

# BENEFITS REPORT



*Because You're Different*

## STOP-LOSS COVERAGE

# INSURERS INCREASINGLY 'LASERING' HIGH-COST CLAIMANTS

AS MILLION-dollar health insurance claims continue to surge, stop-loss insurers that provide excess coverage for self-insured employers are increasingly using a controversial underwriting tactic to limit coverage for high-cost claimants.

The tactic, called "lasering," entails applying a higher deductible or exclusion to a specific individual or condition, like heart failure or cancer. Instead of the normal attachment point applying uniformly across the group, the insurer carves out higher-risk individuals and shifts more financial responsibility back to the employer.

The trend is accelerating as more employees and dependents generate extremely costly claims tied to cancer treatments, specialty drugs, complex surgeries and chronic illnesses. According to a recent analysis by Sun Life, claims exceeding \$1 million increased 29% between 2024 and 2025 and have surged 61% over the last four years.

That growth is reshaping the stop-loss market and creating new challenges for employers that self-fund their health plans.

### How lasering works

Under a traditional stop-loss arrangement, an employer may absorb the first \$100,000 or \$150,000 of an employee's claims before stop-loss coverage begins reimbursing expenses above that threshold. The stop-loss carrier reimburses the employer's plan, not the employee.

But with lasering, a stop-loss carrier may impose a \$500,000 deductible on an employee undergoing cancer treatment, instead of the same attachment point used for all other workers on the plan.

### Stop-loss laser types

- **Standard lasers** — Apply a higher attachment point to all claims associated with a specific individual.
- **Contingent lasers** — Apply only to claims tied to a specific diagnosis or condition, such as cancer or diabetes.
- **Limited contract basis lasers** — Restrict the time frame during which certain claims are covered.
- **Exclusion lasers** — Remove a specific individual from stop-loss coverage entirely.

### What's behind the trend

Stop-loss carriers say the growing use of lasering is being driven by rising claims severity and improved predictive analytics.

Advanced claims modeling tools now allow insurers to analyze medical histories, pharmacy utilization and treatment trends with far greater precision. As a result, insurers are requesting more detailed claims information during underwriting and using that data to identify participants likely to generate catastrophic claims.

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## PLANNING AHEAD

# 2027 HSA CONTRIBUTION, HDHP COST-SHARING LIMITS

THE IRS has announced slightly higher health savings account contribution limits for 2027, with the limit increasing 2.3% for individual HSA plans.

The IRS updates HSA contribution limits annually, along with minimum deductibles and out-of-pocket maximums for high-deductible health plans. HSAs help employees save for medical expenses and are only available to those enrolled in qualified HDHPs.

Understanding these amounts now can help you get an early start on human resources planning for next year.

### Changes coming in 2027

#### HSA annual contribution limit

Plan	2027 limit	2026 limit
Self-only	\$4,500	\$4,400
Family	\$9,000	\$8,750
Catch-up contribution (for aged 55 and older)	\$,1000	\$,1000

#### HDHP minimum annual deductible

Plan	2027 limit	2026 limit
Individual	\$1,750	\$1,700
Family	\$3,500	\$3,400

#### HDHP annual out-of-pocket maximum

Plan	2027 limit	2026 limit
Individual	\$8,700	\$8,500
Family	\$17,400	\$17,000
Maximum employer excepted-benefit HRA contribution	\$2,250	\$2,200

Employers can also contribute to the accounts, but the annual contribution limit applies to all employee and employer contributions combined.

The money in the HSA belongs to the employee and is theirs to keep, even if they switch jobs. If their new employer offers qualified HDHPs, they can continue to fund the account.

Funds roll over from year to year and can earn interest. Many plans also have investment options to help savers grow the account further.

### HSA-eligible expenses

There are a number of medical services and health-related items an HSA can reimburse for, including:

- Payments for services or medicine that count towards health plan deductibles, copayments or coinsurance.
- Dental or vision care (including orthodontics, eye exams and corrective lenses).
- Medical devices.
- Certain over-the-counter medicines, such as pain relievers, allergy medication, cold and flu medicine and menstrual products.
- Vitamins and health supplements, if recommended by a medical or health professional for the treatment or prevention of a specific disease or condition.

### The many benefits of HSAs

An HSA is a special bank account for your employees' eligible health care costs. They can contribute to their HSA through pre-tax payroll deductions, deposits or transfers. As the balance grows over time, they can continue to save it or spend it on eligible medical expenses.



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## Insurers Requesting More Detailed Claims Information

### Employer effects

For employers, laserling may reduce stop-loss premiums, but it can also create substantial financial risks if a lasered employee incurs major expenses. Employers may unexpectedly assume hundreds of thousands of dollars in additional costs for a single claimant.

As a result, some self-insured employers may have to set aside more in reserves and consider increasing employee cost-sharing to account for the added risk.

Also, employers and brokers are increasingly negotiating for "no new laser" provisions during renewals. These provisions limit an insurer's ability to add new lasers during or after renewal based on emerging claims.

There are other ways to prevent or reduce the need for a laser. We can help you understand your options, workforce demographics, medical claims history and potential financial liability.

## HUMAN RESOURCES

# HOW EMPLOYERS CAN FIGHT THE HIGH COST OF DIABETES

DIABETES IS a devastating illness — and not just for those with the disease. Employers are also shouldering massive and increasing direct and indirect costs due to diabetes.

Diabetes afflicts more than 11% of the adult population, including about 6.3% of full-time workers and 9.1% of part-time workers.

People with diagnosed diabetes incur average medical expenditures of about \$19,736 annually, with roughly \$12,022 directly attributable to the disease, according to the National Institutes of Health. Out-of-pocket costs typically range from \$3,300 to \$4,600. Costs vary significantly based on whether complications have developed

Those additional costs also drive group health insurance costs. On top of that, employees who are dealing with diabetes-related complications can also reduce productivity.

### Indirect costs

On average, diabetics miss 5.5 days more of work than other workers, according to Gallup estimates. That adds up to 45 million missed workdays, and productivity costs to U.S. employers of \$4 billion.

For employers, these costs may represent just the tip of the iceberg. The Centers for Disease Control estimates that more than 114 million adults in the U.S. — a third of the workforce — have undiagnosed diabetes or prediabetes.

### What can employers do?

With so much at stake, a robust workplace program to fight diabetes can generate a significant return on investment.

The American Diabetes Association estimates that preventing or delaying the onset of diabetes in just one prediabetic employee can generate more than \$50,000 in direct and indirect cost savings over five years.

The CDC recommends that employers design wellness programs that specifically target improvements in the following areas:

- Exercise and activity levels
- Smoking cessation
- Hypertension reduction
- Blood cholesterol reduction
- High blood glucose reduction
- Weight/obesity

There also are a number of measures employers can take to help mitigate some of the costs to the organization.

#### 1. Offer ongoing counseling with professional dietitians.

Employees who regularly meet with dietitians who can help them set small, manageable goals for themselves, make significant and measurable health improvements, according to the HCCI. The research found that they lost 5.5% of their body weight and reduced blood glucose levels.

- 2. Start a walking club.** The American Diabetes Association's "Stop Diabetes @ Work" program recommends that employers encourage company walking clubs to attend diabetes walk-a-thons like "Step Out: Walk to Cure Diabetes," or host a community "Walk to Cure Diabetes." You can find resources, including posters, articles, training plans and walking guides, at [www.diabetes.org](http://www.diabetes.org).
- 3. Encourage self-assessment and screening.** According to the CDC, 30% of people with diabetes aren't even aware of it. Workplace screenings are easy and effective. Many employers provide incentives for workers to participate via reduced insurance copays, or even cash payments.

All screenings should be confidential and employers should not penalize employees who have diabetes, as this could violate the Americans with Disabilities Act.
- 4. Encourage smokers to quit.** Diabetics who smoke have far higher medical costs on average than non-smoking diabetics or non-diabetic smokers. Discouraging tobacco use can pay off in the long run.



## STUDY FINDINGS

# LIFESTYLE SPENDING ACCOUNTS GAIN TRACTION

AS EMPLOYERS continue looking for ways to support a multigenerational workforce with diverse needs, lifestyle spending accounts are emerging as a popular addition to employee benefits programs.

Originally viewed as an extension of wellness programs, LSAs are broader and more flexible. Rather than focusing solely on fitness or preventive care, these employer-funded accounts allow workers to use allocated funds for services tied to physical, emotional, financial and personal well-being.

For human resources and benefits managers, the appeal lies in personalization. Workers at different life stages often value different forms of support.

### How LSAs work

An LSA is generally funded entirely by the employer. The company determines how much employees receive annually and what expenses qualify for reimbursement.

Unlike health savings accounts or flexible spending accounts, LSAs are not governed by strict federal rules that limit eligible expenses. That gives employers significant flexibility in designing programs that align with workforce needs and company culture.

Employers may structure the benefit as a yearly allowance or monthly stipend. Employees typically submit receipts or proof of purchase through a reimbursement platform administered internally or by a third-party vendor.

### LSA-eligible expenses

Eligible expenses vary by employer, but common categories include:

- Gym memberships, fitness classes and exercise equipment
- Mental health apps, meditation subscriptions and life coaching
- Financial planning, tax preparation and student loan aid
- Childcare, elder care and fertility-related services
- Professional development courses and certifications
- Nutrition counseling and wellness coaching
- Home office equipment or commuting costs

### Advantages for employers

One of the primary advantages of LSAs is flexibility. Traditional benefits programs often take a one-size-fits-all approach, while LSAs allow staff to select benefits that matter to them.

Employers may also see advantages in recruitment and retention as workers increasingly evaluate employers based on overall well-being support. Offering flexible benefits can demonstrate that a company understands the varied pressures employees face inside and outside work.

One bonus for employers is that they only pay when an employee submits a reimbursement request for an approved expense. Many

workers may never use the plan, and some may not use the full amount allocated to their account.

Administrative complexity may also be lower than that of tax-advantaged accounts because LSAs generally involve less regulatory compliance.

### Potential drawbacks

Despite their flexibility, LSAs come with challenges:

- Employees generally must pay income taxes on reimbursements they receive. Employers must also decide how the benefit will be taxed and reported through payroll.
- Cost control can become an issue if programs are not carefully structured. Employers need clear guidelines on eligible expenses, reimbursement limits and documentation requirements.
- Another challenge is communication. Employees may not fully understand how the program works or what qualifies for reimbursement. Without education and regular reminders, participation rates may lag.

Regardless, LSAs are increasingly being viewed as a way to provide more personalized employee support that complements traditional health and wellness benefits.



**IT'S ELEMENTARY:** *Some of your workers will value benefits that help them pay for childcare.*

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