

Company Health Insurance Benefits ~ How Do Yours Compare?

By: Dave Leo, President of WMI[®] Mutual Insurance Company & WMI TPA[®]

Every few years, I write an article about employer-sponsored health insurance benefits in the U.S. To do this, I basically steal a bunch of information from the Kaiser Family Foundation's annual report (and a few other sources), and I compile various metrics that I hope will give employers a sense of how their company benefits compare to those of similar businesses. With fierce competition for employees, and wages and benefits driving compensation packages to at an all-time high, it is my hope that interested employers and their HR teams might find some helpful information that will give them a competitive advantage in the battle to hire talent.

The Kaiser Family Foundation ("KFF") annual employee benefit survey is an excellent and detailed summary of employer-sponsored health insurance benefits in the U.S. The entire report can be found at <https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/>, and it is loaded with more information than you could possibly need. In accordance with the KFF citation and reprint policy, I am using their materials freely and with full attribution. Important Note: If your company's benefit plan is "grandfathered" or "transitional" under the Affordable Care Act ("the ACA" or "Obamacare"), you should be aware that any changes to your plan will most likely result in forfeiture of that preferential status. Since I believe grandfathered and transitional status under the ACA is extremely beneficial to employers and employees alike, I would strongly recommend that you preserve your company's pre-Obamacare status if at all possible.

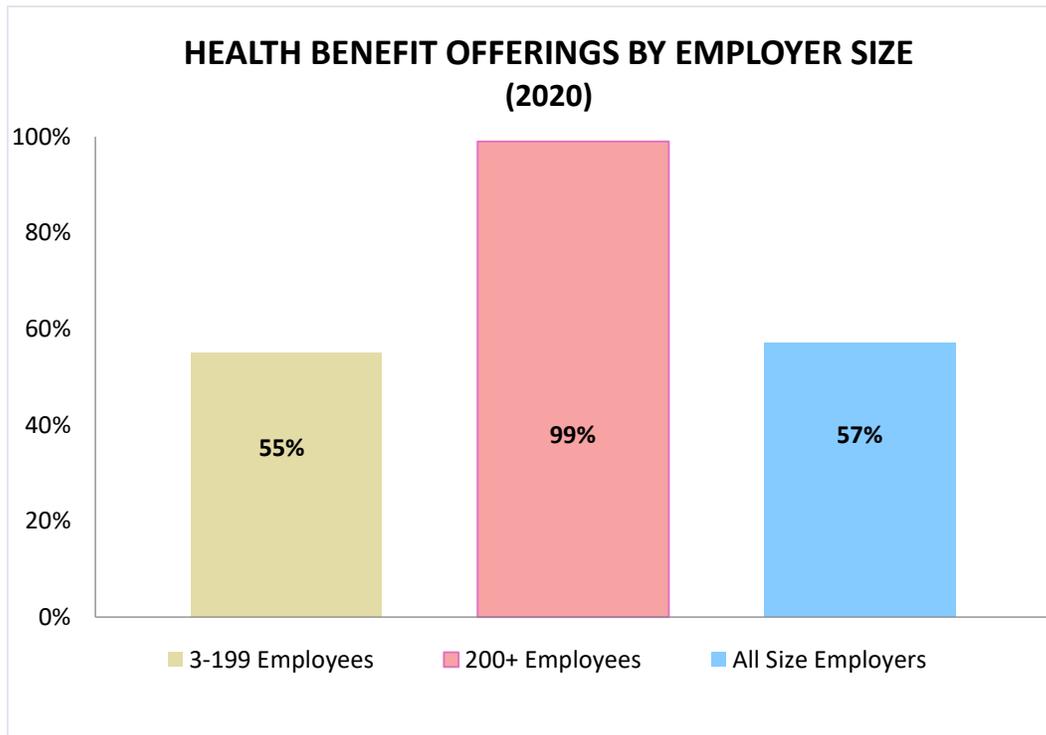
Employee Health Insurance Plans: Employer-sponsored health insurance programs cover nearly half of the non-elderly population in the U.S. (approximately 157 million Americans). While benefit programs and insurance plans vary significantly, they have a few very important features in common: they are offered by employers to ensure that workers and their families can have meaningful access to health care, they protect employees from the

financial strife or ruin that can result from catastrophic illness or injury, and they are an extremely important part of the compensation package of most employees.

Health Benefits by Employer Size: One of the most accurate predictors of the type and level of employer-sponsored benefits (and the amount an employer contributes to those benefits) is company size. The KFF study breaks employer groups into two main categories: (1) small employers; and (2) large employers. Small employers are defined as companies with 3-199 workers, while large employers are defined as companies with 200+ workers. As a general rule, larger companies offer more generous health insurance benefits than smaller companies, and they usually pay a higher portion of the premium.

Amongst companies with 200+ workers, 99% offered health benefits. For small employers with 3-199 workers, only 55% offered a health benefit plan. Overall, 57% of all surveyed companies provide health benefits to their employees (*see*, Graph 1).

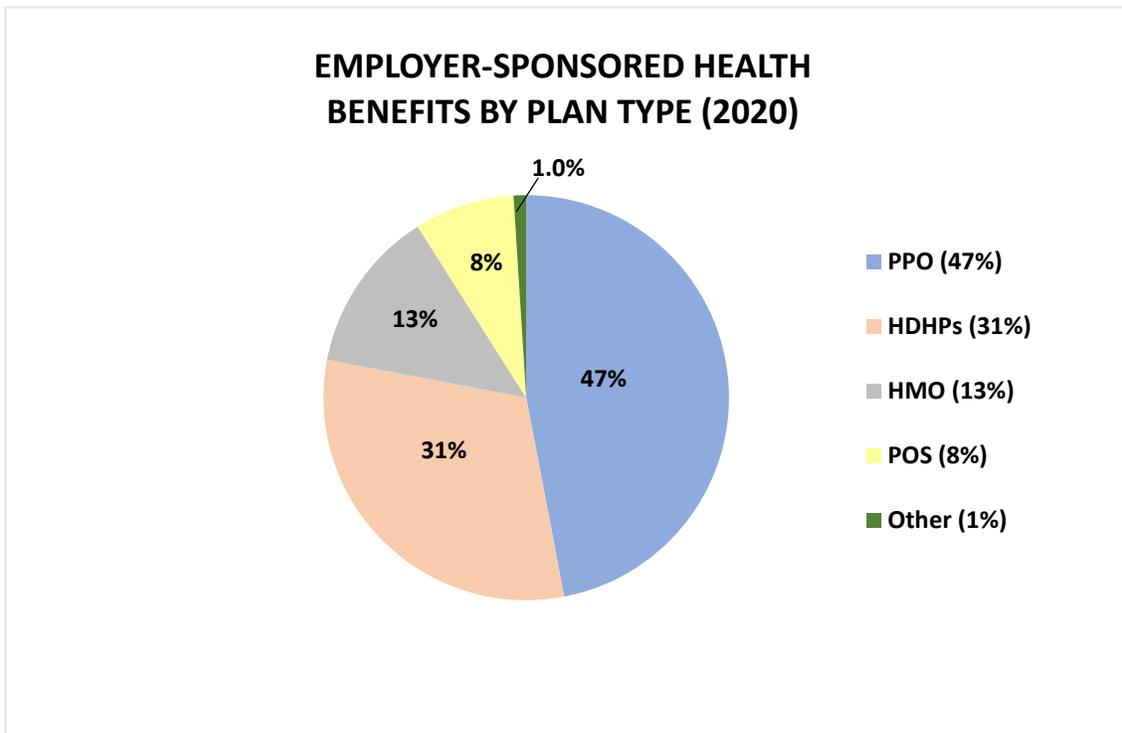
Graph 1



* This graph was compiled with information and data from the KFF survey.

Health Benefits by Plan Type: As has been the case for decades, Preferred Provider Organization (“PPO”) plans remained the most common type of plan offered by U.S. employers. These plans are generally viewed as the most user friendly because they allow members to use any provider they want, but they pay a higher benefit if the member uses a preferred in-network provider. Of all benefit programs offered by employers, 47% are PPO plans. About 13% of employers provide their benefits through more restrictive Health Maintenance Organization (“HMO”) plans, which generally limit members to a closed panel of providers and only cover out-of-network providers in the event of an emergency. High deductible health plans (which are generally used in conjunction with health savings accounts (“HSAs”)) rose to 31% of all offered plans, and certain other relatively uncommon plans made up the balance (e.g., point-of-service (“POS”) and indemnity plans) (see, Graph 2).

Graph 2



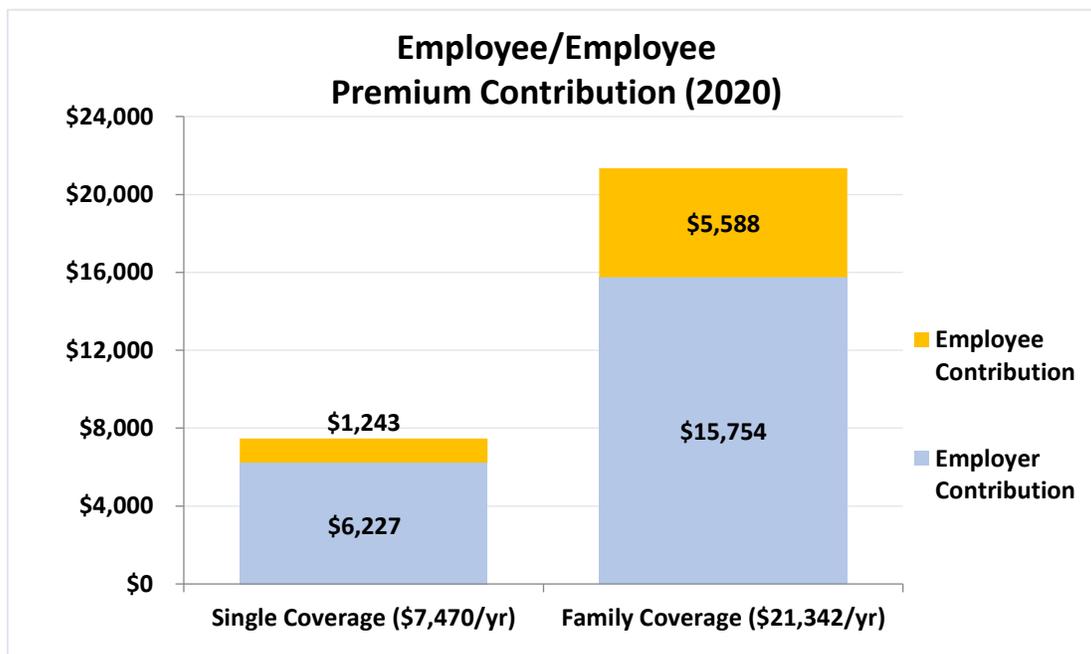
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Health Benefit Cost and Employer Contribution: In 2020, the average annual premium for employer-sponsored health insurance coverage was \$7,470 for single coverage and \$21,342 for family coverage. On average, workers contributed \$1,243 (16.6%) toward the

cost of single coverage and \$5,588 (26.2%) for family coverage. This means employers contributed an average of \$6,227 (83.4%) for single coverage and \$15,754 (73.8%) of the cost of family coverage (*see*, Graph 3).

For reference and perspective, the average amount covered workers pay for family coverage has increased 39.8% since 2010, while the amount employers contribute to the coverage has increased a whopping 61.2%! By comparison, over the past 10 years, general inflation based on consumer price index (“CPI”) data has risen by 19.1%, and the national average wage index (according to the Social Security Administration) rose by about 32.9%. It is interesting to note that since 2010 (the year the *Affordable* Care Act was passed), average family premiums have increased 55%!

Graph 3

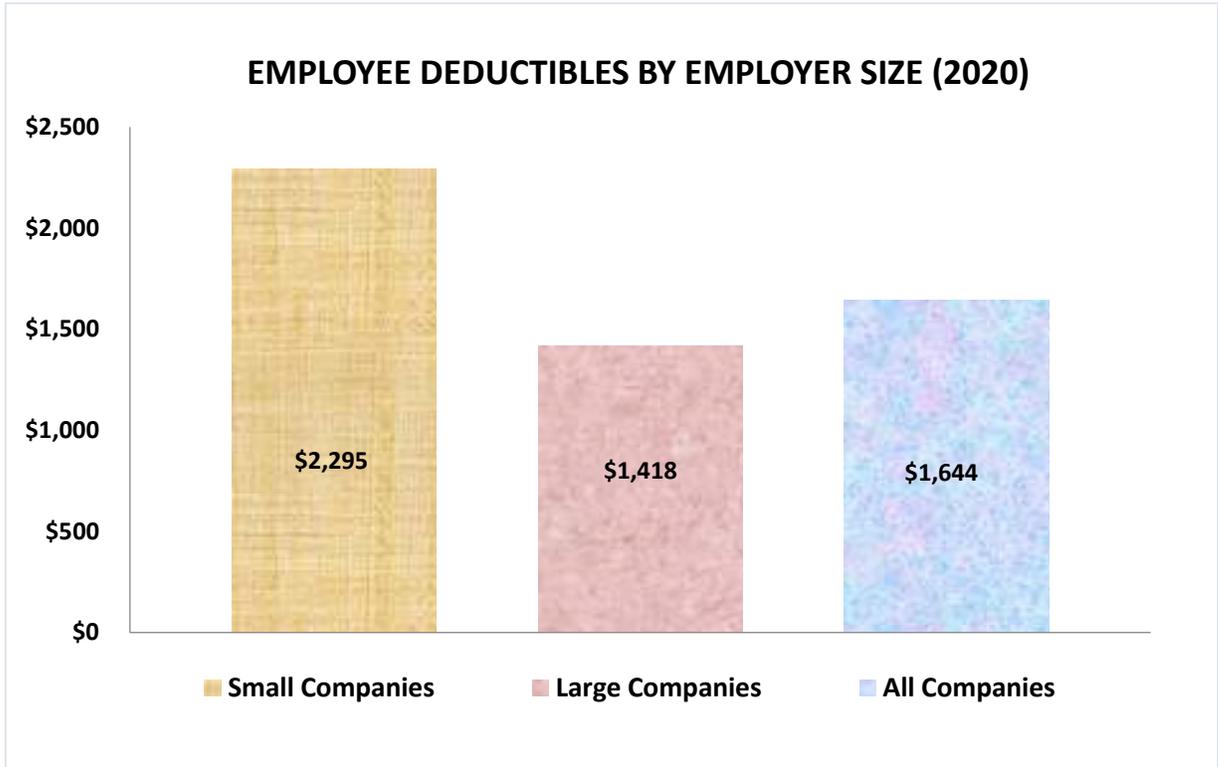


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Insurance Deductibles and Other Benefit Levels: According to the KFF survey, 83% of workers are covered under plans that have an annual deductible. This is generally the amount that must be paid by the insured before insurance benefits kick in (although there are often some benefits (*e.g.*, wellness care) that are covered on a pre-deductible basis). In 2020, the average annual deductible for single coverage was \$1,644 (up from \$917 in 2010).

Similar to the benefit distinctions amongst employer sizes, the average deductible for workers who are covered through smaller companies is significantly higher than those who are covered through larger companies (\$2,295 compared to \$1,418) (see, Graph 4).

Graph 4



* This graph was compiled with information and data from the KFF survey.

Finally, for those of you keeping score at home, here's some information about the performance of the Affordable Care Act a decade after it was passed:

- According to HealthInsurance.org (as visited April 1, 2021), there were 10.7 million people with “effectuated” coverage through the Obamacare exchanges, a far cry from the 30 million Americans the ACA promised to cover in the run-up to its passage. Of those, 9.2 million (86%) received subsidies that covered an average of 85% (\$492/month) of the cost of the coverage, bringing the average after-subsidy premium down to a mere \$84/month (as opposed to an average pre-subsidy rate of \$576/month).

- According to ehealthinsurance.com (as visited June 15, 2021), the average ACA deductible and out-of-pocket limits for single coverage are:

- Bronze Plan: Average Deductible = \$6,419
Average Out-of-Pocket Maximum = \$7,731

- Silver Plan: Average Deductible = \$4,292
Average Out-of-Pocket Maximum = \$7,776

If you have any questions about this article or would like to discuss your company's benefit program, feel free to contact me.