

Do Medicare Advantage Plans Buy Stop Loss Insurance

We need answers. Do the pandemic cause claims for MAPD carriers causing some to change commissions to licensed health insurance professionals. Maybe this sheds some light on the topic.

Do Medicare Advantage Plans Buy Stop-Loss Insurance?

Short answer:

Yes, indirectly—but not in the traditional employer stop-loss sense.

Medicare Advantage organizations manage high-cost risk through a combination of federal risk-sharing mechanisms and private reinsurance arrangements.

◆ 1. CMS Risk Adjustment (Primary Protection)

This is the most important “stop-loss-like” protection for MA plans.

- CMS pays MA plans more for sicker members using HCC risk scores
- High-cost members generate higher capitated payments
- This offsets large claims without a separate stop-loss policy

✚ *This replaces much of what stop-loss does in employer plans.*

◆ 2. CMS Risk Corridors & Reinsurance

(Federal Risk Sharing)

Medicare Advantage plans are protected by CMS through:

✓ Reinsurance for High Costs

- CMS covers a large portion of costs once members exceed certain thresholds
- Especially relevant for Part D catastrophic claims

✓ Risk Corridors

- CMS shares profits and losses if plan spending deviates significantly from projections

✚ *This significantly reduces catastrophic risk for MA carriers.*

◆ 3. Private Reinsurance / Excess-of-Loss Coverage

Many MA organizations still purchase private reinsurance:

- Excess-of-loss or aggregate reinsurance
- Used for:
 - unusually high-cost claims
 - geographic or population risk
 - new MA entrants
 - specialized plans (e.g., SNPs)

Large national carriers may self-insure more risk, while:

- Smaller or regional MA plans rely more heavily on reinsurance

◆ 4. Provider Risk-Sharing Replaces Traditional Stop-Loss

MA plans often shift risk downstream:

- Capitation to provider groups
- Shared savings/loss arrangements
- Global risk contracts with medical groups or ACOs

Providers often carry their own stop-loss to manage catastrophic cases.

◆ 5. How This Differs From Employer Stop-Loss

Employer Health Plan

Medicare Advantage Plan

Traditional stop-loss policy

CMS risk adjustment + reinsurance

Employer bears claims risk

CMS shares risk

Annual claim caps

HCC-based payments

Separate insurer

Federal + private mix

✓ **Bottom Line**

- MA plans do not rely on stop-loss the same way employer plans do
- They are protected by:
 - CMS risk adjustment
 - Federal reinsurance & risk corridors
 - Private reinsurance (in many cases)
 - Provider risk-sharing arrangements

Together, these mechanisms function as a robust stop-loss system for Medicare Advantage.