Employee Benefit Adviser
Reprinted from September 16, 2019

Broker seeks to change the way stop-loss contracts are sold

By Bruce Shutan

A forward-thinking broker has a plan to pave the way for more flexible stop-loss contracts that protect clients from catastrophically large "lasers," policy cancellations or exclusions of specific members on renewals.

"It's designed to protect the client who, all too often, doesn't even know that the risk exists," says Keith McNeil, who also has created a website to serve as a clearinghouse for brokers and advisers.

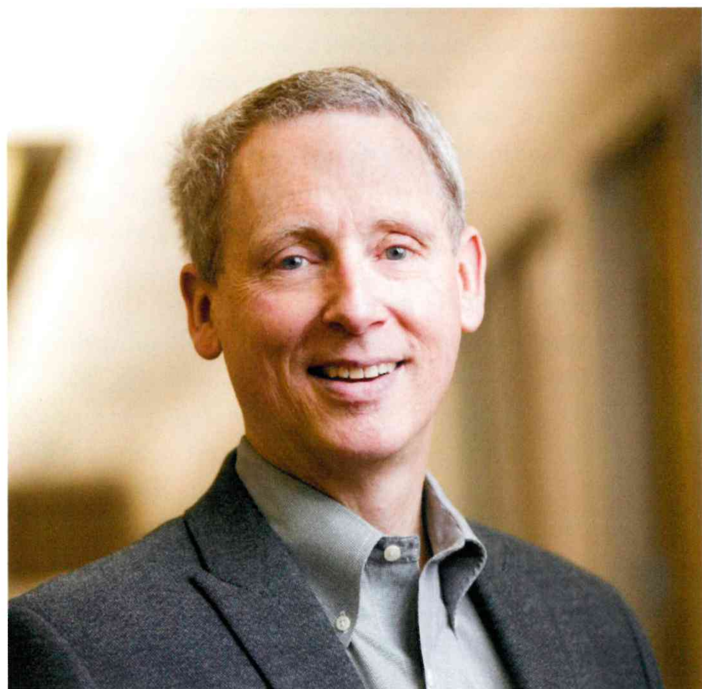
Stop-loss lasering is the practice of attaching higher points to self-insured health-plan members who have costly claims histories or an expectation that they will become high-cost claimants. As a result, some employers with large ongoing claims may find it impossible to afford stop-loss renewals over the long haul.

"I want to change the way stop-loss is sold in America," McNeil says. He is perplexed at how risk-averse carriers have become — considering they're in the business of taking on risk. McNeil, a senior partner in Arrow Benefits Group, part of Patriot Growth Insurance Services, will white label this product, which he calls Gibraltar, after the iconic Rock of Gibraltar, through a separate company, Self-Insurance Expert, which provides products for the self-insurance industry.

When he began to focus on different aspects of self-insurance, lasering "stood out like a sore thumb," says McNeil. At first, he gravitated to the no-new-laser-rate cap option as a solution — until learning it's generally not available in year three if there's a large claim on the books.

"There are very few carriers we see that are offering long-term protection extending beyond one or two years," reports John Mengarelli, president of Alternative Risk Solutions, which places and manages medical stop-loss insurance.

While the larger, publicly traded-type companies Mengarelli usually deals with may not like the lasering practice, they're able to absorb the risks associated with self-insur-



ance. But he says Gibraltar plans would help smaller groups with just a few hundred covered lives that face a $1 million or $2 million lasers avoid bankruptcy.

About 70% or 80% of groups can currently expect a catastrophic situation that's ripe for lasering since the removal of lifetime maximums and specialty drug trends, he says. If lasting protections are in place when such a catastrophe occurs, according to Mengarelli, it bodes well for the self-insured health plan "and hopefully the claim resolves itself before there's another renewal or rate-cap period."

Although some stop-loss carriers offer no-laser renewal policies with a rate cap, "even those rarely go one year beyond a contract year," explains Brad Kopcha, EVP Benecon, which designs actuarial-based financing models with an emphasis on health care cost containment, and which will work with McNeil on Gibraltar plans. Benecon offers self-insured

employers a risk-management program that mitigates lasers and other pitfalls associated with placing stop-loss on an annual basis. The largest such program, VERIS, uses proprietary pricing models to ensure that employers enter into a stop-loss arrangement with adequate protection against high-dollar claims. In essence, Kopcha says, it smoothes out any increases without the need for lasers. The program serves about 500 private employers.

Gibraltar plans must meet several minimum requirements. One is providing evergreen long-term protection for specific stop-loss insurance that caps the annual increase at 35% or less without a laser on renewal. While any carrier could offer the arrangement, it likely will be tied to a sizeable pool of clients that effectively protect each other from catastrophic renewals — with or without an insurance captive.

Carriers also may not impose a laser on renewal, but the client can request one as part of a fee negotiation. A laser may be imposed on a new client at the start of coverage — but not for conditions that were added to the plan or undisclosed during the underwriting process and were less than $25,000 during the 12 months prior to binding of coverage.

Losing the spreadsheet mentality

One broker, who now places all of his self-funded cases with Benecon learned about lasering the hard way," according to Kopcha. "He had a $750,000 claim denied in a school district over some minutiae in the contract that the MGU found." As a result, the broker lost the client. "He also had a run-in limit on another account with a self-funded, standalone policy," Kopcha says.

Indeed, the quest for lasting protection against costly lasering suggests that benefits brokers and advisers need to "lose the spreadsheet mentality and be more creative," opines Matthew Bossier, a vice president at BevCap Management, who works with clients and preferred broker partners on a heterogeneous group captive serving food and beverage manufacturing companies.

Spread-sheeting an option with no new lasers can slightly increase fixed costs on the front end, he says. But the trouble is that most brokers "don't think about what the back end feels like when you don't have the protection of no new lasers," according to Bossier. In other words, "they're spending 90% of their energy on 15% to 20% of the program costs, and that's shortsighted."

No new lasers for costly claims related to unexpected expenses, such as cancer or a premature birth, is a key feature for BevCap owners who are paying just 0.4% more on an aggregated basis than in 2012 when they first joined forces — and have beat expected claims every year since then.

"We recognized really early on that it was going to be critical to the success of our group and financial stability of our member insureds to make sure that they were protected," Bossier says, describing the issue as "one of the biggest challenges that self-funded plans are having in the marketplace right now."

The upshot, he says, is that employees who are covered by the captive are able to receive free medical tourism for surgeries and prescription drugs, as well as free high-cost imaging, physical therapy and telemedicine, as well as some innovative wellness programs.

Reprinted with permission from the September 16, 2019 issue of Employee Benefit Adviser ® www.benefitnews.com. Copyright 2019. All rights reserved.
For more information on the use of this content, contact Wright's Media at 877-652-5295.