



Fast Facts from EBRI

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73 million Americans Are in Self-Insured Health Plans

WASHINGTON—How many Americans are covered by their employers' self-insured health plans? Is there typically a difference in insurance type by firm size?

The February 2008 *EBRI Issue Brief* estimates that in 2007 some 73 million American workers and their dependants were covered by a self-insured health plan—that is, one in which the employer assumes the financial risk for providing health care benefits to its employees, rather than buying insurance.

The *Issue Brief* makes these additional points:

- Large employers are much more likely to self-insure than smaller ones, due to a variety of factors. Large employers have the resources to hire the staff necessary to administer self-insured plans and to pay claims. In addition, self-insurance allows plan sponsors to design benefit packages to fit the needs of their work forces. When a plan self-insures, it can spell out which services it will cover, and make arrangements for coverage and plan design. The ability to do all of this via self-insurance can give large employers a major cost advantage over firms that purchase insurance.
- Another factor: the federal Employee Retirement Income Security Act of 1974 (ERISA) exempts self-insured plans from state coverage insurance mandates, which can add to employer costs. According to data cited in the *Issue Brief*, some 55 percent of the 132.8 million individuals in plans governed by ERISA were in a self-insured health plan in 2007. That number has increased from 44 percent in 1999.
- The breakdown by firm size is striking: Among firms with 5,000 or more employees, 86 percent of workers were in self-insured plans in 2007. But among plans with 3 to 199 workers, only 12 percent were in a self-insured plan, according to data cited in the *Issue Brief*.
- Even for those small firms able to pay for health insurance, many could not afford the potential liability that can arise when a complex and costly illness occurs with a covered employee or dependent—meaning these firms cannot afford to take on the risk of self-insuring. Thus, smaller employers often purchase coverage from an insurer that assumes the risk of paying for benefits. These plans are known as fully insured plans. Some 45 percent of the ERISA population was in a fully insured plan in 2007, or roughly 60 million people.

Trying to determine the number of employers that self-insure is difficult because many large employers offer both self-insured and fully insured plans side by side. Thus, many experts tend to look at the number or percentage of workers in self-insured arrangements as more meaningful.

The full February 2008 *EBRI Issue Brief* is available at http://www.ebri.org/pdf/briefspdf/EBRI_IB_02a-20082.pdf

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