

Every aspect of your business is touched by COVID-19

Take back some control by reviewing your stop-loss coverage

July 2020

During these unprecedented times, organizations are having to evaluate their options to help their employees where they can. Amidst it all, employers are also making difficult decisions to address the financial and business pressures caused by COVID-19. The need to take a fresh look at every aspect of your insurance particularly with your health benefits stop-loss coverage is a good place to start.

It's important to keep in mind that certain decisions or legislatively mandated changes could result in a denial of stop-loss coverage by your stop-loss provider. That is a situation you want to avoid.

Here we'll examine how stop-loss carriers are responding to this issue, from a contract and coverage perspective, and discuss recommendations to help ensure there are no gaps in protection for your organization.

The good news: For the majority of stop-loss carriers in the marketplace, pandemics are NOT a policy exclusion.

What's Inside

- The cost impact of the pandemic is a story that is still being written
- How stop-loss carriers have responded so far
- Your business is facing unprecedented challenges. But you can take action to safeguard your company

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Beyond natural concerns for your employees' health, you likely have questions about the cost impact of the coronavirus pandemic on your business. The truth is that the impacts are difficult to generalize in one forecast as one-size does not fit all, and new data is emerging daily.

A major driver of cost will be the number of intensive care unit (ICU) versus non-ICU hospitalizations of varying incidence based on your participants age distribution, geography, and your industry working conditions.

And these incremental costs are expected to be offset by participants deferring preventive and elective medical care based on:

- Health care provider shutdown realities due to state-specific governor and local board of health instructions
- The "fear factor" – Participants may not seek care even when available due to safety concerns

Quick Take: Furloughs. Quarantines. Social distancing. Flattening the curve.

These are some of the aspects of the pandemic that we're all already very aware of, but for your business, there are many other considerations both large and small. You most likely have a health benefits stop-loss insurance plan for an unprecedented event like COVID-19. This is the right time to re-acquaint yourself with the detailed terms of your coverage and what they mean for your company.

Drivers of high cost claims, so far in 2020, appear to be related to new inpatient costs associated with COVID-19 and an increase in mental health spend. However, the silver lining is that they are offset by deferrable elective surgeries and lower incidence of traumatic injuries.

Here's how stop-loss carriers have responded so far:

Carriers have generally been supportive and accommodating of the changes organizations have made to support their workforces and to comply with evolving legislation during these challenging times.

According to our observations, below are ways in which stop-loss carriers are supporting their policyholders:

Grace Period – Extending Deadlines

- o Premium Payments – Carriers are complying with the insurance departments that require extended deadlines as well as making their standard timing requirements, however, some contacts that already have generous grace periods may not be granted additional flexibility.
- o Claim file submissions – Carriers are following the existing policies in place as most claims are automatically submitted electronically. Exceptions may be made on a case by case basis.

What is stop-loss coverage?

Stop-loss insurance (also known as excess insurance) provides protection against catastrophic or unpredictable losses. It's purchased by employers who have decided to self-fund their employee benefit plans, but don't want to assume 100% of the liability for high cost claims.

Core Plan Changes that impact the stop-loss contract

- o Waiving participant cost-sharing – COVID tests, telemedicine visits, and COVID treatment will be covered under the policy at the same rates through the end of the contract period, even though such changes typically trigger re-rating.
- o Early Rx Refills – Early prescription refills to ensure participants have a 30-day supply will be allowable expenses under the policy.
- o Most carriers do not require plan amendments and/or notification for these changes, but some may.

Covered Population Changes – The stop-loss carrier reserves the right to re-rate the plan if you change the covered population; these actions change the risk profile of the population they've chosen to cover.

- o Extending eligibility to special leave of absences, reductions in force, quarantines, temporary layoffs and furloughs, etc.
- o Carriers are considering population changes on a case by case basis:

Most will require notification of such changes and will keep the stop-loss rates the same, while continuing coverage as long as premiums are paid for these individuals.

Some will require plan amendments and reserve the right to re-rate if the population changes drastically.

TIP: Keep your carrier in the loop. Be aware that they may raise your premiums.

Policy Administration

- o During this time, "wet" (manual) signatures on policy forms, applications, etc. can generally be substituted with either e-signatures or confirmation emails until companies return to their physical workplaces.

Attachment Point and Deductible Changes and Policy Provisions

- o Carriers are NOT allowing changes to attachment point or adding any policy provisions mid-year.
- o Generally, these will need to wait till the end of the contract and changes can be made for the renewal.

"Plan sponsors should be proactively open and transparent with their stop-loss partners about the changes they are making to their workforce and benefits during this period. This approach will help plan sponsors avoid unhappy surprises later in the year."

- Rohan Laungani, Fidelity Workplace Consulting Health Care Actuary

Your business is facing unprecedented challenges. But you can take action to safeguard your company.

Remember that this moment in time is precisely why you have a stop-loss plan in the first place. But simply having coverage is not enough. We consider these the three most important stop-loss action steps you can take at this time:

The cure for information overload. Talk to us.

There's a lot of information to decipher before you can determine your best course of action. The COVID-19 pandemic has challenged plan sponsors in numerous ways and is prompting them to rethink their health care strategies. At Fidelity Workplace Consulting, we are here to help you explore your options and next best steps.

During this time, it's important to be aware of the issues, read your policy fine print and keep your stop-loss carriers accountable. Talk to us. We can help. Fidelity Workplace Consulting provides customized impact to each individual client organization depending on your particular industry, employee population and geography. Your unique situation and needs will dictate our recommendations.

To learn more about our Workplace Consulting Services, please contact your Fidelity Managing Director or email the Fidelity Workplace Consulting group at fidelityworkplaceconsulting@fmr.com.



- Review your policy. Read your stop-loss policy to ensure there are no exclusions for "act of God" or "pandemics".
- Keep lines of communication open. Contact your stop-loss carriers to notify them of:
 - All plan changes being made
 - Applicable furloughs, reduction in hours and leave of absence changes that significantly alter the covered population
- Talk to your counsel. Contact your ERISA counsel to review:
 - Applicable layoffs and reduction in hours that might create a COBRA obligation for you as a plan sponsor
 - Core and stop-loss plan amendments, as needed