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Stop-Loss: Not a Commodity

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Managing the financial risk of high dollar claims is one of the primary challenges of many self-funded medical plans. High dollar claims are an ever increasing percentage of total healthcare claims. At HMA, we recognize that stop-loss to protect against these claims is not a commodity that can be purchased solely based on basic contract provisions and price. There are many aspects of stop-loss coverage that need to be understood to effectively manage risk. It is important to work closely with stop-loss carriers who maintain a philosophy of providing seamless protection and strong relationships with a Third Party Administrator (TPA).

HMA has developed criteria for reviewing carriers, contract terms, and administrative guidelines to ensure the most effective management of high dollar claims risk. Here, we've provided a few key contract terms – beyond rates – to carefully consider when selecting and reviewing stop-loss carriers.

Financial Strength

It is essential that the stop-loss carrier be there when they are needed. Continually review their financial viability with a primary focus on ratings from the major rating services.

A carrier with a substantial block of business and tenure in the region is desirable. Carriers that are committed to being in the local market will develop their strategies based on that commitment. They will staff their regional offices accordingly and provide dedicated resources in their home office to provide working relationships with the groups and the TPA. This leads to better administrative efficiency, minimized risk, and competitive rates.

Underwriting Practices

It is important that groups be protected from risk at the time of renewal. If a group has high stop-loss claims volume in one year, the stop-loss carrier may laser a high risk individual (exclude them from future coverage) or propose a large rate increase, neither of which is desirable by the employer providing the self-funded plan. This risk can be mitigated by working with carriers that offer no-new-lasers at renewal provisions and renewal rate increase limits. When the two provisions are combined, they provide significant rate and financial risk protection for the group. Alternatively, carriers that use a pooling approach do not assign all of the high dollar claims experience to a single group, reducing the potential for large rate increases.

Contracts

A risk that is often overlooked is the potential for gaps between the stop-loss contract and the group's summary plan document. If there are conditions or treatments that are covered by the plan document but excluded in the stop-loss contract, the employer can be at significant financial risk. Work with your TPA partner to assure gaps are eliminated.

Claims Processing

Each carrier has unique claims filing procedures and guidelines. Two examples are: 1) The length of time a claim or an adjustment to a claim may be submitted at the end of the contract period, and 2) policies regarding pre-funding, a process where the carrier pays the claim prior to the group funding the claim. These considerations can impact the group's risk and cash flow.

Strong relationships between the carrier, the TPA and the group are important in mitigating claim payment disagreements. This can be especially valuable in appeal situations where there are claims that are denied that are subject to plan language interpretations. It is important to understand how strictly carriers adhere to their administrative guidelines and contract terms as this may significantly impact the outcome of these disputes. Maintaining an open dialog between all three entities is essential to building the relationship.

Medical Case Management

Many carriers maintain their own internal case management teams which support and contribute to successful outcomes. A payer's medical case management department should develop effective working relationships with a carrier. Efficient communication enables the stop-loss carriers to be aware of potentially large claims at an early stage and to work with your payer collaboratively to ensure best care at optimal prices.

Carriers that recognize the quality of work performed by the payer's medical case management team may decrease their rates. Also, carriers who recognize the potential impact of disease and maternity management programs and discount their rates are well positioned to be long term partners.

Premium Processing

In months where cash flow may be tight, it is important to have a carrier with flexible grace periods in the payment of premiums. Will the carrier hold claims if premiums are not received? How will they work with a group to ensure that coverage remains in force? Answering these questions and understanding the carrier's policy in advance will be critically important to the overall management of the plan.

Financial strength, underwriting practices, contract alignment, claims processing, medical case management, and premium processing are all very important variables that must be understood when considering a stop-loss carrier. HMA carefully evaluates and selects their stop-loss carrier partners to assure the best combination of protection and value for our self-funded customers. To learn more about the importance of having the right stop-loss carrier, contact HMA.

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