



HM STOP LOSS

HM InSights: Claims Costs II

Rising Claims Costs Highlight Importance of Stop Loss

Five years after the Affordable Care Act (ACA) removed lifetime maximums, permitted dependent coverage until age 26 and eliminated pre-existing condition exclusions, claims continue to trend upward. Health plans, insurers and employers all feel the legislation's impact and witness the continued rising cost of medical care. Closely monitoring claims trends gives carriers the insight they need to work diligently with third-party administrators and employers to better contain and manage costs.

Significant Growth Seen in High-Dollar Claims

According to HM Insurance Group's internal analysis and projections, from 2010 to 2014, Stop Loss claims incidence per 100,000 employees increased 12-fold at the \$1.5 million mark; tripled at \$1 million; and showed a near 30 percent increase at \$500,000.

Furthermore, the effect is seen when looking at costs per employee per month on first-dollar claims that have reached or exceeded \$1.5 million with a seven-fold increase in the past five years.

Rising Claims Further Necessitate Stop Loss Coverage

Such startling figures only help to emphasize the importance of Stop Loss coverage for a self-funded plan. Without this protection in place, self-funded employers could have to pay significantly more out of pocket to cover their catastrophic claims than they would paying the proportionately lesser premium cost for Stop Loss coverage – particularly in light of the expenses brought about by unlimited lifetime maximums.

However, to continue providing the protection these groups need, prudent adjustments to rates must be considered by Stop Loss carriers to ensure that claim obligations can be met as claim costs continue to rise. And we can only assume that hospitals' billed charges will continue to increase due to new treatment options, break-through medications, emerging medical technology and record-keeping requirements, adding to an already high-cost situation.

Cancer Consistently Leads Large Claims in Costs

HM Insurance Group has seen increases in large claims on its book, particularly those tied to cancers. In fact, since 2008, cancer has been the leading cause of high-cost, first-dollar claims, accounting for nearly 25 percent of such claims in 2014. And while 2014 Stop Loss claims are immature, following cancer in prevalence (to date) are neonatal care (15.1 percent), digestive diseases (11.3 percent), heart disease (11.3 percent) and infectious diseases (7.5 percent).

Closely Monitoring Claims Can Help Determine a Group's Risk Tolerance Level

Brokers, employers and carriers need to work together to ensure self-funded plans have solid financial protection from catastrophic loss. By evaluating each individual group's risk tolerance level and taking into consideration such things as claims experience, plan design, industry norms and commitment to cost containment efforts and programs, the right deductibles and riders can be selected. And by keeping a close watch on the impact of market changes on claims costs, Stop Loss carriers can make prudent pricing decisions that help to ensure self-funded clients are protected at the level they need.

Source: HM Insurance Group internal analysis; data as of December 31, 2014; underwriting years 2013-2014 are immature and projected.



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