Stop Loss Basics

Understanding Stop Loss

What is Stop Loss insurance?

- Stop Loss limits a self-funded employer's health plan liability to a specified amount and helps to protect the financial integrity of the self-funded plan
- The contract is between the carrier and the employer; it does not cover individuals
- Self-funded clients typically engage the use of a third-party administrator (TPA) to administer their plans, and that TPA handles claims, reporting, network and case management, billing, etc.

How does Stop Loss protect a self-funded health plan?

- Stop Loss helps to protect the employer from the financial loss associated with catastrophic claims – or a multitude of unanticipated claims – as well as high costs associated with unknown medical claim risks and the rising costs associated with cancer, preterm birth, transplants, pharmaceutical therapies, etc.

What are the types of Stop Loss coverage?

Specific

- Specific Stop Loss reimburses the employer for a catastrophic claim on any covered individual during a contract period
- The employer must first satisfy the "per person" deductible before reimbursement of claims begins

Aggregate

- Typically purchased in conjunction with Specific coverage, Aggregate Stop Loss reimburses the employer for total plan claims that exceed expected plan claims by more than an established percent
- Eligible claim expenses that the employer must pay before the Aggregate benefit will be reimbursed are determined through an Aggregate Attachment Point (corridor); this percentage is used to determine the monthly Aggregate deductible amount for the policy term, and the group is expected to be able to fund the anticipated claims, plus the additional amount (corridor)

Common Stop Loss Contract Periods

<table>
<tr><th></th><th>Year One</th><th>Year Two</th><th colspan="3">Year Three</th></tr>
<tr><th></th><th>January – December</th><th>January – December</th><th>Jan.</th><th>Feb.</th><th>Mar.</th></tr>
<tr><td rowspan="2">24/12</td><td colspan="2">Incurred Time Period</td><td></td><td></td><td></td></tr>
<tr><td></td><td>Paid Time Period</td><td></td><td></td><td></td></tr>
<tr><td rowspan="2">12/12</td><td></td><td>Incurred Time Period</td><td></td><td></td><td></td></tr>
<tr><td></td><td>Paid Time Period</td><td></td><td></td><td></td></tr>
<tr><td rowspan="2">12/15</td><td></td><td>Incurred Time Period</td><td></td><td></td><td></td></tr>
<tr><td></td><td colspan="4">Paid Time Period</td></tr>
</table>

Incurred - Date services are rendered
Paid - Date the payment check for "services rendered" is issued

- **24/12:** Employer plan claims are covered by the Stop Loss policy only if they are incurred within 12 months prior to the effective date of the policy and paid during the policy term
- **12/12:** Employer plan claims are covered by the Stop Loss policy only if they are incurred and paid during the policy term; this is a common first-year-only transition contract for larger, fully insured employers and commonly renews into a 24/12 contract to avoid a gap in coverage
- **12/15:** Employer plan claims are covered by the Stop Loss policy only if they are incurred during the policy term and paid within 90 days of the end of the policy term

Note:
- *Incurred period is extended 12 months at each renewal*
- *Additional run-out options are available (12/18 and 12/24)*

Common Stop Loss Terms

Disclosure – Statement an employer must complete to identify all employees who are not "actively-at-work," all individuals who are institutionally confined, all large claims and all potentially catastrophic losses

Lasering – The practice of assigning a higher Specific deductible for an individual with a known condition that is likely to exceed the Specific deductible

Subrogation – The process that allows an insurance company to seek recovery/reimbursement when it has paid claims for injury or illness that may have been caused by a third party

HM INSURANCE GROUP
Guarding Financial Health

Creating the Right Plan

Stop Loss contracts have a wide variety of options and riders available to help with cash flow, risk tolerance and long-term claim situations. There are many strategies and programs that can be implemented to help contain costs based on each group's specific dynamics and needs. Contact your HM Insurance Group sales representative to learn more and begin assisting your self-funded clients in creating a Stop Loss plan that best meets their needs.

About HM Insurance Group

HM Insurance Group (HM) provides insurance and reinsurance coverage to protect businesses from the financial risk associated with catastrophic health care costs. A recognized leader in Employer Stop Loss, the company delivers protection for a range of group sizes. HM also offers managed care solutions, including Provider Excess Loss insurance and Health Plan Reinsurance.

HM Life Insurance Company, HM Life Insurance Company of New York and Highmark Casualty Insurance Company are all rated "A" (Excellent) by AM Best Company.* Through its insurance companies, HM Insurance Group holds insurance licenses in 50 states and the District of Columbia and maintains sales offices across the country.

For more information, contact your HM sales representative or visit **hmig.com**

HM INSURANCE GROUP
Guarding Financial Health
800.328.5433 | hmig.com

MTG-2971 (R3/21)

*AM Best Company, September 2020.