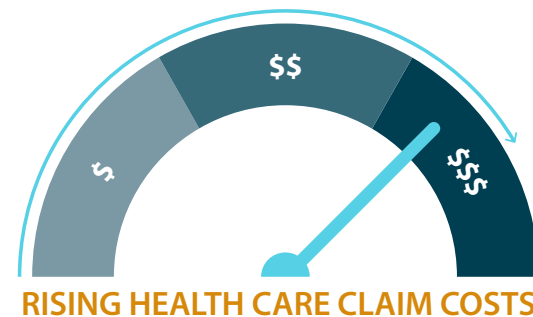


# The Value of Stop Loss

## Self-funding & Stop Loss

Employers embrace self-funding as a way to provide health care benefits while gaining more control over their programs and costs. This approach means that the employer takes on additional financial risk in exchange for plan design flexibility and potential savings. To help protect the employer from the financial risk associated with employee medical benefit claims, selecting the right Stop Loss insurance is crucial, particularly with increasing health care costs.

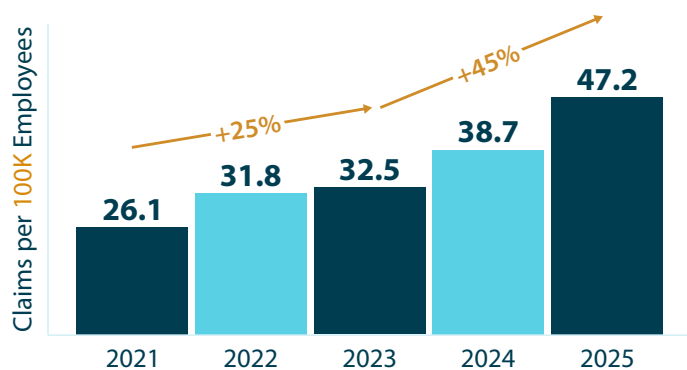


## Factors Impacting the Stop Loss Market

- Increase in medical cost trend
- Post-COVID medical/Rx utilization spike
- Ongoing approvals of high-cost Specialty Rx
- Higher negotiated rates for health care providers
- Heightened risk of unlimited claims
- Premium pricing pressures due to carrier competition
- Cost-shifting from government to commercial markets

## Escalating Claim Frequency<sup>1</sup>

Number of First Dollar Claims over \$500K (2021-2025)



Note: HM Insurance Group data by underwriting year at 9 months duration

## Rx Costs Continue To Be a Concern<sup>2</sup>

In 2024, drug spending in the U.S. grew 11.4%, reaching \$487B. The trend is expected to continue.



Market seeing sustained growth in **oncology, immunology, cardiovascular, obesity, and diabetes drugs.**

## Impact of Leveraged Trend

- The rise in first-dollar medical costs **escalates growth in Stop Loss claims** as more claims **exceed the Specific deductible.**
- If deductible levels are not raised, the cost of Stop Loss **increases at a faster rate than the first-dollar medical trend** because of the accelerated risk.
- Carriers need to consider **leveraged trend** in determining Stop Loss rates.
- Taking on a bit more risk by leveraging the deductible can help to **reduce Stop Loss premium increases.**

## Leveraged Trend Cost Impact Example:

Same Deductible	Year 1	Year 2	Increase
Catastrophic Claim	\$150,000	\$165,000	10%
Stop Loss Deductible	\$100,000	\$100,000	0%
Cost to Stop Loss Carrier	\$50,000	\$65,000	30%

Deductible Increase	Year 1	Year 2	Increase
Catastrophic Claim	\$150,000	\$165,000	10%
Stop Loss Deductible	\$100,000	\$110,000	10%
Cost to Stop Loss Carrier	\$50,000	\$55,000	10%

## What Does the Right Stop Loss Carrier Provide to Self-Funded Employers?

- Risk assessment through data-driven insights and clinical reviews
- Clearly articulated policy with plan mirroring and limited exclusions
- Quick, accurate payment of claims and convenient funding solutions
- Highly responsive team, making it easy to do business
- Commitment to building long-term relationships

## Choose a Steward of Financial Well-being

Financial protection should be important to all parties involved – broker, policyholder and carrier. In an ever-changing market, the value of working with the right Stop Loss carrier extends far beyond the cost of the coverage. Top Stop Loss carriers help guard the financial health of their policyholders through sound premium pricing that is built on thoughtful risk assessment and the ability to provide the right protection at the right price. This approach helps to ensure that the policyholder’s claims will be paid – and that the carrier has the ability to do so.



**With HM Stop Loss, you can have confidence in the quality of what you are delivering to your client.**