Stop Loss: Your Underutilized Competitive Advantage

A Q&A with Marpai Health'
Director of Stop Loss, John Miranda

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It's no secret that health insurance consultants and brokers have to differentiate themselves because, at least on the surface, they all do the same thing. Or do they? The difference lies in the details – especially when it comes to understanding stop loss.

Stop loss insurance protects self-insured employers from unexpected and catastrophic health plan challenges. But the practical application of stop loss insurance rapidly becomes complicated because there are so many possible scenarios, each of which presents unique questions and challenges.

For instance, what's the proper amount of specific or aggregate stop loss coverage for a self-funded business? Under what conditions should stop loss kick in? Which stop loss carriers make the most sense for any given business in terms of their industry, size and location?

Beyond those functional concerns, brokers and consultants should be aware of the differences between the stop loss providers and TPAs or GAs that help them facilitate stop loss coverage for their clients.

In short: consultants and brokers with a deep understanding of stop loss can offer a powerful, value-added differentiator to their clients. We sat down with Marpai Health' Director of Stop Loss, John Miranda, to dig into this important topic – with a specific eye toward facts that can give a competitive edge to health insurance brokers and consultants.

Stop loss is a big topic – where should any discussion of it begin?

Let's start with some basic definitions. Stop loss insurance protects an employer's health plan assets against unexpected and often catastrophic losses. While the very largest of US employers have the cash flow to absorb those losses, most organizations need this type of protection because of the unpredictability of large claims and/or increased utilization

From there, it's important to distinguish between the two types of stop loss insurance. Specific stop loss insurance offers protection against one individual with a high-cost situation – a cancer diagnosis, an accident with severe complications, the birth of a premature infant, and so on. That type of stop loss kicks in at a predetermined dollar value referred to as the specific deductible.

Aggregate stop loss insurance works on a collective level, kicking in once plan utilization reaches a certain threshold across all of a company's employees. This threshold is referred to as the attachment point. Together, both types of stop loss insurance allow self-insured businesses to plan budgets around a max cost expectation – similar to the way fully insured carriers offer an exact, total annual cost to their clients.

That sounds pretty clear. Can we assume that most self-insuring employers already know this?

While I wish that were the case, too many employers don't understand the basics of their elected coverage. So, it's the job of health insurance brokers and consultants to be educators. And that can be an issue because there aren't enough brokers and consultants out there who are truly knowledgeable about stop loss.

So, what else do employers need to know about stop loss?

Well, the first thing I'd like them to be aware of is that the most basic decisions surrounding stop loss coverage can be the differentiator between a successful or unsuccessful health plan. It takes the right TPA/broker partnership to ensure that those basic decisions are made appropriately. For instance, their TPA/broker should recommend an appropriate deductible level for the group size and severity of their historical, large claims. Likewise, the employer needs to elect an appropriate stop loss contract to ensure no gaps in coverage. *continued...*

Funding products that assist with cash flow are another important piece of the puzzle. Rather than the employer funding large claims that exceed the specific deductible and waiting for reimbursement, specific advance allows the stop loss carrier to provide upfront payment of those claims. On the aggregate side, some groups may find it helpful to select the aggregate accommodation provision, which breaks down the annual attachment point into 12 monthly attachment points. This allows the stop loss carrier to reimburse claims that exceed each monthly threshold with an end of year reconciliation instead of waiting until the end of the year to be reimbursed for claims that exceed the annual attachment point.

Finally, case management and pharmacy benefit management programs can lower an employer's health plan spend, which has a positive impact on the cost of stop loss coverage. Of course, this assumes that stop loss facilitator has effectively communicated the value of all the cost containment programs put in place.

Is there really much of a difference between stop loss insurance carriers?

Yes and no. Strong stop loss contracts have become more standardized, which has made them more commoditized over the past several years. That being said, the relationship between those carriers and the producer that's marketing stop loss is what differentiates them. At Marpai Health, we work with 20-25 stop loss carriers and have preferred relationships with a certain percentage of those who find the most value in the cost containment programs we put in place for our clients. These preferred relationships allow us to offer contracts that include things that not every stop loss carrier provides. I'm talking about things like earlier lock-ins, say, at 90-120 days, rather than the standard 30-60 days, and multiyear rate guarantees. On paper, it all may look similar. But just as in any business, relationships translate into value. That's true for TPA-carrier relationships, TPA-broker and TPA-consultant relationships, and, ultimately, everyone's relationship with the client.

So, what should a health insurance broker or consultant keep in mind about the positives and negatives of stop loss coverage from their clients' perspective?

It's that paramount importance of relationships – from the consultant to the TPA and from the TPA to their carriers. Employers want to have faith in their consultant or broker that all the right controls will be in place. Customers want assurance of the stop loss carrier's reputability. Again, that's less of an issue now than it was ten years ago, but it's still very relevant.

They're going to need reassurance that the contract takes care of any potential holes in coverage. A first-year client should always elect a 12/12 contract with a terminal liability provision in place in case they decide to terminate their self-funded plan and move back to a fully insured arrangement. This allows for first-year savings of around 15% with protection from claims that aren't covered by the 12/12. That said, any claims incurred during the last three months of that contract likely won't be covered by the 12/12 if the company stays self-insured. *continued...*

By the time those claims are sent to the TPA, then through utilization review, then to the stop loss carrier for final reimbursement, the lag can be as long as three months. In order to make sure those claims that are paid outside the 12 months of policy coverage, the client must renew on a run in contract like a 15/12 or 24/12. The cost for that coverage will increase by 17-25% because the client's getting 25% more coverage at renewal - but it's necessary to deliver a gapless contract.

Perhaps the most important thing for a consultant or broker to keep in mind is that most employers aren't in the health insurance business. They don't know what they don't know so, it's up to you to help your client ask the right questions about stop loss. How timely will payments be? What discounts are in place with the TPA? If they aren't sure about the TPA, ask for references. If the client is uneasy about any information being fed to them, ask for that information in writing from the appropriate parties, and so on.

Is there anything else that should be important to consultants and brokers as they position stop loss coverage to their clients?

The only other thing I'd advise anyone to look for is flexibility – because when an employer tells you that their situation is unique, it probably is. You want a TPA and stop loss partner who's willing to tackle the unforeseen with haste and grace. For example, at Marpai Healthy, we have a long list of stop loss carriers including multiple preferred vendor relationships. But suppose the client or broker prefers a specific stop loss carrier that we're not currently working with. In that case, we appreciate the opportunity to thoroughly vet that carrier, identifying holes, and drawing attention to advantages and opportunities based on the client's size, industry, and circumstances. The truth is that there's not much we haven't seen, so we'll have a solution for any client.

To learn more about stop loss coverage – and how it can be a powerful differentiator for your business, email us at

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