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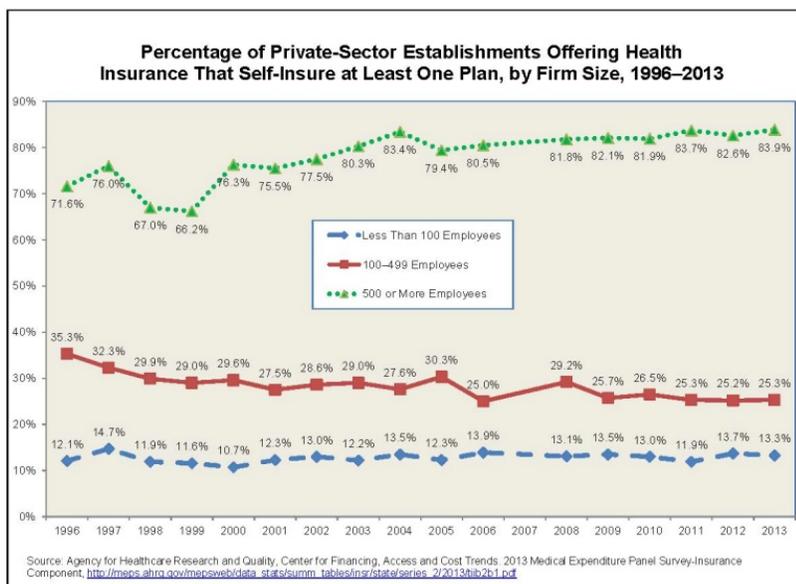
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New Research from EBRI:

Self-Insurance Growing, but Not Among Small Firms So Far

WASHINGTON—Will small businesses follow the lead of bigger firms and start self-insuring their medical benefits to avoid the costs of the Patient Protection and Affordable Care Act (PPACA)? So far (up to 2013, the latest data available), there is no evidence that they are doing so, according to new research by the nonpartisan Employee Benefit Research Institute (EBRI).

Since enactment of PPACA in 2010, there has been speculation that the law will result in an increasing number of smaller employers offering self-insured plans. Some employers think that components of PPACA, such as the strict grandfathering requirements; the minimum-creditable-coverage requirement; the breadth of essential-health benefits; the taxes on insurers, medical-device manufacturers, and pharmaceutical companies; the affordability requirements; and the reinsurance fees will all drive up the cost of health coverage. To the degree small employers are concerned about the rising cost of providing health coverage, self-insurance may become a more attractive means to mitigate any expected regulatory cost increases.



The new EBRI analysis finds that the overall percentage of American workers in self-insured plans has been increasing in recent years, compared to pre-PPACA. Specifically, in 2013, 58.2 percent of workers with health coverage were in self-insured plans, up from 40.9 percent in 1998. Large employers (with 1,000 or more workers) have driven the upward trend in overall self-insurance.

However, as of 2013, EBRI found there is no evidence that smaller firms were increasingly self-insuring their health plans: The percentage of workers in self-insured plans in firms with fewer than 50 employees has been close to 12 percent in most years examined in the analysis going back to 1996.

“So far, there is no sign smaller firms are moving to self-insure, even though more large firms are doing so,” said Paul Fronstin, director of EBRI’s Health Research and Education program and author of the report. “This analysis provides a baseline to measure any future changes.”

As the EBRI report notes, overall, 58.2 percent of American workers were in self-insured plans in 2013, but the percentage ranged by state/federal district from a low of 35.5 percent to a high of 73.5 percent. Hawaii (at 35.5 percent) was the only state with fewer than 40 percent of workers with health insurance in self-insured plans. In four states and the District of Columbia (California, New York, Rhode Island, D.C., and Massachusetts), between 40 percent and 50 percent of workers with health insurance were in self-insured plans. Only two states (Indiana and Nebraska) had more than 70 percent of workers with health insurance in self-insured plans.

The full report, “Self-Insured Health Plans: State Variation and Recent Trends by Firm Size, 1996–2013,” is published in the June 2015 *EBRI Notes*, online at www.ebri.org

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