

Generosity of Employment-Based Health Insurance Unchanged Since 2013

When the Patient Protection and Affordable Care Act (ACA) was passed in 2010, some voiced concern about a race to the bottom when it came to actuarial value (AV) of employment-based health care plans. That's because the ACA required that employers offering health coverage provide plans with at least 60 percent actuarial value. The fear was that the new law would cause employers to reduce the generosity of their plans to the 60 percent floor. [However, recent research from the Employee Benefit Research Institute \(EBRI\)](#) shows that this has not been the case.

About Actuarial Value

Actuarial value (AV) is a summary measure that may be used by consumers and regulators to compare the relative generosity of health plans. Actuarial value is the percentage of covered, allowed health care expenses that is paid by the plan.

AV is measured on a standard population basis. For example, in a health plan with an AV of 80 percent, the plan would expect to pay 80 percent of the expenses of a standard population, which is generally meant to reflect the demographics and health status distribution of the people who will be covered by the plan, and on average, the covered individuals in the plan would pay the remaining 20 percent as cost sharing. Of course, because people have different health conditions with varying health care needs, any particular plan member may pay more or less than 20 percent of their own covered health care expenses.

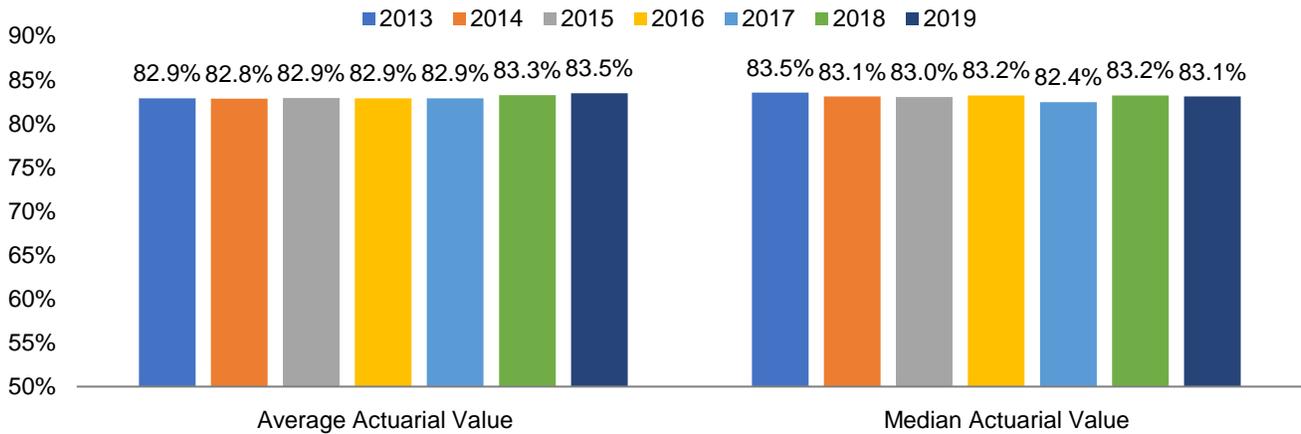
Although AV does not measure the premium nor the percentage of the premium that workers may be required to pay as their employee contribution, premiums are often correlated with AV.¹ Plans with a higher AV will almost always have higher premiums than lower AV plans unless there is a significant difference in other aspects of the plan, such as benefits covered, extent of the network, characteristics of the drug formulary, or restrictions on utilization of high-cost services.

Key Findings:

The research shows that both average and median AV were about 83 percent in each year from 2013 — prior to the implementation of the major coverage provisions of the ACA — to 2019.

¹ The premium is the price of the health insurance policy, which reflects the expected cost of the covered health care services after the worker's cost sharing (i.e., copayments, coinsurance, and deductibles) as well as the administrative costs of the policy (enrollment, claims payment, etc.). Typically, workers and their employers purchase employment-based insurance together, with the worker paying a relatively small fraction of the total premium (in 2020, the worker share averaged 17 percent) and the employer paying for the remainder.

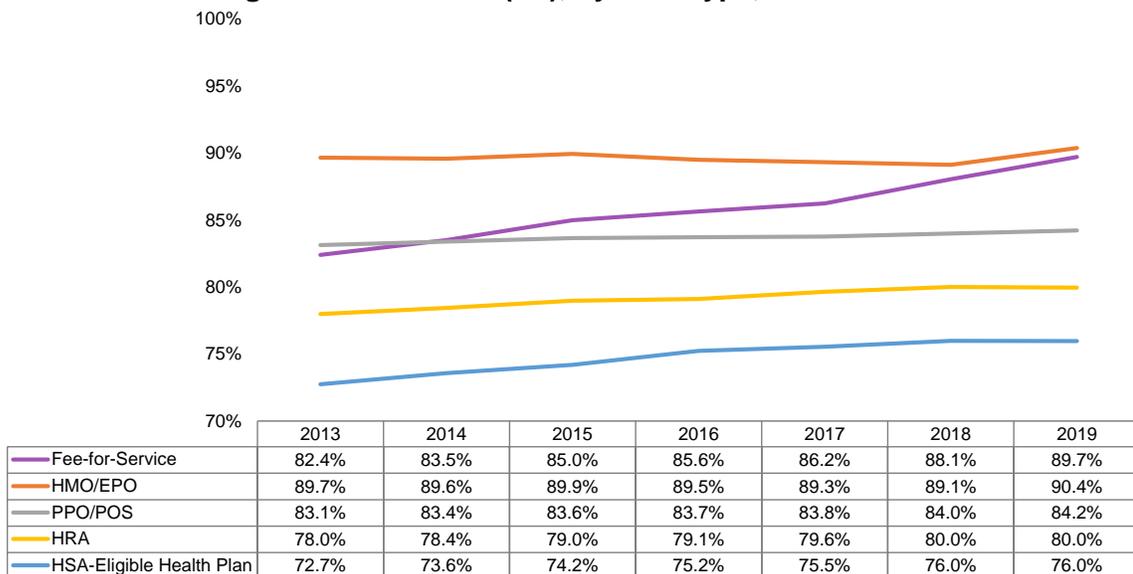
Figure 1
Average and Median Actuarial Value, 2013–2019



Source: Employee Benefit Research Institute estimates based on administrative enrollment and claims data.

Still, there were differences in average AV by plan type. The average AV for enrollees in health maintenance organizations (HMOs)/exclusive provider organizations (EPOs) was highest. This was followed by the AV of enrollees in fee-for-service plans. Preferred provider organization (PPO) and point of service (POS) enrollees saw an average AV of 85 percent and 84 percent, respectively. Not surprisingly, plans linked to spending accounts had the lowest AVs.

Figure 2
Average Actuarial Value (AV), by Plan Type,* 2013–2019



Source: Employee Benefit Research Institute estimates based on administrative enrollment and claims data.

*HMO = health maintenance organization. EPO = exclusive provider organization. PPO = preferred provider organization. POS = point-of-service plan. HRA = health reimbursement arrangement. HSA = health savings account.

Nonetheless, average AV increased for every type of health plan between 2013 and 2019 — in fact, if anything, AV improved slightly over the intervening years.

Data and Study Sample

This study makes use of the IBM® MarketScan® Commercial Claims and Encounters Database (CCAE) as well as the IBM® MarketScan® Benefit Plan Design Database (BPD). The CCAE database contains member enrollment information as well as adjudicated inpatient and outpatient medical and pharmacy claims. The BPD contains data on the main elements of health plan benefit design, including deductibles, coinsurance rates, copayments, and maximum out-of-pocket (MOOP) amounts.

Data from 2013 through 2019 were used for this study. In any given year between 2013 and 2018, the CCAE Database and BPD contain data on between 23 and 25 million workers and their dependents with employment-based health benefits. In 2019, the size of the database fell to 20 million workers and dependents.

While the ACA ultimately did not cause many employers to drop or reduce the value of the coverage they offered to look more like the individual market, other policy actions could do so — even though employers appear reluctant to stop offering such coverage, especially in today’s labor market. Lawmakers will have to balance keeping insurance affordable for those without an offer of employer coverage in the ACA market without jeopardizing the long-standing incentives that help to shore up enrollment in employer coverage. Policy proposals under consideration to help the individual market should consider potential unintended consequences in the employment-based health insurance market.

About EBRI: The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which include a broad range of public, private, for-profit and nonprofit organizations. For more information go to www.ebri.org or connect with us on [Twitter](#) or [LinkedIn](#).

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