

## Self-Insured Health Plans Since the ACA: Trends Remain Unclear

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

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### AT A GLANCE

What has happened to the availability of and enrollment in self-insured health plans since passage of the Patient Protection and Affordable Care Act of 2010 (ACA)? Using data from the Medical Expenditure Panel Survey - Insurance Component (MEPS-IC), this paper examines trends in offerings and utilization, with a particular focus on 2013 to 2021.

#### Key findings:

- The percentage of private-sector establishments offering health plans increased through 2016 but has since ebbed and flowed with no discernible trend.
- Between 2013 and 2016, the percentages of small and medium-sized establishments offering at least one self-insured plan both increased — but they have bounced up and down since.
- Between 2013 and 2017, the self-insurance trend for large establishments declined. A rebound started in 2018, but the rebound did not hold in 2020.
- Overall, the percentage of workers in self-insured plans has been bouncing around between 58 percent and 60 percent since 2013.
- Self-insurance varied substantially by state. Overall, the percentage of private-sector enrollees in self-insured plans ranged from 33.6 percent in Hawaii to 75.5 percent in Nebraska.

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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.

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 2021, 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 and by establishment size.<sup>2</sup>

### About Employment-Based Health Plans

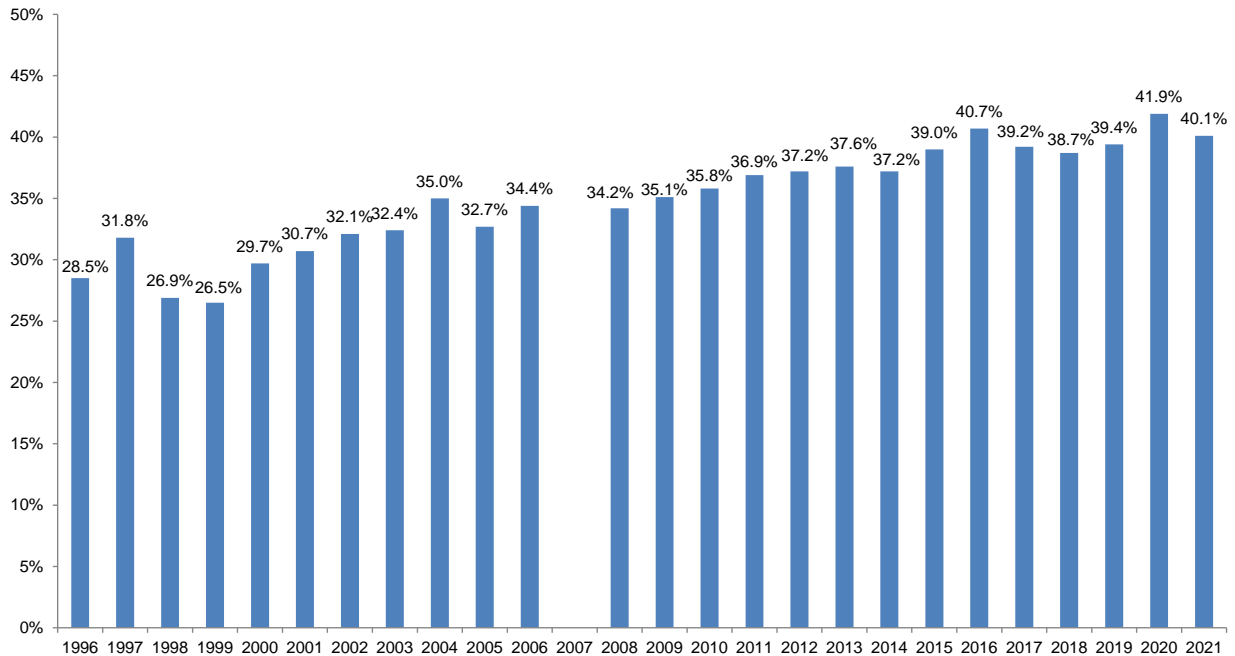
Employment-based health plans generally fall into one of two categories — fully insured plans or self-insured plans. The key distinction is whether the employer has decided to purchase an insurance contract to cover the costs and financial risks associated with its employee health plan or to use its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

## 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. The percentage peaked in 2016, fell through 2018, and then peaked again in 2020. 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. It increased to 41.9 percent in 2020, the highest level seen during the 1996–2020 period, before settling back to 40.1 percent in 2021.

Figure 1  
**Percentage of Private-Sector Establishments Offering Health Plans  
 That Self-Insure at Least One Plan, 1996–2021**



Note: 2007 data was not collected.  
 Source: Medical Expenditure Panel Survey - Insurance Component

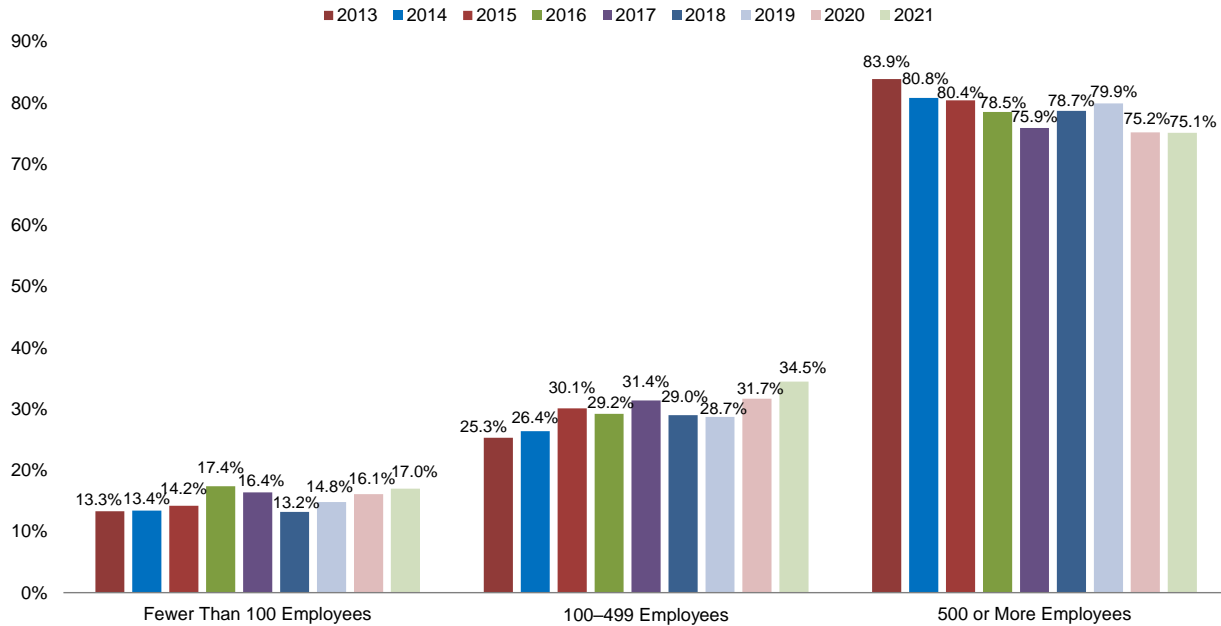
There is much variation in the percentage of employers offering a self-insured plan by establishment size. Large firms are much more likely than small and medium-sized firms to self-insure at least one of their health plans. In 2021, 75.1 percent of establishments with 500 or more workers self-insured at least one plan, compared with 34.5 percent among medium-sized establishments (100–499 employees) and 17 percent among small establishments (fewer than 100 employees) (Figure 2).

Recent trends also differ by establishment size. 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 then fell to a pre-ACA rate of 13.2 percent by 2018. However, between 2018 and 2021, the rate increased to 17 percent.

Among medium-sized establishments, the increase in self-insurance occurred between 2013 and 2015. Then, between 2015 and 2020, the percentage self-insured bounced around between 29 percent and 31.7 percent. In 2021, the percentage self-insured jumped to 34.5 percent, the peak level seen over the time period examined.

In contrast, the share of large establishments offering self-insured options has steadily eroded over the long term, with the exceptions of 2018 and 2019. In 2021, the rate dropped to 75.1 percent, the lowest level since 2013.

Figure 2  
**Percentage of Private-Sector Establishments Offering Health Plans That Self-Insure at Least One Plan, by Firm Size, 2013–2021**

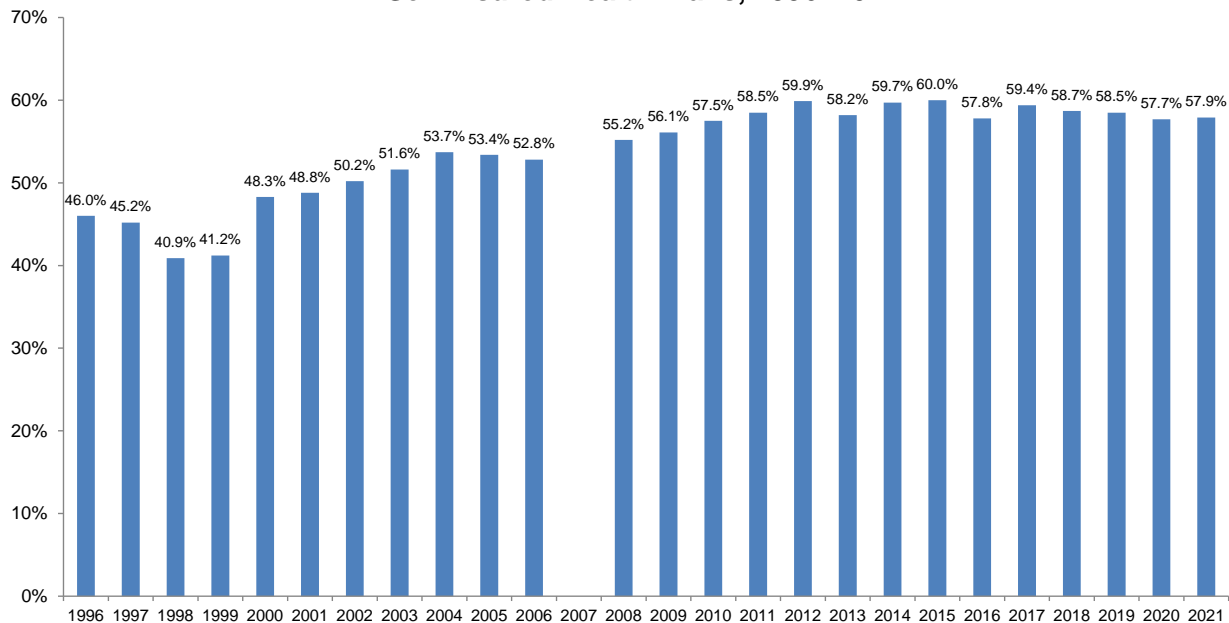


Source: Medical Expenditure Panel Survey - Insurance Component

### 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 3). Enrollment in self-insured plans has since declined from this 2015 peak, bouncing around between 57.7 percent and 59.4 percent between 2016 and 2021.

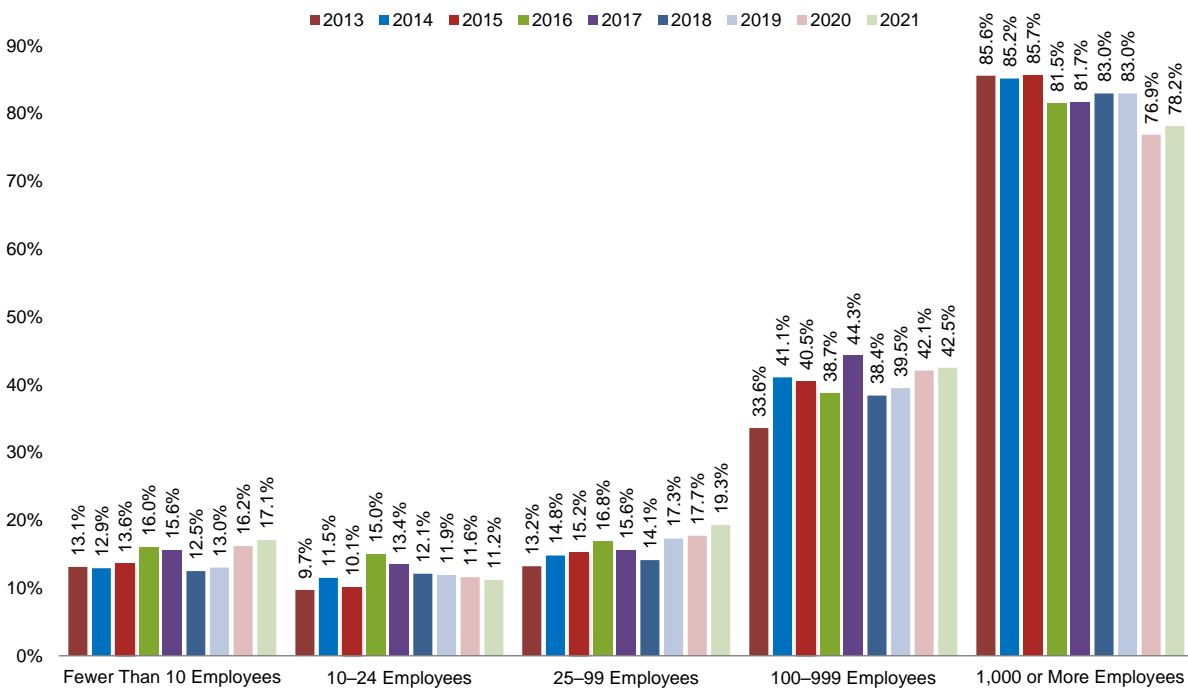
Figure 3  
**Percentage of Covered Private-Sector Workers Enrolled in Self-Insured Health Plans, 1996–2021**



Note: 2007 data was not collected.  
 Source: Medical Expenditure Panel Survey - Insurance Component

Trends in enrollment in self-insured health plans are mixed when examined by firm size. There was a trend away from enrollment in self-insured health plans that started in 2016 among workers in establishments with fewer than 10 employees, 10–24 employees, and 25–99 employees. However, this reversed itself for those with fewer than 10 employees and 25–99 employees (Figure 4). Enrollment in self-insured plans among workers in establishments with 100–999 employees has been trending down since 2014 — with the exception of 2017. However, this has also recently reversed itself. In contrast to the recent small and medium-sized employer trends, enrollment in self-insured plans among workers in large establishments declined from 83 percent in 2019 to 76.9 percent in 2020. It increased to 78.2 percent in 2021.

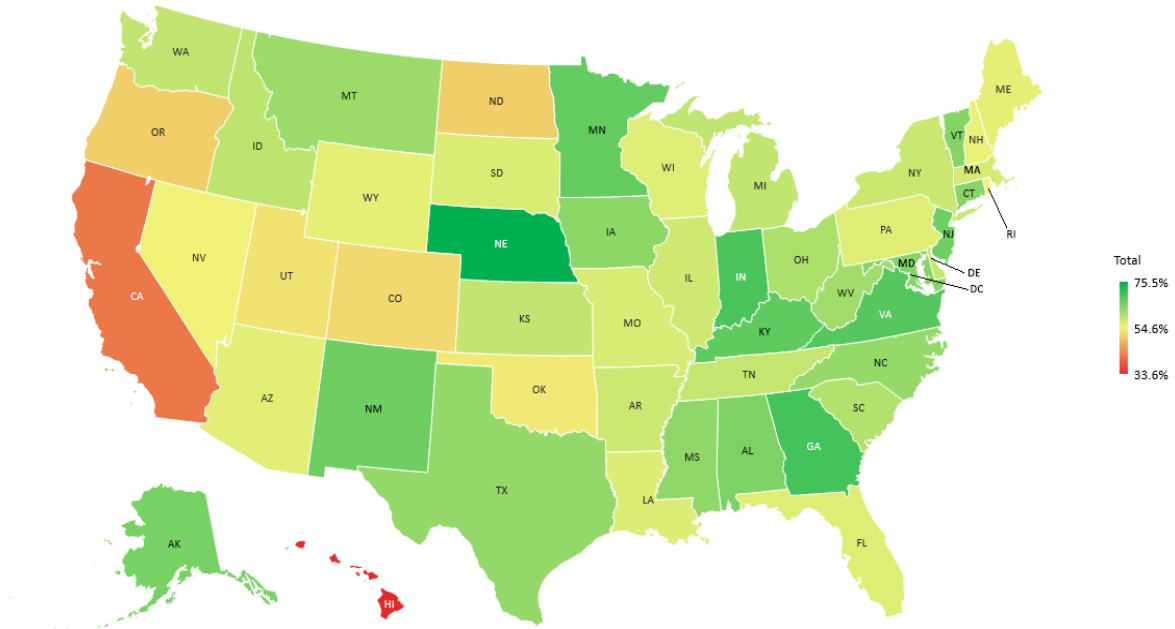
Figure 4  
**Percentage of Covered Private-Sector Workers Enrolled in Self-Insured Health Plans, by Firm Size, 2013–2021**



Source: Medical Expenditure Panel Survey - Insurance Component

Overall, the percentage of private-sector enrollees in self-insured plans varied from 33.6 percent in Hawaii to 75.5 percent in Nebraska (Figure 5).

Figure 5  
**Percentage of Private-Sector Enrollees in Self-Insured Plans, by State, 2021**



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>	57.9%	42.5%	78.2%	Minnesota	66.9%	39.7%	91.3%	<b>West South Central:</b>			
<b>New England:</b>				Missouri	56.8%	48.8%	72.2%	Arkansas	57.8%	41.9%	78.0%
Connecticut	63.7%	35.4%*	88.1%	Nebraska	75.5%	74.3%	86.2%	Louisiana	56.5%	22.0%*	90.8%
Maine	55.7%	44.8%	80.8%	North Dakota	50.8%	38.9%	79.9%	Oklahoma	53.5%	27.6%*	80.8%
Massachusetts	56.9%	15.8%*	78.2%	South Dakota	56.7%	44.4%	84.1%	Texas	62.8%	51.8%	79.7%
New Hampshire	55.2%	37.1%	74.7%	<b>South Atlantic:</b>				<b>Mountain:</b>			
Rhode Island	54.6%	29.7%*	82.8%	Delaware	58.3%	21.8%	88.4%	Arizona	56.0%	33.7%*	75.6%
Vermont	64.1%	75.1%	90.0%	District of Columbia	45.4%	22.1%	73.9%	Colorado	51.9%	44.6%	76.8%
<b>Middle Atlantic:</b>				Florida	56.2%	40.6%	73.4%	Idaho	59.1%	52.0%	86.9%
New Jersey	65.8%	45.8%	85.8%	Georgia	69.5%	37.1%	89.9%	Montana	62.0%	33.5%	92.8%
New York	58.0%	33.6%	81.7%	Maryland	64.1%	43.8%	94.7%	Nevada	54.7%	33.6%	70.1%
Pennsylvania	56.2%	45.4%	74.3%	North Carolina	62.6%	53.4%	77.2%	New Mexico	66.0%	48.8%	89.2%
<b>East North Central:</b>				South Carolina	60.1%	40.5%	79.4%	Utah	52.9%	40.0%	69.3%
Illinois	57.7%	48.4%	74.6%	Virginia	68.1%	43.6%	91.3%	Wyoming	55.7%	42.4%	75.8%
Indiana	69.0%	75.3%	83.0%	West Virginia	61.5%	42.8%	83.8%	<b>Pacific:</b>			
Michigan	58.9%	37.1%	76.1%	<b>East South Central:</b>				Alaska	65.1%	66.3%	71.9%
Ohio	60.5%	54.1%	77.9%	Alabama	64.8%	51.1%	87.8%	California	41.8%	22.6%	65.3%
Wisconsin	56.4%	50.4%	76.3%	Kentucky	67.3%	73.9%	80.5%	Hawaii	33.6%	28.7%	42.4%
<b>West North Central:</b>				Mississippi	63.1%	30.0%*	88.1%	Oregon	50.7%	27.2%*	83.6%
Iowa	63.3%	55.4%	82.8%	Tennessee	58.6%	56.7%	71.1%	Washington	58.8%	55.3%	75.4%
Kansas	58.8%	45.5%	84.2%								

\* Figure does not meet standard of reliability or precision.  
 Source: Medical Expenditure Panel Survey - Insurance Component

## 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 2021, after the introduction of the ACA, have ebbed and flowed — sometimes increasing, sometimes decreasing. However, the data are in large part consistent with the perspective that the ACA would cause more small employers to adopt self-insured plans. Similarly, there are questions as to whether the recent decrease 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 2021. 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.

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