

Self-Insured Health Plans: Recent Trends by Firm Size, 1996–2016

By Paul Fronstin, Ph.D., Employee Benefit Research Institute

AT A GLANCE

This *Issue Brief* examines 1996–2016 trends in the availability of and enrollment in self-insured health plans among private-sector establishments offering health plans and their covered workers, with a particular focus on 2013 to 2016, so as to assess whether the Patient Protection and Affordable Care Act of 2010 (ACA) might have affected these trends. The data come from the Medical Expenditure Panel Survey Insurance Component (MEPS-IC).

Here are the key findings:

- The percentage of all private-sector establishments offering health plans at least one of which is self-insured has continued an increase that started in 2000.
 - In 2016, 40.7 percent of private-sector establishments reported that they self-insured at least one of their health plans, up from 39 percent in 2015.
- Between 2013 and 2016, the percentages of small and mid-sized establishments offering at least one self-insured plan both increased.
 - For small establishments, the percentage increased from 13.3 percent to 17.4 percent (a 31 percent increase), with most of the increase occurring in 2016.
 - For mid-sized establishments, the percentage increased from 25.3 percent to 29.2 percent (a 15.4 percent increase). (In 2016, the percentage of mid-sized establishments offering a self-insured plan fell from 30.1 percent to 29.2 percent.)
- Between 2013 and 2016, the self-insurance trend for large establishments continued to decline, falling from 83.9 percent to 78.5 percent.
- Because many more employees work for large establishments, the increase in self-insurance among small establishments (and their workers) was not large enough to offset the decline among large establishments (and their workers), resulting in a decrease in the percentage of covered workers enrolled in self-insured plans.
 - Between 2015 and 2016, the percentage of enrollees in self-insured plans fell from 60 percent to 57.8 percent.

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Introduction

Employment-based health plans generally fall into one of two categories—fully insured plans or self-insured plans. The key distinction is whether the employer has decided to purchase an insurance contract to cover the costs and financial risks associated with its employee health plan, or to use its own funds, including funds that might be set aside in a separate trust maintained by the employer (e.g., a voluntary employee beneficiary association) to cover such costs. Employers offering self-insured plans often purchase stop-loss coverage from an insurance company to mitigate the risk of higher-than-budgeted expenses. Different experts may have different views about how any particular health plan should be classified, especially when plans include a flexible spending account (FSA), health reimbursement arrangement (HRA) or health savings account (HSA) that is funded separately from the main health plan.

The fully insured/self-insured distinction is also important from a legal perspective. Under the federal Employee Retirement Income Security Act of 1974 (ERISA), which provides the legal framework for the uniform provision of health benefits by U.S. employers, state laws (other than insurance laws) are generally pre-empted. This means, for example, that self-insured health plans do not have to satisfy state health insurance laws, including state-mandated reserve, benefit, claims, premium, and other requirements, which results in ease of administration and lower expenses. In contrast, fully insured plans are required (among other things) to cover state-mandated benefits and pay state insurance premiums. Both fully insured and self-insured health plans may have to comply with other federal laws applicable to such plans, such as components of the Patient Protection and Affordable Care Act of 2010 (ACA).

Since the passage of the ACA, some commentators have speculated that an increasing number of small and mid-sized employers would convert their health plans from fully insured to self-insured plans.¹ The rationale has been that several of the key ACA components—creditable coverage, affordability, essential benefits, and various taxes and fees—would drive up the cost of health coverage, thus possibly making self-insurance (which is viewed by many as generally less expensive than fully-insured alternatives) a more attractive option for many employers.

This *Issue Brief* examines recent trends in self-insured health plans among private-sector establishments and workers based on data from the Medical Expenditure Panel Survey Insurance Component (MEPS-IC). Data are presented in the aggregate and by establishment size.²

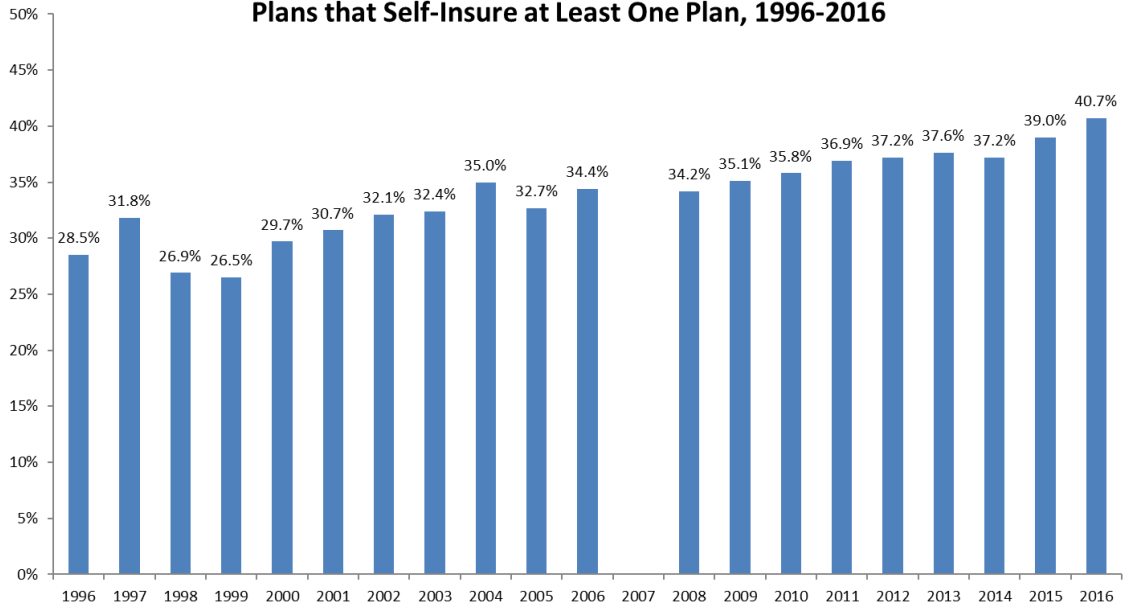
Establishments With Self-Insured Plans

The percentage of private-sector establishments offering health plans that report they self-insure at least one of their health plans has been generally increasing since at least the mid-1990s, well before passage of the ACA. In 2016, 40.7 percent of private-sector establishments reported that they self-insured at least one of their health plans, up from 28.5 percent in 1996 (a 43 percent increase) (Figure 1).

Over this same period, the portion of large establishments (those with 500 or more employees) offering health plans reporting they self-insure at least one plan increased from 71.6 percent in 1996 to 78.5 percent in 2016, while the self-insured percentage for mid-sized establishments (100–499 employees) with health plans decreased from 35.3 percent to 29.2 percent over the period and the self-insured share of small establishments (fewer than 100 employees) increased from 12.1 percent to 17.4 percent of those offering plans (Figure 2).

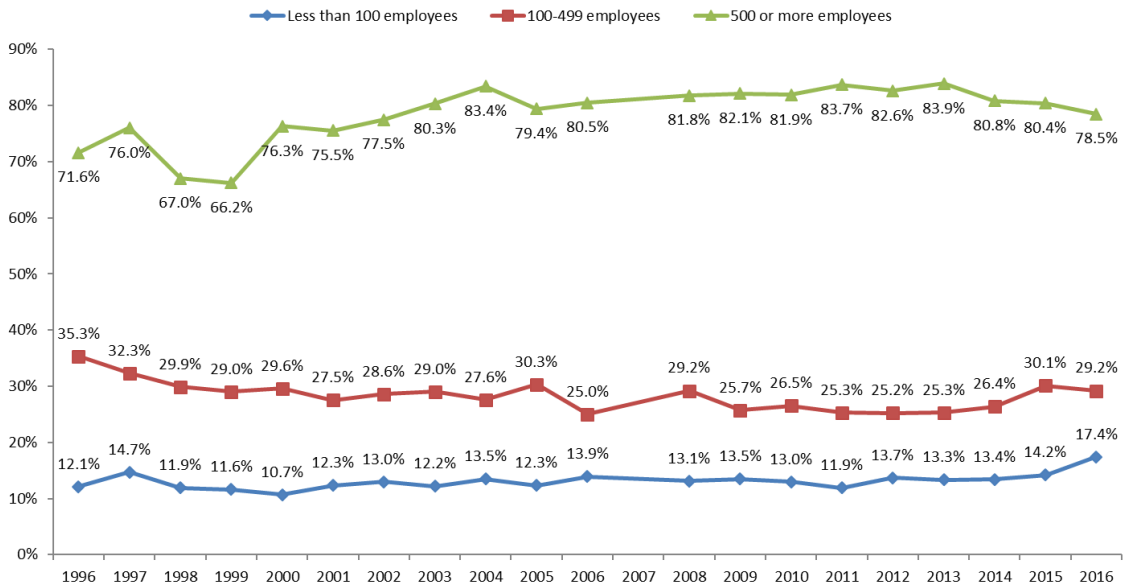
These long-term trends have generally held for each of the years during the period, until recently. Between 2013 and 2015, the percentage of establishments offering health plans with at least one self-insured plan increased for mid-sized establishments from 25.3 percent to 30.1 percent, but decreased to 29.2 percent between 2015 and 2016. The share of large establishments offering self-insured options has steadily eroded, declining from 83.9 percent in 2013 to 78.5 percent in 2016. Small establishments however not only increased self-insurance between 2013 and 2015, but

Figure 1
Percent of Private-Sector Establishments Offering Health Plans that Self-Insure at Least One Plan, 1996-2016



Source: Various tables from the Medical Expenditure Panel Survey-Insurance Component that can be found at http://meps.ahrq.gov/mepsweb/data_stats/quick_tables.jsp

Figure 2
Percent of Private-Sector Establishments Offering Health Plans that Self-Insure at Least One Plan, by Firm Size, 1996-2016

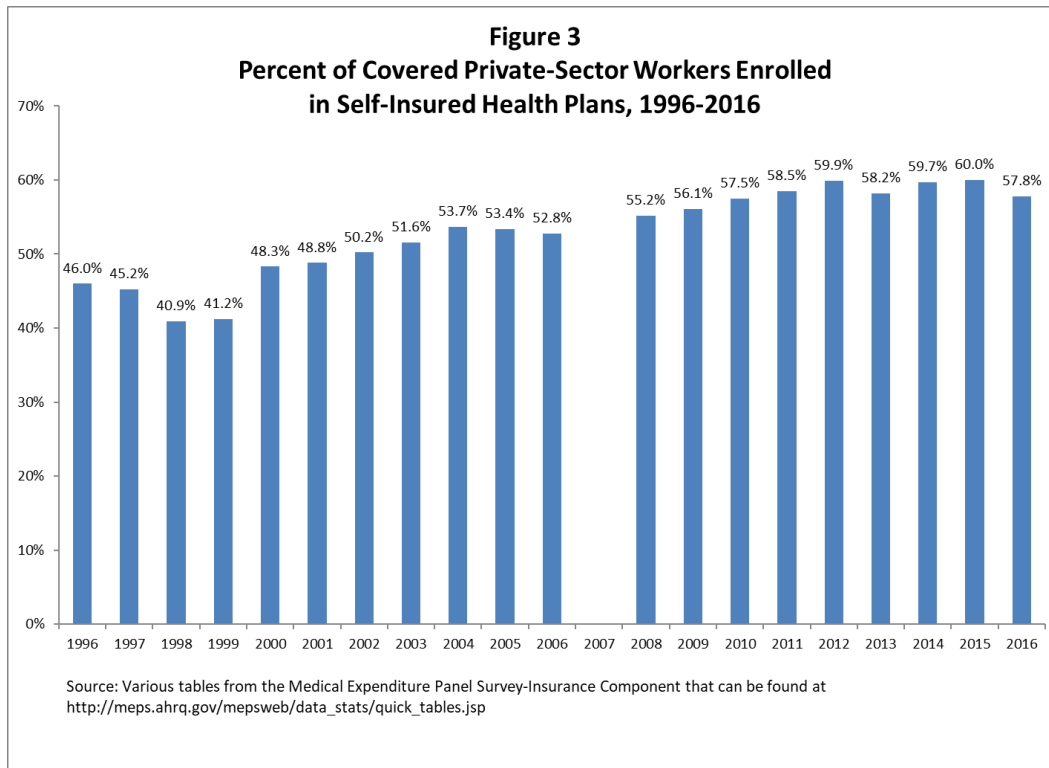


Source: Various tables from the Medical Expenditure Panel Survey-Insurance Component that can be found at http://meps.ahrq.gov/mepsweb/data_stats/quick_tables.jsp

continued to increase through 2016. The percentage of small firms offering at least one self-insured plan increased from 13.3 percent to 17.4 between 2013 and 2016, with most of that increase occurring in 2016.

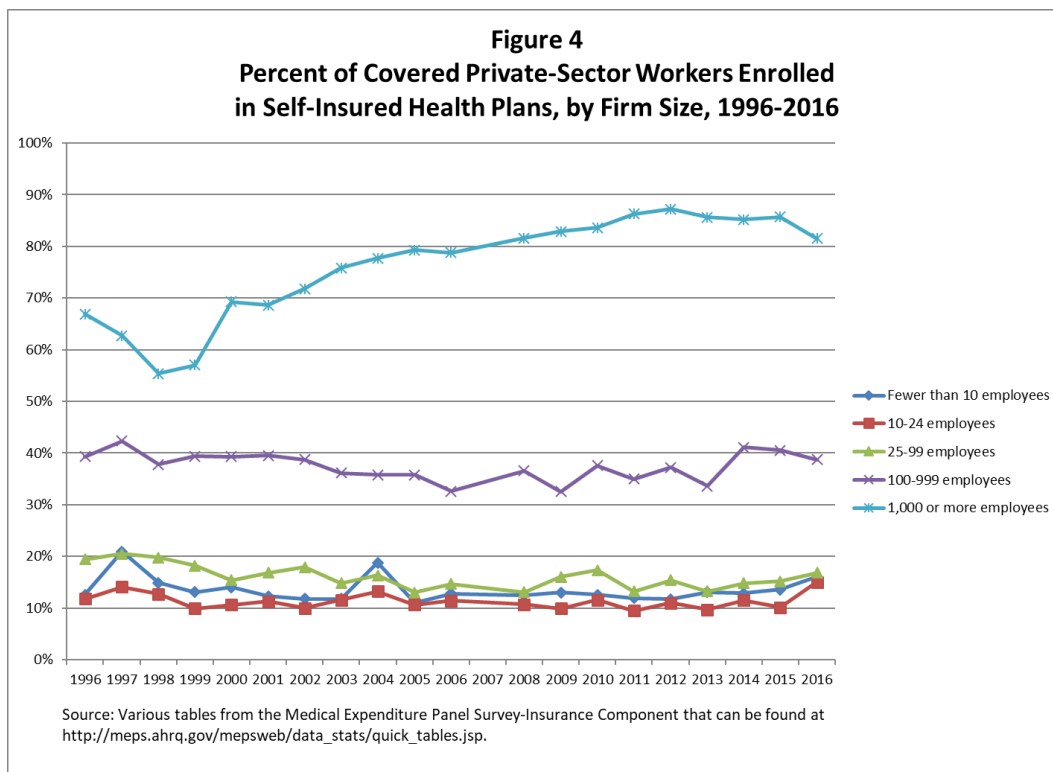
Workers Enrolled in Self-Insured Plans

While there has been an increase in the percentage of establishments that self-insure at least one health plan, enrollment in those plans has decreased. The percentage of covered workers (i.e., workers covered by an employment-based health plan) enrolled in self-insured plans decreased between 2015 and 2016. In 2016, 57.8 percent of covered workers were enrolled in self-insured plans, down from 60 percent in 2015 (Figure 3).



More specifically, over the 1996–2015 period, the percentage of health-plan-covered workers employed by larger establishments (1,000 or more employees) and enrolled in self-insured plans increased from 67 percent to about 86 percent,³ but then fell to 82 percent in 2016. Similarly, the comparable self-insured percentage of workers in mid-sized establishments (100–999 employees) rose slightly from 39 percent to 40.5 percent between 1996 and 2015, but then fell back to 39 percent in 2016. In contrast, growth in covered workers enrollment in self-insured plans occurred among smaller establishments between 2015 and 2016. It increased from 14 percent to 16 percent in establishments with fewer than 10 employees. It increased from 10 percent to 15 percent in establishments with 10–24 employees. And it increased from 15 percent to 17 percent in establishments with 25–99 employees (Figure 4).

While most workers are employed by large establishments, most establishments are small. As a result, the increase in self-insurance among small establishments was not large enough to offset the decline among large establishments, resulting in a net decrease in the percentage of covered workers enrolled in self-insured plans.



Conclusion

This *Issue Brief* describes trends in the availability of and enrollment in self-insured health plans among various sizes of private-sector establishments that offer health plans and found that some trends occurring between 2013 and 2015 continued into 2016, while others did not. The availability of self-insured plans continued to fall among large establishments and continued to increase among small establishments, but past growth among mid-sized establishments did not continue into 2016. While these data are consistent with the perspective set forth above that the ACA would cause more small employers to adopt self-insured plans, there are now questions as to why the recent movement to self-insured plans in the mid-sized market may be reversing itself.

Endnotes

¹ See, for example, comments made at the 2015 Sun Life Financial Wake Up Summit, <http://www.benefitspro.com/2013/08/06/self-insurance-a-threat-to-obamacare>, and http://www.commonwealthfund.org/~media/Files/Publications/Issue%20Brief/2012/Nov/1647_Buettgens_small_firm_self_insurance_under_ACA_ib.pdf

² Self-reported data were examined from the Medical Expenditure Panel Survey Insurance Component (MEPS-IC), which is a survey of private- and public-sector employers fielded by the U.S. Census Bureau for the Agency for Healthcare Research and Quality (AHRQ). The survey has been fielded annually since 1996 (with the exception of 2007). Note that the survey collects data from private establishments, which consist of a single physical location. It is possible that some large employers are over-represented in the survey if more than one location was surveyed. Nearly 40,000 establishments were interviewed in 2016. See https://meps.ahrq.gov/mepsweb/survey_comp/ic_sample_size.jsp for more information.

³ Between 1996 and 1998, the share of self-insured workers in large establishments fell 67 percent to 55 percent, but has generally increased since then until 2012.