2015

Aegis Risk Medical Stop-Loss Premium Survey

Executive Summary

This year's survey, its ninth year, reflects an ongoing rise in stop-loss premiums and a continued commitment to employer-sponsored, self-funded health plans. The rising frequency of truly catastrophic claimants continues—with one in five respondents reporting a claimant in excess of $1 million over the last two policy years. Stop-loss remains the primary focus of risk management, with interest in captives and private exchanges remaining slight at 10% or less amongst respondents. Additional updates are provided on individual stop-loss deductible by employer size and other coverage provisions, including aggregate stop-loss. The primary focus of the survey remains current premium rates, as shown in the following graphs and tables. Stop-loss premium reflecting over 550,000 covered employees is measured.

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, broker commissions and group demographics. However, as the survey's intent is to show plan sponsor total expense, a strong approximation of average premium cost is still made.

A Focus on Renewal Decisions

With the increased expense of stop-loss premium and the growing exposure to catastrophic risk, the stop-loss renewal decision often involves internal audiences beyond benefits and human resources. Finance and/or a CFO continues to be predominantly involved at 66%, consistent with recent years. Perhaps due to the expense of stop-loss coverage, as well as the very real organizational risk of catastrophic claimants, Executive Leadership is increasingly involved, reported by 45% of respondents. As to renewal change in ISL deductible, respondents are mostly uncertain (48%) until they perform a closer review but still hopeful to not change at renewal (42%).

Do you plan to change your ISL deductible?	2014	2015
No. Prefer to keep at the current level.	46%	42%
Yes. Will seek a moderate increase to offset rate increase.	11%	8%
Uncertain. Will review a range and make a determination.	44%	48%
None of the above	0%	2%

Which internal audiences are involved in the stop-loss review and final coverage decision? Check all that apply:	2014	2015
Benefits/Human Resources	89%	92%
Risk Management	19%	11%
Finance/CFO	69%	66%
Executive Leadership (e.g., CEO, President)	40%	45%
Other	0%	2%

AEGIS risk

INTERNATIONAL CEBS SOCIETY

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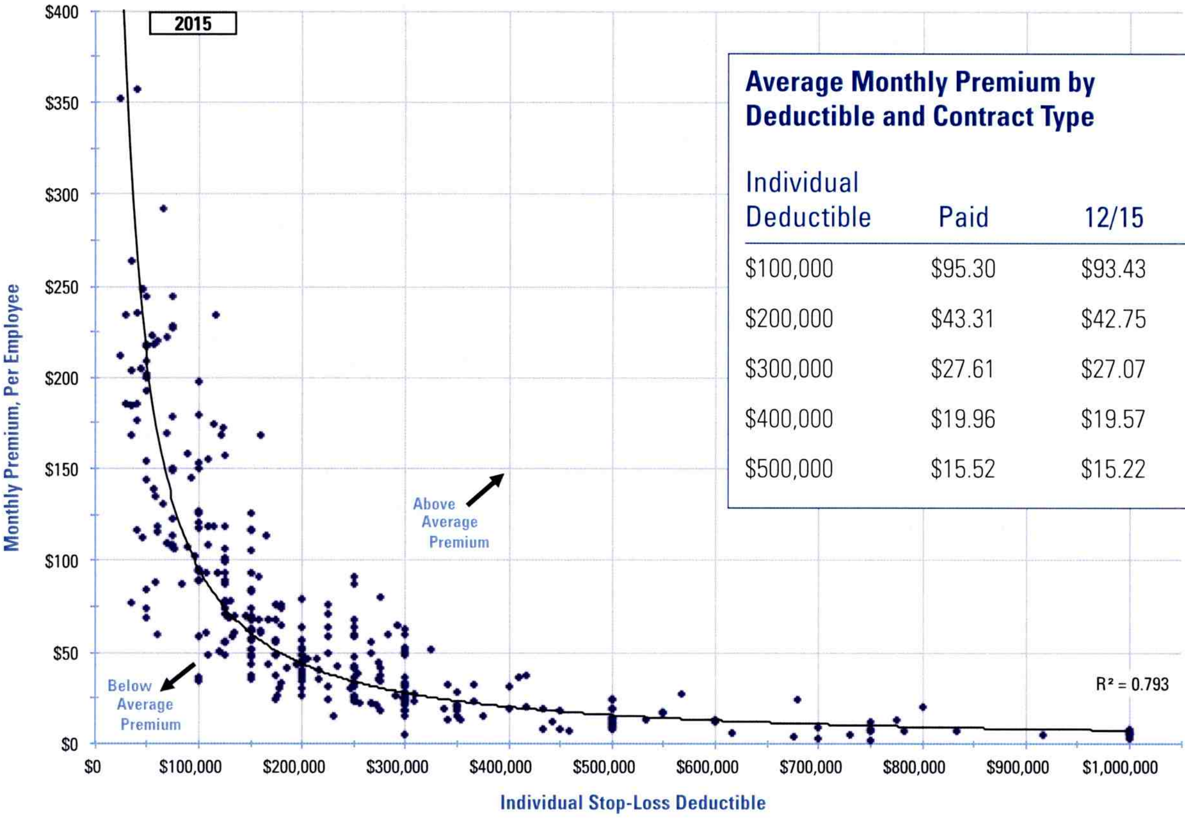
2015 Monthly Premiums, Individual Stop-Loss, by Deductible

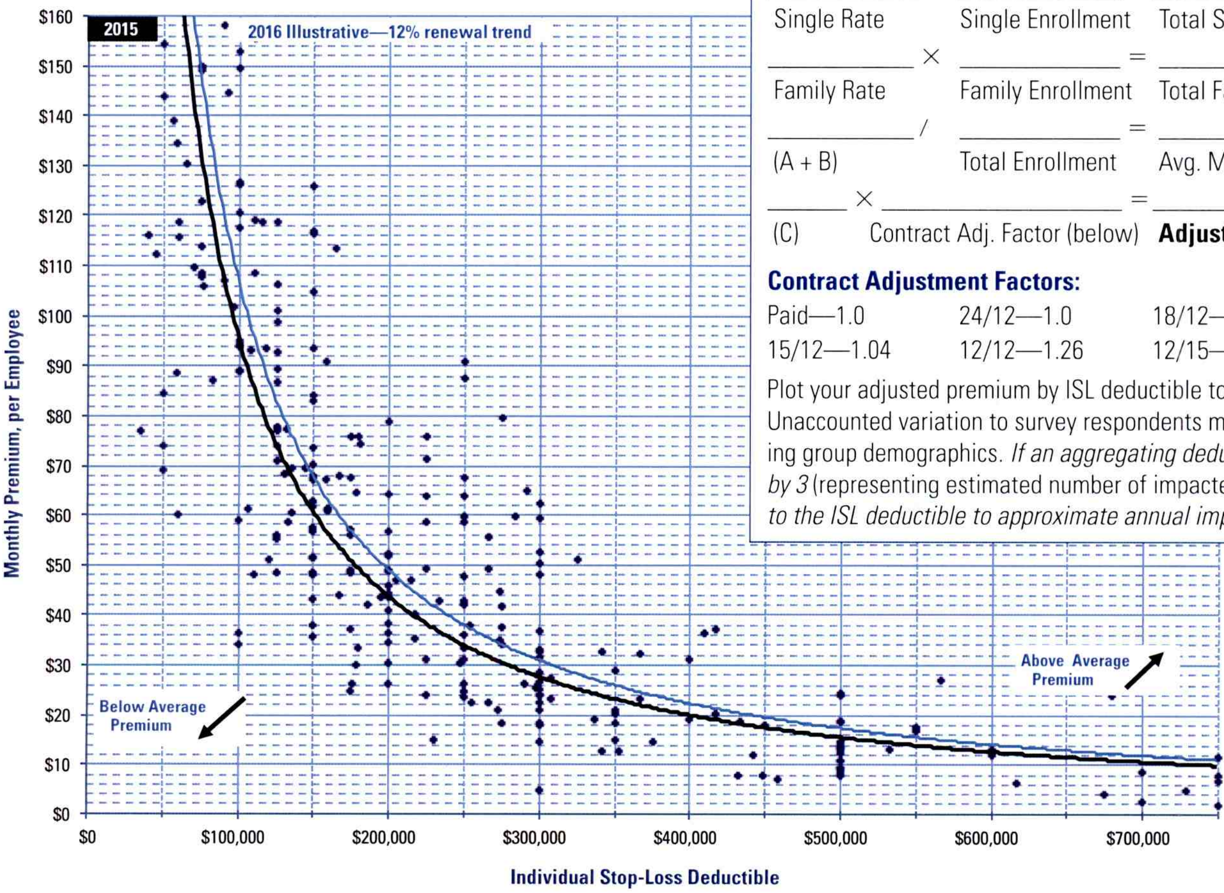
(Adjusted to a "Paid" Contract)



Average Monthly Premium by Deductible and Contract Type

Individual Deductible	Paid	12/15	15/12	12/12
$100,000	$95.30	$93.43	$91.63	$75.63
$200,000	$43.31	$42.75	$41.93	$34.61
$300,000	$27.61	$27.07	$26.55	$21.91
$400,000	$19.96	$19.57	$19.19	$15.84
$500,000	$15.52	$15.22	$14.92	$12.32

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—1.26	12/15—1.02

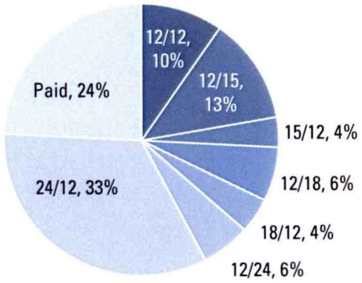
Plot your adjusted premium by ISL deductible to compare with survey. Unaccounted variation to survey respondents may still exist, including group demographics. *If an aggregating deductible exists, divide it by 3* (representing estimated number of impacted claimants) and *add to the ISL deductible to 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 63% of plans. All are choices for ongoing, comprehensive coverage.

Contract Type, ISL



Pharmacy Coverage

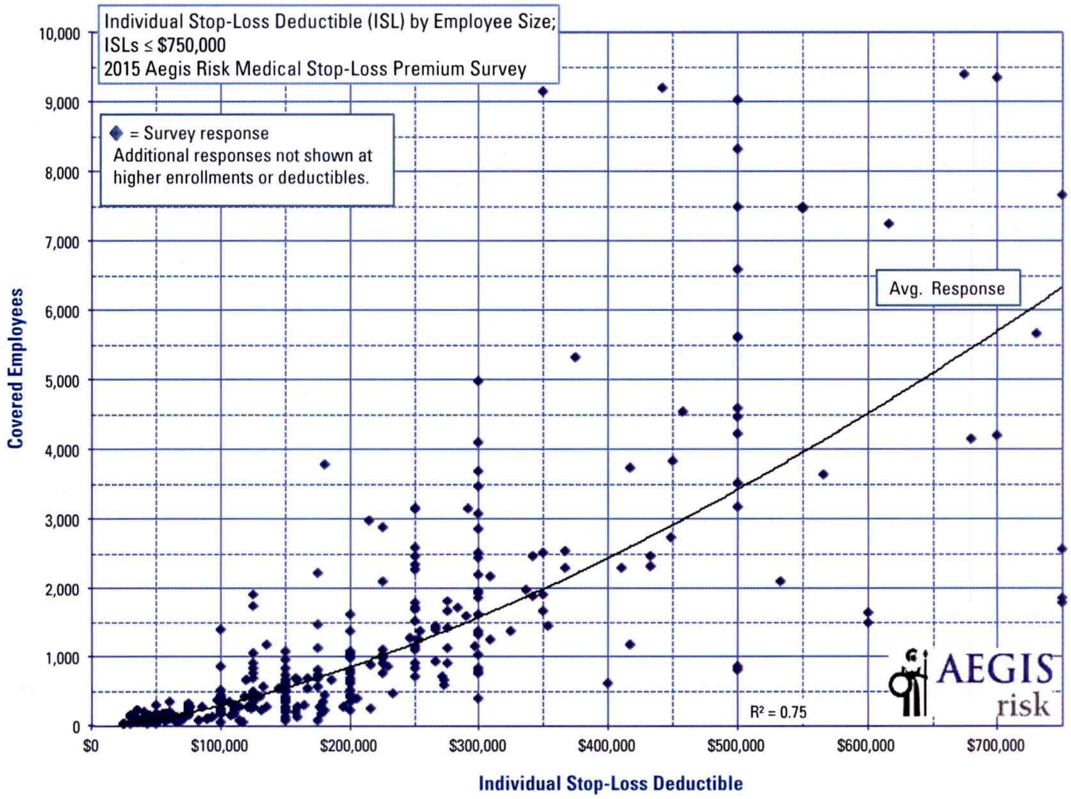
94% of surveyed plans cover pharmacy, consistent with recent years, if not slightly increasing.

Individual Annual and Lifetime Maximums

Reflecting the Affordable Care Act's full phaseout of health plan annual and lifetime limits (which governs the underlying medical plan but not stop-loss), fully 94% of respondents do not have an annual stop-loss reimbursement maximum. Furthermore, unlimited lifetime maximums are firmly established, reported by 98%—a significant increase from just 13% in 2010. Once an uncommon offering, unlimited stop-loss reimbursement maximums have become firmly established.

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) 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.



Aggregating Specific Deductibles (ASDs)

ASDs, which are a separate deductible requiring fulfillment before any ISL reimbursements, are often leveraged for their ability to ease renewal rate increases. However, it comes with a direct transfer of risk back to the policyholder. Of respondents, 27% reported an ASD, with the average size being 54% of the underlying ISL. In an example, if an ISL is $200,000, the ASD, on average, is $108,000 (54%). For adjustment to the survey, any reported ASD was divided by three (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 $200,000 or less and enrollments around or below 1,000. It becomes less common at higher deductibles and/or enrollments—as those tend to be risk savvier or more stable plans. 125% is the prevalent level, chosen by 94% of those with aggregate coverage, with 120%, 110% and 115% reported in decreasing frequency of 4%, 1% and <1%.

Average monthly premium varies. If alongside an ISL of $200,000 or less, the average is $7.13. At higher deductibles, the average is $3.26. Median premium overall is $4.86. Although it is a significantly lower expense than ISL, purchasers of aggregate are advised to remain diligent on this expense as well. Several respondents reported premium in excess of $15.00—often for coverage at 115% and 110%.

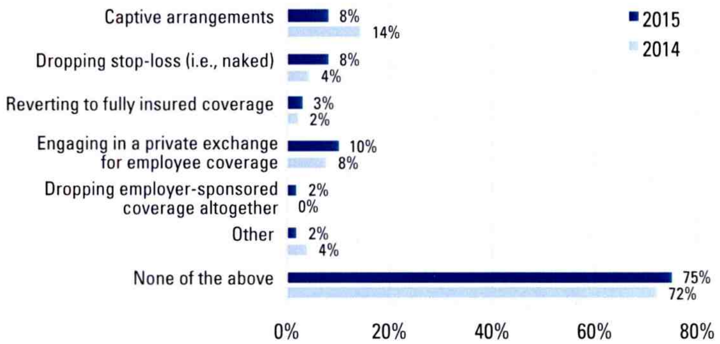
Catastrophic Claimants

Risk Management Strategies

Fueled by health care reform and rising costs, alternative delivery and risk mechanisms are being offered or discussed with self-funded plan sponsors, including private exchanges and captive arrangements. However, maintaining the status quo seems most prevalent, with 75% responding "none of the above"—an increase from 2014. Interest in any alternative strategy is 10% or less, including captive arrangements (8%) and engaging in a private exchange (10%).

Risk Management Strategies, Planned for Review

Check All That Apply

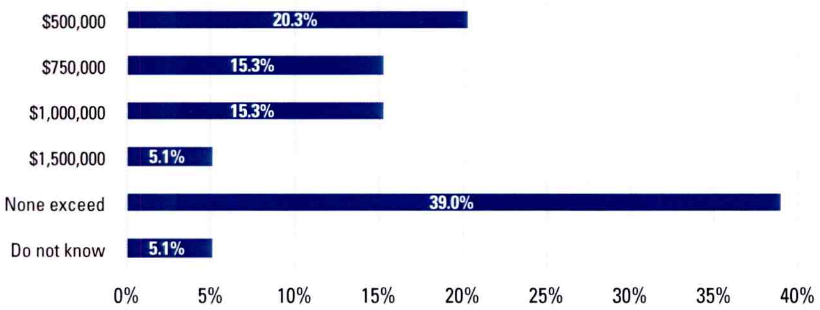


Presence of Catastrophic Claimants

The rising level of truly catastrophic claimants (>$500,000) continues to alarm plan sponsors and underwriters alike. Various attributions include more aggressive hospital billing post-removal of health plan dollar limits, as well as specialty pharmacy and participant morbidity. When inquired on the last two policy periods, 56% of respondents incurred a claimant in excess of $500,000—similar to 55% in 2014. However, claimants in excess of $1 million remain significant at 20%, with 5% of those in excess of $1.5 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, 18% reported the presence of at least one known lasered claimant—similar to 16% in 2014.

2016 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. Historically, this may produce requested increase of 20% or higher. However, actual stop-loss pricing, as measured by this survey over recent years, reflects a more moderate impact of perhaps 7-10% market trend. Partial cause may be the continued inflow of investment capital into the reinsurance markets, causing competitive or "soft" pricing. Altogether, we illustrate (as opposed to forecast) a 12% leveraged trend for 2016 premiums. 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:

- Index deductible to medical trend. If not annually, at least biannually.
- Be aggressive! Ask for reductions or review competitive offers, including dividend contracts. Leverage your plan data, including PPO discounts.
- Carefully manage your claims disclosure. Avoid lasers and denied claimants. Seek contracts which 'mirror' your health plan document.
- Be knowledgeable. Identify the best carrier options, including those more known in the property/casualty and reinsurance markets.
- 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 2015 Aegis Risk Medical Stop-Loss Premium Survey represents 310 plan sponsors covering nearly 555,000 employees with over $180 million in annual stop-loss premium. Respondents range in size from 24 employees to over 22,000.

The 2016 survey opens late spring 2016, with release in late summer. Visit 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 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:
Ryan Siemers, CEBS | Principal | Phone: (703) 778-6520 | ryan.siemers@aegisrisk.com

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)®, Compensation Management Specialist (CMS), Group Benefits Associate (GBA) or Retirement Plans Associate (RPA) designation offered through the CEBS® program. Visit the Society website at www.iscebs.org.