

PRESS RELEASE

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THE PATIENT PROTECTION AND AFFORDABLE CARE ACT USHERS IN GREATER NEED FOR MEDICAL STOP LOSS INSURANCE

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With the passage of The Patient Protection and Affordable Care Act ("The Act"), more employers and unions who are self-funding their health benefit plans will want to consider shoring up their medical stop loss insurance; insurance designed to provide plan sponsors with protection against catastrophic or unpredictable losses. New stipulations under this health reform legislation will make it even more important to have the right type and amount of excess insurance.

According to John Thornton, executive vice president of Amalgamated Life Insurance Company, one of the nation's leading privately-held companies offering comprehensive solutions under its family of companies, "The new health care law introduces several significant changes which pose higher risk for losses to plan sponsors. Chief among them is the elimination of lifetime limits on the dollar value of benefits from their health plans effective 2014 and prior to that time, the ability to apply only restricted annual limits on benefits."

Recently, the government released its interim final rules on lifetime and annual limits, preexisting condition exclusions and other patient protections. Using a three-year phased approach, the annual limits on the dollar value of benefits that are essential health benefits may not be less than the following amounts for plan years (policy years in the individual market) beginning before January 1, 2014:

- For plan or policy years beginning on or after 9/23/10 but before 9/23/11, \$750,000;
- For plan or policy years beginning on or after 9/23/11 but before 9/23/12, \$1.25 million;
- For plan or policy years beginning on or after 9/23/12 but before 1/1/04, \$2 million.

The recently released interim rules also noted that the prohibition on annual limits (including the special rules on restricted annual limits for plan years beginning before 1/1/14) do not apply to grandfathered health plans that are individual health insurance coverage.

Thornton continued saying that, "Additionally, The Act introduces a mandatory extension of coverage to dependents up to age 26, and prohibition of most preexisting condition exclusions. With these new regulations and the potential exposures, self-funded plans should be reviewing and enhancing their medical stop loss insurance to ensure adequate protection against potentially catastrophic losses."

PRESS RELEASE

Medical stop loss insurance is available in two forms. "Specific Stop Loss" coverage protects self-funded funds/employers against high claims associated with one individual. "Aggregate Stop Loss" protects self-funded funds/employers from unpredictable losses associated with the entire group of covered individuals over the contract period. It requires that the fund/employer pay the total expected claims, plus an additional "corridor" amount which is typically 25% above the expected claims. At the end of the policy period, the fund/employer is reimbursed any amount above this corridor level. There are also variations of both forms of coverage and it is important that self-funded plan sponsors understand which option or hybrids best meet their needs.

"Self-funded plans are as varied as the individuals they cover," continued Thornton. "Similarly, medical stop loss coverage should be designed to afford the optimum coverage at the lowest possible cost. By working closely with a stop loss insurance specialist, that goal can be achieved."

Thornton advises self-funded plans to seek out coverage from A.M. Best "A" rated carriers that also can provide guidance and resources to assist with services such as third-party administration and medical management which, he noted, will also take on a heightened importance in the aftermath of health care reform.

Amalgamated Life has medical stop loss solutions with specific coverage annual maximums up to \$10 million per individual with unlimited lifetime caps. Thornton recommends organizations consult with their medical stop loss provider to determine what level of coverage will best satisfy their organization's specific requirements.

About Amalgamated Life Insurance Company

Founded in 1943, Amalgamated Life Insurance located in White Plains, NY is now one of the nation's leading privately-held companies. Under the direction of President and Chief Executive Officer David J. Walsh, the Company has maintained an unwavering commitment to the highest standards of service quality, earning it an "A" (Excellent) rating from A.M. Best Company for the past 35 consecutive years. Amalgamated Life is part of the Amalgamated family of companies which also includes: a property and casualty insurance brokerage, a third-party administration company, a medical management firm, a computer outsourcing company, and a printing and graphics company. For more information, visit: www.amalgamatedlife.com