An Amwins Company

May 2023

Stop-Loss State of the Market Report

May 2023

Introduction and Overview

Highlights in this year's report include:

- Economic Conditions and Government Policy-Making
- High-Level Market Outlook
- COVID-19 Impact on Stop-Loss Claims and the Healthcare Sector
- High-Cost Claims Conditions
- Emerging Cellular, Gene and CAR-T Therapies
- Carrier/MGU Insights
- Artificial Intelligence
- Benchmarking Data Derived from Stealth's Book of Business
- Cost-Saving Considerations and Alternative-Risk Solutions

The cost of healthcare in the United States continues to increase, and, as expected, health insurance premiums are tracking on a similar upward trajectory. These rising insurance costs are one of several reasons employers transition out of fully insured pools and into self-funded arrangements.

Today's savvy employers understand the benefits of flexibility in plan design, accessibility to insights and data, and the custom cost controls a self-funded strategy can provide. While employers can exert more control over their healthcare spending, that control comes with risks. Stop-loss insurance is an integral part of most self-funded plans and an important tool in an overall strategy to mitigate exposure.

Nationwide inflation, a robust and emerging cell and gene therapy pipeline, lasering and rate-cap trends, and a market that shows early signs of hardening are just a few topics we'll explore in this year's report.

While self-funded plans have traditionally been common in larger firms, medium and smaller employer groups have become more interested in adopting self-funded plans that include stop-loss insurance and creative cost-containment solutions to mitigate healthcare expenses.

Troves of information are at the fingertips of sophisticated consumers, and balancing risk, cost and appropriate protection to employer groups is critical and complex. Informed brokers, supported by our knowledgeable stop-loss experts, are key to cutting through the clutter and aligning employer groups with appropriate coverage.

Fiduciary obligations under ERISA require brokers to stay aware and compliant, and a misstep can result in professional and personal liability. This annual state of the market report is a tool for employee benefits brokers and consultants to stay abreast of market trends. It blends Stealth Partner Group benchmarking data with insights from stop-loss experts, actuaries and partners.

Brokers can leverage the information in this report — along with informed, specialized subject-matter experts and the extensive database of Stealth — as they proactively advocate for their clients in the year ahead.

Economic Conditions and Government Policy-Making

Inflation

Inflation is one of the most pressing economic concerns affecting nearly every individual and industry in the country. Rising expenses, salaries and benefits costs are top of mind for employers and employees/families, insurance carriers and brokers. When inflation intersects with healthcare, the result further increases the overall cost of (and potentially decreased access to) provider and professional services, therapies (including emerging and groundbreaking treatment regimens) and prescription drugs, driving higher claims costs for both fully insured and self-funded plan sponsors alike. Given this landscape, overall health plan costs will continue to rise for the foreseeable future.

Beyond the undisputed realities of price inflation, expert opinions vary regarding the likelihood the U.S. economy will slide into recession; indeed, some contend it is occurring as we write this report. Typically, recessions bring reductions in force (RIFs) across broad industry swaths, and we have already seen significant RIFs in some industries — notably technology. However, some experts we spoke with opine that, if and when recession occurs, workforce reductions may be less severe and broadly applied due to the hangover effect of the COVID-19 pandemic on the U.S. workforce.

A large number of workers chose not to return to their jobs and others migrated to the gig economy, working independently. At the same time, technology and automation continue to be deployed, eliminating the need for some types of workers. The exact impact on a specific workforce in a recession would depend on the severity and duration of the economic downturn, industry-specific dynamics, and governmental policies and regulations, but it is possible a recession — if it comes — would not have as severe of an impact on plan enrollments as has historically been the case.

Our experts strongly believe current economic uncertainties will continue to encourage employers to seek cost-containment solutions to one of their largest organizational expenses — employee healthcare. As a result, Stealth Partner Group has devoted considerable resources to understanding the myriad of cost-containment offerings available in the marketplace and developing proprietary programs that are fully integrated with our stop-loss carrier contracts.

Government Programs, Policies or Interventions

In this year's State of the Union address, healthcare priorities included Medicare Drug Price Negotiations, Mental Health Parity and the Cancer Moonshot℠ project to accelerate scientific discovery in cancer, foster greater collaboration, and improve the sharing of cancer data.[1] Each of these have clear implications for the provision and cost of healthcare in the U.S. and therefore can be expected to trickle down to stop-loss pricing.

While the 2022 Omnibus bill excluded Mental Health Parity Civil Penalties; Elimination of ERISA Discretionary Clauses; and PBM Reform, mental-health parity compliance and penalties, along with PBM transparency on drug pricing and rebates, will likely be ongoing issues of focus.[2]

High-Level Market Outlook

Stop-Loss and Alternative Risk Solutions Market Growth

According to the Kaiser Family Foundation's 2022 Employer Health Benefits Survey[3], 65% of U.S. workers are enrolled in a self-funded plan (similar to last year at 64%); however the percentage of self-funded groups purchasing stop-loss insurance has increased from 62% (last year) to 72%.

The same report indicates 38% of small firms offer a level-funded plan, which is similar to 2021 data but still much higher than prior years. A potential "significant shift" toward health-status-based rating may emerge in the small-group market; the trend will be monitored over the next few years. Alternative-risk solutions, such as level funding and captive arrangements, are common strategies to transition from a fully insured plan to self-funded status.

Overall, we expect continued growth of self-funding with stop-loss insurance in the small and mid-market segments.

Emerging Cell and Gene Therapies

Twenty-nine cell and gene therapies have received FDA approval as of May 2023, and the pipeline includes an additional 30+ therapies with anticipated approvals in the next two years. Notably, 2023 has potential to deliver the first expected sickle cell disease gene therapy, which could impact more than 58,000 Americans.

To date, experience among stop-loss carriers and MGUs with claims involving cell and gene therapies is relatively limited, while interest is very high. Some carriers/MGUs express strong concern over the potential costs (to plan sponsors and carriers), particularly as the number of approved therapies grows. However, other stop-loss carriers take a less dire position on the likely impact of cell and gene therapy, citing that the conditions requiring such treatments are relatively rare.

As the pipeline of new life-saving and life-changing cell and gene therapies grows, and more treatments come to market, stop-loss impacts will become more quantifiable and predictable.

In this environment the broker's role in advocating for the needs of their clients has never been more critical. The next 12-18 months will be pivotal to understand pricing, coverage, processes, timing and the impact of lasers for the industry in general, for individual employer groups, and for the individuals and families dealing with potentially devastating health conditions. Brokers should aligh with a stop-loss partner with demonstrated expertise in mitigating high-cost, catastrophic claims.

Mental Health Parity

The wide array of mental health issues, including depression and anxiety, have truly come center stage in our society, and the mental health of employees and their family members continues to be a trending topic within almost every sector.

The Mental Health Parity and Addiction Equity Act (MHPAEA) of 2008 requires coverage for mental health and substance use disorder treatments in all of the same ways medical and surgical services are included in a health insurance plan.

Even with robust workplace strategies to address wellbeing, promote self-care and prevent burnout, nine out of 10 adults believe there is a mental health crisis in America today. The percentage of adults reporting symptoms of anxiety and/or depressive disorder has decreased by a mere 3.6% in the past three years — from 35.9% in April 2020 to 32.3% as of February 2023.[4] This data indicates that widespread mental health challenges were not driven solely by the COVID-19 pandemic — they are here for the longer term and will continue to impact the stop-loss market.

Windsor Strategy Partners, a healthcare actuarial firm specializing in pricing, program evaluation, product development and portfolio risk management, reports a correlating 30% spike in outpatient mental health claims and a 15% increase in outpatient substance abuse year over year, based on analysis of their very large database.[5] These issues impact employer groups not only through direct claim costs, but also through lost productivity and employee engagement. We expect this to be an area of greater focus in benefit plan design over the next several years.

Employer groups must demonstrate compliance with mental health parity legislation, and an online self-assessment tool has been made available by the Department of Labor. Thus far, formal audits have been sparse, but there is speculation that federal funding may be earmarked to increase parity audits in the next 10 years.

Profitability, Renewals and Lasers

The cost of stop-loss insurance will continue to rise as carriers keep a close eye on inflation and profitability. Accelerating claim activity within therapeutic service lines (mental health and substance use disorder) and evaluating risk for fresh-to-market rare disease and cancer treatments are challenging existing models and stretching the minds of even the most seasoned actuaries.

A few short years ago, as the topic of cell and gene therapy was heating up in the stop-loss market, the deployment of lasers was a traditionally accepted response. In 2023, data from Stealth's book of business reveals an interesting shift — the number of groups with in-force lasers declined by about 16% as compared to 2022.

While one year-over-year comparison does not constitute a trend, the decline in in-force lasers is notable. We believe this reduction is driven by a few key factors:

- Normal attrition of lasers placed in prior years
- Skilled negotiations by stop-loss experts during the underwriting process
- A shift in how high-dollar claimants are managed through the implementation of well-designed, effective cost-containment solutions.

In both 2022 and 2023, 68% of Stealth's groups selected a no new laser rate cap provision. This provision generally is more prevalent for larger groups and is consistent year over year.

Self-insured employers, especially smaller ones, are seeking additional protection outside of traditional stop-loss contracts. Despite the up-front costs of purchasing additional provisions like rate caps and NNL policies, the benefit of risk transfer and/or avoidance often proves to be financially meaningful.

As carriers become more conservative in their underwriting, groups must — and can — take precautions to limit their catastrophic exposures. While wellness initiatives such as gym memberships and preventive care incentives for early disease detection are popular strategies intending to address rising insurance costs, larger-scale forward-thinking solutions are critical.

Creative mitigation strategies, such as specialty coverage for cell and gene therapy treatments or transplants, will adequately protect employer groups as high-cost therapies attain FDA approval and come to market. In 2023, 48% of Stealth's clients with January effective dates added gene therapy coverage to mitigate the high cost of such treatments.

While the market is predicted to harden, it remains highly competitive. In fighting to retain business incumbent carriers are (generally) restricted in their ability to attach new lasers, while carriers seeking to win the business have the flexibility to carve out known risks through a "new" laser. Benefits brokers and consultants need to be prepared to have difficult conversations about lasering with groups that include known high-risk members.

% of Groups with Laser Present		
Group Size	**2022**	**2023**
up to 100	48%	29%
up to 250	46%	30%
up to 500	50%	31%
up to 1,000	37%	28%
up to 1,500	52%	23%
up to 2,000	31%	12%
up to 5,000	32%	17%
5,000+	41%	15%
Total	**44%**	**28%**

% of Groups with No New Laser and/or Rate Cap		
Group Size	**2022**	**2023**
up to 100	46%	45%
up to 250	64%	65%
up to 500	72%	73%
up to 1,000	75%	74%
up to 1,500	71%	71%
up to 2,000	76%	78%
up to 5,000	81%	79%
5,000+	73%	76%
Total	**68%**	**68%**

Data based on Stealth's book of business.

COVID-19 Impact on Stop-Loss Claims and the Healthcare Sector

The federal government announced the end of the COVID-19 Public Health Emergency on May 11, 2023. While stop-loss costs directly attributed to COVID-19 were not significant in the context of the overall size of the industry (for example, single-year reimbursements for Sun Life in 2021 topped $61M[6]), coronavirus claims did become an entirely new class of catastrophic claim.

The longer-term impacts of morbidity and mortality are also not as pronounced as initially projected, and the ramifications of post-COVID syndrome or "long-COVID" are also not expected to be as severe. Experts note that the large individual COVID claims that had never been in the mix prior to 2019 nearly replaced other types of typical claims such as cancers, cardiovascular disease, hospitalizations or other costly claims that may have gone unaddressed over the past few years.

Cancers have claimed the uppermost ranks in Sun Life's Top 20 High-Cost Claims Conditions for over a decade, and the expectation is this will remain the case as we emerge from the pandemic period.

According to providers and payers, however, the most notable COVID-related stop-loss impact was the disruption and delay in cancer screenings and routine preventive care, resulting in later-stage cancer diagnoses and higher treatment costs. The same can be said for unaddressed or postponed care for cardiovascular disease and other chronic conditions — negatively impacting outcomes in many cases and requiring costlier treatments.

The U.S. healthcare system is grappling with broad challenges exacerbated by the Pandemic. Experts continue to unravel considerations surrounding treatment efficacy, patient and provider choice and the true cost of care. Additional systemic drivers of high-cost stop-loss claims include healthcare personnel shortages, physician burnout and a lagging workforce development pipeline.

Even with these changes, the anticipated surge in claims as care returns to pre-Pandemic levels and as Americans continue to slowly "catch up" on postponed care has not fully materialized.

High-Cost Claim Conditions

Sun Life and Tokio Marine HCC (TM-HCC) each publish annual research reports that have become highly referenced sources regarding high-cost stop-loss claim trends. The data below originated from the Sun Life's "2022 Stop-Loss Research Report: High-cost claims and injectable drug trends analysis."

Conditions with the highest number of million-dollar+ claims are relatively similar from year to year.

Leukemia, Malignant Neoplasm, and Newborn claims are historically in a battle for the top spot, almost always landing in the top three. Cardiovascular claims typically settle somewhere in the top five, although that was not the case in 2021. We predict Cardiovascular claims may replace COVID-19 claims in the next year or two, as individuals continue to "catch up" on preventive care and screenings and as large coronavirus claims decline significantly.

Conditions with the Highest Number of Million-Dollar+ Claims by Year

Rank	2018	2019	2020	2021
1	Malignant Neoplasm	Newborn	Leukemia	Leukemia
2	Leukemia	Leukemia	Newborn	Malignant Neoplasm
3	Newborn	Cardiovascular Transplant*	Malignant Neoplasm	Newborn
4	Cardiovascular	Hemophilia/Malignant Neoplasm*	Cardiovascular	COVID-19
5	Congenital Anomaly	Congenital Anomaly	Respiratory	Congenital Anomaly

Majority condition for each claimant was used.
* Conditions for million-dollar+ claims that tied.
Source: 2022 Sun Life Stop-Loss Research Report: High-cost claims and injectable drug trends analysis // Sun Life book of business data, first dollar claims, 2018-2021

Top 20 High-Cost Claim Conditions: Stop-loss claim reimbursements

4 Year Rank	2021 Rank	Condition/Disease/Disorder	2021 Single Year Reimbursements	2018-2021 Reimbursements
1	1	Malignant Neoplasm	$294.9M	$1.03B
2	2	Leukemia, Lymphoma, Multiple Myeloma	$117.0M	$443.1M
3	3	Cardiovascular	$102.3M	$389.4M
4	4	Orthopedics/Musculoskeletal	$89.6M	$297.5M
5	5	Newborn/Infant Care	$82.3M	$287.0M
6	6	Respiratory	$65.0M	$234.1M
7	11	Urinary/Renal	$57.5M	$222.6M
8	9	Neurological	$61.2M	$210.7M
9	10	Gastrointestinal/Abdominal	$59.3M	$200.9M
10	7	Sepsis	$64.2M	$182.4M
11	13	Congenital Anomaly (structural)	$41.9M	$172.0M
12	12	Physician Treatment	$47.1M	$143.1M
13	17	Transplant	$26.7M	$127.8M
14	14	Cerebrovascular	$29.8M	$98.7M
15	16	Hemophilia/Bleeding	$28.4M	$96.3M
16	19	Immune System	$21.2M	$87.5M
17	15	Mental and Behavioral Health	$28.5M	$87.1M
18	18	Malnutrition	$23.1M	$79.8M
19	8	COVID-19	$61.5M	$75.4M
20	21	Blood and Blood Forming Organs	$18.6M	$72.0M
		Stop-loss reimbursements for top 10 conditions		**$3.50B**
		Stop-loss reimbursements for top 20 conditions		**$4.54B**
		Stop-loss reimbursements for all conditions		**$4.97B**

Indicates a change in 3 or more places compared to the single-year rank

38% Top 3 conditions

70% Top 10 conditions

A relatively small number of conditions with the highest number of million-dollar+ claims typically drive nearly 40% of total claim reimbursements. We expect Sun Life's top 10 high-cost claims conditions to remain similar to prior years, with the possibility of some swapping of positions while overall trends continue. As indicated previously, we anticipate that COVID-19 claims will decline in magnitude and likely fall out of the top 10 entirely in the next year or two.

Source: Sun Life book of business data, stop-loss reimbursements from 2018-2021

High-Cost Injectible Drugs

Injectable drugs are notable drivers of overall healthcare costs and high-cost claims. The wide range of average costs — from Neulasta® at $37.1K to Zolgensma® at $2.1M — clearly demonstrates the need for responsive cost-containment solutions. Employer groups must brace themselves for even higher costs for the same injectable drugs today and understand that eligibility requirements for certain treatments will expand to include more individuals.

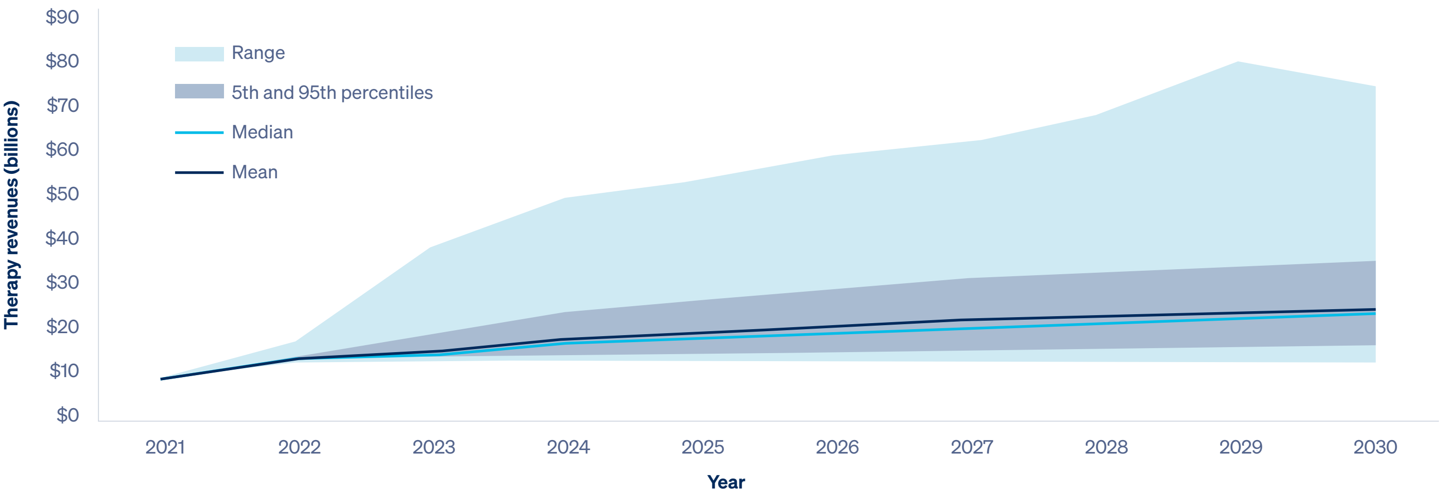
Evolving member needs and anticipated FDA approval of new, innovative treatments will also likely spike utilization and demand in both the near- and long-term.

Emerging Cellular, Gene and CAR-T Therapies

Human gene therapy aims to change a gene's expression or the biological characteristics of living cells to treat or cure a specific disease. While the groundbreaking benefits are incredible, in many cases so are the costs. The research, clinical trials and approval phases are exceptionally time- and resource-intensive. A few short years ago — in 2019 — Zolgensma® (a treatment for spinal muscular atrophy) broke the $2M barrier. While these therapies are life-changing, without a well-designed strategy in place, their costs can represent a significant threat to plan-sponsor finances as well as stop-loss carriers.

Twenty-nine treatments have received FDA approval as of May 2023, and the pipeline of new therapies is robust. An additional seven to 10 gene therapies will likely be approved and market-ready by the end of 2023.

Pharmaceutical companies have ramped up the research and testing efforts that were pushed to the back burner due to COVID-19, and approvals and the formal introduction of new drugs will accelerate in the next one to three years. Experts note the faster pace of FDA-approved treatments coming to market will result in higher-cost trend increases. The November 2022 release of Hemgenix® to treat adults with Hemophilia B at $3.5M per dose may pose a glimpse into the cost of breakthrough therapies in the years ahead.



Source: Durable cell and gene therapy potential patient and financial impact: US projections of product approvals, patients treated, and product revenues
Author: Colin M. Young, Casey Quinn, Mark R. Trusheim; Publication: Drug Discovery Today; Publisher: Elsevier; Date: January 2022

Along with an accelerating go-to-market pace, the rare health conditions addressed through cell and gene therapies are of note. Some of these therapies treat extremely rare diseases affecting only a few hundred people in the U.S. each year. Other therapies in the development and approval pipeline address more commonly diagnosed — but still rare — conditions such as sickle cell disease and diabetic peripheral neuropathy.

It is unclear if, when and how any additional government intervention(s) might play into the price and value strategies in this emerging market. Existing payment systems are not equipped to provide widespread access to the coming wave of therapies. While there has not been significant government intervention yet, some experts surmise that the high cost of these therapies may further stress America's healthcare system — particularly state Medicaid programs — that must provide access to and pay for these therapies.

While brokers do not need to become experts on every new therapy or brand name, they do need to understand that the cost-to-benefit analysis of gene-therapy coverage is complex and evolving. The stakes are high when it comes to adequately estimating and providing for the risk.

Brokers and employers should stay informed and tap into a trusted partner well-versed in this evolving field. Timing is of the essence. If they have not already, groups should explore options and access programs to mitigate unknown and future risks and pre-existing condition clauses.

Gene Therapy Pipeline

Expected Date of Approval	Clinical or Commercial Therapy Name	Condition Treated	Estimated Potential U.S. Candidates	Cost*
8/17/2022	Zynteglo	Beta Thalassemia	1,450 adult and pediatric patients	$2.8M
9/16/2022	Skysona	Cerebral Adrenoleukodystrophy (CALD)	700 pediatric males	$3M
11/24/2022	Hemgenix	Hemophilia B	2,600 adult patients	$3.5M
7/1/2023	Roctavian	Hemophilia A	7,500 adult patients	$2.5M
7/1/2023	Lovo-cel Exa-cel	Sickle Cell Disease	58,000 adult and pediatric patients	$2M

**Approximate cost estimates are based on publicly available data at the time of this publication.*

Carrier/MGU Insights

Healthcare providers were exceptionally busy over the past few years, but their busyness did not necessarily correlate to profitable bottom lines. Although the hundreds of billions of dollars infused into the healthcare sector through government programs and incentives[7] provided some temporary relief, lost or lower-than-anticipated revenues hurt many health systems financially. Consolidation among healthcare systems and providers will continue to increase their bargaining power, driving harder contract negotiations and the possibility of higher provider and procedure costs.

In general, carriers are highly focused on leveraging data, prescription-drug management and cost-containment strategies, and alternative self-funding solutions to support employer and broker priorities relating to employee health and wellbeing. Differences emerge in how a stop-loss carrier accepts and reacts to risk depending on its mission and leadership's appetite for risk. Each carrier is well-versed in risk assessment, but the various types of stop-loss claims and a myriad of considerations outlined in this report also shape how carriers integrate cost, profitability and sustainability across their specific organization.

Renegotiation of contracts is a looming concern. During the pandemic, many providers did not have the capability to renegotiate their contracts and continue to be reimbursed the same contractual rates they had been reimbursed prior to the crisis. As most of the country has moved back to business as usual, contracts may look materially different now than they did a few short years ago. New and adjusted ways of delivering care, including more robust safety protocols, per-diem staffing costs, enhancements to pay scales, upgrades to ventilation systems and more will drive a notable rise in the cost of care delivery.

Providers and carriers may also aim to recuperate what they consider lost earnings from the past few years. These complex renegotiations will result in a significant shift in contracts and may lead to increased costs for stop-loss carriers and self-funded groups.

Some stop-loss experts are more concerned about the widespread impacts of America's fractured healthcare system, primary care workforce shortages and contract renewals (in a hardening environment) than the accelerating pipeline of cell and gene therapies.

Artificial Intelligence

The recent explosion in data creation — both structured and unstructured — has led to considerable efforts in information storage and management. While having data at the ready is a solid start, an emerging challenge lies in understanding the story the data tells and determining the right steps to take next.

Artificial Intelligence (AI) has emerged as an innovative tool for brokers. It boasts the ability to improve predictions about future trends, make better-informed decisions, reduce risk, improve profitability and level the playing field between smaller companies and larger enterprises. AI has been said to weave speed, accuracy and profitability into the mix regardless of organizational breadth.[8]

However, just as is typically the case with any new-to-market technology, adoption rates of AI for brokers are relatively low. Outside of the cost, integration and learning to use an entirely new technology, brokers are concerned about AI's ability to de-identify data, ensure HIPAA compliance and handle bias in models.

While AI may not be commonplace in the broker community, AI solution providers are noting a rapid adoption in health underwriting and aiming to attain a more nuanced picture of group health risk.[8]

AI is a tool, not a silver bullet. Brokers can leverage AI for its core function — analyzing data. Brokers can then do what people do exceptionally well — listen, provide feedback and build long-term relationships through face-to-face interactions.

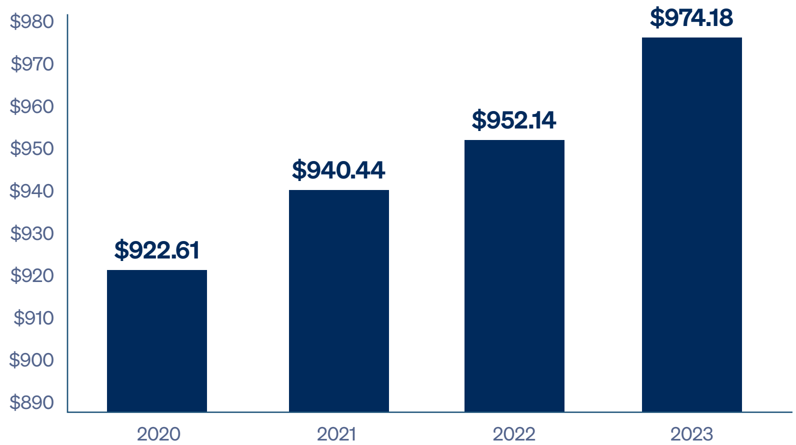
Similar to the healthcare market's integration of AI to understand complex relationships between diagnoses and prescription drugs, stop-loss is ripe for this powerful, insightful technology. Informed consumers will be aware of AI and likely inquire how a broker is (or is not) utilizing it as a risk-mitigation tool to best serve specific groups.

Stealth's experts believe brokers should remain very open to AI's possibilities and consider how its use might benefit their business. Once AI becomes a bit more commonplace, adoption will accelerate quickly. Late adopters will be left far behind.

Benchmarking Data

The following data from Stealth's book of business is provided as a benchmarking tool for brokers to compare similarly situated groups and assist employers in determining which stop-loss solutions will most appropriately balance risk, cost and protection.

Average Per Employee Per Year Stop-Loss Premium: 4-Year Look Back*

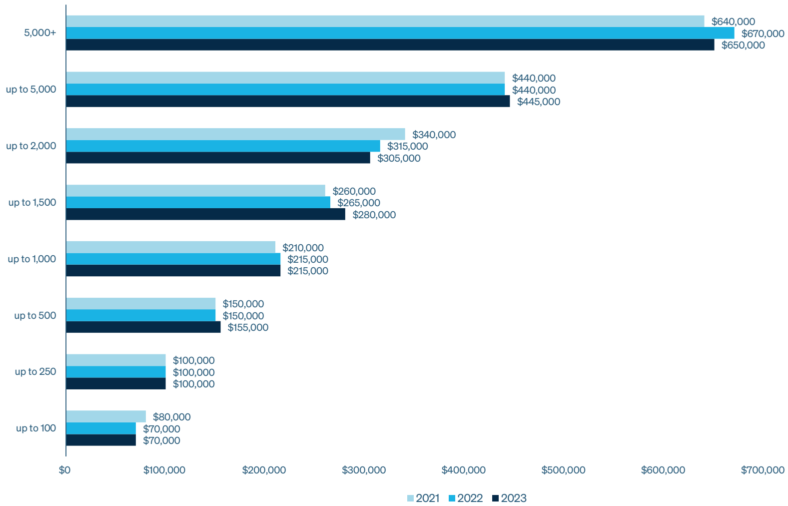


Key Takeaway: From 2022 to 2023, the average non-normalized premium has changed by about 2.3%. This is a higher trend compared to years past. Groups that select higher deductible levels ($400K or more) are seeing above-average increases.

Note: These amounts are not normalized for market and reflect changes in book of business, employer size, deductible, and/or lasers, etc.

**Stop-loss premium = specific and aggregate premium combined.*

Average Specific Deductible by Group Size: 3-Year Look Back



Key Takeaway: Overall, the average specific deductible remained relatively flat year-over-year. This reflects a similar pattern from last year. Growth in the single digits is reflective of a competitive market showing early signs of hardening.

Note: These amounts are not normalized for market and reflect changes in book of business, employer size, deductible, and/or lasers, etc.

Percent of Cases Electing Aggregating Specific Deductible and Corresponding Premium Decrease

	2022		2023	
Specific Deductible	**% Elected Aggregating Specific Deductible**	**% Premium Decrease**	**% Elected Aggregating Specific Deductible**	**% Premium Decrease**
up to $50K	21%	10%	22%	12%
up to $75K	31%	16%	33%	13%
up to $100K	36%	14%	29%	15%
up to $125K	39%	17%	33%	16%
up to $150K	30%	15%	26%	16%
up to $175K	36%	18%	30%	19%
up to $200K	27%	17%	26%	16%
up to $250K	32%	21%	35%	19%
up to $300K	25%	21%	21%	23%
up to $400K	21%	24%	24%	22%
up to $500K	11%	16%	10%	15%
up to $750K	29%	17%	32%	15%
up to $1.5 M	15%	16%	12%	15%

Key Takeaway: Overall, similar to last year, a consistent number of groups elected aggregating specific deductible. Most experienced a slightly lower decrease in premium, likely due to higher overall premium trends resulting from a hardening market.

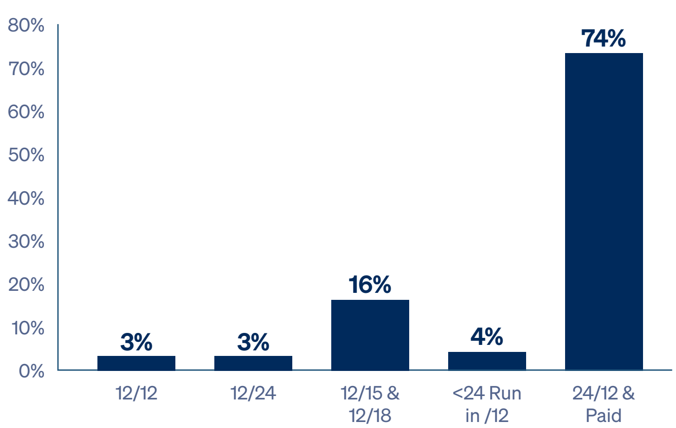
Aggregate Coverage

Group (EE) Size	2021 % of Cases with Aggregate Coverage	2022 % of Cases with Aggregate Coverage	2023 % of Cases with Aggregate Coverage
up to 100	85%	86%	87%
up to 250	85%	86%	86%
up to 500	75%	71%	75%
up to 1,000	61%	64%	65%
up to 1,500	46%	45%	44%
up to 2,000	32%	44%	52%
up to 5,000	21%	15%	12%
5,000+	0%	12%	12%

Key Takeaway: Claims predictability naturally increases as the number of employees in a group increases, so larger groups are more willing to forgo aggregate coverage. Consistent with recent years, the majority of groups with less than 1,000 employees do elect aggregate coverage. Take note of the larger groups with up to 2,000 employees that have elected aggregate coverage. The data shows 32% in 2021; 44% in 2022; and 52% in 2023; this appears to be a consistent and potentially interesting trend.

Note: While it may look odd to see any groups with over 5,000 employees with aggregate coverage, there are some entities (like school districts), that are legally required to purchase aggregate coverage. While catastrophic claims risk is an increasing concern even for those large groups, unless legally obligated, very large groups are still not purchasing aggregate coverage.

Contract Type Breakdown



Key Takeaway: Compared to our 2022 Stop-Loss State of the Market report, the distribution by contract types remained consistent, with the majority of contracts sold on a paid basis. Paid contracts are typically attributed to more mature groups that require continuation in coverage without gaps.

Cost-Saving Considerations and Alternative-Risk Solutions

Captives

Healthcare inflation has a disproportionate impact on small to mid-size employers without broad risk distribution. These groups traditionally have been limited to fully insured plans, allowing minimal information on member utilization and cost-saving measures. The emergence of stop-loss captive arrangements has created a more viable opportunity for small to mid-size employers to leverage the stability and cashflow protection of stop-loss solutions.

Contrary to popular belief, all captives are not created equally — financial results and/or member experience will differ. Some captives may lack transparency — sliding across the line with hidden fees — and some may lock in groups for longer periods of time. When implemented appropriately, though, captives can provide turn-key, almost simplistic, strategies to gain more purchasing power and lower administrative fees while diversifying risk and covering specialty drugs. Captives also offer greater access to specialty programs and cost-containment solutions.

Stealth offers integrated solutions for high-impact claims through proprietary patient assistance, dialysis carveout, gene therapy and other programs.

Cost-Containment Solutions

Cost-containment solutions fit hand-in-glove with self-funded plans, so it makes sense that the number of offerings has multiplied in recent years. The challenge with the current cost-containment model is not lack of choice but rather knowing how to separate the signal from the noise.

Brokers are critical in guiding employers to the solutions relevant to their specific group, but navigating a fractured process can be tricky. While no employer — no matter how well they know their group members — can predict a cancer diagnosis, premature baby or kidney disease, we do know that systematic, integrated cost-containment solutions will improve the health of the whole system. The plethora of vendors offering patient assistance programs (PAPs) and medical assistance programs (MAPs) is allowing for consumeristic cost-savings opportunities for employer groups. The downside of having so many options emerges when disparate programs are pieced together. Overlap between programs — while unintentional — may result in unnecessary costs, and gaps may emerge as unexpected exposures.

Brokers must review proposals in detail and should lean on reputable partners, like Stealth, to dissect, understand and report program results. Stealth experts also keep a finger on the pulse of the wide range of program updates to support a broker in evaluating and strengthening the value delivered to clients.

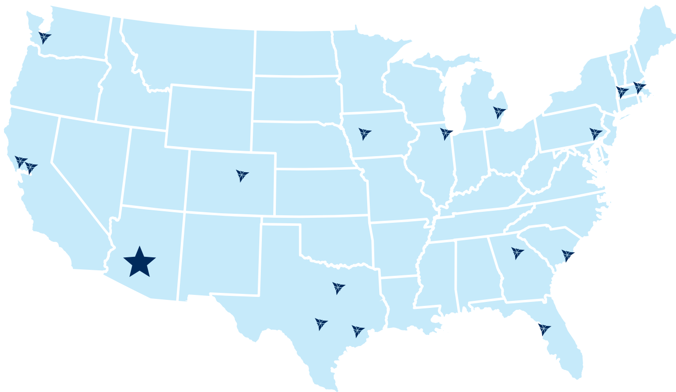
Stealth: Bringing Best-in-Class Expertise to You

Plan design traditionally has been based on historic claims data unique to each employer. While the core health conditions contributing to billions of dollars in stop-loss claims — such as kidney disease and dialysis, hospitalizations, cancers, transplants and premature births — will continue to be consistent drivers of high-cost claims, new and emerging variables in this report (such as widespread challenges in the existing health system, high-cost specialty drugs and therapies, and AI) will pose new challenges for actuaries, carriers, brokers and their clients.

The unique mix of geography, people, culture and expectations of each group plays an important role in developing effective coverage plans. Brokers must understand these critical nuances.

We recommend focusing on the big picture and dialing into the details with a Stealth expert. While it can be tempting to react to — or completely ignore — an unknown variable such as cell and gene therapy, brokers are obligated to ensure their clients have the guardrails in place now to protect against the myriad of unknown risks ahead.

Stealth brings unrivalled knowledge and expertise to the growing and increasingly complex stop-loss marketplace. Our team is ready to objectively evaluate all options with a critical eye and recommend thoughtful strategies that provide the most benefit for your clients.



#1 Largest Stop-Loss Wholesale Broker	**$1.5B+** Premium Placements	**2,200** Groups	**37** Carriers/Markets
4.6M+ Lives Covered	**250** Employees Nationwide	**29** National Producers	**17** Locations

stealth PARTNER GROUP

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Sources:

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[2] Self-Insurance Institute of America, Inc. (SIIA), Advocacy in Action Webinar, January 2023

[3] Kaiser Family Foundation, Plan Funding in Employer Health Benefits 2022 Annual Survey, Section 10.

[4] Kaiser Family Foundation, The Implications of COVID-19 for Mental Health and Substance Use.

[5] Windsor Strategy Partners, Inc.

[6] Sun Life, 2022 Edition High-Cost Claims and Injectable Drug Trends Analysis

[7] Kaiser Family Foundation, Funding for Health Care Providers During the Pandemic: An Update.

[8] Gradient AI

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