

EMPLOYER HEALTH BENEFITS

2012 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 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. ALMOST THREE IN FIVE COVERED WORKERS IN SELF-FUNDED PLANS ARE IN PLANS WITH STOPLOSS PROTECTION.

- ▶ Sixty percent of covered workers are in a self-funded plan, the same percentage reported in 2011 (Exhibit 10.1). The percentage of covered workers who are in a plan that is completely or partially self-funded has increased over time from 49% in 2000 and 54% in 2005.
 - The percentage of covered workers differs by plan type: 70% of covered workers in PPOs, 54% in HDHP/SOs, 38% in conventional health plans, 37% in HMOs, and 29% in POS plans are in a self-funded plan (Exhibit 10.4).
 - As expected, covered workers in large firms (200 or more workers) are more likely to be in a self-funded plan than covered workers in small firms (3–199 workers) (81% vs. 15%) (Exhibit 10.3). The percentage of covered workers in self-funded plans increases as the number of employees in a firm increases. Seventy-eight percent of covered workers in firms with 1,000 to 4,999 workers and 93% of covered workers in firms with 5,000 or more workers are in self-funded plans in 2012 (Exhibit 10.3).
- ▶ Fifty-nine percent of workers in self-funded health plans are in plans that have stoploss insurance (Exhibit 10.9). 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.

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 stop-loss 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.

- ▶ Eighty-nine 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 10.10).¹
- ▶ 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 large firms (200 or more workers) is \$223,233 (Exhibit 10.10).²

NOTE:

¹ 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.

² The average attachment point in small firms (3 to 199 workers) is about \$140,000, which is almost twice the amount reported last year for small firms. This value has a very high relative standard error (40%) because there are very few small employers that self-fund represented in the survey and one firm reported a very high value (\$2,000,000). Including this firm increases the average by almost 100%.

EXHIBIT 10.1

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, 1999–2012

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

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

* 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 Plan Type, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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
PPO	60	63	61	61	61	64	65	63	65	64	67	67	70	70
POS	42	45	42	40	44	46	36	32	34	29	25	32	26	29
HDHP/SO	^	^	^	^	^	^	^	50	41	35	48*	61*	54	54
ALL PLANS	44%	49%	49%	49%	52%	54%	54%	55%	55%	55%	57%	59%	60%	60%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

* 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.

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.

EXHIBIT 10.3

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Firm Size, Region, and Industry, 2012

	Self-Funded (Employer Bears Some or All of Financial Risk)
FIRM SIZE	
200–999 Workers	52%*
1,000–4,999 Workers	78*
5,000 or More Workers	93*
All Small Firms (3–199 Workers)	15%*
All Large Firms (200 or More Workers)	81%*
REGION	
Northeast	61%
Midwest	61
South	64*
West	48*
INDUSTRY	
Agriculture/Mining/Construction	43%*
Manufacturing	67
Transportation/Communications/Utilities	75*
Wholesale	43*
Retail	69
Finance	68
Service	46*
State/Local Government	72*
Health Care	68*
ALL FIRMS	60%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* 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 10.4

Percentage of Covered Workers in Partially or Completely Self-Funded Plans, by Plan Type and Firm Size, 2012

	Conventional	HMO	PPO	POS	HDHP/SO
3–199 Workers	NSD	13%*	20%*	7%*	14%*
200–999 Workers	NSD	14*	63	56*	39*
1,000–4,999 Workers	NSD	45	84*	50	85*
5,000 or More Workers	NSD	60*	97*	91*	98*
ALL FIRMS	38%	37%	70%	29%	54%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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

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

NSD: Not Sufficient Data.

EXHIBIT 10.5

Percentage of Covered Workers in Partially or Completely Self-Funded HMO Plans, by Firm Size, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–199 Workers	5%	4%	14%	10%	5%	4%	10%	3%	1%	10%	6%	9%	5%	13%
200–999 Workers	14	13	23	16	21	18	17	29	19	22	26	23	16	14
1,000–4,999 Workers	22	27	32	31	37	49	50	54	44	48	50	59	54	45
5,000 or More Workers	19	35*	40	38	44	40	44	47	58	66	61	65	67	60
ALL HMO PLANS	16%	23%*	31%*	27%	29%	29%	32%	33%	34%	40%	40%	41%	41%	37%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

* 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 10.6

Percentage of Covered Workers in Partially or Completely Self-Funded PPO Plans, by Firm Size, 1999–2012

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

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

* 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 10.7

Percentage of Covered Workers in Partially or Completely Self-Funded POS Plans, by Firm Size, 1999–2012

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3–199 Workers	10%	10%	10%	10%	8%	9%	9%	6%	14%	9%	5%	9%	6%	7%
200–999 Workers	35	39	40	21*	42*	42	31	36	33	20	39	53	39	56
1,000–4,999 Workers	62	71	60	67	73	63	48	62	47	52	53	60	40	50
5,000 or More Workers	75	77	76	67	71	77	74	80	89	65	76	85	NSD	91
ALL POS PLANS	42%	45%	42%	40%	44%	46%	36%	32%	34%	29%	25%	32%	26%	29%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2012.

* 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 HDHP/SOs, by Firm Size, 2006–2012

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

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2012.

* 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 10.9

Percentage of Covered Workers Enrolled in a Partially or Completely Self-Funded Plan Covered by Stoploss Insurance, by Firm Size, Region, and Industry, 2012

	Percentage of Covered Workers in a Self-Funded Plan Covered by Stoploss Insurance
FIRM SIZE	
50–199 Workers	79%*
200–999 Workers	94*
1,000–4,999 Workers	89*
5,000 or More Workers	39*
All Small Firms (3–199 Workers)	71%
All Large Firms (200 or More Workers)	58%
REGION	
Northeast	57%
Midwest	62
South	59
West	56
INDUSTRY	
Agriculture/Mining/Construction	63%
Manufacturing	58
Transportation/Communications/Utilities	58
Wholesale	42
Retail	29*
Finance	75*
Service	70*
State/Local Government	40*
Health Care	64
ALL SELF-FUNDED FIRMS	59%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* 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 10.10

Prevalence and Average Attachment Points of Stoploss Insurance, by Firm Size and Region, 2012

	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 [‡]
FIRM SIZE				
50–199 Workers	30%*	79%*	88%	\$130,216
200–999 Workers	52*	94*	91	126,524*
1,000–4,999 Workers	78*	89*	91	231,483
5,000 or More Workers	93*	39*	85	337,801*
All Large Firms (200 or More Workers)	81%*	58%	89%	\$227,699
REGION				
Northeast	61%	57%	79%	\$210,119
Midwest	61	62	89	237,884
South	64*	59	95*	223,120
West	48*	56	84	205,782
ALL FIRMS	60%	59%	89%	\$223,233

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

* 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: For definitions of Self-Funded and Fully Insured plans, see the introduction to Section 10. Attachment points refer to the amount at which stoploss coverage begins to pay for most or all of a claim. The average attachment point in small firms (3 to 199 workers) is about \$140,000, which is almost twice the amount reported last year for small firms. This value has a very high relative standard error (40%) because there are very few small employers that self-fund represented in the survey and one firm reported a very high value (\$2,000,000). Including this firm increases the average by almost 100%.

EXHIBIT 10.11

Percentage of Covered Workers Enrolled in Partially or Completely Self-Insured Plans which Purchase Different Types of Stoploss Insurance, by Firm Size, 2012

	Stoploss Insurance Limits Per Employee Spending	Stoploss Insurance Limits Total Spending	Stoploss Insurance Limits both Per Employee and Total Spending	Other
50–199 Workers	63%	<1%	25%	11%
200–999 Workers	63	4	28	5
1,000–4,999 Workers	70	6	22	3
5,000 or More Workers	74	10	11	5
All Small Firms (3–199 Workers)	65%	<1%	24%	11%
All Large Firms (200 or More Workers)	70%	7%	18%	4%
ALL FIRMS	70%	6%	19%	5%

SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012.

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