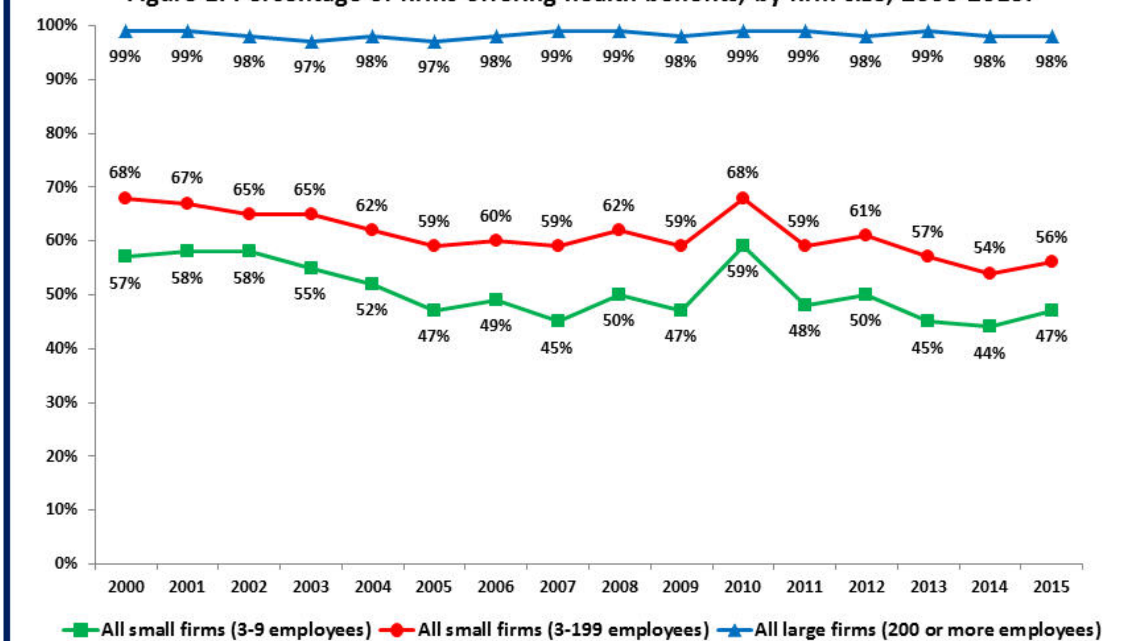
A Comparison of the Availability and Cost of Coverage for Workers in Small Firms and Large Firms

According to the latest Kaiser Foundation benchmarking report, of firms with 3 to 199 employees, 56% offer health insurance to at least some of their employees; a stark contrast to the 98% of firms with 200 or more employees who do so. Very small firms (3 to 9 workers) are least likely to offer health insurance to employees, with only 47% of these firms offering coverage in 2015. Since most firms in the country are small, the overall offer rate is determined primarily by the percentage of the smallest firms offering health benefits (Figure 1).

Figure 1. Percentage of firms offering health benefits, by firm size, 2000-2015.

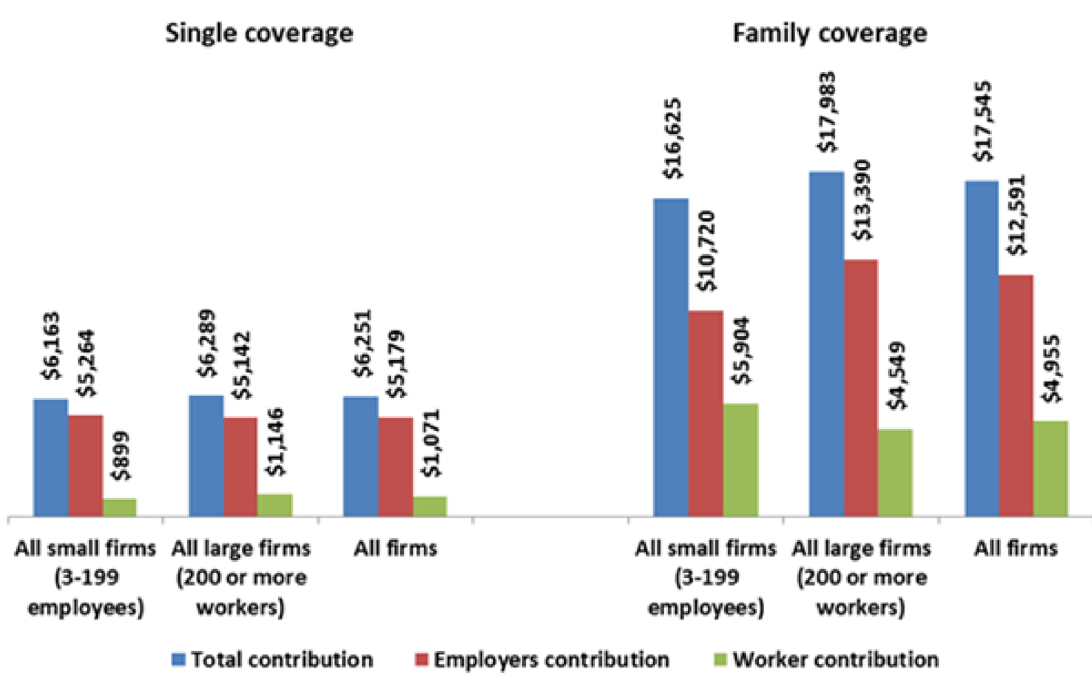


Because some workers are not eligible or choose not to accept the coverage, a portion of workers at firms that offer health benefits are not covered by health benefits. While the percentage of covered workers at firms offering benefits is similar between small and large firms (61% and 63%, respectively), the lower offer rate at small firms means a smaller percentage of workers are covered at both offering and non-offering firms. Forty-five percent of workers at both offering and non-offering firms are covered by health benefits at small firms compared to 63% at large firms. Here are some other noteworthy highlights from the latest Kaiser benchmarking report:

- Waiting periods are a specified length of time after beginning employment before employees are eligible to enroll in health benefits. With some exceptions, the Affordable Care Act (ACA) requires that waiting periods cannot exceed 90 days (81% vs. 71%).

- Among those covered workers who have a waiting period, the average waiting period is longer for workers in small firms than large firms (2.2 months vs. 1.8 months).
- Since 2000, family premiums have increased 155% for small firms, less than the increase of 180% for large firms. Since 2010, average family premiums have grown 25% for small firms, similar to the 28% growth for large firms.
- Workers in small firms with single coverage contribute less to their premiums than workers in large firms ($899 vs. $1,146). However, workers in small firms contribute 30% more for family coverage than workers in large firms ($5,904 vs. $4,549).
- Even though workers at small firms enrolled in family coverage are covered by a plan with less expensive premiums than those at large firms ($16,625 vs $17,983), they are responsible for a larger premium contribution than workers at large firms. On average, workers employed at small firms pay 36% of their family premiums, significantly more than the 25% that workers pay at large firms (Figure 2).

Figure 2. Average annual worker and employer contributions to premiums and total premiums for single and family coverage, by firm size, 2015.



- Workers' contributions to family premiums at small firms have increased 27% since 2010 and 204% since 2000, similar to 25% and 213% increases at large firms.
- Among small firms offering health benefits, 45% indicate that they contribute the same dollar amount for single coverage as family coverage, compared to only 17% of large firms who use that approach. Thirty-four percent of small firms report that they contribute a higher dollar amount for workers enrolled in family coverage than in single coverage; lower than the 67% of large firms who use that approach.
- Workers in small firms are more likely than workers in large firms to enroll in a point of service (POS) plan (19% vs. 6%). Preferred provider organizations (PPO) remain the dominant plan type for both small and large firms, although more workers in large firms are covered by PPOs than workers in small firms (56% vs. 41%).

- Among those workers with deductibles, workers in small firms generally have higher deductibles than workers in large firms. Workers in small firms with single coverage are more likely to have a deductible of at least $1,000 than covered workers in large firms (63% vs. 39%).
- Similarly, workers in small firms with single coverage are more likely to have a deductible of $2,000 or more than those in large firms (36% vs. 12%). Across all plan types, workers with single coverage at small firms have annual deductibles averaging over $700 more than those in plans sponsored by large firms. For those with family coverage, the average difference between small and large firms is more than $1,400.

The average general annual deductible for single coverage for all covered workers in small firms is $1,507 (up 51% from 2010) and $890 for all covered workers in large firms (up 95% from 2010).

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