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New Research from EBRI:

Self-Insured Health Plans Growing, Driven by Large Employers

WASHINGTON—Large private-sector employers are driving a trend toward more “self-insured” health plans, according to a new report by the nonpartisan Employee Benefit Research Institute (EBRI).

Among employers that offer health coverage to their workers, there are two basic types of insurance plan:

- A *self-insured plan*, in which the employer assumes the financial risk related to health insurance; or
- A *fully insured plan*, in which an insurance company is paid to assume the risk.

Historically, large employers have been far more likely to self-insure than have been small employers, the EBRI report notes, and there are significant incentives for them to do so: Large multi-state employers can provide uniform health benefits across state lines if they self-insure (lowering administrative costs) and also are not required to cover state-mandated health care services—as are fully insured plans.

Following the passage and implementation of the Patient Protection and Affordable Care Act (PPACA), there has been speculation that an increasing number of smaller employers would opt for self-insurance. As the EBRI report explains, some employers think that components of PPACA, such as the strict grandfathering requirements, the minimum-creditable-coverage requirement, the breadth of essential health benefits, affordability requirements, as well as taxes on insurers, medical-device manufacturers, and pharmaceutical companies and reinsurance fees will work to drive up the cost of health coverage.

“Employers generally, and small employers particularly, concerned about the rising cost of providing health coverage may view self-insurance as a better way to control expected cost increases,” notes Paul Fronstin, director of EBRI’s Health Research and Education Program and author of the report. “This new analysis provides a baseline against which to measure future trends.”

Among the findings of the EBRI report:

- The percentage of workers in private-sector self-insured health plans has been increasing. In 2011, 58.5 percent of workers with health coverage were in self-insured plans, up from 40.9 percent in 1998. To date, large employers (with 1,000 or more workers) have driven the upward trend in overall self-insurance. The percentage of workers in self-insured plans in

firms with fewer than 50 employees has remained close to 12 percent in most years examined.

- Massachusetts, the only state to have enacted health reform similar to PPACA, has seen an increase in the percentage of workers in self-insured plans among all firm-size cohorts, except among workers in firms with fewer than 50 employees.
- Overall, 58.5 percent of workers were in self-insured plans in 2011, but the percentage ranged by state, from a low of 30.5 percent to a high of 73.8 percent.

Full results are published in the November 2012 *EBRI Notes*, “Self-Insured Health Plans: State Variation and Recent Trends by Firm Size,” online at www.ebri.org

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