

Business. More Clearly.

Volume 3



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- The Stop Loss Industry is Growing. What That Means for Business.

The Stop Loss Industry Update

Market Insight

by Mark Lacher

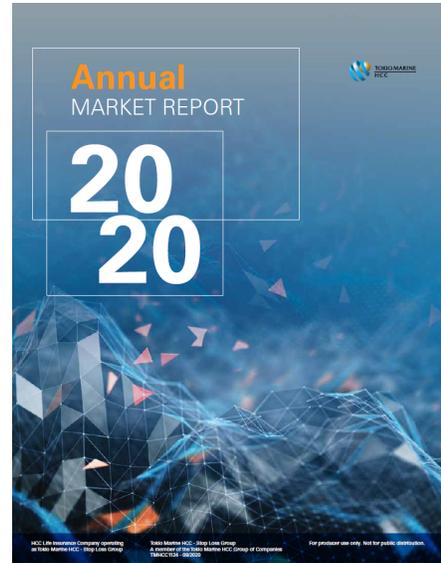
Since the passing of the Affordable Care Act in 2010, many more employers have moved to self-funding their health plan. Employers pay for their small claims and purchase specific and aggregate stop loss protection to ensure against any individual or group of claims having a negative financial impact for the employer. Our team here at Lacher often talks about self-funding as “owning” your healthcare plan, just like you own a house – this forces you and your team to be more involved and invested in the long-term success of your “healthcare house”. It gives you data and flexibility that you simply cannot have if you “rent” or fully-insure your health plan.

Since more and more employers are moving to self-funding it has created tremendous growth in the stop loss market. According to Tokio Marine's 2020 Market Report, in 2019, stop loss carriers took in approximately \$23 billion in premium, up from \$14 billion in 2015 – that amounts to 64% growth in 5 years.

At the same time, the elimination of lifetime maximums and annual plan limits, a small often overlooked provision of the ACA, coupled with new-to-market specialty Rx has led to an increase in frequency and severity of large claims. Case in point, new to market drugs to treat spinal atrophy in children under the age of 2 and hemophilia are estimated to cost in excess of \$2 million per year. And new gene therapies are also coming, which will continue to drive the high cost claims even higher.

We used to say that 20% of claimants were driving 80% of claim spend.

Now we are saying 5% are driving 50, 60, sometimes 70% of overall spend.



2020 Annual Market Report



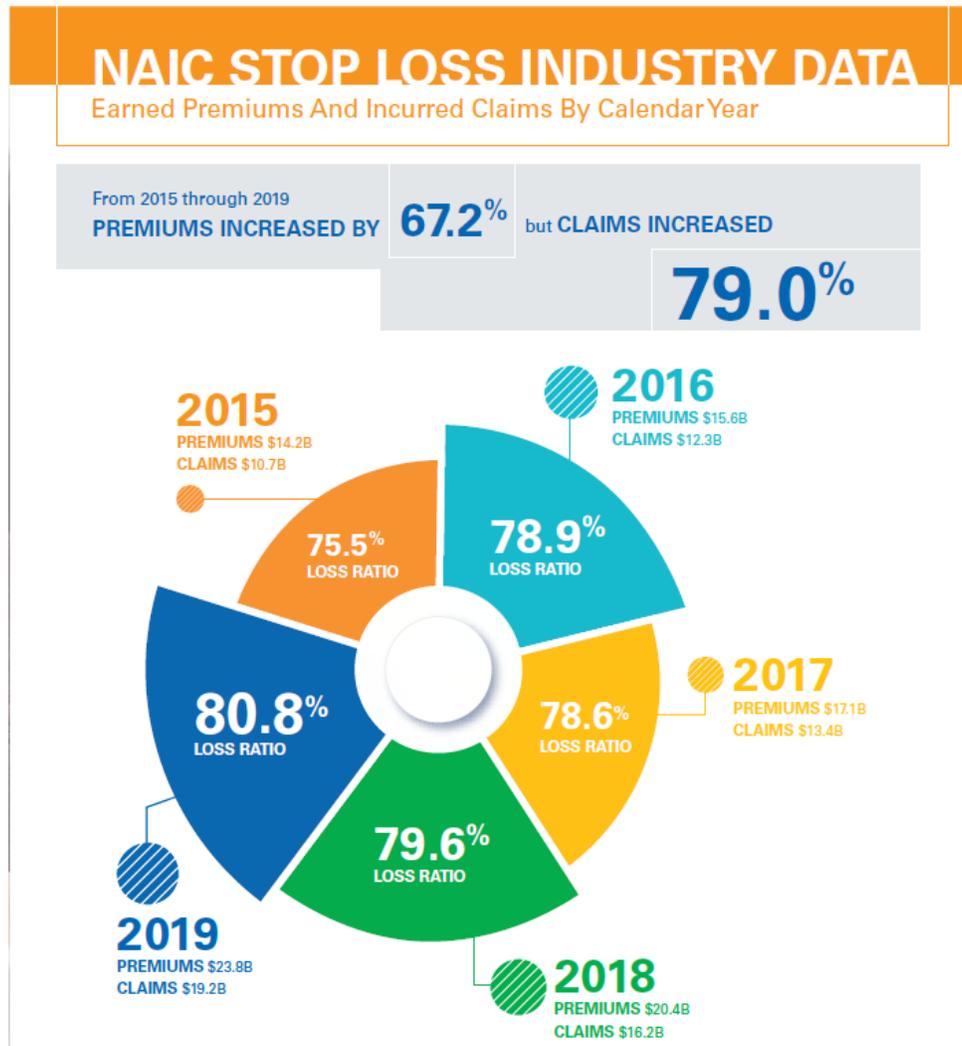
The frequency and severity of claims in excess of \$1M continues to outpace overall block growth.

Tokio Marine HCC
Annual Market Report



Conclusion

Bottom line. As the chart here details, the stop loss market continues to grow in overall premium; however it is challenged by the dynamic growth of high cost claims.



Source: National Association of Insurance Commissions.
Excerpted from the Tokio Marine Annual Market Report 2020.

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