

## Self-Insured Health Plans: Recent Trends by Firm Size, 1996–2018

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

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### AT A GLANCE

This paper examines 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 2018, so as to assess whether the Patient Protection and Affordable Care Act of 2010 (ACA) might have affected these trends and more recent trends. The data come from the Medical Expenditure Panel Survey - Insurance Component (MEPS-IC).

#### Key findings:

- The percentage of all private-sector establishments offering health plans, at least one of which is self-insured, increased through 2016 but has fallen since.
  - In 2016, 40.7 percent of private-sector establishments reported that they self-insured at least one of their health plans, up from 26.5 percent in 1999.
  - By 2018, the percentage of private-sector establishments reporting that they self-insured at least one of their health plans fell to 38.7 percent.
- Between 2013 and 2016, the percentages of small and medium-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 medium-sized establishments, the percentage increased from 25.3 percent to 29.2 percent (a 15.4 percent increase).
  - By 2018, the percentage of small establishments self-insuring at least one health plan fell back to a pre-ACA level of 13.2 percent. The percentage of medium-sized establishments offering a self-insured plan fell to 29 percent.
- Between 2013 and 2017, the self-insurance trend for large establishments continued to decline, falling from 83.9 percent to 75.9 percent. A rebound may have started in 2018, as the percentage offering a self-insured plan increased to 78.7 percent.
- Despite the fact that many more employees work for large establishments, the increase in self-insurance among large establishments was not large enough to offset the decline among small and medium-sized establishments, resulting in a decrease in the percentage of covered workers enrolled in self-insured plans.
  - Between 2017 and 2018, the percentage of enrollees fell from 59.4 percent to 58.7 percent.
  - The percentage of workers in self-insured plans fell in every establishment size except for those in firms with 1,000 or more employees.
- Self-insurance varied substantially by state. Overall, the percentage of establishments offering at least one self-insured plan ranged from 24.3 percent in Massachusetts to 52.6 percent in North Carolina. The percentage of private-sector enrollees in self-insured plans varied from 31.4 percent in Hawaii to 72.7 percent in North Carolina.

Paul Fronstin is director of the Health Research and Education Program at the Employee Benefit Research Institute (EBRI). This *Issue Brief* was written with assistance from the Institute’s research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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## Introduction

Since the passage of the Patient Protection and Affordable Care Act of 2010 (ACA), some commentators have speculated that an increasing number of small and medium-sized employers would convert their health plans from fully insured to self-insured plans.<sup>1</sup> 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.

### About Employment-Based Health Plans

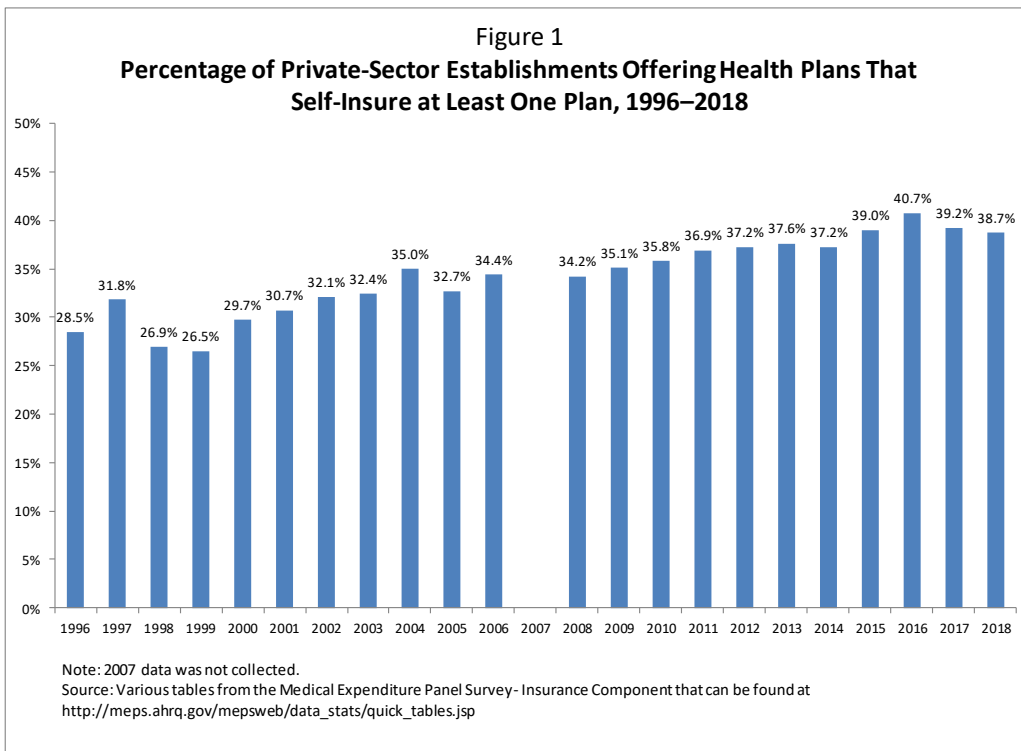
Employment-based health plans generally fall into one of two categories — fully insured plans or self-insured plans. The key distinction is whether the employer has decided to purchase an insurance contract to cover the costs and financial risks associated with its employee health plan or to use its 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).

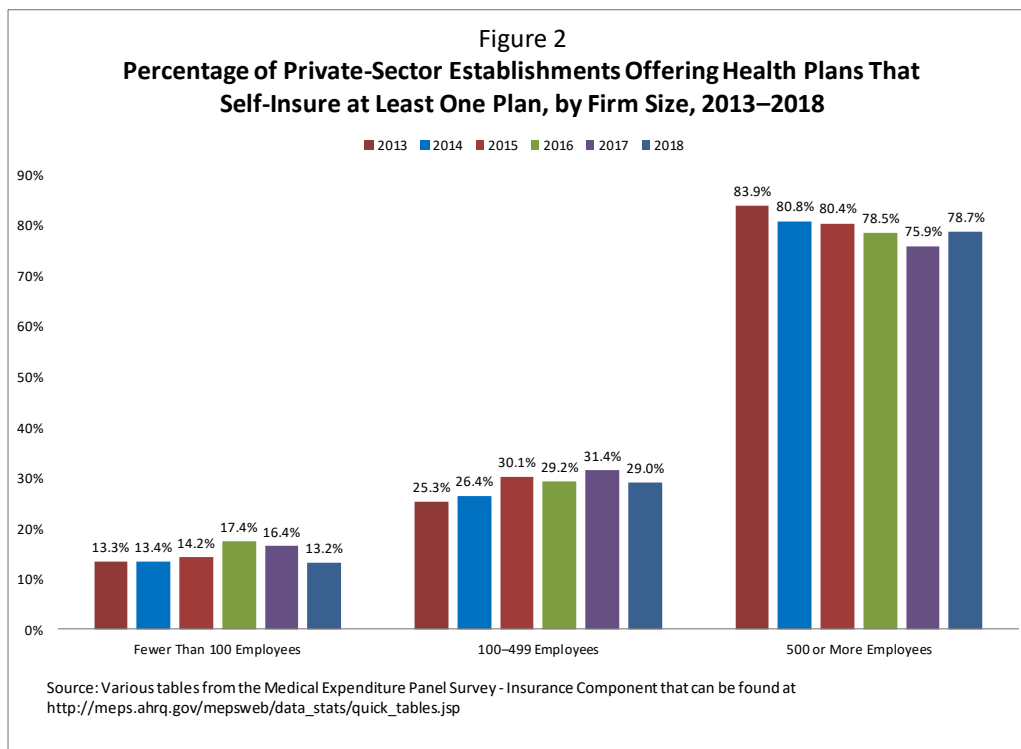
This paper examines trends in the availability of and enrollment in self-insured health plans among private-sector establishments offering health plans and their covered workers, with a particular focus on 2013 to 2018, so as to assess whether the ACA might have affected these trends and more recent trends. The data come from the Medical Expenditure Panel Survey - Insurance Component (MEPS-IC) and are presented in the aggregate, by establishment size, and by state.<sup>2</sup>

## 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, but peaked in 2016. In 2016, 40.7 percent of private-sector establishments reported that they self-insured at least one of their health plans, up from 26.5 percent in 1999 (Figure 1). By 2018, the percentage of private-sector establishments reporting that they self-insured at least one of their health plans fell to 38.7 percent.



There is much variation in the percentage of employers offering a self-insured plan by firm size. Large firms are much more likely than small and medium-sized firms to self-insure at least one of their health plans. In 2018, 78.7 percent of establishments with 500 or more workers self-insured at least one plan, compared with 29 percent among medium-sized establishments (100–499 employees) and 13.2 percent among small establishments (fewer than 100 employees) (Figure 2).

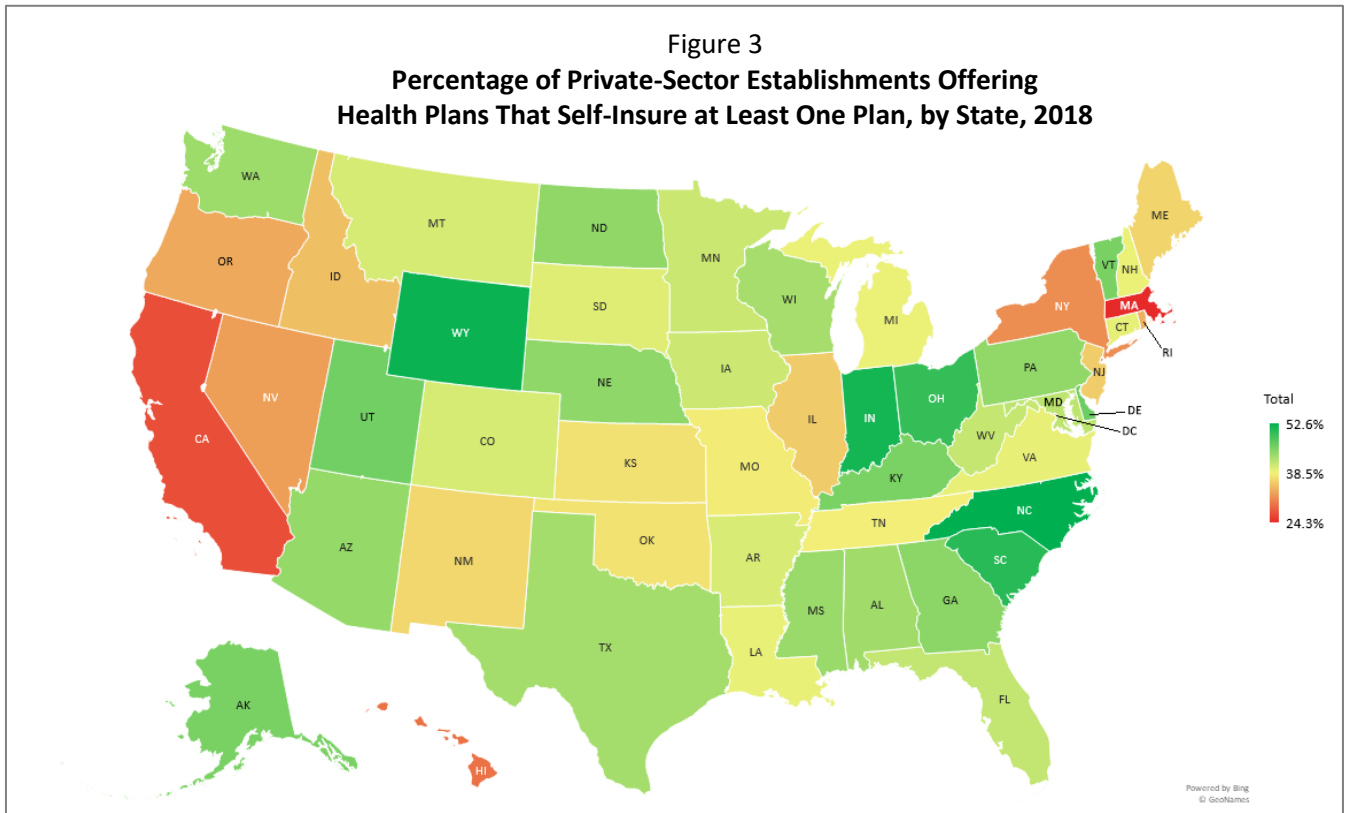


The recent trends are also much different when examining them by establishment size. As expected, the passage of the ACA appears to have triggered an increase in self-insurance, though it may have been temporary for small firms and short-lived for medium-sized firms. Between 2013 and 2016, the portion of small establishments offering health plans reporting they self-insure at least one plan increased from 13.3 percent to 17.4 percent. It has since fallen to a pre-ACA

rate of 13.2 percent by 2018. Among medium-sized establishments, the increase in self-insurance occurred between 2013 and 2015. Since then, the percentage self-insured has been bouncing around between 29 percent and 31 percent.

The share of large establishments offering self-insured options has steadily eroded until 2018, declining from 83.9 percent in 2013 to 75.9 percent in 2017. Between 2017 and 2018 it increased to 78.7 percent, which may be the beginning of a rebound.

Self-insurance varies substantially by state. Overall, the percentage of establishments offering at least one self-insured plan ranged from 24.3 percent in Massachusetts to 52.6 percent in North Carolina (Figure 3). Among small employers, it ranged from 5 percent in Tennessee to 26.7 percent in Wyoming; it ranged from 4 percent in Massachusetts to 57.3 percent in Vermont among medium-sized companies; and among larger employers it ranged from 62.3 percent in Hawaii to 91.7 percent in North Dakota.

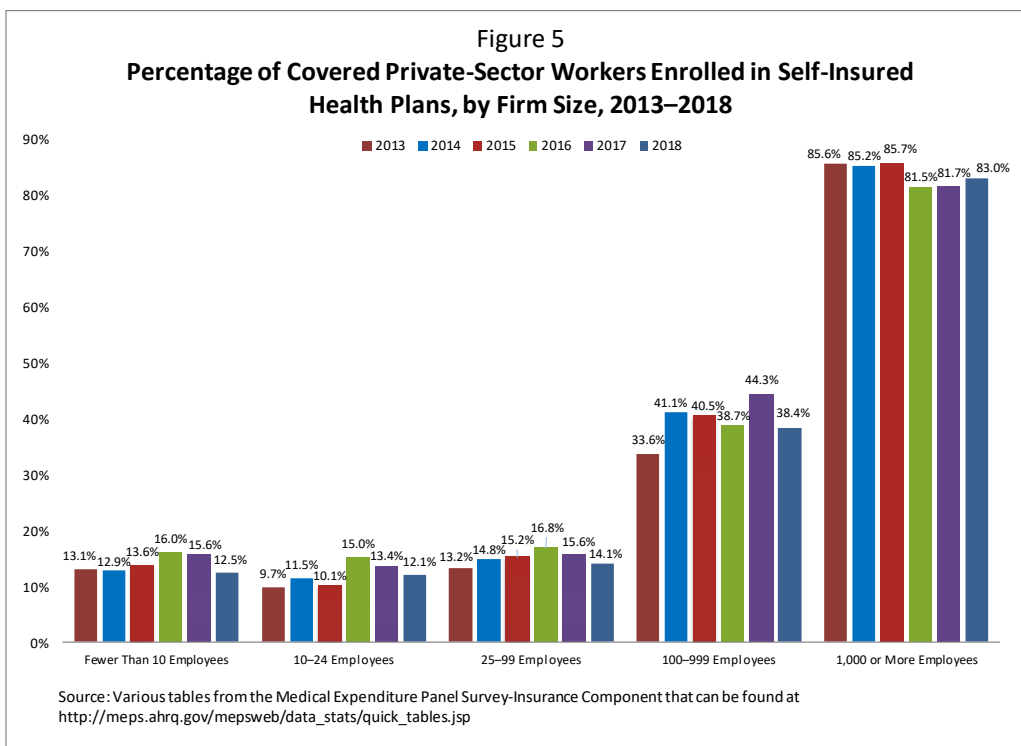
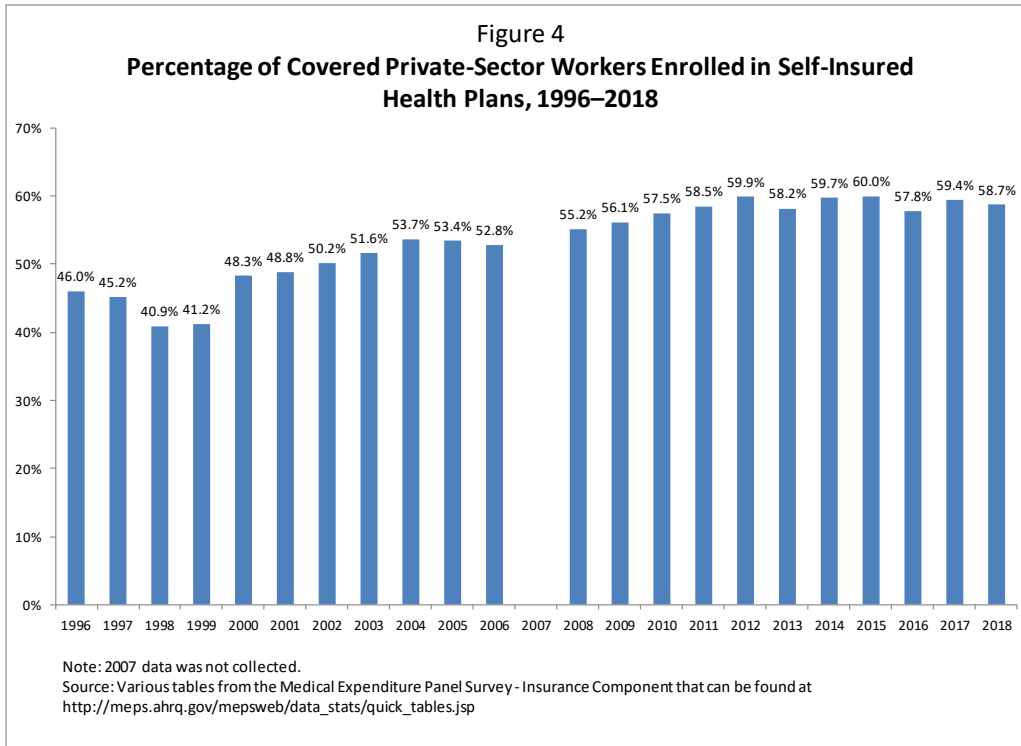


Division and State	Employees				Division and State	Employees				Division and State	Employees			
	Total	Fewer Than 100	100-499	500 or More		Total	Fewer Than 100	100-499	500 or More		Total	Fewer Than 100	100-499	500 or More
<b>United States</b>	38.7%	13.2%	29.0%	78.7%	Minnesota	40.8%	13.9%	32.0%	85.5%	<b>West South Central:</b>				
<b>New England:</b>					Missouri	38.0%	14.8%*	31.6%*	72.9%	Arkansas	40.0%	7.9%*	23.3%*	78.5%
Connecticut	39.2%	14.9%*	36.1%	81.2%	Nebraska	44.3%	12.4%*	38.8%	84.0%	Louisiana	39.0%	6.4%*	24.4%*	81.9%
Maine	36.3%	12.8%*	28.6%	80.1%	North Dakota	44.2%	24.7%	40.8%	91.7%	Oklahoma	37.3%	12.9%*	39.6%	76.3%
Massachusetts	24.3%	7.1%*	4.0%*	63.4%	South Dakota	39.6%	15.2%	40.0%	90.0%	Texas	43.0%	15.3%	21.2%	78.9%
New Hampshire	38.9%	13.4%	33.8%*	81.9%	<b>South Atlantic:</b>					<b>Mountain:</b>				
Rhode Island	33.8%	5.5%*	32.2%	76.5%	Delaware	46.3%	17.8%	35.5%	86.0%	Arizona	43.9%	13.1%	21.8%*	81.2%
Vermont	45.5%	18.8%	57.3%	91.2%	District of Columbia	33.2%	14.3%	13.6%*	69.6%	Colorado	40.1%	12.5%*	32.0%*	79.1%
<b>Middle Atlantic:</b>					Florida	41.2%	16.2%	24.5%	79.6%	Idaho	34.8%	12.0%	21.8%*	75.6%
New Jersey	35.8%	12.6%	34.9%	79.9%	Georgia	44.5%	11.7%*	31.9%*	80.5%	Montana	40.1%	18.7%*	40.5%	83.4%
New York	31.3%	14.3%	29.2%	74.5%	Maryland	41.6%	15.7%	45.4%	81.1%	Nevada	32.5%	5.7%*	26.4%*	66.4%
Pennsylvania	44.1%	14.3%	31.5%	89.5%	North Carolina	52.6%	18.9%	38.8%	82.9%	New Mexico	36.5%	9.8%*	30.8%	66.9%
<b>East North Central:</b>					South Carolina	50.3%	7.8%*	40.4%	81.2%	Utah	46.0%	17.9%*	28.4%*	77.1%
Illinois	35.7%	5.6%*	37.0%	84.5%	Virginia	39.1%	6.5%	28.0%	74.6%	Wyoming	52.0%	26.7%	47.0%	90.4%
Indiana	51.4%	16.9%	50.1%	83.1%	West Virginia	41.1%	10.2%*	28.2%	83.8%	<b>Pacific:</b>				
Michigan	38.9%	10.4%*	23.4%*	82.1%	<b>East South Central:</b>					Alaska	45.5%	19.6%	28.5%	83.8%
Ohio	49.5%	20.9%	28.3%	85.5%	Alabama	43.2%	6.5%*	30.2%	84.5%	California	26.9%	9.9%	21.6%	67.4%
Wisconsin	42.9%	19.6%	32.6%	78.8%	Kentucky	45.4%	17.7%	26.7%	86.3%	Hawaii	29.4%	20.3%	22.9%*	62.3%
<b>West North Central:</b>					Mississippi	43.6%	13.9%*	36.8%	80.7%	Oregon	33.3%	13.0%*	30.7%	68.4%
Iowa	40.7%	18.8%	42.0%	81.8%	Tennessee	38.1%	5.0%*	18.5%*	79.6%	Washington	43.4%	23.6%	29.8%*	80.4%
Kansas	37.2%	18.2%*	36.6%	74.7%										

\* Figure does not meet standard of reliability or precision.  
Source: Medical Expenditure Panel Survey-Insurance Component, [http://meps.ahrq.gov/mepsweb/data\\_stats/quick\\_tables.jsp](http://meps.ahrq.gov/mepsweb/data_stats/quick_tables.jsp)

## Workers Enrolled in Self-Insured Plans

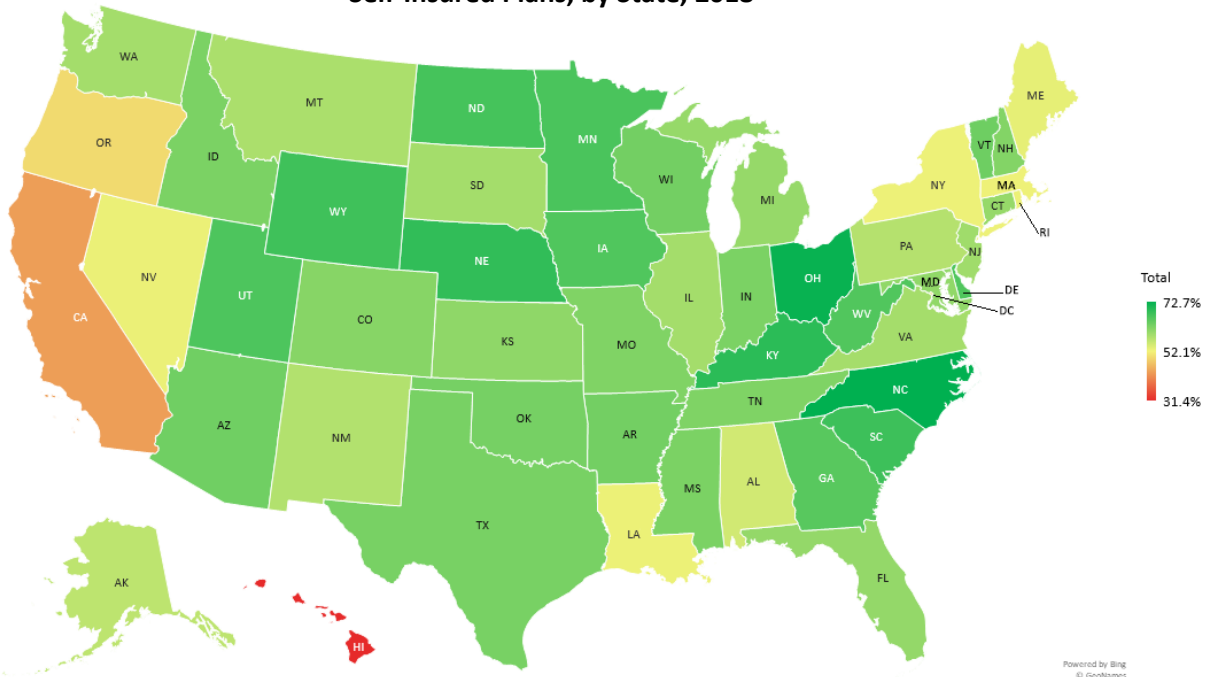
Over the long term, along with the increase in the percentage of establishments that self-insure at least one health plan, enrollment in those plans increased as well. Between 1998 and 2015, the percentage of private-sector workers enrolled in self-insured plans increased from 40.9 percent to 60 percent (Figure 4). Enrollment in self-insured plans has declined since its 60 percent peak in 2016, bouncing around between 58 percent and 59 percent between 2016 and 2018.



The recent trends in enrollment in self-insured health plans are mixed when examined by firm size. There has clearly been a trend away from enrollment in self-insured health plans since 2016 among workers in establishments with fewer than 10 employees, 10–24 employees, and 25–99 employees (Figure 5). Similarly, enrollment in self-insured plans among workers in establishments with 100–999 employees has been trending down since 2014, with the exception of 2017, which might be an outlier. In contrast to the small and medium-sized employer trends, enrollment in self-insured plans has been increasing since 2016 among workers in large establishments and reached 83 percent in 2018.

Overall, the percentage of private-sector enrollees in self-insured plans varied from 31.4 percent in Hawaii to 72.7 percent in North Carolina (Figure 6).

**Figure 6**  
**Percentage of Private-Sector Enrollees in Self-Insured Plans, by State, 2018**



Division and State	Total	100–999 employees	1000 or more employees	Division and State	Total	100–999 employees	1000 or more employees	Division and State	Total	100–999 employees	1000 or more employees
<b>United States</b>	58.7%	38.4%	83.0%	Minnesota	66.4%	46.5%	90.3%	<b>West South Central:</b>			
<b>New England:</b>				Missouri	61.8%	50.9%	80.2%	Arkansas	62.9%	37.5%	88.2%
Connecticut	59.9%	34.0%	89.0%	Nebraska	68.5%	53.2%	85.9%	Louisiana	52.6%	25.0%	83.2%
Maine	53.1%	32.5%	82.0%	North Dakota	66.8%	58.2%	91.8%	Oklahoma	62.6%	53.2%	91.9%
Massachusetts	52.4%	11.9%*	78.6%	South Dakota	58.7%	59.7%	82.4%	Texas	62.5%	43.1%	84.5%
New Hampshire	61.5%	50.8%	86.6%	<b>South Atlantic:</b>				<b>Mountain:</b>			
Rhode Island	52.6%	32.7%	82.0%	Delaware	65.9%	39.2%	87.0%	Arizona	63.1%	29.0%	89.7%
Vermont	63.3%	64.7%	92.5%	District of Columbia	49.3%	37.0%	79.4%	Colorado	61.2%	35.0%	87.7%
<b>Middle Atlantic:</b>				Florida	60.1%	29.8%	82.6%	Idaho	62.2%	53.9%	87.1%
New Jersey	59.1%	34.4%	83.3%	Georgia	65.2%	48.4%	84.2%	Montana	58.1%	58.7%	95.3%
New York	52.5%	35.5%	81.8%	Maryland	60.3%	45.9%	83.3%	Nevada	52.7%	29.0%	70.9%
Pennsylvania	57.3%	37.6%	83.8%	North Carolina	72.7%	54.6%	91.3%	New Mexico	57.5%	28.7%	85.8%
<b>East North Central:</b>				South Carolina	67.5%	34.4%	93.4%	Utah	66.1%	69.7%	76.1%
Illinois	58.7%	39.2%	84.7%	Virginia	58.6%	32.3%	87.3%	Wyoming	67.3%	61.5%	83.9%
Indiana	62.2%	44.3%	84.8%	West Virginia	65.8%	63.6%	82.4%	<b>Pacific:</b>			
Michigan	59.9%	37.2%	88.0%	<b>East South Central:</b>				Alaska	56.6%	43.8%	76.4%
Ohio	72.0%	58.5%	91.0%	Alabama	54.9%	37.4%	83.9%	California	43.4%	20.1%	67.7%
Wisconsin	62.9%	55.6%	84.0%	Kentucky	69.0%	53.1%	89.8%	Hawaii	31.4%	19.8%*	46.0%
<b>West North Central:</b>				Mississippi	62.2%	43.6%	87.8%	Oregon	49.5%	38.0%	82.2%
Iowa	65.9%	57.1%	92.5%	Tennessee	61.9%	40.8%	85.5%	Washington	58.7%	34.5%	87.0%
Kansas	60.5%	53.5%	84.4%								

\* Figure does not meet standard of reliability or precision.

Source: Medical Expenditure Panel Survey-Insurance Component, [http://meps.ahrq.gov/mepsweb/data\\_stats/quick\\_tables.jsp](http://meps.ahrq.gov/mepsweb/data_stats/quick_tables.jsp)

## Conclusion

Changes in the availability of and enrollment in self-insured health plans among various sizes of private-sector establishments that offer health plans that occurred between 2013 and 2016, after the introduction of the ACA, seem to be reversing course. The availability of self-insured plans is now increasing among large establishments, has started to fall among small establishments, and might be stabilizing among medium-sized establishments. 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 this recent movement may be reversing itself. Similarly, there are questions as to whether the recent increase in self-insurance among large firms is the start of a new trend.

## Endnotes

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<sup>1</sup> 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 [https://www.commonwealthfund.org/sites/default/files/documents/media\\_files\\_publications\\_issue\\_brief\\_2012\\_nov\\_1647\\_buettgens\\_small\\_firm\\_self\\_insurance\\_under\\_aca\\_ib.pdf](https://www.commonwealthfund.org/sites/default/files/documents/media_files_publications_issue_brief_2012_nov_1647_buettgens_small_firm_self_insurance_under_aca_ib.pdf)

<sup>2</sup> 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 that consist of a single physical location. It is possible that some large employers are overrepresented in the survey if more than one location was surveyed. Nearly 40,000 establishments were interviewed in 2018. See [https://meps.ahrq.gov/mepsweb/survey\\_comp/ic\\_sample\\_size.jsp](https://meps.ahrq.gov/mepsweb/survey_comp/ic_sample_size.jsp) for more information.