

New Research Finds Percentage of Small Employers Offering Health Benefits in Decline but Employment-based Health Coverage Still Most Common Source of Health Coverage for Nonelderly Population

- Eligibility Rates for Health Coverage Among Workers Remain Stable Due to High Percentage of Large Employers Offering Health Benefits -

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(Washington, D.C.) – A new research report published today by the Employee Benefit Research Institute (EBRI) examining how the availability of employment-based health coverage has been changing found the percentage of small employers offering health benefits in decline while the eligibility rates for coverage among workers have remained relatively stable.

The Employee Retirement Income Security Act of 1974's (ERISA's) pre-emption of state law created an environment of nationally uniform standards for employee benefit plans. This gave employers the regulatory means to continue to offer health benefits as done today. When the Patient Protection and Affordable Care Act of 2010 (ACA) was passed, predictions were made that employers would stop offering coverage. The impact of the ACA on availability of health coverage in the workplace has been the subject of considerable debate. The new research report, "Trends in Access to Employment-Based Health Benefits: Stability After 50 Years of ERISA," examined how the availability of employment-based health coverage has been changing and also looked at employer sponsorship of coverage as well as employee eligibility for coverage.

Key findings in the report include:

- The percentage of the nonelderly population with employment-based health benefits was at or near 70% from 1970 to 1989. By 2023, 60% of the nonelderly population had employment-based health coverage.
- In 2023, employment-based health coverage continued to be the most common source of health coverage among the nonelderly population.
- Between 1996–2023, the percentage of employers offering health benefits was at a near record low in 2023 with less than one-half of employers offering health benefits. However, it is important to put this number in context. During the same period, 2000 was the year with the greatest percentage of employers offering coverage at 59% and the percentage has ebbed and flowed over time.
- The erosion in the percentage of employers offering health coverage has been limited to small employers. Between 1996 and 2023, the percentage of employers with 1,000 or more employees offering health benefits increased from 96.7% to 97.6%. Similarly, the percentage of employers with 100–999 employees offering health benefits increased from 92.7% to 95.6%. In contrast, among employers with 25–99 employees, the percentage offering health benefits decreased from 80.8% to 76.7%. It decreased from 64.9% to 51.8% among employers with 10–24 employees and also decreased from 34.2% to 22.5% among employers with fewer than 10 employees.
- The overall percentage of employers offering coverage is heavily influenced by the fact that small employers are in large part responsible for the decline in coverage — and most employers in the U.S. are small.
- Despite the overall decline in the percentage of employers offering health coverage, the percentage of workers employed by private-sector employers who were eligible for health benefits (eligibility rate) has been mostly constant since 1996, varying from a low of 75.4% in 2014 to a high of 81.3% in 1996. The eligibility rate has not changed much because, even though most employers are small, the majority of workers are employed by large firms.

“Despite predictions of a decline, the employment-based health coverage system has demonstrated continued resilience. The ACA prompted a debate about its potential impact, yet predictions that employers would reduce their health benefits offerings have not fully materialized. The recent data indicate that, although the percentage of employers offering health benefits has declined, the eligibility rates for coverage among workers have remained relatively stable. This stability is largely due to the continued prominence of large firms, which are more likely to offer health benefits,” said Paul Fronstin, Ph.D., director, Health Benefits Research, EBRI. “While the landscape of employment-based health benefits is evolving, it remains a cornerstone of the American health insurance system. The persistence of this model, despite shifting economic pressures and regulatory changes, highlights its role in providing health coverage. Moving forward, addressing the disparities between small and large employers and adapting to evolving work force trends will be crucial in maintaining the efficacy and accessibility of employment-based health benefits.”

The three data sources utilized for this research study were: the Current Population Survey, which is the primary source of data on monthly labor force statistics of the U.S. civilian noninstitutionalized population; Medical Expenditure Panel Survey - Insurance Component, 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; and the National Health Interview Survey, which is the principal source of information on the health of the civilian noninstitutionalized population of the United States.

To view a summary of the research report, “Trends in Access to Employment-Based Health Benefits: Stability After 50 Years of ERISA,” visit <https://www.ebri.org/publications/research-publications/issue-briefs/content/trends-in-access-to-employment-based-health-benefits--stability-after-50-years-of-erisa>.

The Employee Benefit Research Institute is a non-profit, independent and unbiased research organization that provides the most authoritative and objective information about critical issues relating to employee benefit programs in the United States. The organization also coordinates activities for the Center for Research on Health Benefits Innovation, Financial Wellbeing Research Center, and Retirement Security Research Center and produces a variety of leading industry surveys during the year. For more information, visit www.ebri.org.

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(Media Note: To receive the complete research report, email Ron Dresner at dresner@ebri.org).