

Self-Funded Client Trends and Stop-Loss Marketplace

2019 Employee Benefit Solutions Survey

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Introduction

McGriff Insurance Services has offices in 17 states and consults with more than 5,000 clients on their employee benefits plans. Recently we asked the internal account teams at each of our 78 offices to provide detailed benchmarking data for all of their employer clients with over 100 eligible lives. We received almost 700 responses covering over 377,000 enrolled employees with an average of 550 covered employees. Out of these responses, we received data on 291 groups that are self-funded or partially self-funded (level funded). Out of these employers, 245 (84%) provided details about the of stop-loss insurance for their plan. This population represents 240,000 lives with an average of 942 covered employees per client. Many of these employers (82%) also have aggregate stop-loss reinsurance with a corridor ranging between 10% and 50%.

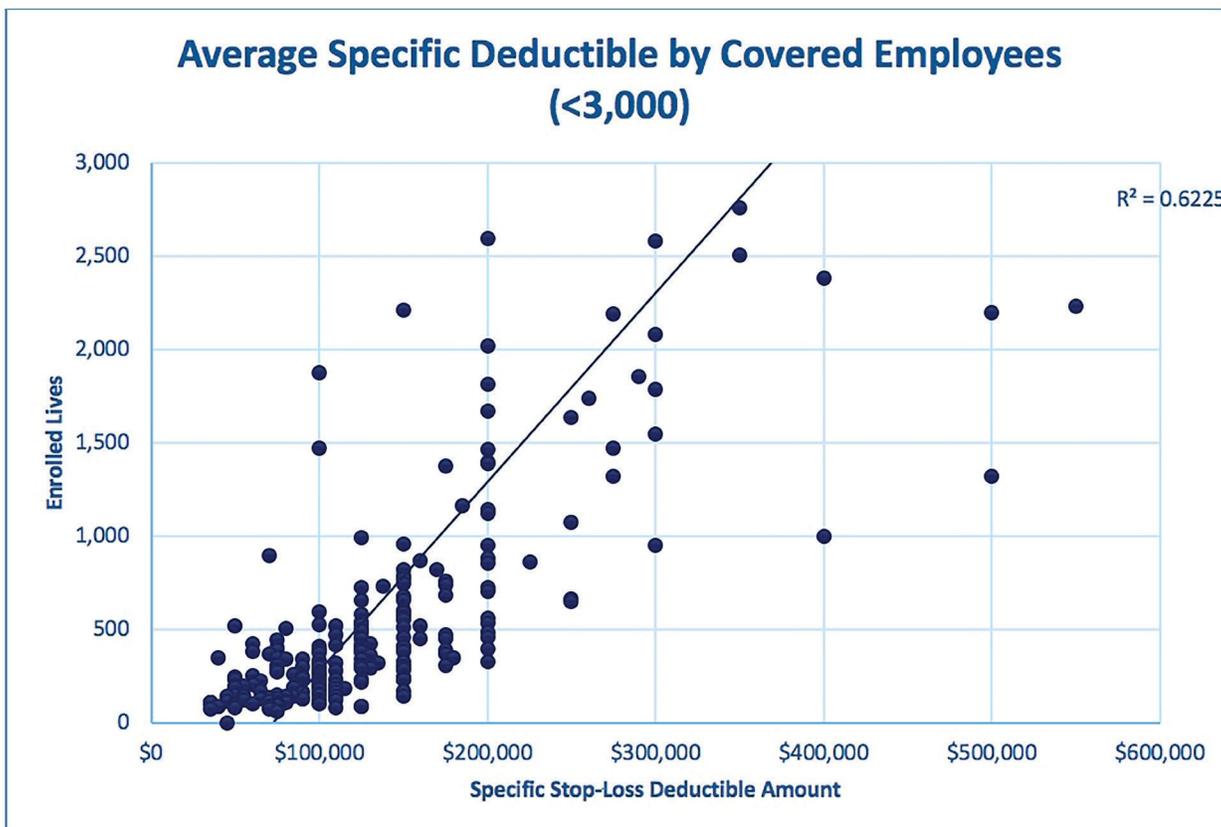
Specific Stop-Loss

Contract Type

Contract type varied widely among all clients with a paid contract being the most common (49%). A 24/12 contract was the second most common type of contract (25%). In contrast, only 19% of clients have an incurred contract of any duration (i.e. 12/12, 12/15, 12/24, etc...).

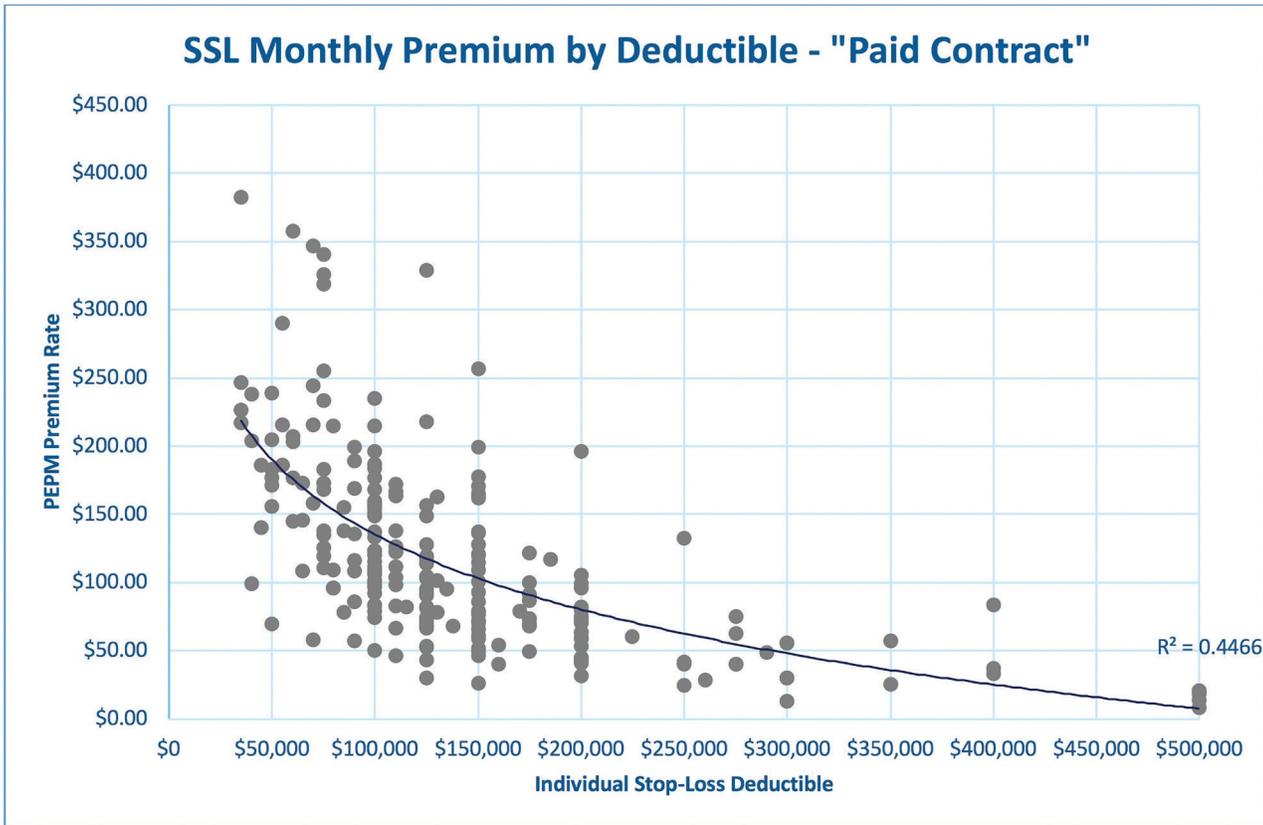
Specific Deductible

Individual stop-loss deductibles differ greatly among employers but generally the more covered employees a group has the greater the deductible. This metric is highly dependent on an employer's risk appetite and cash flow sensitivity. The deductible purchased with the highest frequency was \$100,000 and the average deductible amount was \$157,655. The chart below is a scatter of average specific deductible based on the number of covered employees a client has, excluding employers with over 3,000 employees.



Average Premiums

Below is a chart based on average monthly premiums by deductible amount, excluding specific deductibles over \$500,000. Each gray dot represents one employer's premium rate and specific deductible amount.



Based on the numbers in the chart above, below is an estimate of premium amount based on common deductible amounts for both a Paid Contract and a 12/12 Contract.

INDIVIDUAL DEDUCTIBLE	PAID	12/12
\$50,000	\$190.69	\$150.65
\$75,000	\$159.88	\$126.30
\$100,000	\$127.84	\$100.99
\$125,000	\$103.76	\$81.97
\$150,000	\$88.09	\$69.59
\$175,000	\$78.09	\$61.69
\$200,000	\$69.64	\$55.02
\$300,000	\$41.43	\$32.73
\$500,000	\$10.23	\$8.08

Aggregate Stop-Loss

Many employers purchase aggregate stop-loss in addition to the specific stop-loss coverage. This type of insurance provides coverage in the case that overall claims experience in a given policy year is substantially higher than expected. Aggregate insurance is measured as a percentage of expected claims experience and is generally triggered when expected claims exceed a corridor. Coverage amounts vary between 10% and 50% of expected claims with the most common amount being 25% representing 80% of contracts with this type of coverage. This increases the importance of an accurate expected claims estimate year over year.

Out of those employers who purchased both specific stop-loss and aggregate stop-loss the average specific deductible was \$126,785. Clients that choose not to purchase aggregate insurance are generally larger and have more historical claims experience to help predict future costs. The likelihood of having a claim on an aggregate reinsurance policy is a less than 1 in 20 year event for most employers with 25% coverage. Thus, aggregate premiums are generally much lower than specific premiums. For those employers with aggregate coverage the premiums varied from \$1.25 PEPM to \$80.43 PEPM with the average being \$13.88 PEPM.

Marketplace Trends:

Regional and Carrier Trends

When a carrier is administering claims, 60% of clients purchase reinsurance coverage directly from the carrier. Others carved out the stop-loss coverage and the highest frequency providers were Sun Life and HCC. The makeup for groups in the marketplace considering going self-funded and purchasing stop-loss coverage varies from state to state and a lot depends on the local insurance market. States with a high instance of carve-out stop-loss insurance were Florida (59%), Alabama (90%), Texas (67%) and Pennsylvania (100%). In contrast, only two (4%) clients in the state of Virginia have carve-out stop-loss coverage.

Aggregating Specific Deductible

An aggregating specific deductible is an additional amount above all claims exceeding the specific deductible for that the group as a whole must meet before the contract begins to pay. This type of coverage is becoming more and more popular as employers seek to mitigate the increase in stop-loss premiums each year. These amounts vary widely with the lowest additional amount being \$11,500 and the highest being \$2,000,000. The average aggregating specific was \$83,150 or about 53% of the specific deductible amount for any one individual.

Lasers

Another strategy to keep fixed premium costs down is to accept lasers on an individual claimant with an excess individual deductible amount for a particular individual. A laser is an additional contract term specific to one or more covered individuals with a financial risk well above the specific stop-loss deductible. In our survey, approximately 12.5% of clients has at least one lasered claimant, with 4.5% having multiple lasered claimants. The average total laser per claimant was \$282,143, or about 179% the average specific deductible amount.

ASO Administration Fees

Also collected was data on administration fees on self-funded groups. These fees generally represent the cost of claims processing, network access fees, and taxes. They can include additional add-on program fees. Fees varied widely across different geographical areas and carriers, ranging from \$2.90 PEPM to \$125.52 PEPM with the average being \$40.25 PEPM.

For more information, please contact your local McGriff Employee Benefits Consultant or visit McGriffInsurance.com.

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