

STOP LOSS COVERAGE

As part of your group benefits plan, your Extended Health Care (EHC) coverage includes a feature called Stop-Loss protection. This is an important safeguard designed to protect both your plan and your employees against the financial impact of very high-cost health claims.

What is Stop-Loss Coverage?

Stop-Loss coverage places a maximum limit on the amount your plan is responsible for on any single individual's eligible health claims in a calendar year. Once that limit (known as the stop-loss threshold) is reached, any amount claimed in excess of it will not be included in your renewal rate calculation.

For most of our clients, the stop-loss level is \$10,000 per person per year. Some plans have higher thresholds (e.g., \$15,000 or \$25,000), depending on plan size and funding arrangements.

Example:

If an employee or dependent has \$75,000 in prescription drug claims in a year and your stop-loss level is \$10,000, your plan would be responsible for the first \$10,000. The remaining \$65,000 would be covered by the insurer under the stop-loss provision. This structure ensures that one person's high claims don't negatively impact the long-term sustainability of the entire group plan.

Large Amount Pooling (LAP)

Stop-Loss protection is often referred to as Large Amount Pooling (LAP). Each insurer maintains a pooling arrangement that collects premiums from many groups to create a shared fund. This fund is used to pay for high-cost claims that exceed the stop-loss threshold.

By pooling together, all participating employers share in the risk of large claims, which helps keep premiums more stable over time—even if your own group experiences an unexpected high-cost claim.

Out-of-Country (OOC) Claims

Pooling protection also applies to out-of-country medical emergencies, which can be among the most expensive types of claims. If an employee requires emergency medical treatment while travelling, the claim is processed through your out of country pooling coverage from 1st dollar of claim, rather than after the specified limit. This helps ensure that major travel emergencies are covered without affecting your plan's renewal rates or premium stability.

Why It Matters

In today's environment of rising prescription drug costs and advanced medical treatments, it's not uncommon for individual claims to reach hundreds of thousands of dollars. Stop-Loss protection:

- 🛡 Shields your plan from catastrophic costs
- 🛡 Helps maintain premium stability from year to year
- 🛡 Ensures your employees continue to have access to vital care without jeopardizing the plan's sustainability

In summary: Stop-Loss (LAP) coverage is a vital part of your group benefits plan, acting as financial protection against large and unexpected health claims.

If you'd like to review your plan's current stop-loss level, please let us know - we're happy to provide guidance.

JOHNSTONE'S JOURNAL is published monthly and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies and share with your employees.