



STOP-LOSS EXCESS INSURANCE

SUB-COMMITTEE MEETING
JANUARY 21, 2020



What is Stop-Loss (Excess) Insurance



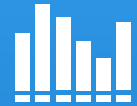
Who is insured



What Stop-Loss coverages are available



When are claims paid



What happens when someone leaves the self-funded plan

WHAT IS STOP-LOSS (EXCESS) INSURANCE?

Stop-loss insurance (also known as excess insurance) is a product that provides protection for self-insured The Plan (trusts) by serving as a reimbursement mechanism for catastrophic claims exceeding pre-determined levels.

The employer (trust) passes on some part of its own insurance liabilities to an insurance company, for a fee.

Reinsurance allows the employer (trust) to remain solvent after major claims events.

WHO IS INSURED?

Stop-loss insures The Plan (trust). Stop-loss does not insure employees, (i.e. health plan participants), or servicing providers.

WHAT STOP-LOSS COVERAGES ARE AVAILABLE?

Stop-loss comes in two forms:

- **Specific**
- **Aggregate.**

Specific Stop-Loss is the form of excess risk coverage that provides protection for The Plan (trust) against high claims on any **one individual** that is above a specific limit (or attachment).

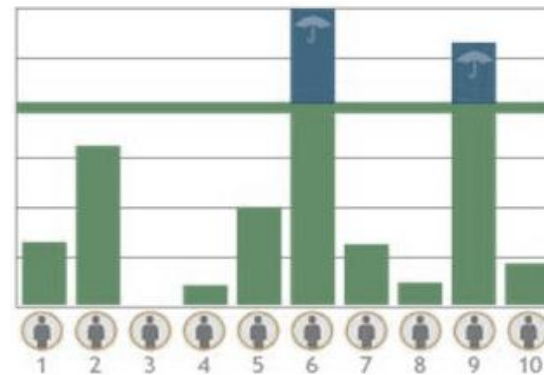
This is protection against severity of a single claimant rather than claims in totality.

Other terms: Individual Stop-Loss, ISL or SSL.

WHAT STOP-LOSS COVERAGES ARE AVAILABLE?

Specific stop-loss limit

(Individual)



Protects against higher-than-expected claims by individual member

Example, if an employer (trust) elects that their maximum liability per person to be \$100,000.

A specific claimant total claims are \$102,000.

The stop-loss policy will reimburse the employer (trust) for claims in excess, the \$2,000

WHAT STOP-LOSS COVERAGES ARE AVAILABLE?

Stop-loss comes in two forms:

- Specific
- Aggregate.

Aggregate Stop-Loss provides a ceiling on the dollar amount of eligible expenses that an employer (trust) would pay, **in total**, during a contract period.

The carrier reimburses the employer (trust) after the end of the contract period for aggregate claims in the event of excess claims.

Other terms: AGG or ASL.

Occasionally, circumstances may be such that specific stop-loss by itself will fulfill the employer's (trust) need for protection.

WHAT STOP-LOSS COVERAGES ARE AVAILABLE?

Aggregate stop-loss limit

(Group)



Protects against higher-than-expected claims incurred by the group as a whole

Example: The Plan purchased an aggregate stop-loss policy which would reimburse total claims over \$10,000,000.

The plan total claims are \$10,250,000.

The stop-loss policy will reimburse The Plan (trust) for claims in excess, the \$250,000

WHEN ARE CLAIMS PAID?

Stop-Loss insurance is provided on a **reimbursement** basis. The Plan (trust) is responsible for payment of all losses under a self-funded plan. **Including those that exceed the attachment point.**

Reimbursements are paid directly to The Plan (trust), not to an employee or to a provider of services/supplies.

Claims can be submitted and processed as soon as the attachment is met for quicker reimbursement.

Aggregate claims are reimbursed 3 months after the close of the contract period.

WHAT HAPPENS WHEN SOMEONE LEAVES THE SELF- FUNDED PLAN?

Members

Many plans (trusts) offer conversion privileges to qualified **members** leaving the group.

COBRA allows for extended coverage.

Extended products are offered:

- COBRA
- Individual policy
 - May require medical questionnaire

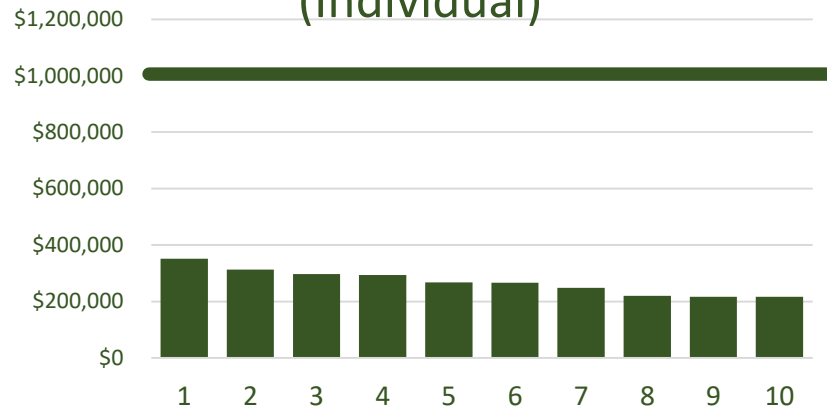
Sub-Groups

The expenses must be eligible under the Employer's Benefit Plan contract period and contract terms.

Many policies have **paid** policy terms, meaning that eligible reimbursement is based when a claim is processed for payment, not when services were provided.

WHAT COVERAGE LEVELS DO WE HAVE?

Specific stop-loss Limit (Individual)



| Large Claims: July 2019 December 2019 | | Claims |
|---------------------------------------|--|-------------|
| Claimant 1 | | \$351,314 |
| Claimant 2 | | \$313,096 |
| Claimant 3 | | \$296,625 |
| Claimant 4 | | \$293,572 |
| Claimant 5 | | \$267,232 |
| Claimant 6 | | \$266,078 |
| Claimant 7 | | \$248,918 |
| Claimant 8 | | \$220,562 |
| Claimant 9 | | \$216,694 |
| Claimant 10 | | \$216,147 |
| Total | | \$2,257,397 |

Coverage limit: \$1,000,000
 Coverage Type: Medical + Rx
 Contract Type: Member Level
 Aggregate Coverage: No