



# Stop Loss Partner Newsletter

October 2023

## Drugmakers Reluctantly Agree to Medicare Drug Price Negotiations, as Lawsuits Continue

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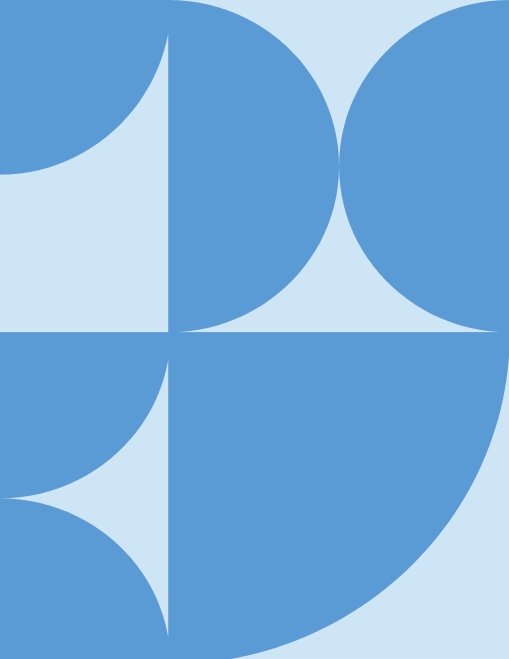
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Four large pharmaceutical manufacturers, despite ongoing legal challenges, have agreed to participate in Medicare price talks ahead of the Oct. 1 deadline to notify the Centers for Medicare & Medicaid Services.

Although participation in the negotiation program is voluntary, companies that don't participate have to pay a major excise tax or withdraw entirely from the Medicare and Medicaid programs. At least nine different lawsuits have been filed over the negotiations and the law, including suits by several companies whose drugs are in the first list of 10, arguing that it's unconstitutional.

These companies have announced their intention to participate:

- **Boehringer Ingelheim** (*Jardiance* for type 2 diabetes): Although Eli Lilly and [Boehringer Ingelheim](#) jointly developed Jardiance through an alliance that dates back to 2011, Lilly said Boehringer Ingelheim “has sole responsibility for pricing, reimbursement and access to Jardiance,” and Lilly will not have any role in the price set by CMS. “We are committed to



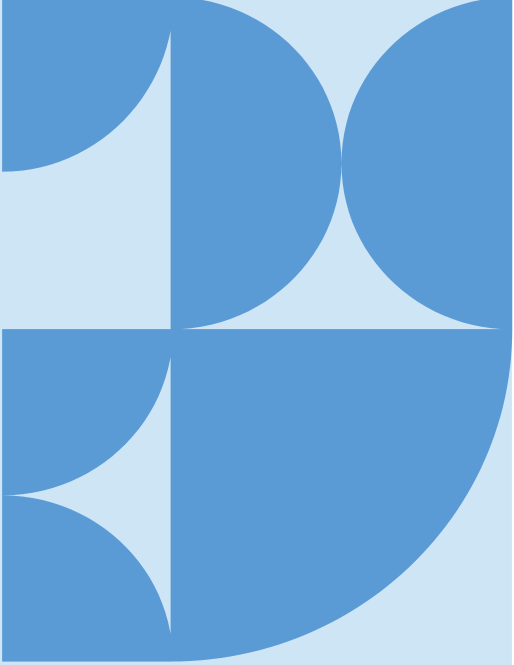
engaging in open and transparent conversations with CMS,” the company told Endpoints News. “We look forward to sharing detailed information with CMS on the value of Jardiance and to reinforce the need to invest in scientific medical innovation for the patients we serve.”

- **Bristol Myers Squibb** (*Eliquis, a blood thinner*): “We have no choice other than to sign the ‘agreement,’” the company said. “If we did not sign, we’d be required to pay impossibly high penalties unless we withdraw all of our medicines from Medicare and Medicaid. That is not a real choice.”
- **AstraZeneca** (*Farxiga for type 2 diabetes*): “We remain committed to ensuring patients have access to Farxiga and plan to participate in the process outlined by CMS to communicate the value of Farxiga to people covered by Medicare,” the company said.
- **Merck** (*Januvia for type 2 diabetes*): The drugmaker will sign the agreement to participate “under protest,” noting that it disagrees on “both legal and policy grounds” with the negotiations. But “withdrawing all of the company’s products from Medicare and Medicaid would have devastating consequences for the millions of Americans who rely on our innovative medicines, and it is not tenable for any manufacturer to abandon nearly half of the U.S. prescription drug market,” a spokesperson said.

The other manufacturers selected for the first round of negotiations – Amgen, Johnson & Johnson, Novartis and Novo Nordisk – have not yet announced their intentions regarding the deadlines.

“We will explore all options that allow us to drive change for people that need it and strive to continue to bring innovative medicines to the market while helping increase access for those that need them,” said a spokesperson for Novo Nordisk, which manufactures Ozempic and NovoLog for diabetes. “Given that our products have been included in CMS’ list, we will be determining next steps toward addressing those important initiatives.”

CMS will send an initial price offer for each selected drug for the maximum fair price and a concise justification no later than Feb. 1, 2024, and companies will have 30 days to respond.



# Stop Loss Premiums Increased 16% from 2021 to 2023, Survey Finds

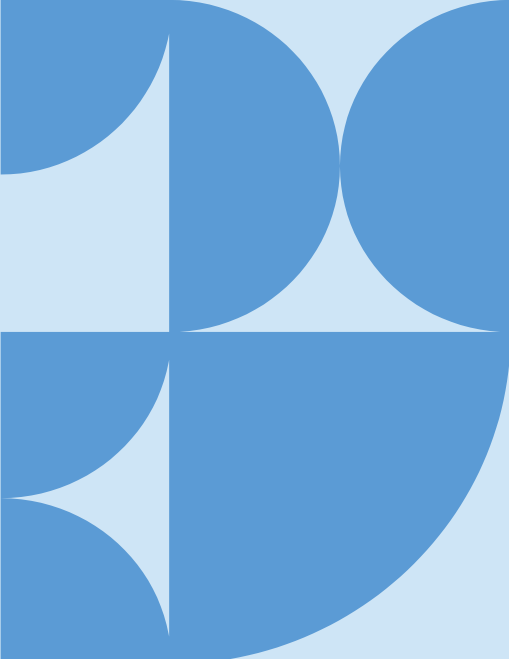
High-dollar claims remain a key driver of increased costs in employer-sponsored health plans. As a result, individual stop-loss premiums increased by 7% to 16% or more from 2021 to 2023, according to the latest [Aegis Risk Medical Stop-Loss Premium Survey](#), which was cosponsored by the International Society of Certified Employee Benefit Specialists.

“This dynamic, known as leveraged trend, occurs as the [underlying increase in expense](#) of a catastrophic medical claimant is fully borne by an unchanged stop-loss deductible from one year to the next,” the report said.

Stop-loss insurance provides protection to self-funded health plans against large and unpredictable expenses that can arise when:

- One plan participant has catastrophic medical bills (known as specific or individual stop-loss coverage) or
- A higher frequency of overall claims is substantial (known as aggregate coverage).

Individual stop-loss coverage deductibles often are tied to the [underlying employee population](#) size and risk tolerance of the plan sponsor. They can range from as low as \$50,000 to as high as \$1 million or more per covered participant per policy year. As a result, the average premium cost per covered employee is highly variable and depends on the size of the deductible. The survey found that the average monthly premium per covered employee is \$193 with a



\$100,000 deductible; \$44 with a \$500,000 deductible; and \$14 with a \$1 million deductible.

Aggregate stop-loss coverage is most prevalent in conjunction with individual stop-loss deductibles of \$250,000 or less and enrollments around or below 1,000. It becomes less common at higher deductibles and/or enrollments, because those plans tend to be more stable. The most prevalent level, cited by 93% of respondents with aggregate coverage, is 125% of expected health claims. Average monthly premiums vary by size of the individual stop-loss deductible, but the median premium overall is \$8.55.

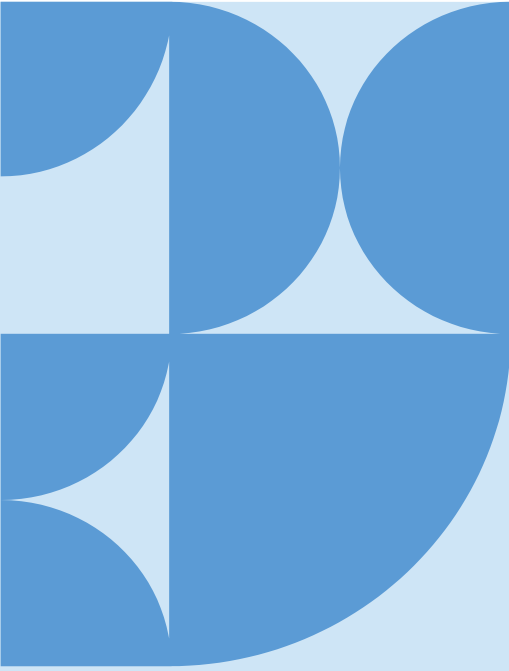
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One-fourth of respondents reported a catastrophic claim in excess of \$1 million over the last two years, with 7% of those in excess of \$2 million. These catastrophic claims result from more aggressive hospital billing as well as specialty pharmacy and orphan drug therapies. Forty-two percent of respondents reported that none of their catastrophic claims exceeded \$500,000.

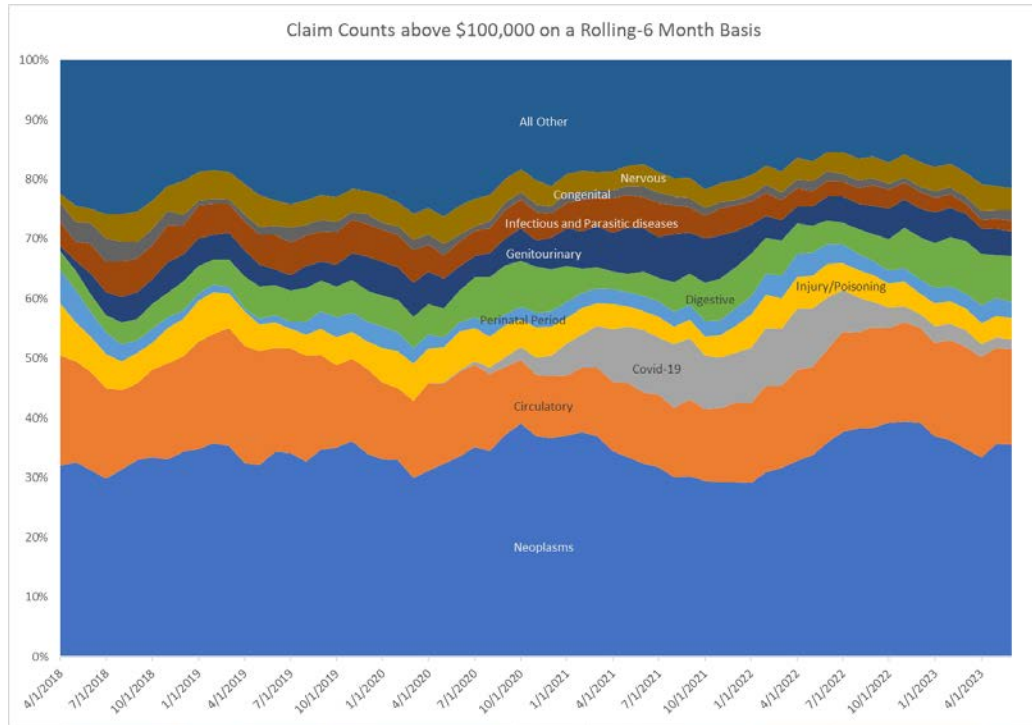
## What are the Primary Sources of Stop Loss Claims?

Now that we have gone from pandemic to endemic, it is worth looking back to see the impact that Covid had on stop loss claims and how things might change going forward.

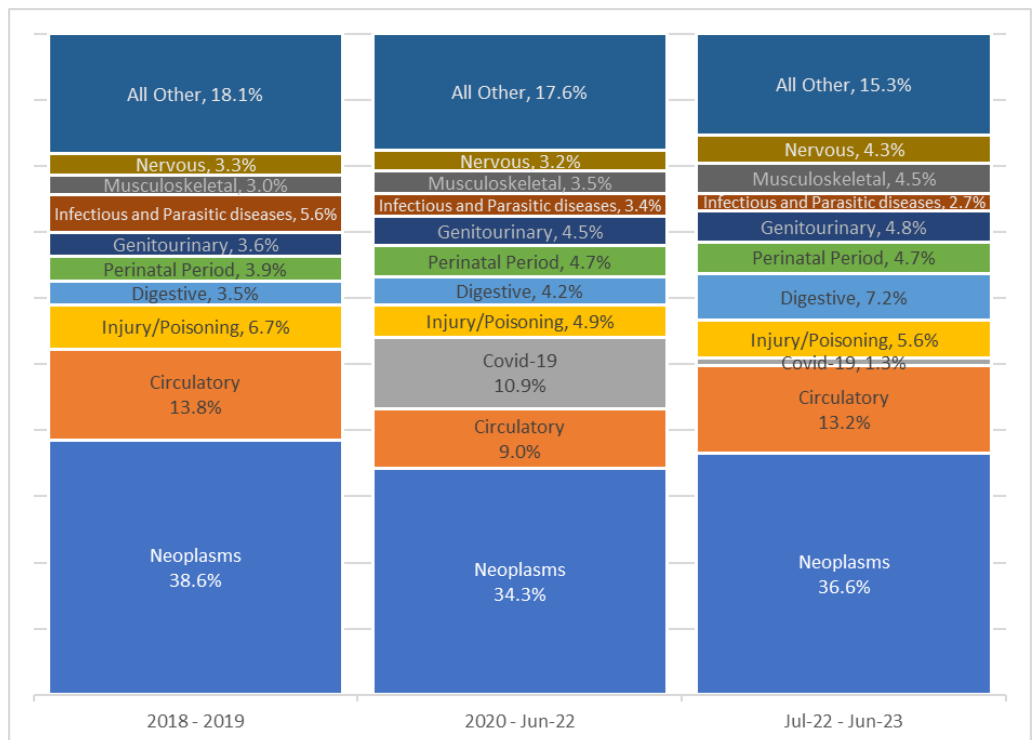
To begin, I would like to look at a few graphs.

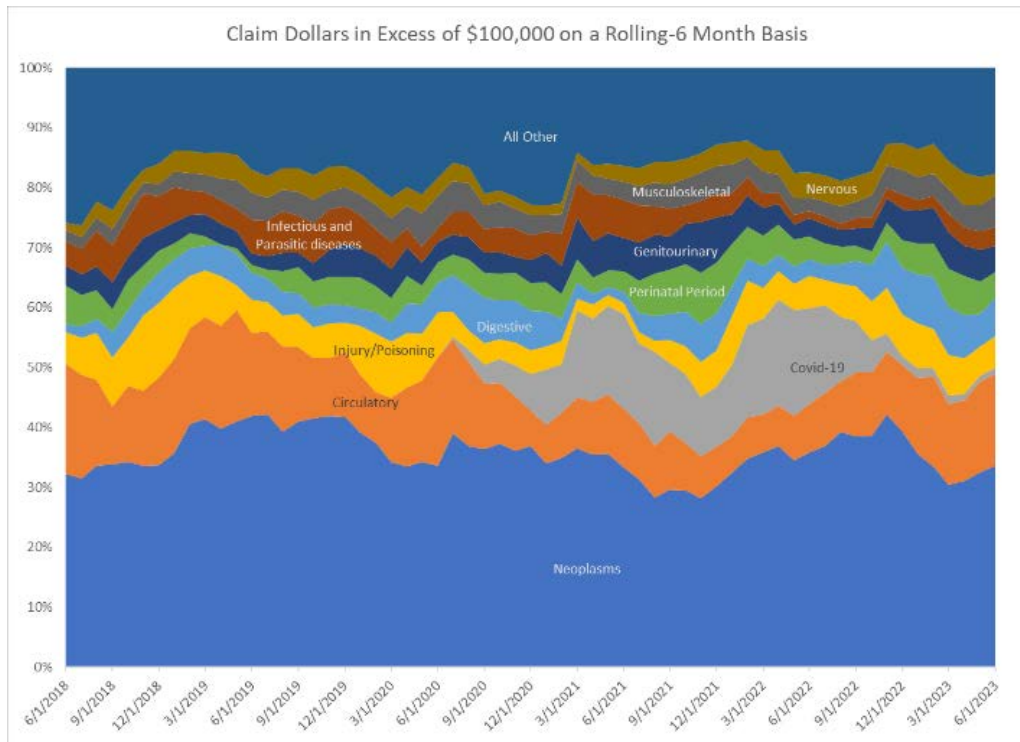
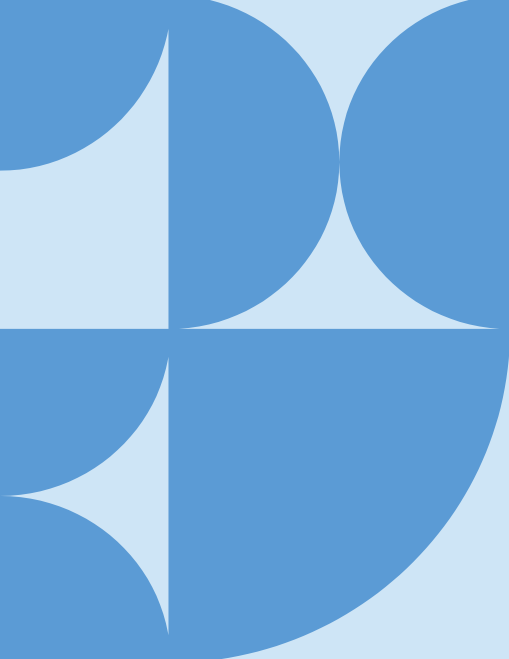


The first shows a distribution of the frequency of claims where there was over \$100K allowed claims based on the date of notification and category of primary diagnosis.



Looking at the actual claim dollars in excess of \$100K the drop off is even more significant, possibly signaling a return to normal.

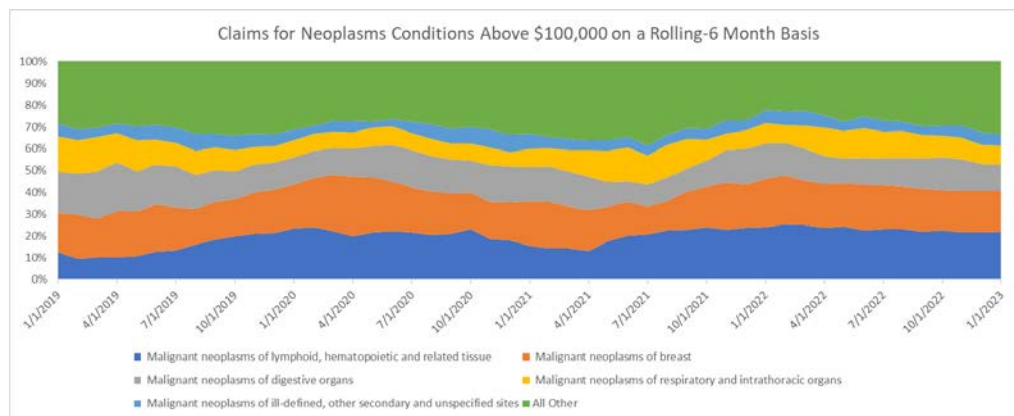




Looking a little closer:

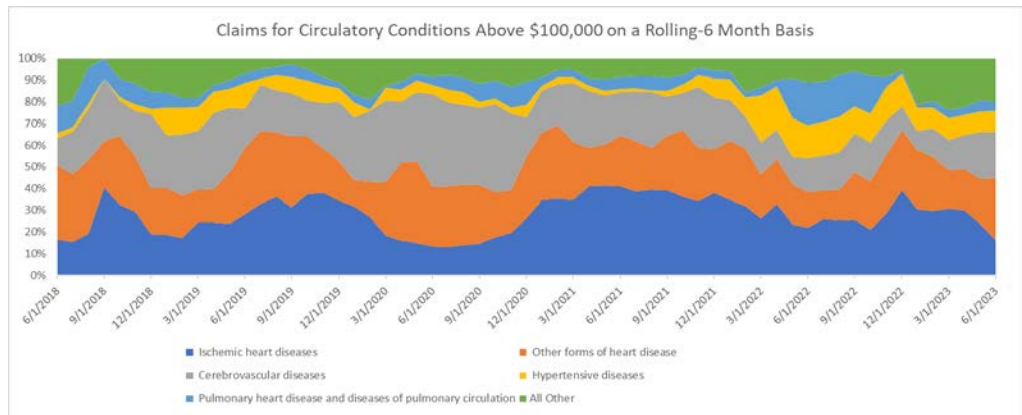
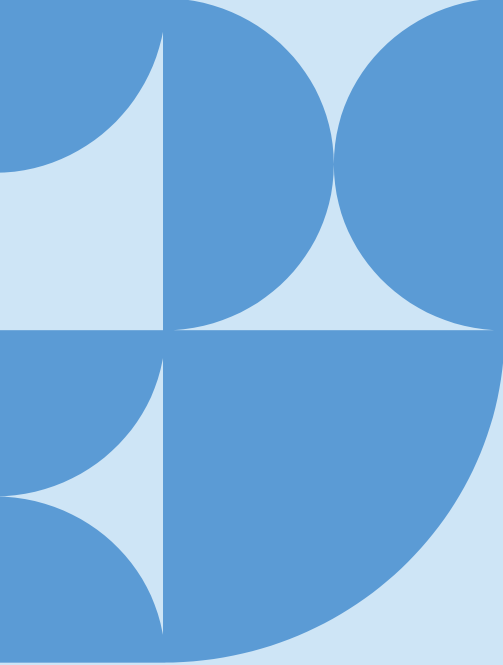
Historically, the two largest categories of claims are neoplasms and circulatory conditions.

For neoplasms, the two most common categories are neoplasms of the lymphoid, hematopoietic and related tissue and neoplasm of the breast.



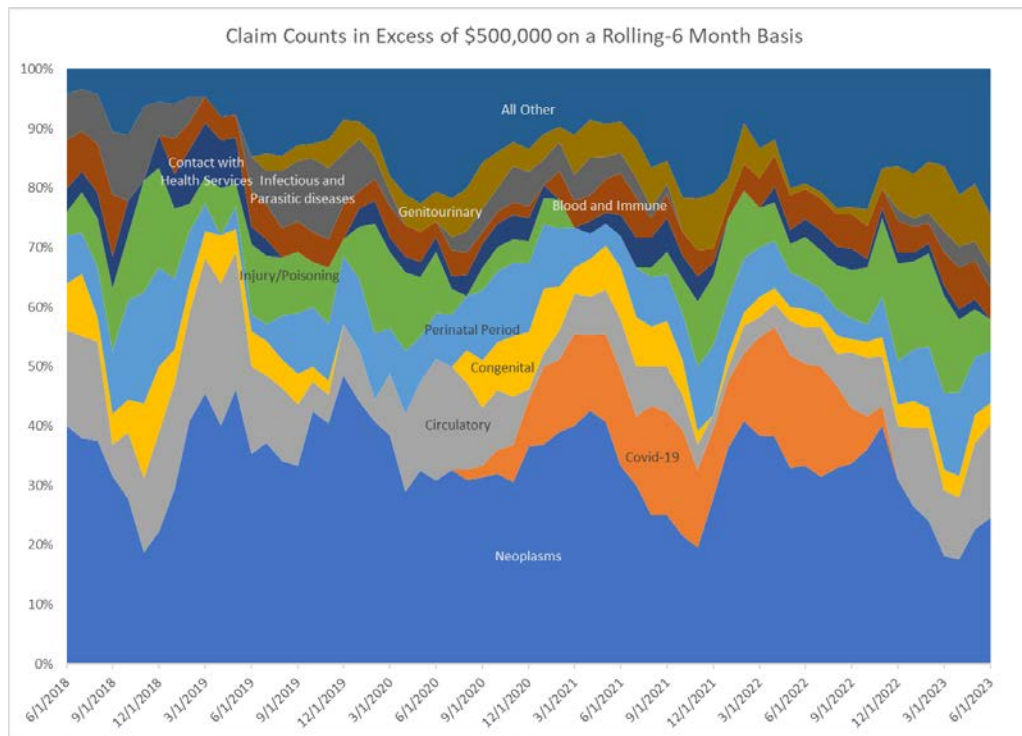
For circulatory system claims, the most common subcategories are Ischemic and other forms of heart disease.





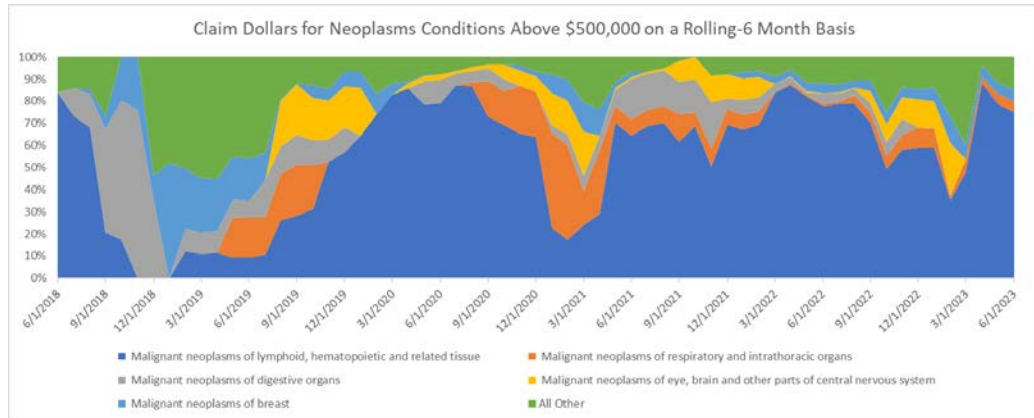
## Larger Claims

In some ways, the story above \$500K is the same. Neoplasms and Circulatory claims still lead the claims categories with Covid making a brief, unfortunate appearance from 2020 until mid-2022. However, perinatal period moves up from 7<sup>th</sup> to 6<sup>th</sup> on the list, and congenital conditions moves from out of the top 10 to 5<sup>th</sup> place. The most common congenital claims over \$500K are for congenital malformations of the circulatory system.

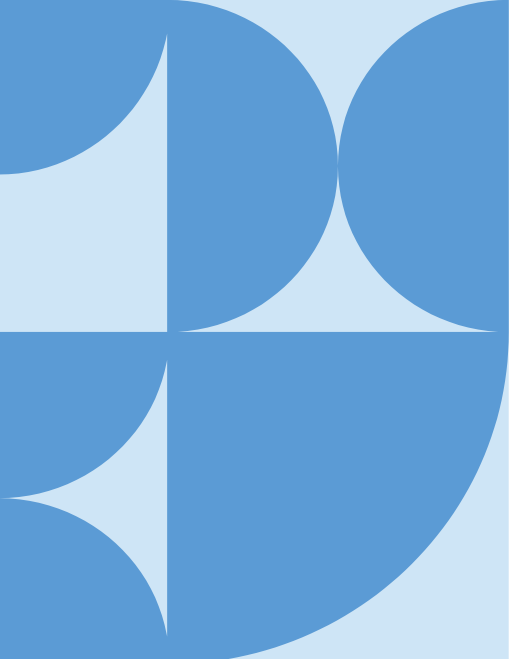


In addition, neoplasms of the lymphoid, hematopoietic and related tissue represent an even larger portion of these claims, while breast

cancer is a much smaller proportion of these claim dollars. Of interesting note, lung cancer (in orange below) had a significant increase during the Covid period.







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### References:

1. Drugmakers Reluctantly Agree to Medicare Drug Price Negotiations, as Lawsuits Continue. Retrieved October 3, 2023 from [Drugmakers reluctantly agree to Medicare drug price negotiations, as lawsuits continue | BenefitsPRO](#)
2. Stop-Loss Premiums Increased 16% from 2021 to 2023, Survey Finds. Retrieved October 5, 2023 from [Stop-loss premiums increased 16% from 2021 to 2023, survey finds | BenefitsPRO](#)
3. Update: What are the Primary Sources of Stop Loss Claims? Retrieved October 9, 2023 from Brian Cupp, Actuary ISU