

EMPLOYER HEALTH BENEFITS
2014 ANNUAL SURVEY

Plan
Funding

SECTION

10

PLAN FUNDING

FEDERAL LAW (THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, OR ERISA) EXEMPTS SELF-FUNDED PLANS FROM MOST STATE INSURANCE LAWS, INCLUDING RESERVE REQUIREMENTS, MANDATED BENEFITS, PREMIUM TAXES, AND CONSUMER PROTECTION REGULATIONS. THREE IN FIVE COVERED WORKERS ARE IN A SELF-FUNDED HEALTH PLAN. SELF-FUNDING IS COMMON AMONG LARGER FIRMS BECAUSE THEY CAN SPREAD THE RISK OF COSTLY CLAIMS OVER A LARGE NUMBER OF EMPLOYEES AND DEPENDENTS. MANY SELF-FUNDED PLANS USE INSURANCE, OFTEN CALLED STOPLOSS COVERAGE, TO LIMIT THE PLAN SPONSOR'S LIABILITY FOR VERY LARGE CLAIMS OR AN UNEXPECTED LEVEL OF EXPENSES. MORE THAN THREE IN FIVE COVERED WORKERS IN FULLY OR PARTIALLY SELF-FUNDED PLANS ARE IN PLANS WITH STOPLOSS PROTECTION.

- ▶ Sixty-one percent of covered workers are in a plan that is completely or partially self-funded, the same percentage reported in 2013 (Exhibit 10.1). The percentage of covered workers who are in a self-funded plan has increased over time from 49% in 2000 and 54% in 2004, but has remained steady in the last five years (57% in 2009).
 - The percentage of covered workers in self-funded plans in small (3-199 workers) and larger firms (15% and 81%) is unchanged from 2009 (15% and 77%, respectively) (Exhibit 10.2).
 - The percentage of covered workers differs by plan type: 71% of covered workers in PPOs, 60% in HDHP/SOs, 32% in HMOs, and 22% in POS plans are in a self-funded plan (Exhibit 10.3). Plan enrollment varies by firm size.
 - As expected, covered workers in large firms (200 or more workers) are significantly more likely to be in a self-funded plan than covered workers in small firms (3-199 workers) (81% vs. 15%) (Exhibit 10.4). The percentage of covered workers in self-funded plans increases as the number of employees in a firm increases. Eighty-three percent of covered workers in firms with 1,000 to 4,999 workers and 91% of covered workers in firms with 5,000 or more workers are in self-funded plans in 2014 (Exhibit 10.4).
 - The percentage of covered workers at small firms who are enrolled in a self-funded plan is similar to last year and has remained stable over the last couple of years (Exhibit 10.2).

Self-Funded Plan: An insurance arrangement in which the employer assumes direct financial responsibility for the costs of enrollees' medical claims. Employers sponsoring self-funded plans typically contract with a third-party administrator or insurer to provide administrative services for the self-funded plan. In some cases, the employer may buy stoploss coverage from an insurer to protect the employer against very large claims.

Fully Insured Plan: An insurance arrangement in which the employer contracts with a health plan that assumes financial responsibility for the costs of enrollees' medical claims.

- ▶ Sixty-five percent of workers in self-funded health plans are in plans that have stoploss insurance (Exhibit 10.10). Stoploss coverage limits the amount that a plan sponsor has to pay in claims. Stoploss coverage may limit the amount of claims that must be paid for each employee or may limit the total amount the plan sponsor must pay for all claims over the plan year.
 - The percent of workers in self-funded health plans that are in plans with stoploss insurance is unchanged from 2011, when the survey first asked about stoploss insurance (65% in 2014 vs. 58%).

- Ninety-two percent of covered workers in self-funded plans that have stoploss protection are in plans where the stoploss insurance limits the amount that the plan must spend on each employee (Exhibit 10.11). This includes stoploss insurance plans that limit a firm's per employee spending as well as plans that limit both a firm's overall spending and per employee spending.
- Firms with per enrollee stoploss coverage were asked for the dollar amount where the stoploss coverage would start to pay for most or all of the claim (called an attachment point). The average attachment point in firms with 3-199 workers is about \$134,000. For larger firms (200 or more workers) with a per-person limit, the average attachment point is about \$328,000 (Exhibit 10.11).

EXHIBIT 10.1

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, 1999–2014

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
3–199 Workers	13%	15%	17%	13%	10%	10%	13%	13%	12%	12%	15%	16%	13%	15%	16%	15%
200–999 Workers	51	53	52	48	50	50	53	53	53	47	48	58*	50	52	58	55
1,000–4,999 Workers	62	69	66	67	71	78	78	77	76	76	80	80	79	78	79	83
5,000 or More Workers	62	72	70	72	79	80	82	89	86	89	88	93	96	93	94	91
ALL FIRMS	44%	49%	49%	49%	52%	54%	54%	55%	55%	55%	57%	59%	60%	60%	61%	61%

SOURCE:

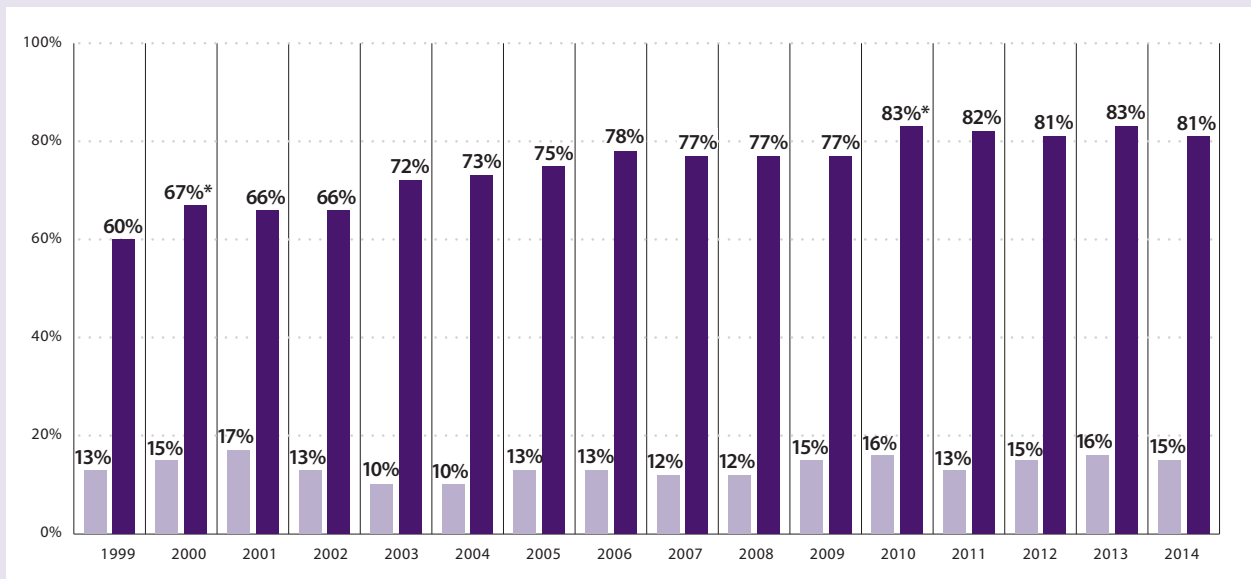
Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2014.

* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006. Therefore, conventional plan funding status is not included in the averages in this exhibit for 2006. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.2

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, 1999–2014



SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2014.

* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Sixty-one percent of covered workers are in a partially or completely self-funded plan in 2014. Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006. Therefore, conventional plan funding status is not included in this exhibit for 2006. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

■ ALL SMALL FIRMS (3–199 WORKERS)
■ ALL LARGE FIRMS (200 OR MORE WORKERS)

EXHIBIT 10.3

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type, 1999–2014

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Conventional	65%	64%	65%	58%	49%	43%	53%	^	53%	47%	48%	61%	53%	38%	^^	^^
HMO	16	23*	31*	27	29	29	32	33	34	40	40	41	41	37	31%	32%
PPO	60	63	61	61	61	64	65	63	65	64	67	67	70	70	70	71
POS	42	45	42	40	44	46	36	32	34	29	25	32	26	29	31	22
HDHP/SO	^	^	^	^	^	^	^	50	41	35	48*	61*	54	54	62	60
ALL PLANS	44%	49%	49%	49%	52%	54%	54%	55%	55%	55%	57%	59%	60%	60%	61%	61%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2014.

* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

^ Information was not obtained for conventional plans in 2006 and HDHP/SO plans prior to 2006.

^^ Starting in 2013, information on Conventional plans was included in the PPO estimate. For more information please see the Survey Design and Methods section.

NOTE: Due to a change in the survey questionnaire, funding status was not asked of firms with conventional plans in 2006. Therefore, conventional plan funding status is not included in this exhibit for 2006. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10. Insured plans, see the introduction to Section 10.

EXHIBIT 10.4

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, Region, and Industry, 2014

	Self-Funded (Employer Bears Some or All of Financial Risk)
FIRM SIZE	
200–999 Workers	55%
1,000–4,999 Workers	83*
5,000 or More Workers	91*
All Small Firms (3–199 Workers)	15%*
All Large Firms (200 or More Workers)	81%*
REGION	
Northeast	60%
Midwest	65
South	64
West	51*
INDUSTRY	
Agriculture/Mining/Construction	48%
Manufacturing	69*
Transportation/Communications/Utilities	70
Wholesale	51
Retail	68
Finance	65
Service	51*
State/Local Government	69
Health Care	67
ALL FIRMS	61%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

* Estimate is statistically different from estimate for all other firms not in the indicated size, region, or industry category ($p < .05$).

NOTE: For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.5

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type and Firm Size, 2014

	HMO	PPO	POS	HDHP/SO
3–199 Workers	1%*	21%*	7%*	15%*
200–999 Workers	22	67	34	49
1,000–4,999 Workers	59*	86*	74*	85*
5,000 or More Workers	47*	96*	NSD	97*
ALL FIRMS	32%	71%	22%	60%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

* Estimate is statistically different from estimate for all other firms not in the indicated size category within plan type ($p < .05$).

NSD: Not Sufficient Data.

NOTE: For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.6

Percentage of Covered Workers in Partially or Completely Self-Funded HMO Plans, by Firm Size, 1999–2014

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
200–999 Workers	14%	13%	23%	16%	21%	18%	17%	29%	19%	22%	26%	23%	16%	14%	12%	22%
1,000–4,999 Workers	22	27	32	31	37	49	50	54	44	48	50	59	54	45	50	59
5,000 or More Workers	19	35*	40	38	44	40	44	47	58	66	61	65	67	60	52	47
ALL HMO PLANS	16%	23%*	31%*	27%	29%	29%	32%	33%	34%	40%	40%	41%	41%	37%	31%	32%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2014.

* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Estimates for All Small Firms (3–199 Workers) are not shown due to high relative standard errors. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.7

Percentage of Covered Workers in Partially or Completely Self-Funded PPO Plans, by Firm Size, 1999–2014

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
3–199 Workers	19%	23%	23%	15%	13%	13%	18%	19%	17%	15%	21%	18%	19%	20%	18%	21%
200–999 Workers	69	72	66	63	60	63	67	61	65	55	55	69*	65	63	69	67
1,000–4,999 Workers	84	89	87	83	85	88	88	85	87	85	87	85	84	84	87	86
5,000 or More Workers	87	88	87	93	93	93	95	97	90*	94	93	96	98	97	98	96
ALL PPO PLANS	60%	63%	61%	61%	61%	64%	65%	63%	65%	64%	67%	67%	70%	70%	70%	71%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2014.

* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.8

Percentage of Covered Workers in Partially or Completely Self-Funded POS Plans, by Firm Size, 1999–2014

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
All Small Firms (3–199 Workers)	10%	10%	10%	10%	8%	9%	9%	6%	14%	9%	5%	9%	6%	7%	10%	7%
All Large Firms (200 or More Workers)	64%	68%	66%	57%	66%	69%	61%	64%	60%	48%	58%	72%	54%	71%	61%	46%
ALL POS PLANS	42%	45%	42%	40%	44%	46%	36%	32%	34%	29%	25%	32%	26%	29%	31%	22%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2014.

NSD: Not Sufficient Data.

NOTE: Tests found no statistical difference from estimate for the previous year shown ($p < .05$).
For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.9

Percentage of Covered Workers in Partially or Completely Self-Funded HDHP/SOs, by Firm Size, 2006–2014

	2006	2007	2008	2009	2010	2011	2012	2013	2014
3–199 Workers	7%	4%	7%	18%	24%	11%	14%	17%	15%
200–999 Workers	57	27	48	36	53	45	39	57	49
1,000–4,999 Workers	81	86	72	81	88	89	85	83	85
5,000 or More Workers	100	97	91	96	99	98	98	97	97
ALL HDHP/SOs	50%	41%	35%	48%*	61%*	54%	54%	62%	60%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2014.

* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Information on funding status for HDHP/SOs was not collected prior to 2006. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.10

Percentage of Covered Workers Enrolled in a Partially or Completely Self-Funded Plan Covered by Stoploss Insurance, by Firm Size, Region, and Industry, 2014

	Percentage of Covered Workers in a Self-Funded Plan Covered by Stoploss Insurance
FIRM SIZE	
50–199 Workers	79%
200–999 Workers	90*
1,000–4,999 Workers	91*
5,000 or More Workers	48*
All Small Firms (3–199 Workers)	75%
All Large Firms (200 or More Workers)	64%
REGION	
Northeast	56%
Midwest	67
South	66
West	70
INDUSTRY	
Agriculture/Mining/Construction	82%*
Manufacturing	68
Transportation/Communications/Utilities	40*
Wholesale	67
Retail	58
Finance	80*
Service	65
State/Local Government	39*
Health Care	81*
ALL SELF-FUNDED FIRMS	65%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

* Estimate is statistically different from estimate for all other firms not in the indicated size, region, or industry category ($p < .05$).

NOTE: For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10.

EXHIBIT 10.11

Prevalence and Average Attachment Points of Stoploss Insurance, by Firm Size and Region, 2014

	Percentage of Covered Workers in Partially or Completely Self-Funded Plans	Percentage of Covered Workers Enrolled in a Self-Funded Plan that Purchased Stoploss Insurance	Percentage of Covered Workers Enrolled in a Self-Funded Plan that Purchases Stoploss Insurance which Includes a Limit on Per Employee Spending‡	Average Per Employee Claims Cost at which Stoploss Insurance Pays Benefit (Attachment Point)‡
FIRM SIZE				
50–199 Workers	25%*	79%	87%	\$137,000*
200–999 Workers	55	90*	95	148,000*
1,000–4,999 Workers	83*	91*	93	262,000*
5,000 or More Workers	91*	48*	92	463,000*
All Small Firms (3-199 Workers)	15%*	75%	89%	\$134,000*
All Large Firms (200 or More Workers)	81%*	64%	93%	\$328,000*
REGION				
Northeast	60%	56%	92%	\$287,000
Midwest	65	67	93	348,000
South	64	66	94	333,000
West	51*	70	89	233,000*
ALL FIRMS	61%	65%	92%	\$312,000

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

* Estimate is statistically different from estimate for all other firms not in the indicated size or region category ($p < .05$).

‡ This includes stoploss insurance plans that limit a firm's per employee spending as well as plans that limit both a firm's overall spending and per employee spending.

NOTE: There was insufficient data to report estimates for firms with 3 to 50 employees. For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10. Attachment points refer to the dollar amount at which stoploss coverage begins to pay for most or all of a claim.

EXHIBIT 10.12

Percentage of Covered Workers Enrolled in Partially or Completely Self-Insured Plans which Purchase Different Types of Stoploss Insurance, by Firm Size, 2014

	Stoploss Insurance Limits Per Employee Spending	Stoploss Insurance Limits Total Spending	Stoploss Insurance Limits both Per Employee and Total Spending	Other
50–199 Workers	53%	8%	34%	6%
200–999 Workers	57	3	38	3
1,000–4,999 Workers	68	2	25	5
5,000 or More Workers	76	4	15	4
All Small Firms (3–199 Workers)	63%	6%	27%	5%
All Large Firms (200 or More Workers)	69%	3%	23%	4%
ALL FIRMS	69%	3%	24%	4%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2014.

NOTE: There was insufficient data to report estimates for firms with 3 to 50 employees.