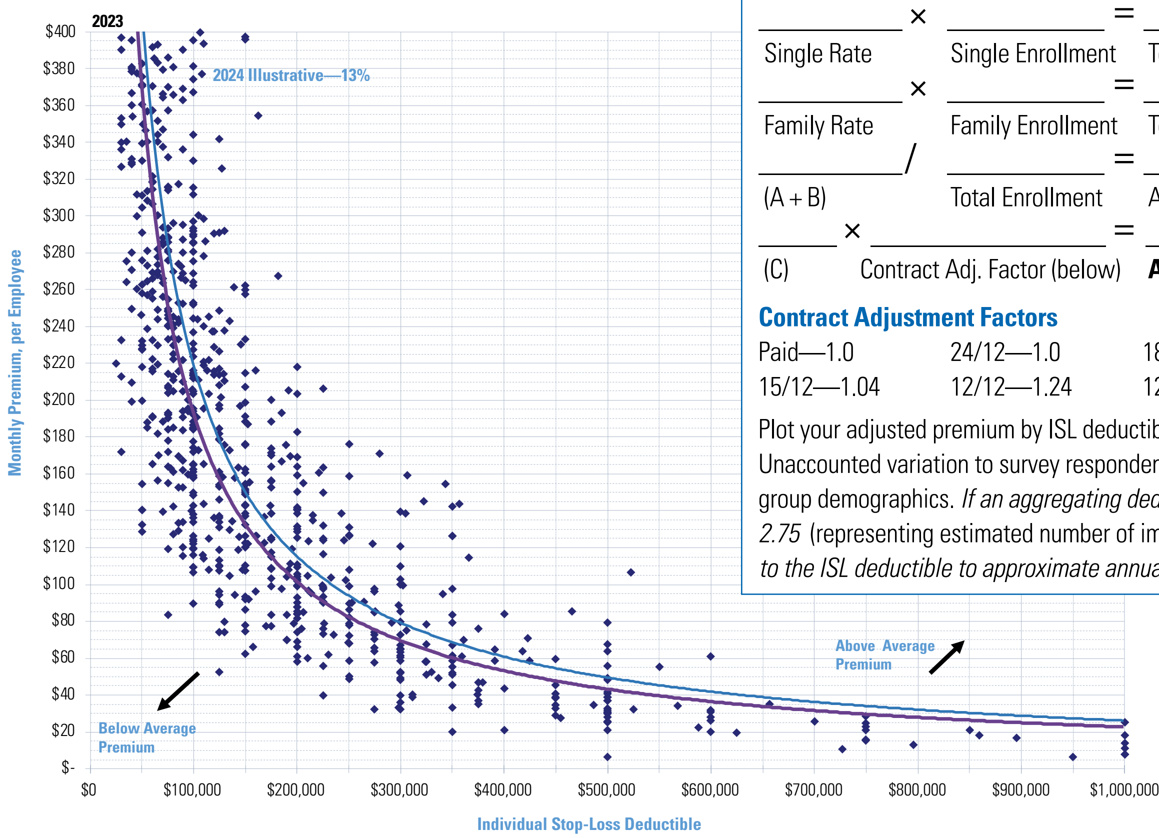


Average Monthly Premium by Deductible and Contract Type
(per survey trendline, unless noted)

Individual Deductible	Paid	12/15	15/12	12/12
$100,000	$193.16	$187.53	$185.73	$155.77
$200,000	$101.91	$98.94	$97.99	$82.19
$300,000	$70.11	$68.07	$67.41	$56.54
$400,000	$53.77	$52.20	$51.70	$43.36
$500,000	$43.76	$42.49	$42.08	$35.29
$750,000	$30.11	$29.23	$28.95	$24.28
$1,000,000	$14.08	$13.67	$13.54	$11.35

Note: $1 Million is average of actual responses; n = 6

Make Your Own Comparison— A Focused Illustration



To calculate your adjusted premium for comparison:

Single Rate	×	Single Enrollment	=	Total Single Premium (A)
Family Rate	×	Family Enrollment	=	Total Family Premium (B)
(A + B)	/	Total Enrollment	=	Avg. Mo. Prem. per Emp. (C)
(C)	×	Contract Adj. Factor (below)	=	**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

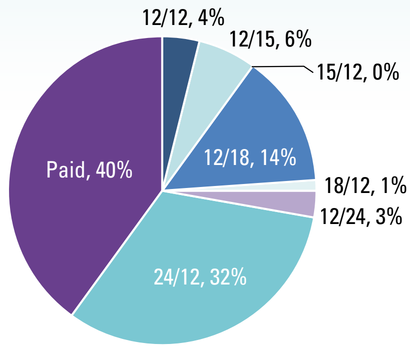
Plot your adjusted premium by ISL deductible to compare with survey. Unaccounted variation to survey respondents may still exist, including group demographics. *If an aggregating deductible exists, divide it by 2.75* (representing estimated number of impacted claimants) *and add to the ISL deductible 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 75% of plans. All are choices for ongoing, comprehensive coverage. Two options for initial coverage, 12/12 and 12/15, are 4% and 6% respectively. 12/18 provides a longer, six-month runout and is 14%.

Contract Type, ISL



Pharmacy Coverage

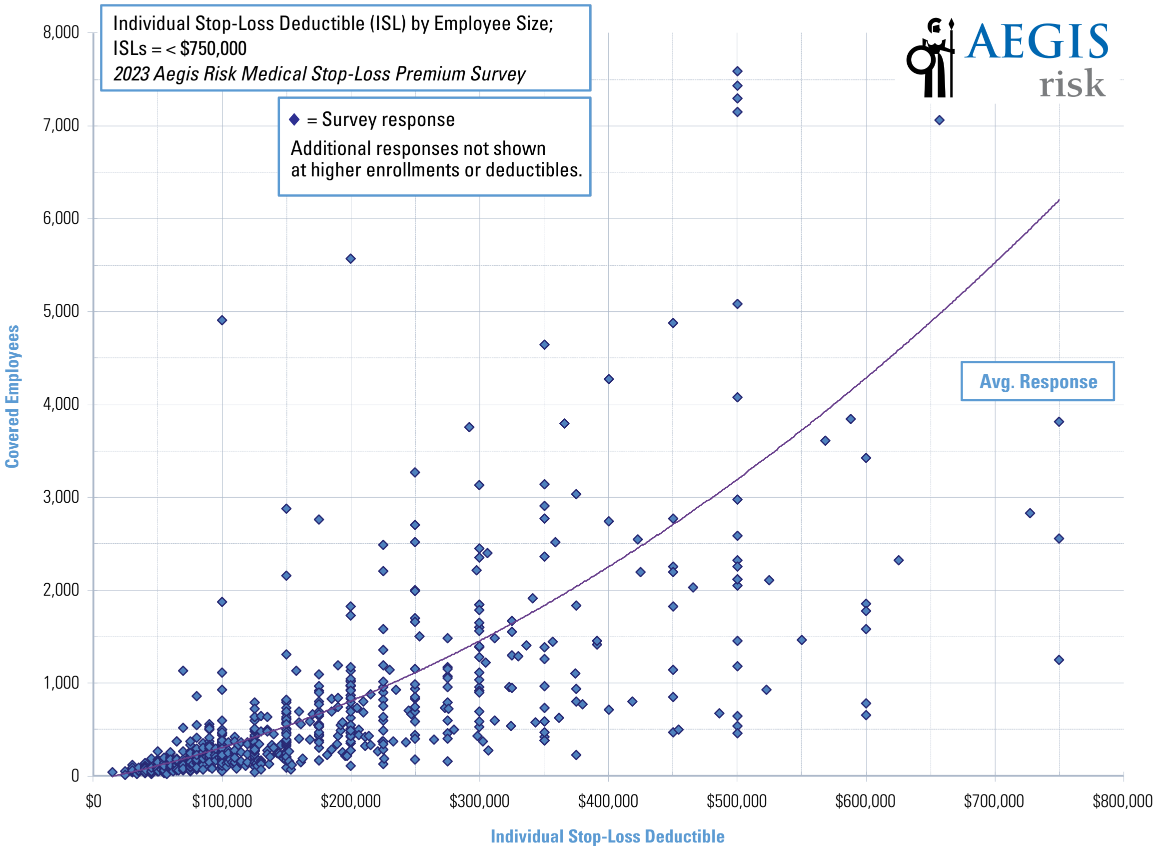
99.7% of surveyed plans cover pharmacy alongside medical. High-dollar pharmacy exposure now requires the coverage.

Policy Provisions

Certain provisions are found on most stop-loss contracts. Excluding claimants at renewal, known as lasering, is not permitted for 70% of respondents—52% of those with a renewal rate cap. Plan mirroring is reported by 40% and advance claims funding by 18%. Dividend eligible policies remain less common at 10%.

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, 15% reported an ASD, with the average size being 67% of the underlying ISL. In an example, if an ISL is $200,000, the ASD, on average, is $134,000 (67%). 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 $250,000 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 93% of those with aggregate coverage, with 120% next at 4%.

Average monthly premium varies. If alongside an ISL of $250,000 or less, the average is $10.55. At higher deductibles, the average is $4.11. Median premium overall is $8.55. Although it is a significantly lower expense than ISL, purchasers of aggregate are advised to remain diligent on this expense as well.

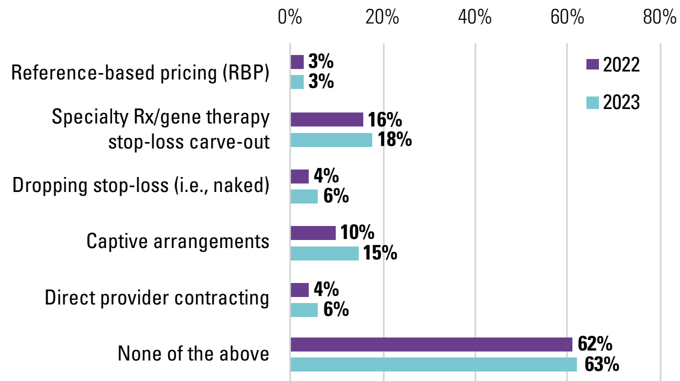
Catastrophic Claimants

Risk Management Strategies

Fueled by ever-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 63% responding "none of the above," consistent with recent years. Reference-based pricing (RBP) remains a low 3%.

Risk Management Strategies, Planned for Review

Check all that apply.

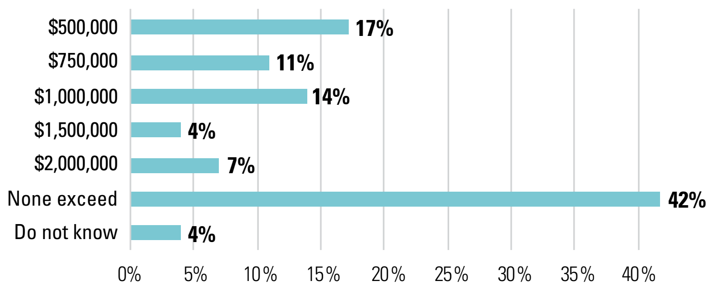


Presence of Catastrophic Claimants

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, 25% of respondents incurred a claimant in excess of $1 million, with 7% 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, 20% reported the presence of at least one known lasered claimant—similar to 23% in 2022.

2024 Renewal Premiums and Strategies

Renewal Premiums

As discussed on page one, stop-loss typically renews at higher than underlying medical trend due to leveraging—whereby an unchanged deductible incurs a larger percentage of future claims. Actual stop-loss pricing, as measured by this survey over the past two years, reflects a range of increase from 7% at $100,000 specific to 16% at $500,000 specific as it further amplifies. The rising occurrence and threat of claimants at $1 million or more also continues to pressure claims to premium ratios for all underwriters. Altogether, we illustrate a 13% market-wide trend for 2024 premiums. However, actual plan results will vary, with increases approaching 20% or more not uncommon, while those with stronger results may experience lower.

Renewal Strategies

Actions to manage your stop-loss premium and ensure adequate coverage:

- Index deductible to medical trend. If not annually, at least bi-annually.
- Be aggressive! Ask for reductions or review competitive offers. Leverage your plan data and vendor strengths.
- Carefully manage your claims disclosure. Avoid claim denials due to nondisclosed claimants.
- Avoid coverage gaps with "plan mirroring" between your policy and health plan documents. Pursue "laser-free" renewals with rate caps.
- Use an experienced broker or consultant. Stop-loss is a highly specialized coverage with significant claim exposures. An inexperienced advisor can cost your plans hundreds of thousands in premium or through uncovered claims.

The Survey

Sponsored jointly by Aegis Risk and the International Society of Certified Employee Benefit Specialists.

The 2023 Aegis Risk Medical Stop-Loss Premium Survey represents 799 plan sponsors covering over 845,000 employees with $727 million in annual stop-loss premium. Respondents range in size from 15 employees to over 33,000.

The 2024 survey opens late spring 2024, 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. Survey development and analysis provided by Ryan Siemers, CEBS.