

Aggregating Specific Deductible (ASD)

A Strategic Alternative for Managing Stop loss Costs

As employer stop loss premiums continue to rise, employers are looking for innovative ways to balance financial protection with cost control. An Aggregating Specific Deductible (ASD) can provide an effective solution by allowing employers to assume a defined amount of additional risk in exchange for lower stop loss premiums.

What is an Aggregating Specific Deductible?

An ASD is a pooled deductible that applies to claims exceeding the individual specific deductible. Instead of increasing the specific deductible for every covered member, the employer agrees to absorb a predetermined aggregate amount of additional claims liability before stop loss reimbursements begin.

Example:

- Specific Deductible: \$100,000
- Aggregating Specific Deductible: \$150,000

When multiple claimants exceed the specific deductible during the policy period, the amounts above the specific accumulate toward the ASD. Once the ASD is satisfied, the stop loss carrier begins reimbursing additional eligible claim amounts.

Is an ASD Right for Every Employer?

An ASD may be appropriate for employers that:

- Have a stable financial position.
- Are comfortable assuming a moderate level of additional claims volatility.
- Seek premium relief without significantly increasing their specific deductible.
- Want greater flexibility in their Self-Funded health plan strategy.

Key Consideration

While an ASD can generate upfront premium savings, employers should carefully evaluate the potential financial impact if claim activity exceeds expectations. A successful ASD strategy should align with the organization's overall risk tolerance, historical claims experience, and long-term funding objectives.

Benefits of an ASD

Lower Stop loss Premiums

Employers can often receive meaningful premium reductions by assuming a defined amount of additional risk.

Preserves the Existing Specific Deductible

Rather than increasing the specific deductible for all members, the ASD provides an alternative way to manage renewal costs.

Greater Flexibility

An ASD allows employers to tailor risk retention strategies based on their financial objectives, cash flow considerations, and risk tolerance.

Predictable Maximum Exposure

The employer's additional liability is capped at the agreed ASD amount, providing a defined level of retained risk.

The Bottom Line

An Aggregating Specific Deductible can be a valuable stop loss funding tool, helping employers reduce premium costs while maintaining strong protection against catastrophic claims. When properly structured, an ASD offers a balanced approach to managing healthcare risk and plan expenses.

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