

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 (Affordable Care Act) (P.L. 111–148) requires the Secretary of Labor to provide Congress with an annual report (*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 (Form 5500), which many self-insured health plans are required to file annually with the Department of Labor (Department). The first *Report* was provided to Congress in March 2011.¹

Along with this *Report*, the Department is submitting two detailed appendices produced under contract. Appendix A, *Group Health Plans Report: Abstract of 2017 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 2020: Based on Filings through Statistical Year 2017*, explores statistical issues associated with Form 5500 health plan data and analyzes available data on the financial status of employers that sponsored group health plans and filed the Form 5500.³

Approximately 57,800 group health plans filed a Form 5500 for 2017, an increase of more than 3 percent from the number of plans that filed a Form 5500 for 2016. Of plans that filed a 2017 Form 5500, about 23,500 were self-insured and 3,800 mixed self-insurance with insurance (“mixed-insured”). Self-insured group health plans that filed a Form 5500 covered approximately 34 million participants in 2017 and held assets totaling about \$95 billion. In 2017, there were more than 26 million participants covered by mixed-insured group health plans that filed a Form 5500; these plans held roughly \$141 billion in assets. Table 1 summarizes aggregate statistics for self-insured and mixed-insured group health plans that filed a Form 5500 for 2016 and for 2017.

¹ Available at <https://www.dol.gov/sites/default/files/ebsa/researchers/statistics/retirement-bulletins/annual-report-on-self-insured-group-health-plans-2011.pdf>. The 2012–2018 *Reports* are also available online, though it should be noted that because of changes to the algorithm and methodology beginning with the 2013 *Report*, the *Reports* are not comparable over time.

² This work was conducted for the Department by the Actuarial Research Corporation (ARC) under contract number DOL-OPS-14-D-0017.

³ This work was conducted for the Department by Advanced Analytical Consulting Group (AACG) under contract number DOLJ139335157.

Table 1 Group Health Plans That Filed Form 5500 for 2016 and 2017, Reflecting Statistical Year Filings*

Plan Type	2016**		2017	
	Self-Insured Plans	Mixed-Insured Plans	Self-Insured Plans	Mixed-Insured Plans
All Plans	22,300	3,800	23,500	3,800
Participants	34 million	26 million	34 million	26 million
Active Participants***	30 million	23 million	30 million	23 million
Large Plans**** Not Holding Assets in Trusts	17,200	2,900	17,700	2,900
Participants	22 million	17 million	22 million	18 million
Active Participants	21 million	16 million	21 million	17 million
All Plans Holding Assets in Trust	5,100	900	5,800	900
Participants	13 million	8 million	13 million	8 million
Active Participants	10 million	6 million	10 million	6 million
Assets	\$87 billion	\$127 billion	\$95 billion	\$141 billion
Contributions	\$61 billion	\$75 billion	\$62 billion	\$78 billion
Benefits	\$58 billion	\$74 billion	\$59 billion	\$76 billion

NOTES: All figures in this table have been rounded.

* The Department defines a “statistical year” Form 5500 filing population as all Form 5500 employee benefit plan filings with a plan year *ending* date between January 1 and December 31 of a given year.

** Due to changes in methodology for this Report, the 2016 numbers were recalculated to allow comparisons with the 2017 numbers. As such, they do not match the 2016 numbers previously published in the 2019 Report to Congress.

*** See <https://www.dol.gov/sites/default/files/ebsa/employers-and-advisers/plan-administration-and-compliance/reporting-and-filing/form-5500/2018-instructions.pdf>.

**** Plans with at least 100 participants.

SOURCE: 2016 and 2017 Form 5500 filings.

Sponsors of self-insured plans pay covered health expenses directly (either from their general assets or from a trust), as the plans incur claims. In contrast, sponsors of fully insured plans generally pay premiums to insurers, which, in turn, assume the responsibility of paying claims. Sponsors of mixed-insured plans retain claims-paying responsibility for a subset of the benefits, but transfer the risk for the remaining benefits to insurers—that is, they finance benefits using a mixture of self-insurance and insurance. Self-insurance is more common among larger sponsors, in part because the health expenses of larger groups are more predictable and, therefore, larger sponsors face less risk.

Self-insured and fully insured group health plans are governed by somewhat different rules. For example, state insurance laws generally do not apply to self-insured, ERISA-covered 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 have 100 or more participants. Regardless of size, plans must file if they hold assets

in trust or are required to file the Form M-1 Report for Multiple Employer Welfare Arrangements (MEWAs) and Certain Entities Claiming Exception (ECEs). Most small (generally fewer than 100 participants), ERISA-covered group health plans do not hold assets in trust and, therefore, are not required to file a Form 5500. As a result, a large majority of small health benefit plans—including a significant but unknown number of small, self-insured plans—are not included in this *Report*. The Department estimates that there were about 2.3 million ERISA-covered group health plans, covering approximately 135 million participants and beneficiaries, in 2017.⁴ Only about 57,800 plans, covering 75 million participants, filed a 2017 Form 5500.⁵ Of those group health plans, about 34,200 filed at least one Schedule A (Insurance Information) for a group insurance policy covering health benefits⁶ and roughly 7,400 plans reported holding assets and filed a Schedule H (Financial Information) or Schedule I (Financial Information–Small Plan).⁷

This *Report* presents data on health benefit plans covering private-sector employees statistical year 2017 Form 5500 filings, the latest year for which complete data are available. As noted above, private-sector plans with fewer than 100 participants that are either fully insured or self-insured with benefits paid directly from the general assets of the employer or employee organization that sponsors the plan, rather than from a trust, are not required to file a Form 5500. Also, governmental and church plans are not required to file a Form 5500, regardless of size or assets held in trust. Therefore, Form 5500 data for such plans are not available for this *Report* and, for that reason, are not included in the statistics provided in this *Report*. In addition, self-insured plans are required to file financial information with respect to assets they hold in trust. Thus, the aggregate financial statistics reported above are understated insofar as they do not include benefits paid directly from plan sponsors' general assets.

Plan sponsors that provide multiple types of benefits as part of a single plan may report health benefits together with certain other benefits, such as disability or life insurance, on a single Form 5500. This makes it difficult to distinguish how the different benefits are financed, especially when using aggregated data. 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 sponsoring employers that issue publicly traded equity or debt.⁸ The financial strength of these plan sponsors varies considerably. Similar variation is found among employers that sponsor self-insured plans, among those that sponsor mixed-insured plans, and among those that sponsor fully insured plans.

⁴ EBSA estimates are based on the Current Population Survey and the Medical Expenditure Panel Survey, Insurance Component.

⁵ See Appendix A, Table A1.

⁶ See Appendix A, Table B1.

⁷ See Appendix A, Table A2.

⁸ This analysis is done using Capital IQ data, which culls Form 10-K filings and other sources to collect data on companies with public financial statements, which generally includes companies with publicly traded stock or bonds.

Introduction

Section 1253 of the Patient Protection and Affordable Care Act (Affordable Care Act) (P.L. 111–148) requires the Secretary of Labor to prepare an aggregate annual report (*Report*) that includes certain general information on self-insured group health plans using data collected from the Annual Return/Report of Employee Benefit Plan (Form 5500), as well as certain data from financial filings of self-insured employers.⁹

Sponsors of self-insured plans generally pay their plans' covered health expenses directly, as the plans incur claims. In contrast, sponsors of fully insured plans generally pay premiums to insurers, which, in turn, assume the responsibility of paying claims. Sponsors of mixed-insured plans retain this responsibility for a subset of benefits, but transfer the risk for the remaining benefits to health insurers—that is, they finance benefits using a mixture of self-insurance and insurance.

The March 2011 *Report* discusses certain key, qualitative differences between the three categories of funding mechanisms: self-insured plans, fully insured plans, and mixed-insured plans.¹⁰ Currently, the Form 5500 does not explicitly disclose whether a health plan

⁹ The following welfare plans, including group health plans, are not required to file a Form 5500, due to statutory exemptions from ERISA or regulatory exemptions:

- welfare plans (other than plans required to file the Form M-1) with fewer than 100 participants as of the beginning of the plan year (small plans) that are unfunded, fully insured, or a combination of insured and unfunded;
- welfare plans maintained outside the United States that serve mostly nonresident aliens;
- governmental plans;
- unfunded or insured welfare plans maintained for a select group of management or highly compensated employees only;
- plans maintained only to comply with workers' compensation, unemployment compensation, or disability insurance laws;
- welfare benefit plans that participate in a group insurance arrangement that files a Form 5500 on behalf of the plan;
- apprenticeship or training plans meeting certain conditions;
- certain unfunded welfare benefit plans financed by dues;
- church plans; and
- welfare benefit plans maintained solely for the owner and/or spouse who wholly own a trade or business or the partners and/or spouses of partners in a partnership.

A small plan that (1) receives employee (or former employee) contributions during the plan year and does not use the contributions to pay insurance premiums or (2) uses a trust or separately maintained fund to hold plan assets or act as a conduit for the transfer of plan assets during the year is generally required to file. However, a small plan with employee contributions that are used to pay benefits instead of insurance premiums and is associated with a cafeteria plan under Internal Revenue Code section 125 may be treated as an unfunded welfare plan for annual reporting purposes if it meets certain Department requirements. (See 29 C.F.R. 2520.104-1 et seq.) In addition, plans that are MEWAs required to file the Form M-1 must file the Form 5500, regardless of plan size. See <https://www.dol.gov/sites/default/files/ebsa/employers-and-advisers/plan-administration-and-compliance/reporting-and-filing/forms/m1-2018.pdf>.

¹⁰ *Annual Report on Self-Insured Group Health Plans*, Section III, *What is a Self-Insured Group Health Plan?* (U.S. Department of Labor, March 2011). See <https://www.dol.gov/sites/dolgov/files/EBSA/researchers/statistics/retirement-bulletins/annual-report-on-self-insured-group-health-plans-2011.pdf>.

is self-insured, so the Department created an algorithm using filing characteristics to sort plans as self-insured, fully insured, or mixed-insured.

The methodology for determining the plan universe for analysis and the funding mechanism for group health plans has periodically undergone refinements since the March 2013 *Report*. The Department has used its current methodologies to incorporate previous years' data into this *Report* to allow for comparisons over time.¹¹ However, because of these changes, one cannot identify trends over time by comparing this year's *Report* with previous *Reports*.

In some instances, group health benefits are provided through a plan or other arrangement that provides coverage to the employees of two or more employers (and is not a collectively

¹¹ Subject to the following criteria, the analysis for this *Report* is based on health benefit plans that filed a Form 5500 or Form 5500-SF:

1. Test filings, direct filing entity (DFE) filings (including group insurance arrangements [GIAs], which can only file on behalf of participating plans if fully insured and uses a trust), duplicative filings, and filings for “one-participant” retirement plans with health plan features have been removed from the raw data set prior to analysis. Because some GIAs provide fully insured group health benefits, the number of participants receiving fully insured group health benefits that are covered by Title I of ERISA and reported on the Form 5500 may be understated. Information on the 46 Health GIAs that filed in 2017 is found in Appendix A of this *Report*.
2. “Voluntary” filers (i.e., those that appear to meet the exception from the requirement to file based on the information provided, but still filed) have been excluded from the analysis. Specifically, filers with fewer than 100 beginning-of-year (BOY) participants and no assets held were dropped from the universe, including those with the following fields equal to zero or left blank on their Form 5500-SF or Schedule I or H:
 - a. Beginning/End-of-Year Assets, Liabilities, and Net Assets
 - b. Income, Expenses, and Net Income
3. With regard to Form 5500-SF filers with fewer than 100 BOY participants and showing financial information, we have assumed that it was an appropriate filing and that the plan must be self-insured.
4. Terminating trusts and terminating plans that file zero end-of-year (EOY) participants have been included.
5. For plans with missing EOY participants that are nonterminating, BOY participants have served as a proxy for EOY total and active participants.

bargained arrangement). Such a plan constitutes a MEWA under ERISA, and is required to file Form 5500, regardless of size or holding of assets.

The Department has revised how it classifies and reports plans by their type of sponsor, and now includes, in addition to single-employer and multiemployer plans, multiple employer plans. These revisions are included in this year's *Report* in Appendix A.¹²

Section I of this *Report* presents aggregate statistics describing self-insured plans that file a Form 5500—generally, private-sector employee group 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 is the conclusion.

Along with this *Report*, the Department is submitting two detailed appendices produced under contract.¹³ Appendix A, *Group Health Plans Report: Abstract of 2017 Form 5500 Annual Reports Reflecting Statistical Year Filings*, provides detailed statistics describing group health plans that file a Form 5500.¹⁴ Appendix B, *Self-Insured Health Benefit Plans 2020: Based on Filings through Statistical Year 2017*, 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.¹⁵

¹² Beginning with the Statistical Year 2017 filings, any plan that self-identifies as a multiple employer plan is classified as a multiple employer plan. In addition, plans that indicate being multiemployer plans are reclassified as multiple employer if they report a business code of offices of physicians or dentists, real estate, or legal services. Of the 57,750 group health plans in this year's *Report*, 759 were classified as multiple employer plans. Of those, 276 were self-insured and 50 were mixed-insured. Association Health Plans (AHPs) are a subset of MEWAs that constitute single plans (or Plan MEWAs).

¹³ A standardized method to determine each health plan's funding mechanism is used in both appendices. However, slight differences in other plan characteristics may occur due to the editing of inconsistent fields on Form 5500 filings.

¹⁴ This work was conducted for the Department by the Actuarial Research Corporation (ARC) under contract number DOL-OPS-14-D-0017. The Department defines a "statistical year" Form 5500 filing population as all Form 5500 employee benefit plan filings with a plan year *ending* date between January 1 and December 31 of a given year.

¹⁵ This work was conducted for the Department by Advanced Analytical Consulting Group (AACG) under contract number DOLJ139335157.

Section I. Required Form 5500 Group Health Plan 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:¹⁶

- The Department has information for these data items only for those plans that are required to file a Form 5500. Generally, group health plans covering private-sector employees must file a Form 5500 only if they cover 100 or more participants, hold assets in trust, or constitute a plan MEWA. Governmental and church plans, regardless of size, also are not required to file a Form 5500. Therefore, information concerning such plans is not available in the Form 5500 data and is not included in the statistics provided in this *Report*.
- Self-insured welfare plans, including group health plans, are generally required to file financial information only 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 health benefits paid directly from plan sponsors’ general assets. Of the self-insured plans that filed a Form 5500 in 2017, 75 percent did not hold assets in trust, and thus did not report financial information.
- 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 can make it difficult to determine how the different benefits are financed and whether the group health component of the plan is self-insured or fully insured.¹⁷ As a result, the estimates presented here are subject to substantial uncertainty.

¹⁶ See the section titled “The Definition of Self-Insurance” in Appendix B for a detailed description of the Department’s method for estimating whether group health plans are self-insured, fully insured, or “mixed-insured,” based on the Form 5500 data.

¹⁷ See report, *Strengths and Limitations of Form 5500 Filings for Determining the Funding Mechanism of Employer-Provided Group Health Plans*, at <https://www.dol.gov/sites/default/files/ebsa/researchers/analysis/health-and-welfare/strengths-and-limitations-of-form-5500-filings-for-determining-the-funding-mechanism-of-employer-provided-group-health-plans.pdf> for a discussion of the sensitivity of plans’ funding categorizations. This work was

Table 2. Form 5500 Group Health Plans Summary Information, 2017 Reflecting Statistical Year Filings

Plan Type	All Plans	Self-Insured Plans	Mixed-Insured Plans	Fully Insured Plans*
All Plans	57,800	23,500	3,800	30,500**
Participants	75 million	34 million	26 million	15 million
Active Participants	67 million	30 million	23 million	14 million
Large Plans Not Holding Assets in Trusts	50,300	17,700	2,900	29,700
Participants	53 million	22 million	18 million	13 million
Active Participants	50 million	21 million	17 million	12 million
All Plans Holding Assets in Trust	7,400	5,800	900	700
Participants	23 million	13 million	8 million	2 million
Active Participants	17 million	10 million	6 million	1 million
Assets	\$247 billion	\$95 billion	\$141 billion	\$11 billion
Contributions	\$152 billion	\$62 billion	\$78 billion	\$12 billion
Benefits	\$146 billion	\$59 billion	\$76 billion	\$11 billion

NOTES: All figures in the table have been rounded.

* Plans that report benefit payments are classified as fully insured only if other information on the Form 5500 filing suggests that these payments were to insurance companies for the provision of benefits and not made directly to participants.

** Rounded up to ensure numbers sum to total.

SOURCE: 2017 Form 5500 filings.

Plan Type by Funding Mechanism

- Approximately 22,200 of the self-insured group health plans that filed a 2017 Form 5500 were sponsored by single employers: about 1,000 were multiemployer plans and fewer than 300 were multiple employer plans.¹⁸ About 3,400 of the mixed-insured group health plans that filed a 2017 Form 5500 were sponsored by single employers: approximately 300 were multiemployer plans and 50 were multiple employer plans.¹⁹
- The number of group health plans that filed a Form 5500 increased by more than 3 percent between 2016 and 2017. This increase occurred across all funding types and the share of plans that are self-insured or mixed-insured remained fairly constant increasing by less than 1 percent.²⁰

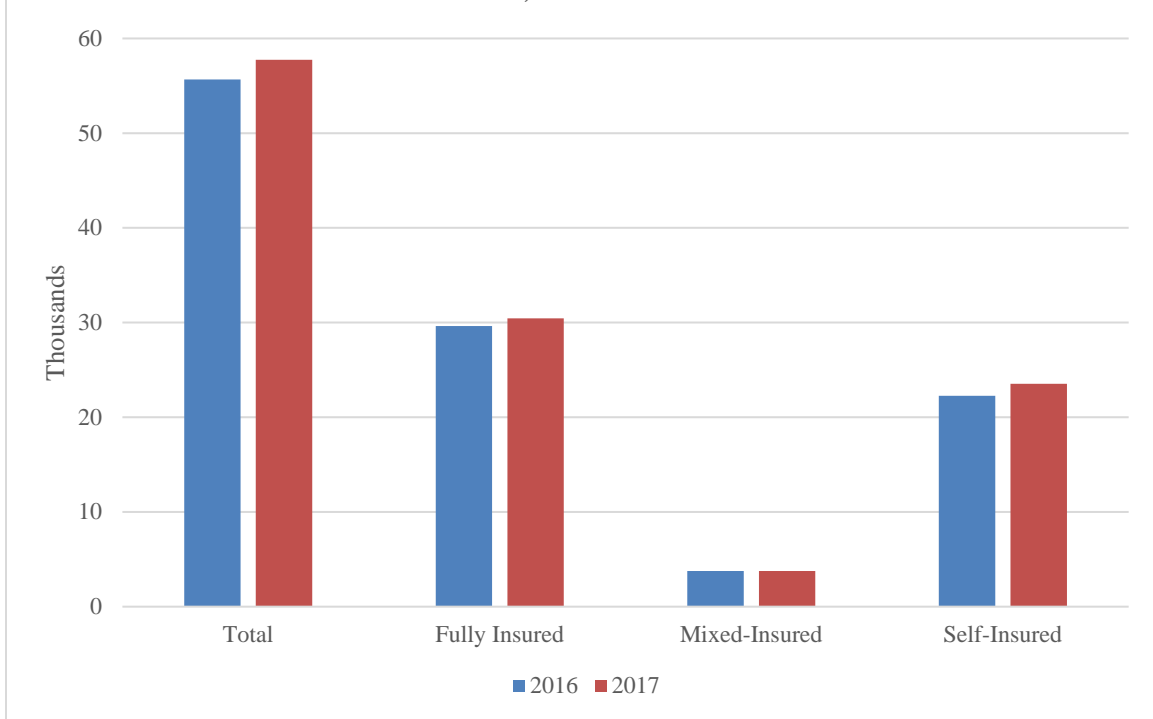
conducted for the Department by Deloitte Financial Advisory Services LLP under task order number DOLB109330993.

¹⁸ For Form 5500 reporting purposes, a “controlled group” is generally considered a single-employer. A “controlled group” is a controlled group of corporations under Code section 414(b), a group of trades or businesses under common control under Code section 414(c), or an affiliated service group under Code section 414(m).

¹⁹ See Appendix A, Table A2.

²⁰ See Appendix B, Table 2 and Table 6.

Figure 1. Group Health Plans that Filed a Form 5500, 2016-2017



SOURCE: Appendix B, Tables 2 and 7.

Number of Participants

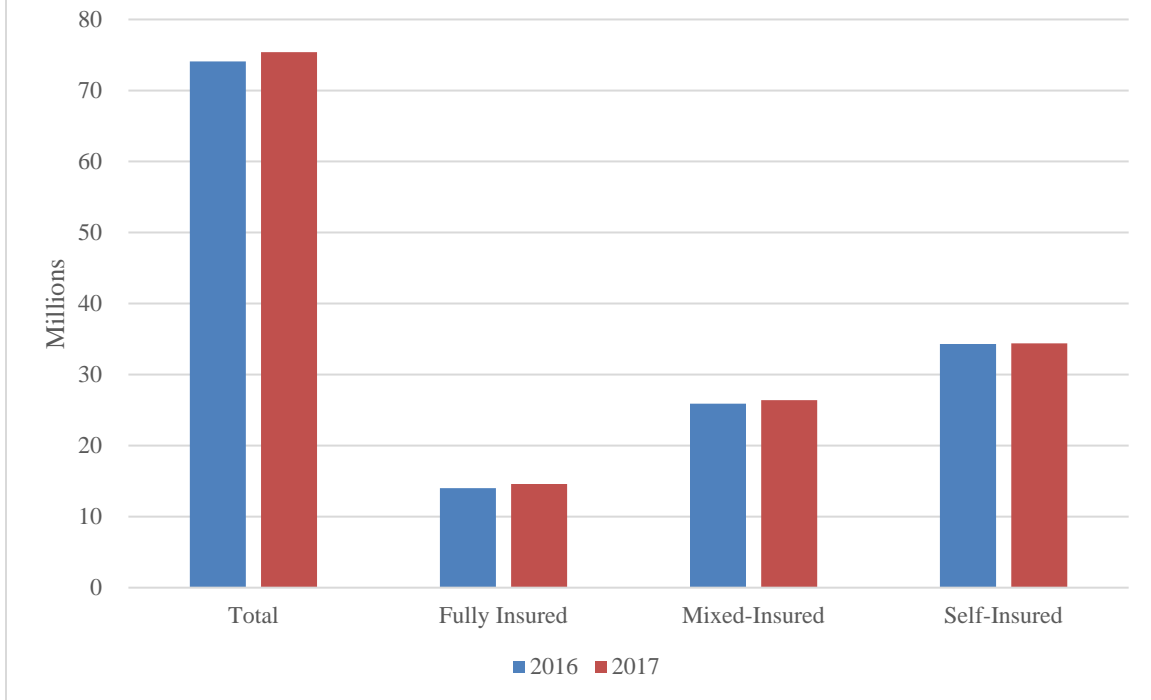
- Overall, the approximately 23,500 self-insured group health plans that filed a 2017 Form 5500 covered about 34 million participants, 30 million of whom were active participants. The 3,800 mixed-insured group health plans that filed a 2017 Form 5500 covered approximately 26 million participants, 23 million of whom were active participants.²¹
- In general, plans covering a larger number of participants are more likely to be self-insured than plans with fewer participants. While 53 percent of plans were fully insured, only 19 percent of participants were covered by these plans.²²
- The number of plans that filed a Form 5500 increased by more than 2,000 between 2016 and 2017, which corresponded to an increase in the number of participants covered. Although the number of plan participants covered by self-insured or mixed-insured plans increased overall, the share of participants covered by such plans dipped slightly, by less than 1 percent.²³

²¹ See Appendix A, Table A1.

²² See Appendix B, Table 6.

²³ See Appendix B, Table 2 and Table 6.

Figure 2. Participants in Group Health Plans that Filed a Form 5500, 2016-2017



SOURCE: Appendix B, Tables 2 and 7.

New Plans

- Of the approximately 5,000 *new* group health plans that filed a 2017 Form 5500, 39 percent were self-insured, 2 percent were mixed-insured, and 59 percent were fully insured.²⁴ New health plans are defined here as health plans that checked the “first return/report filed for the plan” box on their Form 5500 filing.²⁵
- Participants in new group health plans that filed a 2017 Form 5500 were more evenly split among funding mechanisms, with 39 percent of the participants covered under a self-insured group health plan, 20 percent in a mixed-insured group health plan, and 41 percent in a fully insured plan.²⁶

²⁴ Tabulations performed for DOL by AACG, based on 2017 Form 5500 filings.

²⁵ Beginning with the 2013 Self-Insured Report to Congress, plans were identified as “new” if they checked the “first return/report filed for the plan” box on their Form 5500. Prior to this, plans were identified as “new” if they could not be matched to a plan filing in a prior year, going back to 2001. Consequently, the number of “new” plans in the current Self-Insured Report to Congress is not comparable to reports prior to 2013.

²⁶ Tabulations performed for DOL by AACG, based on the 2017 Form 5500 filings.

Benefits Offered

- Of the approximately 23,500 self-insured group health plans in 2017, about 5,600 offered only health benefits and 17,900 offered other benefits in addition to health benefits.²⁷ Of the roughly 3,800 mixed-insured group health plans, approximately 200 offered only health benefits and 3,600 offered other benefits in addition to health benefits.²⁸

Funding and Benefit Arrangements

- Of the approximately 23,500 self-insured group health plans that filed, approximately 1,600 indicated a *funding* arrangement (the method by which the plan receives, holds, invests, and transmits plan assets that have not yet been used to provide benefits) of a trust only, 4,500 indicated a funding arrangement of general assets of the sponsor only, and 12,900 indicated a funding arrangement of general assets of the sponsor combined with insurance.²⁹ The remaining 4,500 indicated insurance alone, some other combination of funding arrangements, or did not report any arrangement. Of the roughly 3,800 mixed-insured group health plans, about 300 indicated a funding arrangement of a trust only, 400 indicated a funding arrangement of trust with insurance, and 2,800 indicated a funding arrangement of general assets of the sponsor combined with insurance.³⁰ The remaining filers indicated insurance alone or some other combination of funding arrangements.³¹
- Of the approximately 23,500 self-insured group health plans that filed, about 1,000 indicated a *benefit* arrangement (the method by which the plan provides benefits to participants) of a trust only, 2,000 indicated a benefit arrangement of trust with insurance, 4,200 indicated a benefit arrangement of general assets of the sponsor only, and 13,100 indicated a benefit arrangement of general assets of the sponsor combined with insurance.³² The remaining 3,200 indicated insurance alone, some other combination of benefit arrangements, or did

²⁷ 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 life insurance plan for which a separate Form 5500 filing exists. This *Report* does not include information on welfare plans that do not provide health benefits.

²⁸ See Appendix A, Table A1.

²⁹ The majority of plans indicating a funding arrangement of general assets combined with insurance filed a Schedule A for a nongroup health benefit. Alternatively, they were self-insured plans with stop-loss coverage or plans that check box 9a on the Form 5500 indicating insurance, but did not file a Schedule A.

³⁰ The 300 plans that were identified as mixed-insured and indicated a funding arrangement of a trust only also filed a Schedule A and reported a health insurance contract. Plans are deemed mixed-insured if the trust payments and the reported premium payments are more than 20 percent apart, the percentage of participants covered by reported health insurance contracts is less than 50, or trust payments made directly to participants were substantial. (See Appendix B, pages 12–20.)

³¹ See Appendix A, Table A7.

³² Similar to the reasons explained for funding arrangement, the self-insured plans that listed a benefit arrangement of general assets of the sponsor combined with insurance may have filed a Schedule A for (1) a nongroup health benefit, (2) stop-loss coverage, or (3) checked box 9a on the Form 5500 indicating insurance but did not file a Schedule A.

not report any arrangement. Of the roughly 3,800 mixed-insured group health plans that filed, approximately 600 indicated a benefit arrangement of trust with insurance and 2,900 indicated a benefit arrangement of general assets of the sponsor combined with insurance. The remaining filers indicated insurance or trust alone, or some other combination of benefit arrangements.³³

- Self-insured plans can purchase stop-loss insurance to mitigate the risk of unexpectedly large medical claims. Stop-loss insurance contracts protect against claims that are catastrophic or unpredictable by covering claims costs that exceed a set amount—an attachment point—for either a single enrollee or for aggregate claims over a determined period. 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 arrangement for the plan is understated, especially for those plans that do not use a trust. From 2008 to 2017, the percentage of group health plans that filed a Form 5500 and reported having stop-loss insurance gradually declined, from approximately 28 percent to 24 percent for self-insured plans and from 30 percent to 20 percent for mixed-insured plans. Historically, reported stop-loss coverage increases with plan size up to 500–999 participants, then decreases with plan size among larger plans. However, in 2017 the reported stop-loss coverage rate was highest for plans with 1-99 participants. Coverage then fell for plans with 100-199 participants before peaking again for plans with 500-999 participants.³⁴

Plan Assets and Liabilities of Plans That Financed Benefits through Trusts

- The roughly 5,800 self-insured group health plans that financed benefits through trusts reported approximately \$95 billion in assets and \$11 billion in liabilities. The 900 mixed-insured group health plans that financed benefits through trusts reported nearly \$141 billion in assets and \$13 billion in liabilities.³⁵

³³ See Appendix A, Table A7.

³⁴ See Appendix B, Table 11 and Figure 13.

³⁵ See Appendix A, Table A2.

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

- Self-insured group health plans that financed benefits through a trust received approximately \$62 billion in contributions and paid approximately \$59 billion in benefit payments. Of the amount paid, \$47 billion was paid directly to participants or beneficiaries and \$6 billion was paid to insurance carriers for the provision of benefits.³⁶ The remaining \$5 billion cannot be categorized.³⁷ Mixed-insured group health plans that financed benefits through a trust received approximately \$78 billion in contributions and paid approximately \$76 billion in benefit payments. Of the amount paid, \$56 billion was paid directly to participants or beneficiaries and \$18 billion was paid to insurance carriers for the provision of benefits. The remaining \$2 billion cannot be categorized.³⁸
- Self-insured group health plans that financed benefits through a trust also reported paying about \$4.0 billion in administrative expenses, with approximately \$500 million reported as professional fees, \$1.5 billion reported as contract administrator fees, \$200 million as investment advisory and management fees, and \$1.7 billion as other administrative expenses. Mixed-insured group health plans reported paying about \$3.9 billion in administrative expenses, with approximately \$400 million reported as professional fees, \$2.0 billion as contract administrator fees, \$300 million as investment advisory and management fees, and \$1.2 billion as other administrative expenses.³⁹
- The largest share of asset holdings by self-insured group health plans covering 100 or more participants that financed benefits through a trust were: 16 percent of assets in cash and U.S. government securities, 23 percent in direct filing entities (DFEs), 23 percent in mutual funds (registered investment companies), 9 percent in debt instruments, and 10 percent in stock.⁴⁰ The largest share of asset holdings by mixed-insured group health plans covering 100 or more participants that financed benefits through a trust were: 18 percent in cash and U.S. government securities, 14 percent in DFEs, 11 percent in mutual funds (registered investment companies), 10 percent in debt instruments, and 24 percent in stock.⁴¹

³⁶ Plans that self-insure health benefits may make payments to insurance companies for administrative services, stop-loss contracts, or insurance premiums for other types of benefits (such as dental or disability).

³⁷ Total does not sum due to rounding.

³⁸ See Appendix A, Table A4 and Table A5.

³⁹ See Appendix A, Table A5.

⁴⁰ 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 (GIAs). A Form 5500 *must* be filed for a master trust investment account. A Form 5500 is *not required* for the other entities, but for plans to get reporting relief with respect to those entities, the entity must file a Form 5500. Each DFE lists the plans whose assets it holds on Form 5500, Schedule D Part 2.

⁴¹ See Appendix A, Table A6.

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

Section 1253 of the Affordable Care Act requires this *Report* to include data from the financial filings of self-insured employers, including information on assets, liabilities, contributions, investments, and expenses. 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 for a select group of companies with publicly traded equity or debt.⁴² Analysis of financial measures—including revenue, market capitalization, net income, and number of employees—shows that companies offering self-insured or mixed-insured group health plans tend to be larger than companies offering fully insured plans.⁴³

The results of matching the 2017 Form 5500 data to the Capital IQ financial data were similar to the results for 2016. Approximately 3,800 Form 5500 filers, or 7 percent in the 2017 Form 5500 health plan data, were matched to the Capital IQ data.⁴⁴ 87 percent of the participants in matched plans were covered through a plan with 5,000 or more participants. There were approximately 1,800 employers matched to a self-insured health plan filing a Form 5500 in 2017. The employers sponsoring these matched, self-insured group health plans reported a median employee count of 4,400, median revenue of approximately \$1.7 billion, median market capitalization of approximately \$3.2 billion, and a median net income of approximately \$120 million. Approximately 900 employers matched to a mixed-insured plan that filed a Form 5500 in 2017. These plans were sponsored by employers reporting a median employee count of 11,000, median revenue of approximately \$4.2 billion, a median market capitalization of approximately \$6.5 billion, and a median net income of approximately \$240 million.⁴⁵

The financial health of the matched companies was measured using three financial metrics.⁴⁶ Overall, the results varied. Firms sponsoring fully insured plans have more cash flow relative to total debt than firms sponsoring mixed-funded or self-insured plans, as evidenced by a lower percentage of matched companies falling in the bottom quartile and a higher percentage falling in the top quartile. However, firms sponsoring fully insured

⁴² Appendix B outlines this analysis. 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.

⁴³ See Appendix B, Table 13, for the distribution of the measures for each of the three categories of plans.

⁴⁴ See Appendix B, Table 4. While this is a relatively small number, many companies that filed a Form 5500 are not represented in Capital IQ data because they may be exempt from publicly issuing financial statements. Sponsors may be privately held, based overseas, or not-for-profit and without publicly issued bonds; or the plan may be a multiemployer or multiple-employer plan. As a result, this analysis represents mostly large, publicly traded companies that are based in the United States.

⁴⁵ See Appendix B, Table 14. Not all financial information for all employers was reported in the Capital IQ data, so the number of observations used to calculate the reported medians varies significantly.

⁴⁶ See Appendix B, Figure 15.

plans are more likely than other firms to fall in both the top and bottom quartile for operating income-to-debt ratio and the Altman Z-score. (The Altman Z-score is an index summarizing five financial measures that predict bankruptcy risk.) This variance makes it difficult to draw conclusions regarding the financial health of a company and its choice of funding mechanism for its health plan. It is noteworthy that, similar to prior years, firms sponsoring fully insured plans generally show a wider dispersion of financial health than those sponsoring mixed-funded or self-insured plans.

Plans filing a Form 5500 can also be matched longitudinally to determine what changes the plan has undergone over time. From 2008 to 2017, 85 percent of plans, on average, were matched to their previous years' filing.⁴⁷ The majority of new plans that filed a Form 5500 were fully insured, which has driven their increasing share of all group health plans. New plans that change their funding mechanism status within the first year from fully insured to self- or mixed-insured outnumbered those that switched to full insurance.⁴⁸ Established plans, those that are not new and have continually filed a Form 5500, that change their funding mechanism status similarly continue to move away from being fully insured. While switching took place in both directions, on net, the number of mixed- or self-insured plans grew by roughly 600.⁴⁹ This shift from fully insured may explain the increasing share of *participants* covered by self-insured and mixed-insured plans: established plans tend to be larger than new plans and, on net, move away from full insurance.⁵⁰

⁴⁷ See Appendix B, Table 3.

⁴⁸ See Appendix B, Figure 8.

⁴⁹ See Appendix B, Figure 9.

⁵⁰ See Appendix B, Figure 9.

Section III. Conclusion

This *Annual Report to Congress on Self-Insured Group Health Plans* (March 2020) provides the most detailed statistics currently available on self-insured group health plans that filed 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.

The Department recognizes the importance of quality data and will continue to endeavor to improve this annual *Report* and its underlying statistics to better inform Congress on self-insured employee health benefit plans, and financial information regarding employers that sponsor such plans.