THE FUTURE OF MEDICAL STOP LOSS UNDERWRITING: A Roundtable Discussion

Valenz® HEALTH

Participants:

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Over time, stop loss insurance has been viewed as a commodity – and somewhat of an afterthought – among those serving the self-insured industry. As the healthcare industry is seeing unsustainable premium increases, higher deductibles, and rapidly escalating costs of care, a paradigm shift is occurring. In many ways, we're finding solutions for the future by borrowing from the past, when stop loss underwriting was considered foundational to building a health plan that drives long-term cost containment.

Members of the executive team at Vālenz Health® and Certus Management Group (CMG), a Valenz Affinity Company, recently held a roundtable discussion to address this growing trend and explore pathways to more aligned solutions.

Up to 23% Premium Increases

In 2023, many small employers are bracing for a high likelihood of unsustainable increases[1]

9.8% Higher Deductibles

High-cost claims are driving up stop loss deductibles at an unprecedented rate[2]

$2,100,000

One-time charge for certain therapies can exceed $2M, spotlighting clear need for stop loss insurance[3]

70%

Just 5-15% of claims represent up to 70% of an employer's health spend due to catastrophic costs

HOW DO YOU VIEW THE ROLE OF STOP LOSS INSURANCE IN THE SELF-INSURED MARKET, AND HOW IS IT CHANGING?

Steve Butz: As stop loss has been commoditized, it has marginalized the whole process, from underwriting to plan creation. We succeed when we identify within each group the unique elements of risk that need to be brought to light to be managed effectively. When we're throwing numbers onto a spreadsheet at the end of the process, there's no opportunity to evaluate them correctly and develop the appropriate strategy. That's why stop loss needs to be at the beginning of structuring a self-funded plan.

Rob Gelb: We're moving from the mad scramble of 'I need to get a stop loss quote because I'm going live in six days' to seeing stop loss as what it is – a strategic financial vehicle. It involves understanding and leveraging the plan design at the beginning of the process to reduce costs and exposure for the plan.

> STOP LOSS NEEDS TO BE AT THE BEGINNING OF STRUCTURING A SELF-FUNDED PLAN.

WHAT DO COST CONTAINMENT PROGRAMS MEAN FOR DRIVING RISK MITIGATION?

Maurice Steenland: Cost containment programs have been around for decades. But to truly save money, employers must analyze their claims data – especially those 15% of claims that drive 70% of the cost - to identify opportunities to do things better. That means actively channeling those members to the least costly alternatives, such as charity care and COE bundles, before traditional in-network options, and ensuring you're paying the absolute minimum for every claim by employing claim edits and prepayment bill review, or through innovative RBP-like guaranteed programs that minimize plan risk. The best possible stop loss coverage comes by ensuring that all these clinical, cost containment and network solutions are accurately captured and reinforced within the SPD to incentivize the best behavior.

Beth Madden: The last 20 years have been characterized by many different vendors and bolt-on solutions coming in and out of the market. Some of these vendors and processes made it into the plan document with adequate communication to members, while others did not. As a result, members don't know who to call when they need help, so often they just don't call anyone, and cost containment falls through the cracks. We then find out about it after the claim has happened, post-service, and have to react to it when we price the risk—at the last minute. The key is bringing all the components under one roof, which means all cost containment strategies, the SPD, the stopgap bill review and stop loss, to make it seamless for the member and the plan. This allows an appropriate stop loss rating at the beginning of the contract, rather than an adverse reaction at renewal. Employers will feel the impact of that over time because the frequency and severity of claims will, by nature, go down.

> THE KEY IS BRINGING IT [COST CONTAINMENT, THE SPD AND STOP LOSS] ALL UNDER ONE ROOF AND MAKING IT SEAMLESS FOR THE MEMBER AND THE PLAN.

WHAT IS THE IMPACT OF FIDUCIARY RESPONSIBILITY RE-EMERGING AS AN INDUSTRY TALKING POINT?

Steve Butz: The heightened focus on transparency and fiduciary responsibility go hand in hand. As transparency evolves and there's more attention given to it and more requirements made at every level for transparency, the misaligned incentives that exist in the payer world and the provider world come to light. So those misaligned incentives are no longer going to be behind the curtain. And that's what we're trying to get to with the ability to analyze that data and bring to light those areas that have not been transparent.

Beth Madden: And to make matters worse, the plan document has become vague over time, rather than more concrete. The writers of these plan documents know there are multiple bolt-on solutions that may not talk to each other, so they must make the language as vague as possible to cover all options. Making the plan document the driving document will bring those things to light. You're supposed to have an ERISA-governed document based on fiduciary responsibility for your plan participants. That's what has waned over the years in the self-funded industry.

Rob Gelb: A plan document requires us to be very cognizant of what's shifting and changing in the environment in which that plan document was first put together - and what that looks like in six months, what it looks like in 12 months, what it looks like in three years. It's only when the plan document and a fully integrated and optimized ecosystem align that health plans are most effectively enabled to meet fiduciary responsibility, control costs and deliver better member experiences. This is how self-insured employers will emerge as the ones that are resilient and thrive.

IT'S ONLY WHEN THE PLAN DOCUMENT AND A FULLY INTEGRATED AND OPTIMIZED ECOSYSTEM ALIGN THAT HEALTH PLANS ARE MOST EFFECTIVELY ENABLED TO MEET FIDUCIARY RESPONSIBILITY, CONTROL COSTS AND DELIVER BETTER MEMBER EXPERIENCES.

VIEWING STOP LOSS AS FOUNDATIONAL TO A SELF-INSURED PLAN REQUIRES A MAJOR MINDSET SHIFT FOR MANY EMPLOYERS. HOW DO WE DRIVE TRANSPARENCY AND CHANGE THE WAY OF THINKING FOR THE FUTURE?

Rob Gelb: It's having a strategic conversation that is collaborative in nature and educational in focus, which allows people to understand what's involved in getting this right. Risk mitigation, transparency and fiduciary responsibility do not require us to always give the lowest stop loss quote. It requires us to be appropriate and be able to justify it. And if others aren't, now you have more information on how to look at this from a strategic perspective as you make the decision on what's right for you as an employer.

Beth Madden: Historically, there has been a lack of transparency and a lot of confusion in this market. When you start with a complete view of your claims data, you can prepare an accurate client opportunity savings analysis, allowing the appropriate solutions to be recommended. Then, the proof is seen in the lower health care costs over time, changing the trajectory of the plan's cost curve.

Maurice Steenland: It goes back to the broker and consultant strategy that becomes a more strategic risk-based discussion. Clearly, the whole is greater than the sum of the parts. If you bring us the information, we can demonstrate the added cost savings of each individual component. When you have a good plan design that reinforces participation in all these programs, you're going to get a fair and hopefully favorable stop loss rating that you otherwise would not have.

WHAT VALUE DOES THE VALENZ V-RATED SOLUTION BRING TO THE SELF-INSURED COMMUNITY?

Beth Madden: The V-Rated Solution takes a pre-sale approach to know the risks that will affect the whole plan, and aligns those risks with the summary plan description and cost containment solutions. With V-Rated, we are always looking at cost containment opportunities to assure long-term success and ultimately bring back fiduciary responsibility.

Maurice Steenland: The V-Rated Solution is the ultimate affirmation of the value of the Valenz ecosystem and its cost containment solutions, as evidenced by a favorable stop loss rating.

Rob Gelb: There are three words that apply here: alignment, balance and transparency. Then there's the member, the payer, and the provider. What was missing was the employer side. So, when you start to think about the employers and the risk and financing aspects they have for self-insured plans, pulling this all together to create an aligned incentive and a balanced approach across all the constituents [the member, payer, provider and employer] makes a lot of sense. With the Valenz V-Rated Solution, there's true capability to be transparent in how you can change the trajectory of health plan costs for the employer today and in the future.

> THE V-RATED SOLUTION IS THE ULTIMATE AFFIRMATION OF THE VALUE OF THE VALENZ ECOSYSTEM AND ITS COST CONTAINMENT SOLUTIONS, AS EVIDENCED BY A FAVORABLE STOP LOSS RATING.

[1]https://www.spokanepublicradio.org/regional-news/2022-06-01/health-insurance-rates-likely-to-go-up-in-washington-in-2023
[2]https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/medical-stop-loss-premiums-up-nearly-10-percent-for-2022.aspx
[3]https://www.goodrx.com/healthcare-access/drug-cost-and-savings/most-expensive-drugs-period

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