Rethinking Stop Loss: A Strategic Approach to Self-Funded Success

A Roundtable Discussion

VĀLENZ HEALTH®

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Over the last few decades, 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 continues to experience unsustainable premium increases, higher deductibles, and rapidly escalating costs of care, a paradigm shift must occur.

In many ways, we're finding solutions for the future by borrowing them 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 and stop loss teams at Vālenz Health® recently held a roundtable discussion with external experts in this field to address these growing trends and explore pathways for more aligned solutions that will deliver smarter, better, faster healthcare in the years to come.

Participants

Rob Gelb

Chief Executive Officer,
Vālenz Health®

Ben Winfield

VP of Stop Loss Solution and Sales,
Vālenz Health®

Diana Miller

Benefits Advisor,
Conner Insurance

Grace Dishaw

President,
Coeur Plan Services

Up to 13% Premium Increases

In 2024, many small employers are bracing for a high likelihood of unsustainable stop loss policy cost increases.[1]

121% Increase in Medical Care Costs

Since 2000, the overall price increase of medical care has outpaced the price increase of consumer goods and services by 33%.[2]

55% Increase in Million-Dollar Claims

Industry leaders report higher and more frequent member claims than ever, with a 255% increase in $5-million claims since 2018.[3]

What are the most significant drivers you see in the rising healthcare costs that employees are facing today?

Diana Miller:

I think there's three big components that we're seeing have made an impact in the higher payment of medical or pharmacy costs.

The first one is the utilization of GLP-1 medications. That's been one of the top categories in the pharmacy spend for the last couple of years.

The second one has been a rising utilization of specialty medications. For certain specialty medications, we have opportunities to find either a biosimilar alternative, or we have opportunities to better manage how we supply those medications to employees, either through a patient assistance program or international sourcing. Nonetheless, the utilization and cost of these medications have made a significant impact in the overall healthcare costs for employer programs.

The third one that a lot of people don't really talk about is delayed care. When you have high-cost deductibles or high-pocket macros for employees, we see a lot of them delaying care, postponing screenings and key checkups like colonoscopies because of those financial barriers. Later on, we see the impact of that: having strokes, having cardiac arrests, having colon cancer.

Grace Dishaw:

To all the points made, we're certainly seeing delays in care contribute to overall costs, but cost is up incredibly.

The bill charge when you look at the differences in same procedures, same place of service, same length of stay now compared to one, three, five years ago — the cost of the claim is highly inflated.

Increased utilization, we're definitely seeing that. Delays in care are contributing to the severity of the claim. By the time we're getting our malignancy claims, they're not Stage I; they're not Stage II. Sometimes they're Stage III, but we're seeing Stage IV very routinely at the first time that it's caught.

And that just screams that people have been putting things off. If you can't get in to see a physician, a primary care, even a specialist, it's a real problem, and it's a real problem that a lot of our members face.

It's definitely those main things that we're seeing, combined with the new kind of combo conditions where you've got cardiac issues, combined with diabetes, combined with obesity. It's not just one thing we're tackling.

What are the systematic inefficiencies within the stop loss industry that are exacerbating these costs?

Rob Gelb:

From a stop loss perspective, there's been this hope strategy, in some ways, in the way that things are being underwritten, with a soft market believing that we'd seen the worst. And I don't think that's really come to fruition.

You do see a hardening of the market, and that's a great opportunity to level the playing field and start thinking differently about your program — because you're going to pay more in a hardening market.

We're perfectly designed for the results we're getting today. The challenge is what was designed was done 20, 30, 40 years ago, and it's no longer applicable to the environment that we operate in today.

The dollars being spent on stop loss should no longer be seen as an afterthought on the back end. It's a strategic tool to be used in the front end of financing and thought processes.

Diana Miller:

Prior to being with Conner, I worked day in and day out in the underwriting and negotiation of stop loss coverages. And, at that time, it was kind of a "hope"-wise strategy.

Let's get all of our reports at the eight-month or nine-month mark, send it to the stop loss carrier, hope for the best, for them to come back and say, "Hey, I'm giving you a 25% increase."

How am I going to deliver that to the employer?

Grace Dishaw:

If it's a more traditional health plan design, there's not a lot of control over where you go, who you go to, when you go, and that puts us in such a reactive position, because we don't have the ability to know until the claims are incurred. By the time we get the claim, it could have occurred weeks or months ago.

So, depending on the type of plan, it can create a larger gap.

If we're going to have a lag in when the care was received and when the claim was received, you're really always trying to predict what could be out there. You never want to get caught in a situation where you have a gap between the known risk, and it's not always what might be represented in the data.

How can the stop loss underwriting process be improved?

Diana Miller:

Hope doesn't have to be a strategy. We should definitely think about incorporating AI and technology to the best of our abilities on the stop loss side throughout the year.

Valenz and other companies within the stop loss space are really investing heavily in the predictive analytics piece. I think it's so valuable to partner with vendors that actually have that, because it's amazing the collaboration that can happen between stop loss and the consultant.

From a high-cost payment perspective, in the past, we always talked about the 80-20 rule, where 20% of your claimants would be 80% of your cost. Right now, we're seeing that shift more into 20% of claimants becoming more like 90% of the costs or more. This is where it is so critical to capitalize and take full advantage of predictive analytics tools that can really help us target the population that could potentially become high-risk claimants and provide solutions and support to them.

Grace Dishaw:

A lot of employers dread the stop loss renewal strategy-building. That's actually one of the parts I enjoy the most — because that is where we truly see a differentiation between reactive execution and proactive execution.

From my perspective, when we are preparing for stop loss renewals and we receive renewal information back from stop loss, we already have a really good idea of what the renewal is going to come in at, because we are in constant communication with our stop loss partners throughout the year.

It's kind of interesting how this stop loss mentality has transformed for those consultants out there who are executing proactively from a "hope" strategy into a "we already have an idea with the employer what this stop loss renewal is going to come back as."

Ben Winfield:

The most important thing is integration between different vendors, because there are always going to be gaps in care or gaps in the claims.

If you're just looking for the claims, you don't necessarily realize that the underlying diagnosis is there — but having those vendors all talk, having people communicate, being able to see that and address it is important.

How can cost containment programs improve risk mitigation in stop loss design?

Grace Dishaw:

We have been very intentional about reviewing solutions and partnering with our stop loss partners to get their feedback on how we can make sure that stop loss can help finance a lot of the tools that we want to place first.

On the underwriting side, there has been a shift and more openness into giving more credit on both the specific as well as the aggregate coverage for some of the solutions we're putting into place.

Five years ago, I would talk to an underwriter and say, "Can we get some concessions, pricing wise, because we're putting in some steerage, plan design incentives?" And there was a lot of hesitation on the underwriting side of how that would impact plan costs.

For the last five years, more data has come around and is more available on that impact. There's a lot more openness and really great conversation with stop loss underwriters on providing pricing concessions because of some of those strategies.

Rob Gelb:

The arc of care has three phases: prospective, concurrent, retrospective.

It has this idea that if you can touch a member before they enter their healthcare journey, if you can make them proficient (i.e. literate) in understanding what a plan is, what their options are, and what the cost structure to them and to the plan looks like and be responsible consumers, you can start to manage it really well under that arc.

When you bring all the solutions that then touch that member — from engagement to different types of centers of excellence and surgical bundles and imaging and infusions and other front end pieces to engage them early in their care — you can then continue on with case management, utilization management, holding their hand through their journey, ultimately ending in the retrospective phase, where you can make sure that the costs are appropriate and aligned with what you'd expect to pay for services.

When you have one supplier, one partner that has access to and or is delivering all of that, the data sits real-time in a place where it can be constantly evaluated and utilized.

And touching millions of claims a month, which is what we do, we are able to utilize that to start to draw conclusions around what's happening, will it happen again, and what can we do to get in front of it or ahead of it.

It's important that the key components of care continuum for that member are managed in a way where the data just moves with the member throughout that journey and it's constantly being looked at.

That's where ValenzONE and the option of that solution creates value, in my opinion.

Ben Winfield:

It's important what you touched on there by not just having multiple vendors, but by also having that data there that they all can access in real time or share it.

When you're doing bill review, you've got a claim that's coming in or you're adjudicating it, it's not even been processed yet. In a traditional model, it would have to go through the whole adjudication process, and then it would sit there up to a month, and then it goes to the predictive analytics company, and then they're going to process it.

By the time it gets to the medical management company to look at that data, we could be talking 60 days delayed. But, by having the same integration, medical management can access it while it's under bill review and see, "Hey, this claim may not be paid yet, but we see the diagnosis is here. We see this information here."

Having that earlier information allows for earlier intervention.

How can healthcare plan design create more efficient, data-driven stop loss policies?

Rob Gelb:

If you think about strategic plan design, let's start with the document that drives action. Let's get into it. Let's unpack it. Let's go to the past trend: What happened and how was it managed? Was it managed well? Let's make sure we can do that again.

This is the blueprint. This is the table of contents to how you're going to write the book.

Before you go to stop loss, you then say, what are the things in plan design that I now have as opportunity to attack cost, improve quality, create better member experience — things that you know we are incredibly passionate about at Valenz.

And then, when you go there, you then hand over to an underwriter: I've given you the answer key; I've given you the opportunity to get an A, okay?

Now it's up to you to price it based on what you know we can do, how we're going to do it, and the influence it's going to have on medical spend and that program for that employer.

That's how I think about what we're doing to smooth out some of that anticipated unpredictability and create less volatility.

Diana Miller:

Plan design is incredibly important, and definitely the earlier the better.

In the TPA space, we're nimble, and we can make quick changes and be incredibly flexible — but the power is in the way the plan is built. It is the governing document that everyone is going to go off of.

Can it be amended? Can it be changed? Can we be flexible? Of course, but there's really no reason to put yourself in that situation. Give yourself the flexibility to work with your members.

That's our call: to improve the health of every member we serve, to improve the health of our plans — and yes, that's fiscally, but it's through those lives. We want a win-win where members can get the treatment they need and the plan can save money.

We've been talking about transparency and education for a very long time, and we're really just seeing some ways in which it can become a reality, where the member can truly shop. We can truly be transparent about price. We can do it within their plan design, and I think it's essential to have it built into the plan right away.

Viewing stop loss as foundational to a self-insured plan requires a major mindset shift. How do we change our way of thinking for the future?

Diana Miller:

From our perspective, a couple of things:

As advisors, we need to understand that employers are trusting us to guide them within this process. I consider myself the captain of the ship of this benefit strategy. Employers, prior to working with me as a consultant, have viewed it as a fragmented type of plan, where the stop loss carrier does one thing, the third-party administrator does something else. It doesn't have to be that way.

We're all part of the same team. And you need to line that team up together — put everybody in the same room, or get everybody on a call, and review the plan that they currently have, and then discuss what the potential enhancements or strategies for improvement can be, and then together, in collaboration with all of the active partners of managing this plan, design a one-year, three-year, and five-year strategy.

Whether it's mid-year or immediately post-renewal, as a consultant, you've got to get together with the team that's working within the management of that plan. You have to communicate. You have to have a plan, and you actually have to talk about that plan.

Ben Winfield:

I love the point that it is a multi-year strategy. You're not just there trying to solve for this year, and we'll see what happens next year. It really truly needs to be a multi-year plan.

Let's be honest: Some things are maybe too much for an employer or the employees to jump into all in year one. So, we're going to do this first; next year, we're going to guide them a little farther — we're going to get a little farther along.

Having a multi-year plan makes so much sense.

Rob Gelb:

All too often we think we're competitors in this space, right? We all think we're competing, but we're not. We actually are all here to solve the problem together.

We need to understand as an industry that we're all here to solve the problem together.

There are some employers that have programs that are messy right now. They're not going to get fixed in one cycle. So, this idea of a strategy over a window, a plan, something you can follow, and then you move and modify with it, right?

The path between two points is never really a straight line, and that's where you're trying to get to: You're here today, here's where the puck's going to be in the future, let's help you get there and be ready for it — and this is what we think is the path to drive you there.

There was a Forbes study that I think is fascinating. 64% of Americans have never shopped for healthcare. 58% said that they would if they had access to it, and 44% of the U.S. says healthcare quality is excellent or good, which is a 24-year low.[4]

That tells me there's opportunity to be better.

That tells me what we're talking about today should make sense to the common consumer who's ready to take control and be involved more in their healthcare journey.

We've got to help them there.

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