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DATAWATCH

Enrollment Trends In Self-Funded Employer-Sponsored Insurance, 2015 And 2021

The share of employer-sponsored health insurance enrollment in self-funded plans grew from 55 percent in 2015 to 60 percent in 2021. Growth was concentrated in states with an initially low share but was widespread across most states (88.0 percent saw growth) and counties (78.2 percent saw growth). There were substantial differences in plan types in the self-funded and fully insured markets.

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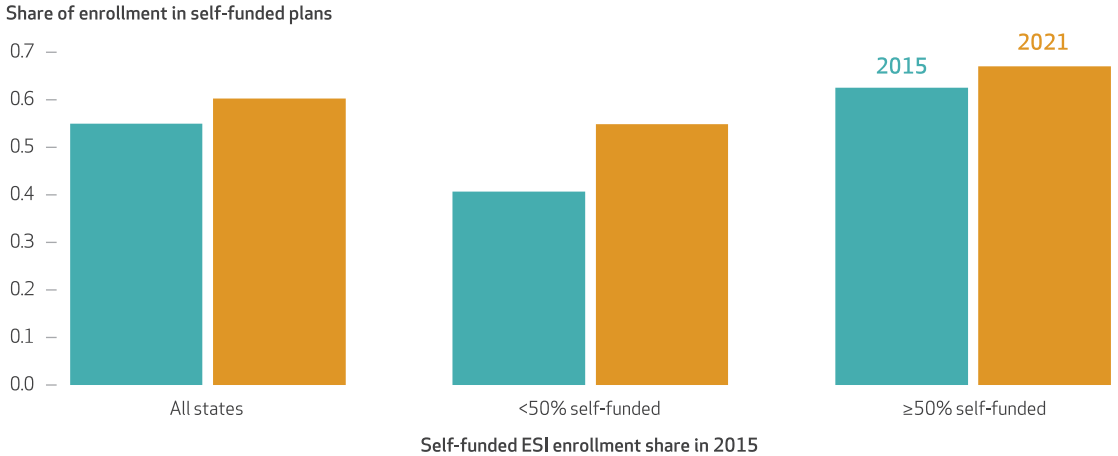
The most common form of health insurance in the US is employer-sponsored health insurance (ESI), whether self-funded or fully insured.[1,2] In self-funded arrangements, employers bear the financial risk of health expenditures (as opposed to insurers). This distinction is critical from a policy perspective, as self-funded plans are not subject to any state insurance regulations (for example, coverage requirements). Recent reports highlight the growing nationwide prevalence of self-funded ESI,[3] but little is otherwise known about this critically important market. This article describes the growth of self-funded ESI enrollment over time and its variation by geography, insurers and third-party administrators (TPAs), and plan types.

The share of ESI enrollment in self-funded plans rose from 55 percent in 2015 to 60 percent in 2021 (exhibit 1), amounting to an approximate 2.8 million increase in enrollment in this market. Growth was concentrated in states where the share of ESI enrollment was below 50 percent in 2015. In these states, the self-funded share rose from 41 percent in 2015 to 55 percent in 2021. See online appendix 1 for state-level enrollment numbers in 2015 and 2021.[4]

EXHIBIT 1

Share of US employer-sponsored health insurance (ESI) enrollment in self-funded plans, 2015 and 2021



SOURCE Authors' analysis of Clarivate Interstudy enrollment data (2015 and 2021), a national proprietary census of enrollment at the insurer-county level across each health insurance market segment. **NOTES** The share of ESI enrollment in self-funded plans was calculated in 2015 and 2021 among all states and Washington, D.C. States were also stratified on the basis of the self-funded share of ESI in 2015, between those with a share below 50 percent and those with a share 50 percent or greater.

Study Data And Methods

We used 2015 and 2021 Clarivate Interstudy (previously Decision Resources Group and HealthLeaders-InterStudy) enrollment data, a national proprietary census of enrollment at the insurer and TPA–county level across each health insurance market segment,[5] a source that has been used previously to study health insurance markets.[6–10] The data are collected through a survey of insurers and TPAs, with an overall response rate of approximately 80 percent. Data for the nonresponding insurers and TPAs are then supplemented with proprietary data by Clarivate's regionally focused analysts to ensure completeness. Enrollment is based on enrollees' location, as opposed to employers' location.

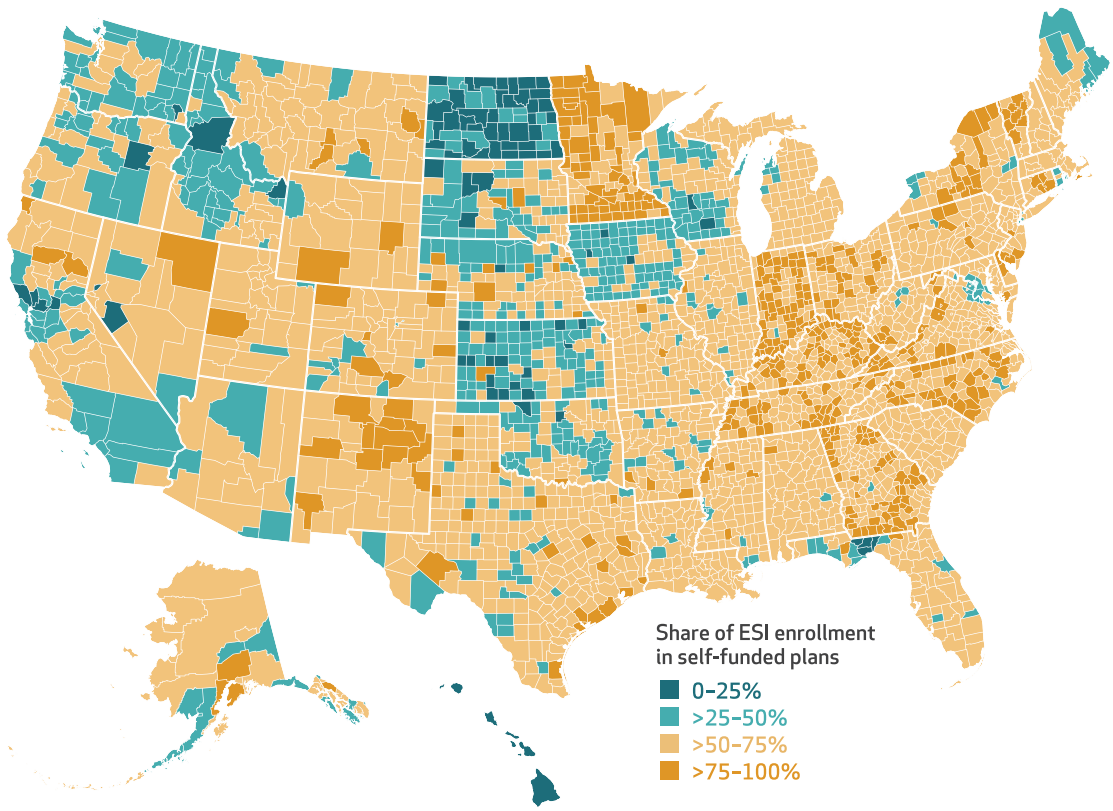
The Clarivate database differs from the Medical Expenditure Panel Survey–Insurance Component[2] and the KFF Employer Health Benefits Survey,[3] in that it surveys insurers and TPAs, rather than employers; allows researchers to report greater geographic detail and insurer and TPA information; and aims to comprehensively represent all insurers and TPAs across markets.

Using these data, we examined the prevalence of self-funded ESI coverage, including private-sector and state and local public-sector employees (not including federal employees), as a proportion of all ESI enrollment across counties, states, and insurers and TPAs in 2015 and 2021. We focused on two years of data to describe the total changes to the market during this period. We also examined the share of enrollment in the self-funded and fully insured markets belonging to various plan arrangements, including indemnity, consumer-directed health plans (CDHPs), point-of-service (POS) plans, preferred provider organizations (PPOs), and health maintenance organizations (HMOs), in 2015 and 2021. Finally, we calculated core-based statistical area–level insurer and TPA concentration in the self-funded market as a Herfindahl-Hirschman Index (HHI) of enrollment market share.[11]

This study had limitations. First, the survey is not mandatory to insurers and TPAs, and thus the data may miss or contain inaccuracies for certain companies across markets. Second, the data lack information on employer size and oth-

EXHIBIT 2

Share of US employer-sponsored health insurance (ESI) enrollment in self-funded plans, by county, 2021



SOURCE Authors' analysis of Clarivate Interstudy enrollment data (2021), a national proprietary census of enrollment at the insurer-county level across each health insurance market segment. **NOTES** The share of ESI enrollment in self-funded plans was calculated in 2021 among all counties. Counties were divided into four mutually exclusive categories on the basis of the calculated share.

er characteristics, which could contribute to the trends described in this article. Trends in self-funded plan arrangements, for example, could be driven by changes among primarily large employers, which are more likely than smaller employers to self-fund their health plans.

Study Results

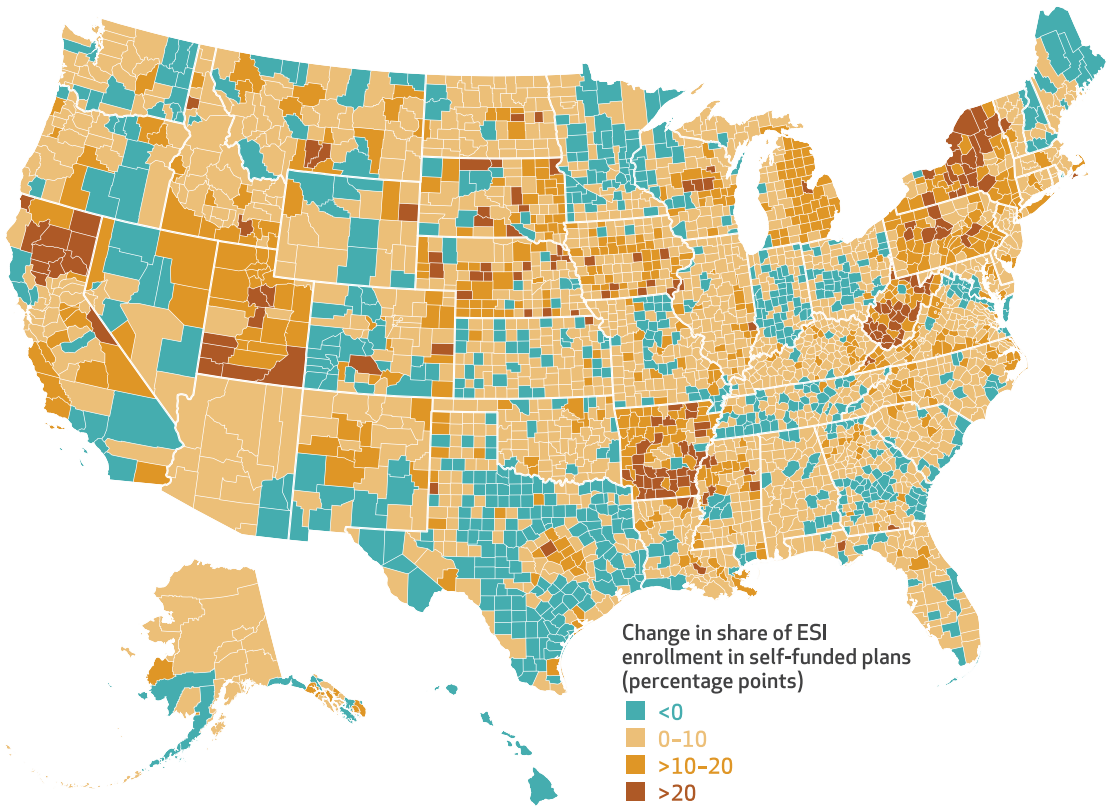
The majority of ESI enrollees were in self-funded plans in 2,532 US counties (80.5 percent of counties) in 2021 (exhibit 2). Four hundred seventy-five counties (15.1 percent of counties) had more than 75 percent of ESI enrollees in a self-funded plan, and eighty-five counties (2.7 percent) had fewer than 25 percent of enrollees in a self-funded plan. Prevalence varied greatly across state lines. For example, every county in Minnesota had a prevalence greater than 50 percent, and fifty-eight of eighty-seven counties in the state had a prevalence greater than 75 percent. Neighboring North Dakota, in contrast, had no counties with greater than 50 percent enrollment in self-funded plans and had thirty-eight of fifty-three counties with a prevalence of 25 percent or lower.

From 2015 to 2021, 78.2 percent of counties (representing 77 percent of total ESI enrollment) saw growth in the percentage of ESI enrollees in a self-funded plan (exhibit 3); 24.3 percent of counties across forty-two states (representing 19.6 percent of total ESI enrollment) experienced growth of more than 10 percentage points during this period. Groups of neighboring counties with rapid growth were dispersed across Arkansas, New York, Northern California, Pennsylvania, and Utah.

Among the five largest insurers and TPAs in the 2021 self-funded market—Health Care Service Corporation, Cigna, CVS Health (formerly Aetna), UnitedHealth Group, and Elevance Health (formerly Anthem)—self-funded enrollment represented more than 60 percent of total ESI enrollment (exhibit 4). Elevance Health was the largest insurer or TPA in the self-funded market, with more than seventeen million en-

EXHIBIT 3

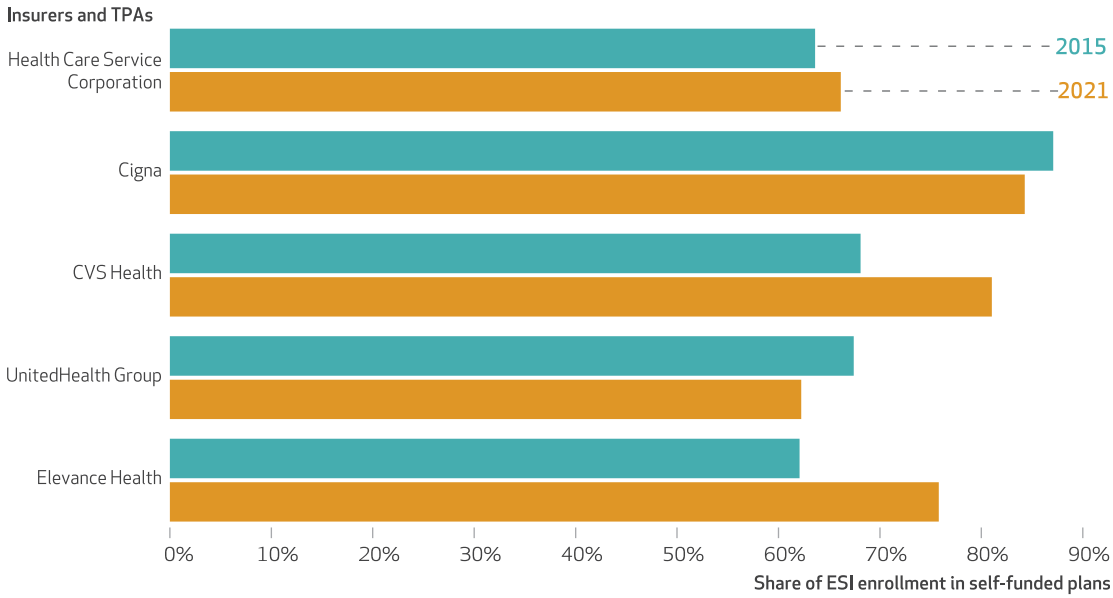
Change in share of US employer-sponsored health insurance (ESI) enrollment in self-funded plans, by county, 2015–21



SOURCE Authors' analysis of Clarivate Interstudy enrollment data (2015 and 2021), a national proprietary census of enrollment at the insurer-county level across each health insurance market segment. **NOTES** The share of ESI enrollment in self-funded plans was calculated in 2015 and 2021 among all counties, and the difference was calculated for each county. Counties were divided into four mutually exclusive categories on the basis of the calculated change in share from 2015 to 2021.

EXHIBIT 4

Shares of US employer-sponsored health insurance (ESI) enrollment in self-funded plans among major insurers and third-party administrators (TPAs), 2015 and 2021



SOURCE Authors' analysis of Clarivate Interstudy enrollment data (2015 and 2021), a national proprietary census of enrollment at the insurer-county level across each health insurance market segment. **NOTE** The share of ESI enrollment in self-funded plans was calculated in 2015 and 2021 among the five largest insurers and TPAs in the self-funded market in 2021.

rollees in self-funded plans (19 percent of the total market). Between 2015 and 2021, CVS Health's self-funded ESI enrollment grew the fastest among these companies, from 68 percent to 81 percent of its total ESI enrollment. Collectively, these five companies enrolled 71 percent of the self-funded ESI market in 2021. Other major insurers and TPAs in this market were Highmark and Blue Cross Blue Shield plans in Michigan, Alabama, and New Jersey.

The distribution of plan types differed substantially between fully insured and self-funded plans (exhibit 5). In 2021, self-funded plans had a greater share of enrollment in PPOs (58 percent of self-funded enrollment compared with 42 percent of fully insured enrollment) and CDHPs (21 percent compared with 14 percent). In contrast, there was a substantially lower share of self-funded enrollment in HMOs (4 percent compared with 32 percent). In both markets, CDHPs grew in prevalence from 2015 to 2021. In contrast, the share of self-funded enrollment in PPOs grew and the share in HMOs decreased, whereas PPOs decreased and HMOs increased in prevalence in the fully insured market.

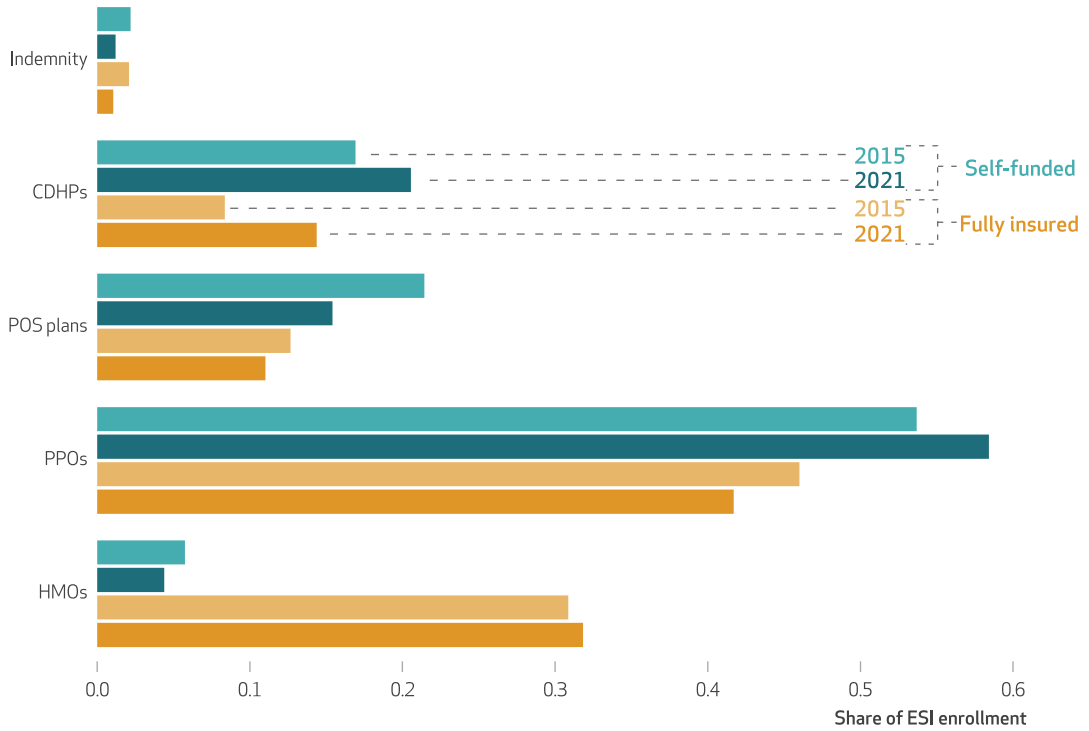
Most core-based statistical areas in the US had highly concentrated self-funded insurer and TPA markets (exhibit 6). Approximately 58.1 percent of core-based statistical areas had insurer and TPA HHIs above 2,500 in the self-funded market. A total of 36.2 percent of self-funded ESI enrollees in core-based statistical areas lived in highly concentrated markets (HHI >2,500), whereas only 4.2 percent lived in core-based statistical areas with competitive self-funded markets (HHI <1,500). Market concentration did not change substantially from 2015 to 2021 (mean HHI of 2,972 in 2021 compared with 3,039 in 2015). See appendix 2 for a 2015 map of insurer and TPA concentration.[4]

Discussion

Our analysis offers several new insights about the self-funded ESI market. First, we found that the nationwide increase in the prevalence of self-funded ESI was widespread, with most states (88.0 percent) and counties (78.2 percent) experiencing an increase in prevalence from 2015 to 2021. We built on estimates from employer-based surveys by demonstrating the nationwide nature of this trend, highlighting that 24.3 percent of counties across forty-two states experienced more than 10-percentage-point growth in the prevalence of self-funded ESI during this period.[2,3] Second, we highlighted the major insurers in this space, finding that self-funded enrollment represented more than 80 percent of ESI enrollment for two of the largest insurers in this market. Third, we showed

EXHIBIT 5

Shares of self-funded and fully insured US employer-sponsored health insurance (ESI) enrollment by plan type, 2015 and 2021



SOURCE Authors' analysis of Clarivate Interstudy enrollment data (2015 and 2021), a national proprietary census of enrollment at the insurer-county level across each health insurance market segment. **NOTES** The shares of self-funded and fully insured ESI enrollment in various plan types in 2015 and 2021 were calculated. CDHP is consumer-directed health plan. POS is point-of-service. PPO is preferred provider organization. HMO is health maintenance organization.

that there were substantial differences in the enrollment distribution across plan types in the self-funded and fully insured markets. Finally, we found that most core-based statistical areas had limited competition among insurers and TPAs in the self-funded market.

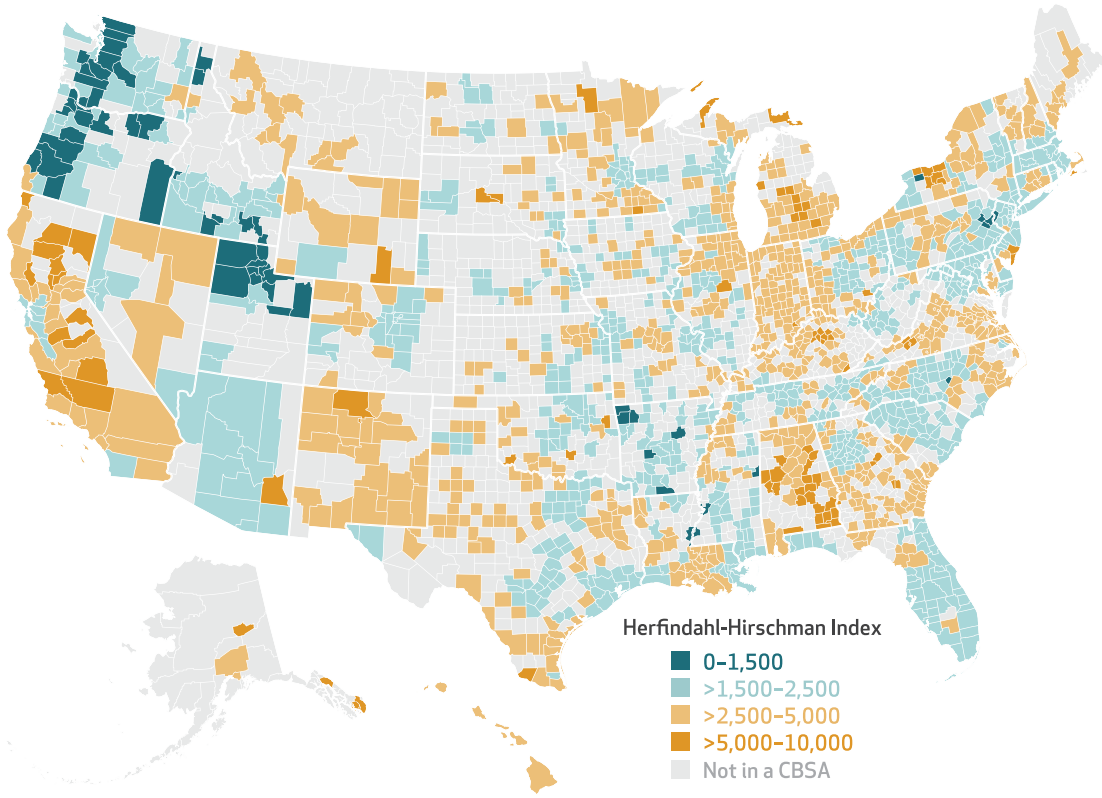
The growing prevalence of self-funded ESI has important implications for policy makers and researchers. From a policy perspective, the growth of self-funded enrollment in ESI across most states suggests that state private insurance regulations will affect a smaller and smaller proportion of the population. For example, forty-six states and Washington, D.C., have mandates to cover some level of services for autism spectrum disorder,[12] and in 2021 twenty-five states required limited cost sharing for telemedicine to limit the spread of COVID-19.[13] Self-funded plans are and were not subject to these regulations. Further, whereas fully insured small-group plans are subject to community-rating policies that limit premium variation according to health status and other factors, self-funded plans are not.

In addition, the growth of this market has implications for the role of employers in health insurance markets. In the self-funded market, employers bear greater risk than in the fully insured market, and they pay directly for incremental health expenditures. Although self-funded employers' incentives are aligned with negotiating lower prices for their plans, they generally lack market power to do so effectively.[14] To limit their liability, most self-funding employers purchase stop-loss coverage.[3] In contrast, insurers bear less risk in this market. There is emerging evidence that insurers may negotiate higher prices in the self-funded market than in the fully insured market, which could stem from their attenuated incentives to negotiate lower prices in this market.[15,16]

More research is warranted to understand the causes and consequences of the growth of this understudied insurance market. However, researchers and policy makers face significant data challenges to doing so. Self-funded plans are not required to submit administrative claims data to state-run all-payer claims databases,[17] which are used by state regulators and researchers to study and report on prices, health care system spending, and trends in services use. ■

EXHIBIT 6

Core-based statistical area (CBSA)-level insurer and third-party administrator (TPA) concentration in the self-funded US employer-sponsored health insurance (ESI) market, 2021



SOURCE Authors' analysis of Clarivate Interstudy enrollment data (2021), a national proprietary census of enrollment at the insurer-county level across each health insurance market segment. **NOTES** A Herfindahl-Hirschman Index (HHI) based on insurer and TPA enrollment shares of the self-funded market across each CBSA was calculated in 2021. The HHI was calculated by first calculating each insurer's share of all enrollment in a CBSA and then taking the sum of those squared market shares in the area and multiplying by 10,000. Higher numbers indicate greater market concentration.

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NOTES

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4 To access the appendix, click on the Details tab of the article online.

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