

Report to Congress

Annual Report
on Self-Insured Group Health Plans

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Annual Report to Congress on Self-Insured Group Health Plans

Executive Summary

The Patient Protection and Affordable Care Act (the "Affordable Care Act") (P. L. 111-148, as amended) requires the Secretary of Labor to provide Congress with an annual report containing general information on self-insured employee health benefit plans and financial information regarding employers that sponsor such plans. The report must use data from the Annual Return/Report of Employee Benefit Plan (the "Form 5500") which many self-insured health plans are required to file annually with the Department of Labor (the "Department"). The first report was provided to Congress in March 2011.¹

Along with this second annual *Report*, the Department of Labor (the "Department") is submitting two detailed appendices produced under contract. Appendix A, *Group Health Plans Report: Abstract of 2009 Form 5500 Annual Reports Reflecting Statistical Year Filings*, provides detailed statistics describing group health plans that file a Form 5500.² Appendix B, *Self-Insured Health Benefit Plans 2012*, presents a study that explores statistical issues associated with Form 5500 health plan data and analyzes available data on the financial status of employers that sponsor group health plans filing the Form 5500.³

The Form 5500 data show that slightly more than 50,000 health plans filed a Form 5500 for 2009, an increase of almost 7 percent from the approximately 47,000 health plans that filed a Form 5500 for 2008.⁴ Of health plans filing a 2009 Form 5500, about 14,800 were self-insured and approximately 6,300 mixed self-insurance with insurance ("mixed-insured"). Self-insured plans covered approximately 24 million participants in 2009 and held assets totaling about \$38 billion. In 2009 there were nearly 26 million participants covered by mixed-insured group health plans; these mixed-insured group health plans

¹ Available at <http://www.dol.gov/ebsa/pdf/ACAReportToCongress032811.pdf>.

² This work was conducted for the Department by the Actuarial Research Corporation under contract number DOLB109330994.

³ This work was conducted for the Department by Deloitte Financial Advisory Services LLP under contract number DOLB109330993.

⁴ For purposes of generating this *Report*, EBSA decided to harmonize the plan year definition for the *Annual Report on Self-Insured Group Health Plans* with the definition underlying the *Form 5500 Private Pension Plan Research File* used to produce the *Private Pension Plan Bulletin Abstracts*. The methodology for selecting data underlying the *Annual Report on Self-Insured Group Health Plans, March 2011* ("March 2011 Report") was, roughly, based upon Form 5500 plan year **beginning** dates; while the methodology for selecting data underlying this *Report* is based upon Form 5500 plan year **ending** dates. Due to this change, as well as additional Form 5500 data for 2008 and another methodological change, the statistics for 2008 will differ from those presented in the March 2011 Report. Details can be found in the *Technical Note* Section of the *Group Health Plans Report: January 2012 Update* (2008:Statistical Year) at <http://www.dol.gov/ebsa/publications/form5500dataresearch.html> under Annual Group Health Plans Reports, Group Health Plans Reports Abstract of Form 5500 Annual Reports.

held more than \$81 billion in assets. The table below summarizes aggregate statistics for self-insured and mixed-insured health plans filing a Form 5500 for 2008 and for 2009.

Group Health Plans Filing Form 5500 for 2008 and 2009,
Reflecting Statistical Year Filings

	2008		2009	
	Self-Insured Plans	Mixed-Insured Plans	Self-Insured Plans	Mixed-Insured Plans
All Plans	14,000	6,100	14,800	6,300
Participants	23 million	26 million	24 million	26 million
Active Participants	21 million	21 million	21 million	20 million
Large plans where sponsor pays benefits directly	9,500	2,800	10,500	3,300
Participants	12 million	11 million	13 million	12 million
Active Participants	11 million	10 million	12 million	11 million
Plans holding assets in trust	4,500	3,300	4,300	2,900
Participants	11 million	16 million	11 million	14 million
Active Participants	9 million	11 million	9 million	10 million
Assets	\$38 billion	\$87 billion	\$38 billion	\$81 billion
Contributions	\$37 billion	\$99 billion	\$38 billion	\$101 billion
Benefits	\$33 billion	\$99 billion	\$36 billion	\$99 billion

SOURCE: 2008 and 2009 Form 5500 filings. Totals may not equal the sum of the components due to rounding.

Sponsors of self-insured plans generally bear the risk associated with paying their plans' covered health expenses. In contrast, sponsors of fully-insured plans generally pay premiums to insurers and transfer all such risk to them. Some sponsors retain the risk for a subset of the benefits, but transfer the risk for the remaining benefits to health insurers – that is, they finance their plans' benefits using a mixture of self-insurance and insurance. Self-insurance is more common among larger sponsors, mainly because the health expenses of larger groups are more predictable and therefore larger sponsors face less risk.

Self-insured and fully-insured plans play by somewhat different rules. State laws that govern group health insurance generally do not apply to self-insured plans. Likewise, some Affordable Care Act provisions apply to group health insurance but not to self-insured plans.

Generally, health benefit plans covering private-sector employees must file a Form 5500 if they cover 100 or more participants or hold assets in trust.⁵ This report presents data on such plans for 2009, the latest year for which complete data are available. Smaller private-sector plans that do not hold assets and plans covering government employees are

⁵ Beginning in 2009, certain small plans can file a Form 5500 – Short Form.

not required to file a Form 5500. Therefore, data for such plans are not available for this report and are not included in the statistics provided in this report. In addition, self-insured plans are required to file financial information only with respect to assets they hold in trust. Therefore, the aggregate financial statistics reported above are understated insofar as they do not include amounts associated with benefits paid directly from plan sponsors' general assets.

Health benefits may be reported together with certain other benefits, such as disability or life insurance benefits, on a single Form 5500. This makes it difficult to distinguish how the different benefits are financed. As a result, the estimates presented here are subject to substantial uncertainty.

The Form 5500 does not collect data on plan sponsors' finances. However, financial data are available from other sources for the subset of sponsoring employers that issue publicly traded equity or debt. The financial strength of these plan sponsors varies considerably. Similar variation is found among employers whose Form 5500 indicates that they sponsor self-insured plans, among those sponsoring plans that mix self-insurance with insurance, and among those sponsoring fully-insured plans.

Introduction

Section 1253 of the Patient Protection and Affordable Care Act (the "Affordable Care Act") (P. L. 111-148, as amended) requires the Secretary of Labor to prepare an aggregate annual report that includes certain general information on self-insured group health plans using data collected from the Annual Return/Report of Employee Benefit Plan (the "Form 5500"), as well as certain data from financial filings of self-insured employers. The first report, *Annual Report on Self-Insured Group Health Plans, March 2011* (March 2011 Report)⁶, was provided to Congress in March 2011 and summarizes the impact of the Form 5500 reporting requirements on the availability of group health plan data.⁷

Sponsors of self-insured plans generally bear the risk associated with paying their plans' covered health expenses. In contrast, sponsors of fully-insured plans generally pay premiums to insurers and transfer all such risk to them. Some sponsors retain the risk for a subset of benefits, but transfer the risk for the remaining benefits to health insurers – that is, they finance their plans' benefits using a mixture of self-insurance and insurance. The March 2011 Report discusses certain key, qualitative differences between self-insured plans, fully-insured plans, and plans that combine self-insurance with insurance.⁸

Section I of this report presents aggregate statistics describing self-insured plans that file a Form 5500 – generally, private-sector employee health plans that cover 100 or more participants or hold assets in trust. Section II presents certain available financial information on employers that sponsor such plans. Section III concludes.

Along with this *Report*, the Department of Labor (the "Department") is submitting two detailed appendices produced under contract. Appendix A, *Group Health Plans Report: Abstract of 2009 Form 5500 Annual Reports Reflecting Statistical Year Filings*, provides detailed statistics describing group health plans that file a Form 5500.⁹ Appendix B, *Self-Insured Health Benefit Plans 2012*, presents a study that explores statistical issues associated with Form 5500 health plan data and analyzes available data on the financial status of employers that sponsor group health plans filing the Form 5500.¹⁰

⁶ Available at <http://www.dol.gov/ebsa/pdf/ACAReportToCongress032811.pdf>.

⁷ March 2011 Report, Section IV. *Form 5500 Health Plan Filing Requirements*.

⁸ March 2011 Report, Section III. *What is a Self-Insured Group Health Plan?*

⁹ This work was conducted for the Department by the Actuarial Research Corporation under contract number DOLB109330994.

¹⁰ This work was conducted for the Department by Deloitte Financial Advisory Services LLP under contract number DOLB109330993.

Section I. Required Form 5500 Self-Insured and Mixed-Insured Group Health Plans Data

Section 1253 of the Affordable Care Act requires the Department to submit information on several data items from the Form 5500:

- a) “general information on self-insured group health plans (including plan type, number of participants, benefits offered, funding arrangements, and benefit arrangements)” and
- b) “data from the financial filings of self-insured employers (including information on assets, liabilities, contributions, investments, and expenses).”

The Form 5500 data presented below in response to these requirements should be interpreted with care for several reasons:¹¹

- The Department has information for these data items only for those plans that are required to file a Form 5500. Generally, health benefit plans covering private-sector employees must file a Form 5500 only if they cover 100 or more participants or hold assets in trust. Smaller private-sector plans that do not hold assets and plans covering government employees are not required to file a Form 5500. Therefore, data for such plans are not available in the Form 5500 data and are not included in the statistics provided in this report.
- Self-insured plans are required to file financial information with respect to assets they hold in trust. Thus, the aggregate financial statistics provided in this report are understated insofar as they do not include amounts associated with health benefits paid directly from the plan sponsors’ general assets.
- In cases where a single plan provides several different types of welfare benefits, health benefits provided under the plan may be reported together with certain other welfare benefits, such as disability or life insurance benefits, on a single Form 5500. This makes it difficult to distinguish how the different benefits are financed and if the plan is self-insured or fully-insured. As a result, the estimates presented here are subject to substantial uncertainty.

The remainder of this section summarizes the Form 5500 data specified by Section 1253 of the Affordable Care Act. A detailed analysis of group health plans that filed a 2009 Form 5500 Return/Report is presented in Appendix A, *Group Health Plans Report: Abstract of 2009 Form 5500 Annual Reports Reflecting Statistical Year Filings*, and in Appendix B, *Self-Insured Health Benefit Plans 2012*.

¹¹ See Section IV of the March 2011 Report for a more detailed summary of Form 5500 health plan filing requirements and the Department’s method for estimating whether health plans are self-insured, fully-insured, or mixed-insured based on the Form 5500 data.

Form 5500 Group Health Plans Summary Information, 2009

Reflecting Statistical Year Filings

	All Plans	Self-Insured Plans	Mixed-Insured Plans	Fully-Insured Plans
All Plans	50,200	14,800	6,300	29,100
Participants	67 million	24 million	26 million	18 million
Active Participants	58 million	21 million	20 million	16 million
Large plans where sponsor pays benefits directly	42,200	10,500	3,300	28,400
Participants	41 million	13 million	12 million	16 million
Active Participants	37 million	12 million	11 million	15 million
Plans holding assets in trust	8,000	4,300	2,900	700
Participants	27 million	11 million	14 million	1.6 million
Active Participants	21 million	9 million	10 million	1.4 million
Assets	\$125 billion	\$38 billion	\$81 billion	\$6 billion
Contributions	\$147 billion	\$38 billion	\$101 billion	\$7 billion
Benefits	\$143 billion	\$36 billion	\$99 billion	\$7 billion

SOURCE: 2009 Form 5500 filings. Totals may not equal the sum of the components due to rounding.

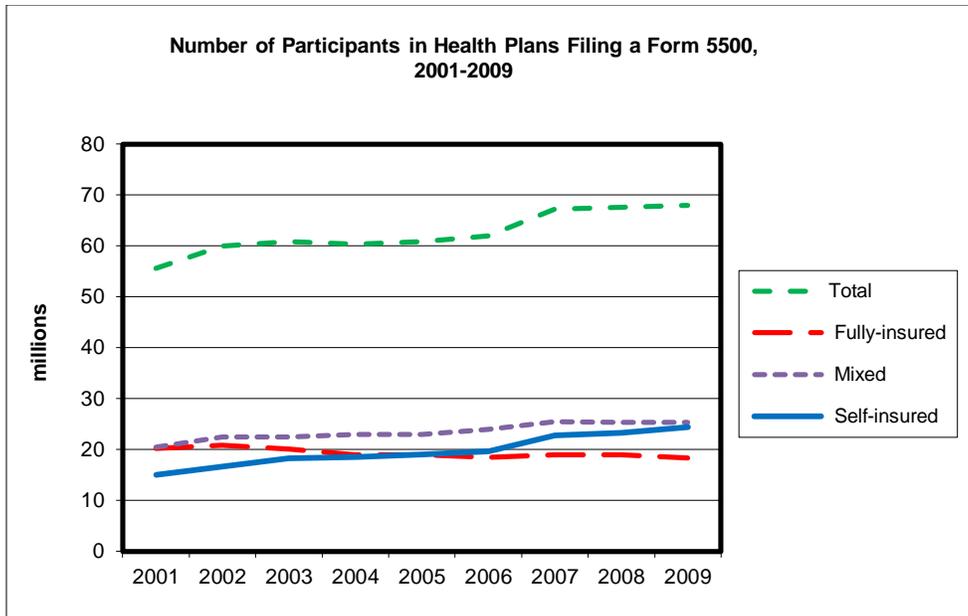
Plan Type (single-employer plans versus multiemployer plans)

- Approximately 14,000 of the self-insured group health plans filing a 2009 Form 5500 were sponsored by a single employer; approximately 800 plans were multiemployer plans. Approximately 5,600 of the mixed-insured group health plans filing a 2009 Form 5500 were sponsored by a single employer; approximately 700 plans were multiemployer plans. See Appendix A Table A2.
- On average, 45,000 group health plans filed a Form 5500 in the years 2001-2009. While more health plans filed a Form 5500 for a group health plan, the fraction of group health plans that are self-insured or mixed-insured has declined slightly from 45 percent in 2001 to 42 percent in 2009. See Appendix B Table 2, Table 10 and Table 11.

SOURCE: Appendix B.

Number of Participants

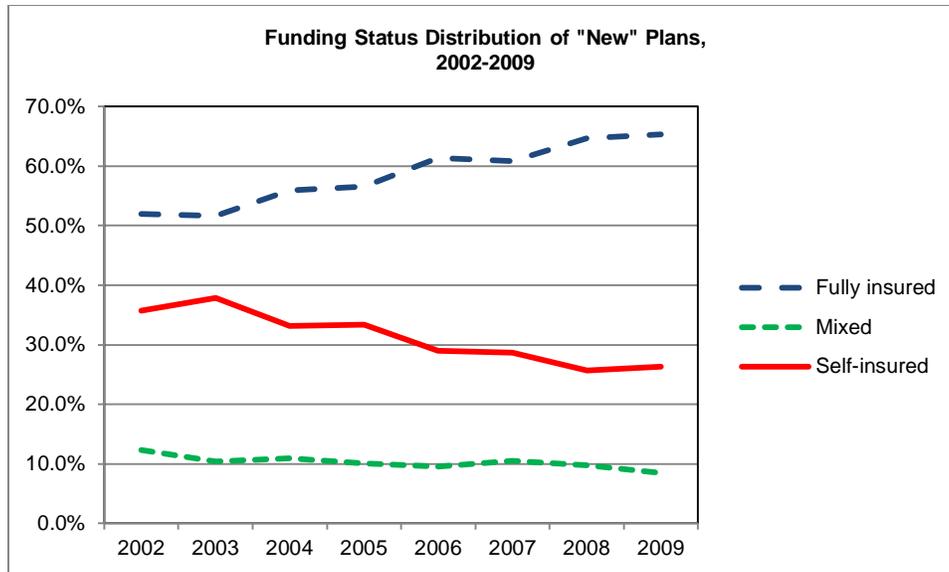
- Overall, the 14,800 self-insured group health plans filing a 2009 Form 5500 covered approximately 24 million participants, 21 million of whom were active participants. The 6,300 mixed-insured group health plans filing a 2009 Form 5500 covered approximately 26 million participants, 20 million of whom were active participants. See Appendix A Table A2 and Table A3.
- In general, plans covering a larger number of participants are more likely to be self-insured than plans with fewer participants. While 58 percent of plans are fully-insured, only 27 percent of participants are covered by these plans. See Appendix B Table 9.
- On average, 45,000 group health plans, covering an average of 63 million participants, filed a Form 5500 in the years 2001-2009. Although, the fraction of group health plans that are self-insured or mixed-insured has declined slightly from 2001 to 2009, the number of plan participants covered by self-insured or mixed-insured plans has increased over this period. See Appendix B Table 2, Table 10 and Table 11.



SOURCE: Appendix B.

New Plans

- Of the *new* health plans filing a 2009 Form 5500 approximately 26 percent were self-insured group health plans, more than 8 percent were mixed-insured, and over 65 percent were fully-insured. See Appendix B Table 15. *New* health plans are defined here as health plans that submit a Form 5500 filing in a given year, but for which no prior Form 5500 filings could be found. Some of these plans may have been in existence in previous years, but were not required to file because of funding arrangement or size.
- Slightly more than 28 percent of the participants in *new* health plans filing a 2009 Form 5500 were covered under a self-insured group health plan, more than 35 percent were in a mixed-insured plan, and almost 37 percent were covered by a fully-insured plan. See Appendix B Table 15.



SOURCE: Appendix B.

Benefits Offered

- Of the self-insured group health plans, approximately 4,700 offered only health benefits and approximately 10,100 offered other benefits in addition to health benefits.¹² Of the mixed-insured group health plans, approximately 800 offered only health benefits and approximately 5,500 offered other benefits in addition to health benefits. See Appendix A Table A1.

Funding and Benefit Arrangements

- With respect to funding arrangements, of the 14,800 self-insured group health plans that filed, slightly more than 2,100 indicated a funding arrangement of a trust only, approximately 5,700 indicated a funding arrangement of general assets of the sponsor only, and nearly 5,200 indicated a funding arrangement of general assets of the sponsor combined with insurance. The remaining 1,800 filers indicated some other combination of funding arrangements or did not report any arrangement. Of the 6,300 mixed-insured group health plans, 1,700 indicated a funding arrangement of insurance only, nearly 700 indicated a funding arrangement of a trust only, about 1,300 indicated a funding arrangement of trust with insurance, and nearly 2,200 indicated a funding arrangement of general assets of the sponsor combined with insurance. The remaining filers indicated some other combination of funding arrangements or did not report any arrangement. See Appendix A Table A7.

¹² Note that a health-only plan does not imply that the employer only offers health benefits. For example, the employer could simultaneously offer a separate dental plan for which a separate Form 5500 filing exists. This report does not include information on welfare plans that do not provide health benefits.

- With respect to benefit arrangements, of the 14,800 self-insured group health plans that filed, about 1,700 indicated a benefit arrangement of a trust only, more than 1,300 indicated a benefit arrangement of trust with insurance, more than 5,500 indicated a benefit arrangement of general assets of the sponsor only, and nearly 5,300 indicated a benefit arrangement of general assets of the sponsor combined with insurance. The remaining filers indicated some other combination of benefit arrangements or did not report any arrangement. Of the 6,300 mixed-insured group health plans that filed, approximately 1,900 indicated a benefit arrangement of insurance only, more than 1,800 indicated a benefit arrangement of trust with insurance, and approximately 2,200 indicated a benefit arrangement of general assets of the sponsor combined with insurance. The remaining filers indicated some other combination of benefit arrangements or did not report any arrangement. See Appendix A Table A7.
- Self-insured plans can purchase stop-loss insurance to mitigate the risk of unexpectedly large medical claims. Between 2001 and 2009, the percentage of group health plans filing a Form 5500 that reported having stop-loss insurance¹³ has remained in the range of approximately 23 percent to 25 percent for self-insured plans and approximately 25 percent to 29 percent for mixed-insured plans. While the number of plans reporting stop loss coverage decreased by about 500 between 2008 and 2009, the number of participants in the plans covered by stop-loss insurance increased by about 800,000. Overall, plans with fewer than 1,000 participants are more likely to report stop-loss coverage as plan size increases, but plans with more than 1,000 participants are less likely to report stop-loss coverage as plan size increases. See Appendix B Table 17 through Table 20.

Plan Assets and Liabilities of Plans That Financed Benefits via Trusts

- Self-insured group health plans that financed benefits via trusts reported approximately \$38 billion in assets and \$7 billion in liabilities. Mixed-insured group health plans that financed benefits via trusts reported approximately \$81 billion in assets and \$14 billion in liabilities. See Appendix A Table A2.

Contributions, Investments and Expenses of Plans That Financed Benefits via Trusts

- Self-insured group health plans that financed benefits via a trust received approximately \$38 billion in contributions and paid approximately \$36 billion in benefit payments: \$31 billion of these benefit payments were paid directly to participants or beneficiaries, \$3 billion to insurance carriers for the provision of benefits and \$3 billion to others. Mixed-insured group health plans that financed

¹³ If a sponsor purchases stop-loss insurance for its own benefit, the stop-loss insurance is generally not required to be reported on Schedule A. Accordingly, the existence of stop-loss insurance as part of the employer's arrangements for the plan is understated, especially for those plans that do not use a trust.

benefits via a trust received approximately \$101 billion in contributions and paid approximately \$99 billion in benefit payments: \$71 billion of these benefit payments were paid directly to participants or beneficiaries, \$26 billion to insurance carriers for the provision of benefits, and \$3 billion to others. See Appendix A Table A4 and Table A5.

- Self-insured group health plans that financed benefits via a trust also reported paying approximately \$3 billion in administrative expenses, with approximately \$400 million reported as professional fees, slightly more than \$1 billion reported as administrator fees, \$70 million as investment advisory and management fees, and \$1 billion as other administrative expenses. Mixed-insured group health plans reported paying approximately \$5 billion in administrative expenses, with approximately \$500 million reported as professional fees, \$3 billion as contract administrator fees, \$150 million as investment advisory and management fees, and more than \$1 billion as other administrative expenses. See Appendix A Table A5.
- Self-insured group health plans covering 100 or more participants that financed benefits via a trust held approximately 27 percent of assets in cash and U.S. Government Securities, 20 percent in direct filing entities (“DFEs”),¹⁴ 16 percent in mutual fund companies (registered investment companies), 11 percent in debt instruments, and 9 percent in stock. Mixed-insured group health plans covering 100 or more participants that financed benefits via a trust held 17 percent in cash and U.S. Government Securities, 26 percent in DFEs, 12 percent in mutual fund companies (registered investment companies), 9 percent in debt instruments, and 16 percent in stock. See Appendix A Table A6.

Section II. Additional Analysis of Financial Information on Employers Sponsoring Self-Insured and Fully-Insured Group Health Plans

Employers who self-insure group health plans face considerable financial risk.¹⁵ It is therefore relevant to consider the financial position of employers that self-insure health benefits. However, data on the financial position of the plan sponsor or employer are not included in Form 5500 filings. In order to provide data on financial filings of self-insured employers, data from the Form 5500 were matched to Capital IQ financial data available

¹⁴ DFEs are pooled investment arrangements - master trust investment accounts, insurance company pooled separate accounts, bank common/collective trusts, other plan asset pooled investment funds (“103-12 investment entities”), and group insurance arrangements. Some DFEs are required to file a Form 5500 while others are permitted to file. Each DFE lists the plans whose assets it holds on Schedule D Part 2.

¹⁵ See discussion in the March 2011 Report.

for a select group of companies with publicly-traded equity or debt.¹⁶ Analysis of financial measures including revenue, market capitalization, net income, and number of employees shows that companies offering self-insured or mixed-insured health plans tend to be bigger than companies offering fully-insured health plans.¹⁷

The results of matching the 2009 Form 5500 data to the Capital IQ financial data were similar to the results of the matching for 2008. Almost 5,000 Form 5500 filers were matched to the Capital IQ data. Most of the matched plans covered a large number of participants: more than 85 percent of the participants in matched plans were covered through a plan with 5,000 or more participants.¹⁸ There were approximately 1,500 employers matched to a self-insured health plan filing a Form 5500 in 2009. The employers sponsoring these matched self-insured health plans reported a median employee count of approximately 4,000, median revenue of approximately \$1.2 billion, a median market capitalization of approximately \$1.4 billion, and a median net income of approximately \$32 million.¹⁹ Approximately 1,000 employers matched to a mixed-insured plan filing a Form 5500 in 2009. These mixed-insured matched health plans are sponsored by employers reporting a median employee count of approximately 8,000, median revenue of approximately \$2.7 billion, a median market capitalization of approximately \$2.6 billion, and a median net income of approximately \$79 million. The financial health of these matched companies was measured using three financial metrics.²⁰ Overall the results are mixed. At the median, fully-insured firms have more cash flow relative to total debt as other firms, but lower operating income relative to debt than mixed-funded or self-insured firms. The distributions of financial metrics are somewhat more dispersed for fully-insured firms than for other firms: the 75th percentiles are higher and for the Altman Z-Score and the operating income relative to debt the 25th percentiles are lower.

Plans filing a Form 5500 can also be matched longitudinally to determine what changes the plan has undergone over time. Approximately 80 percent of the 2009 Form 5500 filings were matched with their accompanying 2008 filing.²¹ Approximately 39 percent of the longitudinally matched plans were estimated to be mixed-insured or self-insured in both 2008 and 2009 and about 54 percent of these plans were fully-insured in both 2008 and 2009.²² Also in 2009, approximately 4 percent of the longitudinally matched plans had changed their estimated funding arrangement to become mixed-insured or self-insured plans and about 3 percent of the matched plans had become fully-insured. Over the years from 2002 to 2009, the percent of plans switching their estimated funding status reduced from about 9 percent to 8 percent.

¹⁶ Appendix B outlines this analysis. This work was also conducted for the Department by Deloitte Financial Advisory Services LLP. Capital IQ is a provider of financial and other data for private and public companies in the United States. The data include company characteristics, financial health and financial size.

¹⁷ See Appendix B Table 22 for the distribution of the measures for each of the three categories of plans.

¹⁸ See Appendix B Table 3.

¹⁹ See Appendix B Table 21.

²⁰ See Appendix B Table 22.

²¹ See Appendix B Table 7.

²² See Appendix B Table 23.

Section III. Conclusion

This *Annual Report to Congress on Self-Insured Group Health Plans* (April 2012), together with its Appendices, provides the most detailed statistics currently available on self-insured group health plans filing a Form 5500 and on the sponsors of such plans that issue publicly-traded equity or debt. This report also documents the limited scope of such data and the complexities involved in interpreting the data that are available. The Department recognizes the importance of quality data and looks forward to supplying Congress with annual updates on self-insured group health plans.