

Employer health benefits report

Data, insights & stats regarding employer-sponsored health benefits in U.S. small and midsize businesses.



Employee benefits, particularly health benefits — medical, dental and vision — are one of the top investments and major expenses small and midsize businesses face. Employers often use health benefits to attract and retain top talent.

As small to midsize businesses continue to strive to offer employees additional options and packages to serve them best, the need for benchmark data becomes apparent.

The Zenefits 2020 Health Benchmark Report (with COVID-19 Data) provides trends in health care coverage among businesses with 500 or fewer employees.

It's our goal to provide the relevant benchmark data to help offer insights and information that allow small to midsize businesses to make and implement decisions unique to their situations and their benefits strategy.

The report is based on anonymized and aggregated data pulled from a sample of 11,000 US small business customers on the Zenefits platform with fewer than 500 employees which span various industries and geographic locations.

This benchmark report can help small business learn about:

- ✓ Medical, dental and vision insurance trends
- ✓ What's changed in small to midsize business insurance offerings between 2017 and 2020
- ✓ Why a decreasing number of small to midsize businesses offer dental and vision insurance
- ✓ How trends in plan choices might affect the demise of medical, dental, and vision among small business
- ✓ How COVID-19 affected some small businesses and their employees when it comes to healthcare choices

KEY TREND #1:

Fewer small to midsize employers are providing medical, dental and vision insurance.

Of the average small to midsize employers with 26-50 employees, 70% offered medical, dental and vision in 2020 compared to 88% 2017, a 20.5% decrease. Of employers with 100 or more employees, 80% offered medical, dental and vision in 2020 compared to 93% in 2017, a 14.0% decrease.

KEY TREND #2:

Employer sponsored health insurance is still the number one valued benefit employees seek.

It's followed by paid time off (PTO) and employer sponsored dental and vision insurance. Approximately 39.5% of employees value PTO as highly as company-sponsored health benefits.

KEY TREND #3:

The types of health plans employers offer are changing gradually.

Plan types may decrease as cost effectiveness is not realized year to year, as small businesses continue to balance the needs of employees and their organization.

KEY TREND #4:

The cost of health insurance has decreased for individuals.

Across all plan types, premium costs for individuals decreased by 0.9% from \$536.01 in 2017 to \$531.31 in 2020, while deductibles fell from \$2,712.25 to \$2,347.31 a 13.4% decrease.

KEY TREND #5:

Family deductibles are increasing or decreasing based on the type and popularity or perceived desirability of health plans.

The average family deductible for a high deductible health plan (HDHP) in 2017 was \$6,328 compared to \$6,744 in 2020, an increase of 6.6%. Yet a point of service (POS) plan deductible in 2017 was \$4,557 vs. \$4,326 in 2020, a decrease of 5.1%.

KEY TREND #6:

COVID-19 affected the health of employees and their health benefits.

Of the 206 small to midsize companies who were included in this data and had an insurance carrier that offered a special enrollment period due to the coronavirus, 118 had employees take advantage of the special enrollment qualified life event (QLE).

KEY TREND #7:

The amount of time off requests for COVID-19 does not match the number of cases, nationally.

Of employees using Zenefits HR, 1,389 COVID-19-related leave requests were submitted during the month of May, a 13,790% increase from the first week of January 2020. That number fell to 1266 requests by June, reflecting normalization.



Connect with Zenefits to learn how we can help you save money, time, and achieve better benefits packages for your employees.

www.zenefits.com/brokerclients

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Overview

Rates of small businesses offering
comprehensive health benefits
(medical, dental, vision)



The number of small businesses offering comprehensive health benefits (including medical, dental, and vision) has decreased since 2017.

This may not be surprising given that many small to midsize businesses would like to offer health benefits to employees to attract and retain their talent pool but affordability remains an issue.

Rising costs of healthcare and high premiums constrain small businesses ability to grow, and even marginal increases in small group premiums from year to year affect small businesses with slim margins.

But as you'll see later employees recognize the importance of these types of health benefits, which continue to put small businesses under pressure to provide them and compete for workforce talent.

[The Bureau of Labor Statistics](#) reported in 2019 that more than half (57%) of workers at small businesses with less than 100 employees did not have employer sponsored health benefits.

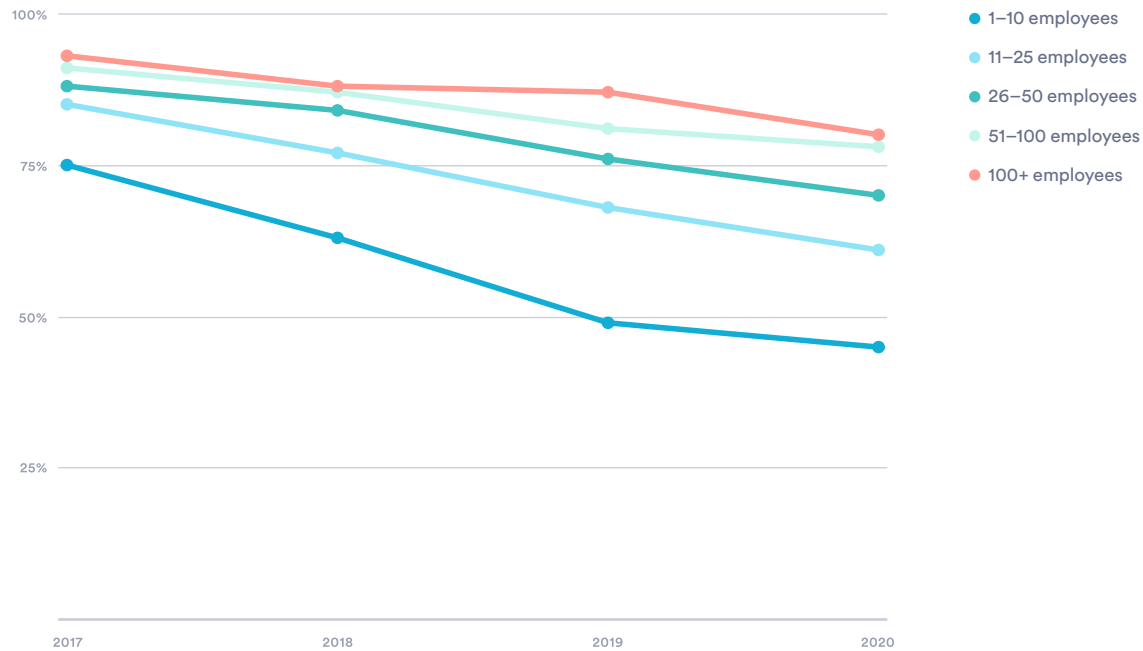
Smaller companies are providing comprehensive healthcare less frequently. But are there ways they are offering other perks to stay competitive in talent acquisition and employee retention? We looked at other data sources to find out.

A survey of 600 small business employees conducted by [Zenefits](#) in 2019 asked employees of small businesses to rank the following benefits in the order they value from most desirable to least desirable. It found that after healthcare the most prized employee compensation benefits included more paid time off (PTO), with extended paternity and maternity leave, health and fitness perks, and commuter perks making the top nine.

EMPLOYEE RANKINGS OF EMPLOYER PERKS

- 1 Employer sponsored healthcare
- 2 Paid time off/vacation (PTO)
- 3 Employer sponsored dental and vision insurance
- 4 401k with employer sponsored contribution
- 5 Employer sponsored life insurance
- 6 Paid and/or extended paternity and maternity leave
- 7 Health and fitness perks (gym memberships, equipment reimbursement)
- 8 HSA and FSA plans
- 9 Commuter benefits (including free/subsidized urban transit and parking)

PERCENT OF SMALL BUSINESSES OFFERING MEDICAL, DENTAL AND VISION INSURANCE BY COMPANY SIZE 2017-2020

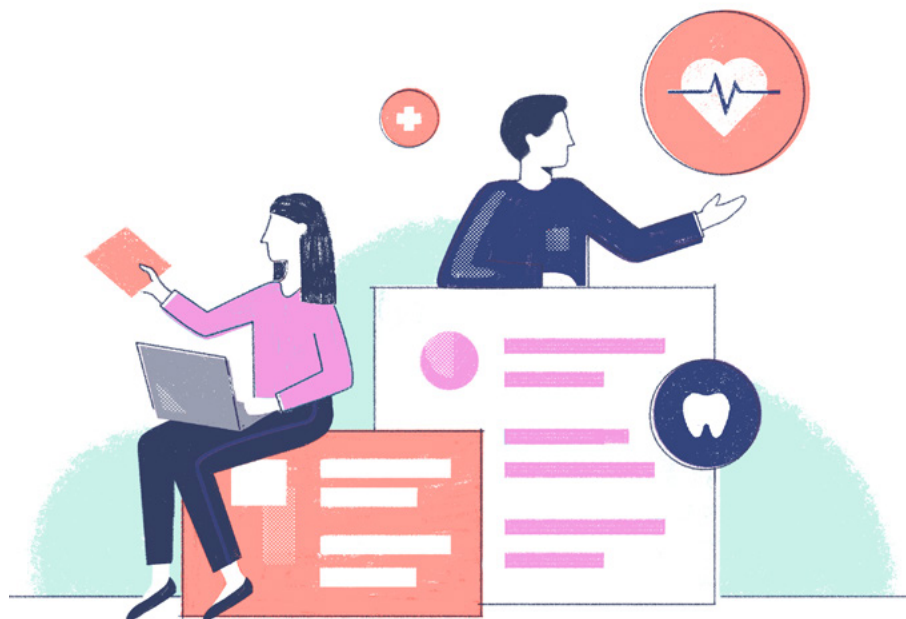


WHAT'S CHANGED BY THE NUMBERS?

Company size by number of employees	Decrease in comprehensive coverage from 2017 to 2020
1-10	40.0%
11-25	28.2%
25-50	20.5%
51-100	14.3%
100+	14.0%

What's changed in small to midsize business insurance offerings between 2017 and 2020?

- As much as a 40% decrease in small business offering healthcare benefits mostly due to healthcare costs being too steep
- Despite employees ranking health benefits at the top of their employer wish list, many small businesses are still unable to afford healthcare
- Small businesses can try to “make up” for a lack of healthcare benefits with other desirable “perks” of compensation including paid time off (PTO), vacation time, tuition reimbursement and student loan reimbursement
- Small business may qualify for a [sliding scale tax credit](#) if they have 25 or fewer employees and pay an average wage of less than \$50,000 per year



Why are fewer small to midsize businesses offering dental and vision?

- It may be an afterthought compared to the behemoth expense of offering healthcare insurance
- It's considered an added or "extra" expense or perk
- Perceived barriers include:
 - Employees are uninterested in these extras
 - Small business simply can't compete with what large companies offer
 - Administering these benefits is too time consuming

Make administering benefits easy with Zenefits.

[LEARN HOW](#)

Options

Plan types offered
by small businesses

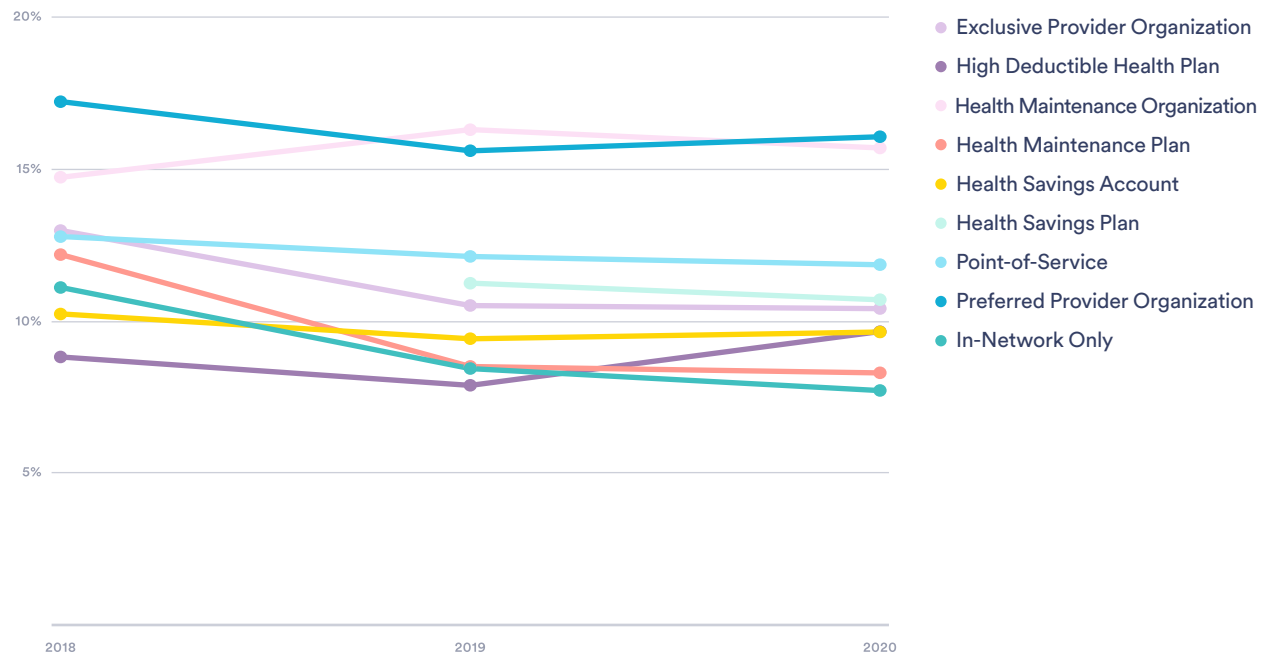


What are the types of plans most commonly offered by businesses with fewer than 500 employees? How is that changing over time?

Here we look at nine of the top healthcare plan options and the relative rates of participation from employees in each category.



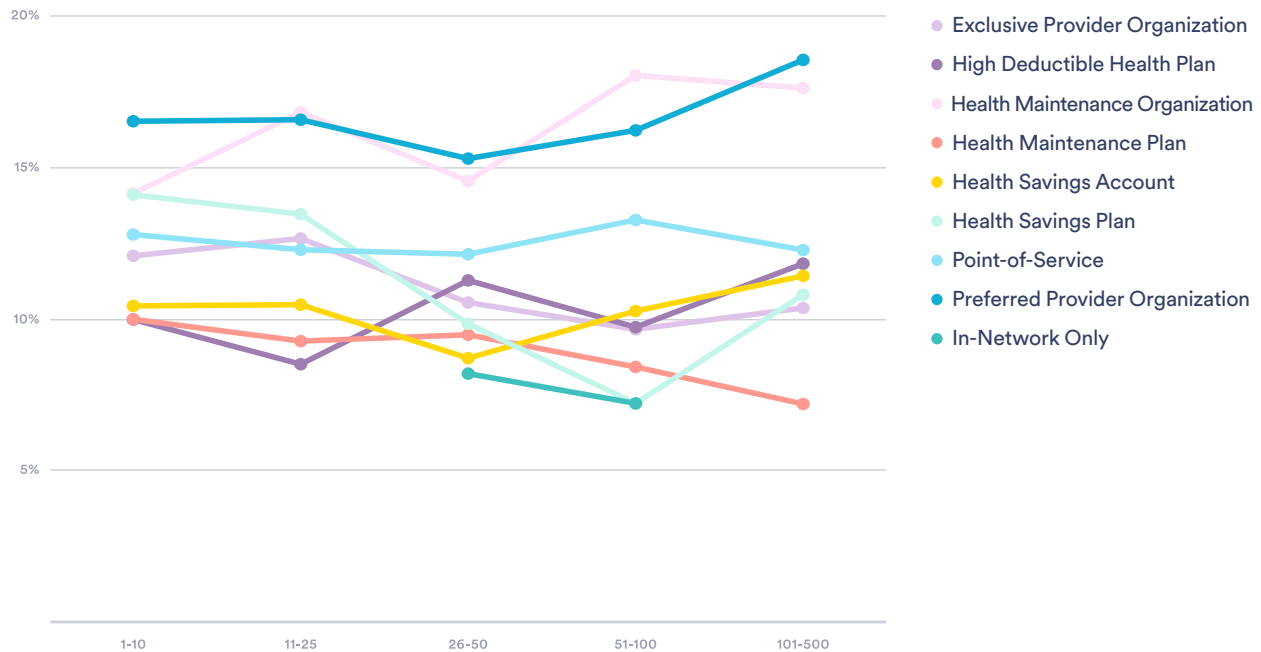
MEDICAL PLAN TYPES OFFERED BY SMALL BUSINESS 2018 TO 2020



	EPO	HDHP	HMO	HMP	HSA	HSP	POS	PPO	INO
2018	12.97%	8.82%	14.72%	12.18%	10.23%	--	12.77%	17.20%	11.10%
2019	10.51%	7.89%	16.28%	8.51%	9.42%	11.24%	12.12%	15.59%	8.44%
2020	10.41%	9.65%	15.68%	8.30%	9.64%	10.70%	11.85%	16.05%	7.72%

*Data for HSA in 2018 was not reliable

CURRENT PLANS OFFERED BY EE SEGMENT



Company size by employee count	EPO	HDHP	HMO	HMP	HSA	HSP	POS	PPO	INO
1-10	12.08%	9.98%	14.13%	9.99%	10.43%	14.09%	12.78%	16.51%	0.00%
11-25	12.65%	8.51%	16.81%	9.27%	10.47%	13.45%	12.28%	16.56%	0.00%
26-50	10.54%	11.27%	14.54%	9.48%	8.71%	9.84%	12.13%	15.28%	8.20%
51-100	9.66%	9.73%	18.02%	8.42%	10.26%	7.22%	13.26%	16.21%	7.22%
100-500	10.36%	11.82%	17.60%	7.20%	11.42%	10.80%	12.27%	18.53%	0.00%
Average	11.06%	10.26%	16.22%	8.87%	10.26%	11.08%	12.54%	16.62%	3.08%

While there is substantial variance in the types of plans small businesses offer employees for healthcare, traditional PPO and HMO plans still hold as most frequently offered in the mix, representing 16.6% and 16.2% of the plans respectively. This reinforces the need to personalize and provide “choice” for employees, while recognizing the need for continued education around health plan options.

Overall, the rates of health plan options have remained relatively constant. The exception is with the growing popularity of high deductible health plans (HDHPs) which are both offered more frequently by employers, and chosen more frequently by employees.

- HDHPs are often combined with a savings option for pre-tax dollars such as an Health Savings Account (HSA) to make them more attractive
- Distribution of plan choice is similar across various employee sizes, which reinforces that even the smallest organizations are looking to remain competitive with their medical benefits strategy
- Cost-shifting and cost-sharing factor in
 - Employees can self-fund a portion of the deductible
 - Employers can split costs 50-50 or 80-20
 - Reverse doughnut holes: the employee pays the first \$500; the employer the next \$1500

The diversity of plans offered across various small to midsize businesses reinforces creative thinking to deliver what is most impactful for their employees while also minimizing costs.

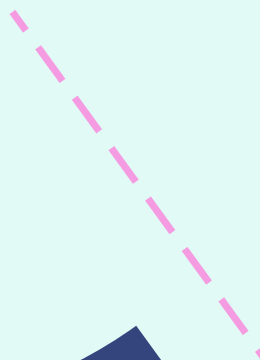
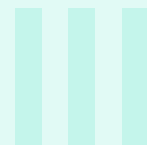
- Small companies typically offer only a fraction of health plan choices because they don't have the employee headcount of larger corporations
- Employer healthcare plans are one of the highest expenses a small business has after payroll and leases, according to [Clutch](#)
- One way to offer a comprehensive health insurance plan is to partner with an insurance broker or a professional employer organization (PEO), another way is to work directly with the carrier. With Zenefits, employers exploring offering benefits can go from initial quote to launching enrollment using our proven platform.

How Can Small to Midsize Businesses Ensure Employees' Health?

- ✓ SMBs continue to deploy innovative plans to help rising healthcare costs
- ✓ Significant HDHP growth over the last three years reinforces the cost distribution between employee and employer (smaller businesses could also be looking to attract the younger talent pool (Gen Z, Millennial) which may be used to or more often adopts HDHPs)
- ✓ Traditional/common plans are still the front runners
- ✓ Traditional plans reduce confusion and offer the greatest flexibility for coverage in network
- ✓ Offer dental or vision add-ons and options

Costs

Premiums and deductibles



Healthcare costs for individuals and families vary depending on the type of plan one chooses.

On average, costs of healthcare are cheaper (looking at premiums and deductibles combined) for single coverage now than they were in 2017, while family deductibles have also fallen but premiums have risen.



	INDIVIDUAL		FAMILY	
	Premium	Deductible	Premium	Deductible
2017	\$536.01	\$2,712.25	\$1,242.72	\$5,651.72
2018	\$547.45	\$2,581.26	\$1,399.74	\$5,374.02
2019	\$574.66	\$2,479.61	\$1,424.74	\$5,037.99
2020	\$531.31	\$2,347.31	\$1,358.69	\$4,741.03

AVERAGE INDIVIDUAL PREMIUM BY PLAN TYPE



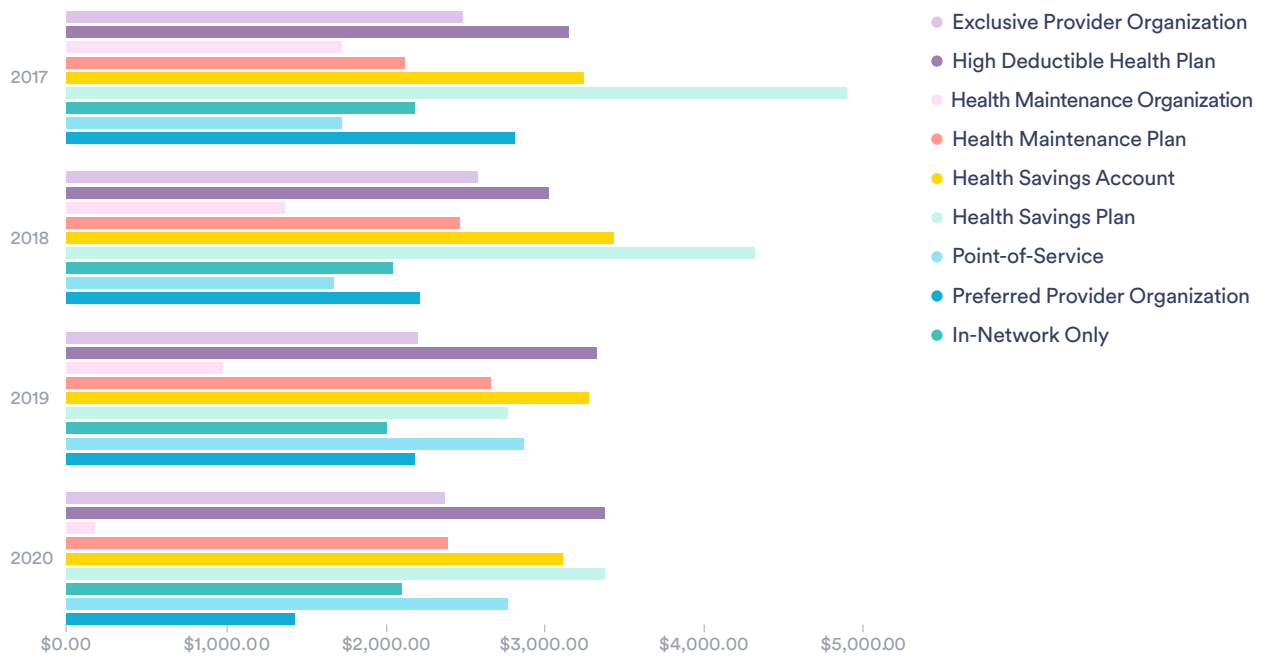
	EPO	HDHP	HMO	HMP	HSA	HSP	POS	PPO	INO
2017	\$602.13	\$488.06	\$522.32	\$560.43	\$465.96	\$622.12	\$563.72	\$567.16	\$432.16
2018	\$623.75	\$465.34	\$510.51	\$511.21	\$497.34	\$609.53	\$567.41	\$584.37	\$557.56
2019	\$657.46	\$465.43	\$533.75	\$536.09	\$542.10	\$600.05	\$594.09	\$627.26	\$615.72
2020	\$664.94	\$409.99	\$516.51	\$541.64	\$498.89	\$489.00	\$570.91	\$613.33	\$476.59

AVERAGE FAMILY PREMIUM BY PLAN TYPE



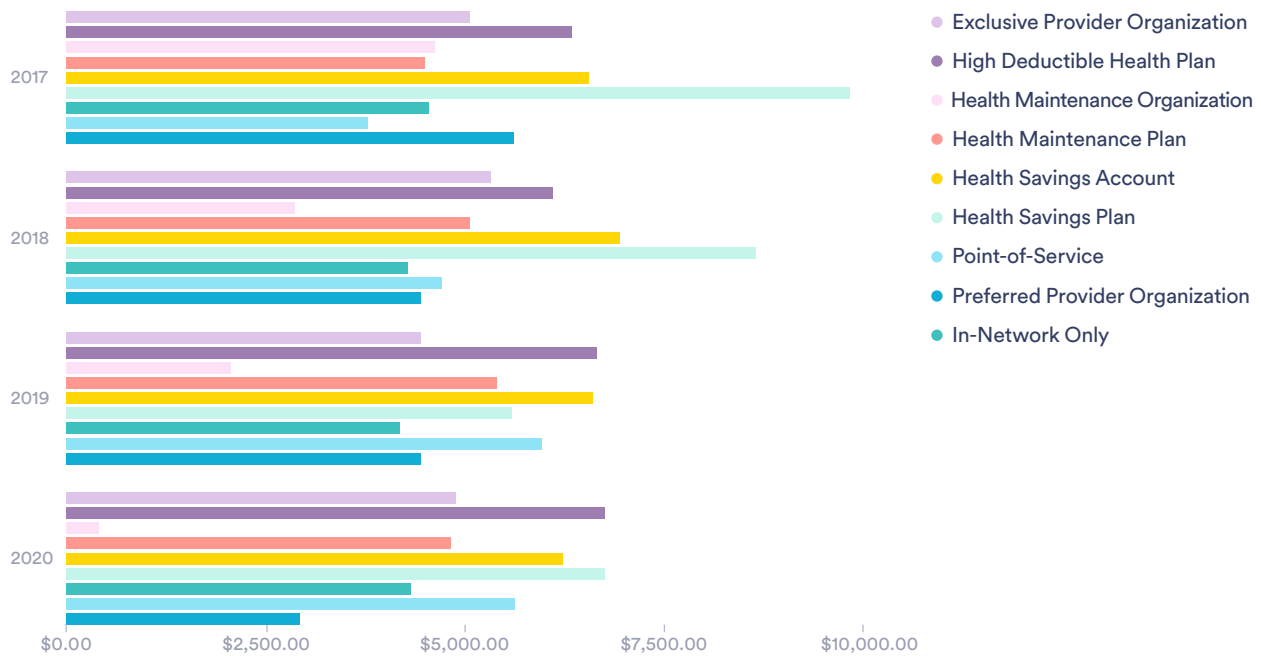
*Data for HSPs was not reliable, and omitted

AVERAGE INDIVIDUAL DEDUCTIBLE

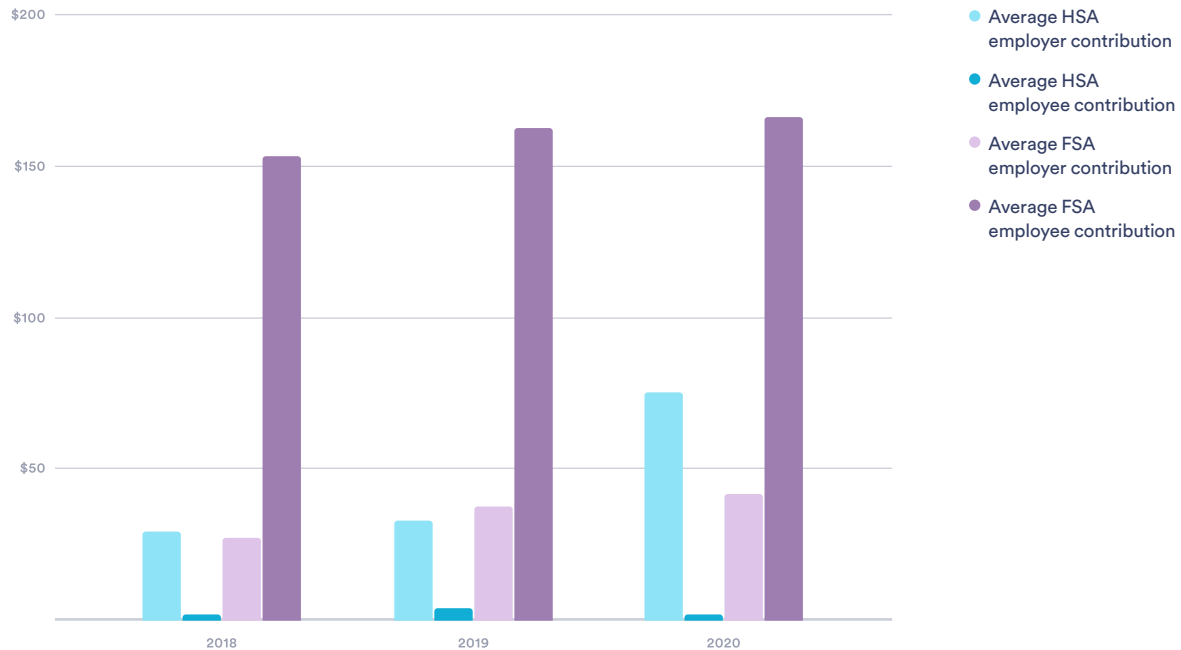


	EPO	HDHP	HMO	HMP	HSA	HSP	POS	PPO	INO
2017	\$2,489.75	\$3,161.75	\$1,740.75	\$2,123.75	\$3,258.75	\$4,910.75	\$2,184.50	\$1,735.75	\$2,804.50
2018	\$2,578.42	\$3,044.08	\$1,381.75	\$2,470.50	\$3,436.92	\$4,331.83	\$2,057.92	\$1,699.33	\$2,230.58
2019	\$2,211.33	\$3,328.50	\$974.17	\$2,662.58	\$3,277.42	\$2,785.92	\$2,007.08	\$2,883.08	\$2,186.42
2020	\$2,384.75	\$3,371.00	\$185.00	\$2,389.00	\$3,096.00	\$3,389.75	\$2,095.25	\$2,790.25	\$1,424.75

AVERAGE FAMILY DEDUCTIBLE



AVERAGE EMPLOYEE AND EMPLOYER CONTRIBUTIONS TO HEALTH SAVINGS ACCOUNTS (HSAs) AND FLEXIBLE SPENDING ACCOUNTS (FSAs) OVER THE PAST 3 YEARS



	HSA			FSA		
	EMPLOYER	EMPLOYEE	TOTAL	EMPLOYER	EMPLOYEE	TOTAL
2018	\$29.37	\$2.17	\$31.54	\$27.41	\$153.02	\$180.43
2019	\$33.04	\$4.10	\$37.14	\$37.65	\$162.42	\$200.06
2020	\$75.38	\$2.29	\$77.67	\$41.76	\$166.12	\$207.87

- ✓ A greater sum of money is contributed to FSAs than HSAs
- ✓ Employers contribute a greater share of the total contribution in HSA plans
- ✓ Employees are more likely to contribute to an FSA account than an HSA account

What Are the Trends in Costs of Healthcare for Individuals and Families?

SINGLE COVERAGE

- Individual premiums decreased by 0.69% from \$536.01 to \$531.31 since 2017
- Overall, individual deductibles decreased by 13.5% from \$2,712.25 to \$2,347.31, but that depended on the plan type some increased and some decreased
 - Deductibles decreased among EPOs, HMOs, HSAs, HSPs, POSs, and INOs since 2017, falling by 4.2%, 91.6%, 5.4%, 31.1%, 5.1%, and 48.1% respectively
 - Deductibles increased among HDHPs, HMPs, and PPOs since 2017 rising by 6.5%, 6.9%, and 48.8% respectively
 - Something to note is that PPO deductibles have risen dramatically over the last several years, making a historically familiar plan start to look more like high-deductible counterparts.

FAMILY COVERAGE

- Family premiums increased by 9.3% from \$1,242.72 to \$1,358.69
- Overall family deductibles decreased by 16.1% from \$5,651.72 to \$4,741.03 but that depended on the plan type some increased and some decreased
 - Deductibles decreased among EPOs, HMOs, HSAs, POS, and INOs since 2017, falling by 4.2%, 89.3%, 5.0%, 31.0%, 4.1%, and 13.8% respectively
 - Deductibles increased among HDHPs, HMPs, and PPOs since 2017 rising by 6.6%, 12.5%, and 60.8% respectively

* More desirable plan types with more varied coverage and benefits are rising, while plan types that are no longer as popular because of limited coverage, limited network availability and other limitations have become less desirable healthcare menu selections for employees, and may see decreased deductibles.

DIFFERENTIATORS AND SIMILARITIES AMONG PLANS

- The greatest “differentiator” among plans is still the flexibility in provider coverage
- Plans can also stand out when they offer vision and dental, included
- Even the more flexible/traditional plans (like PPOs) are showing some increases in deductibles, reinforcing the growing cost of healthcare over the last several years
- PPOs are starting to look more like HDHPs, in terms of cost

CHANGES ON THE HORIZON THAT MAY LOWER COSTS

1 **Narrowing provider networks**

In exchange for lower premiums and deductibles, companies may limit provider access within a geographical area.

2 **The advent of accountable care organizations**

When employers and insurers work together to develop a network of providers and specialists that manage patient care from start to finish, it may enable cost savings.

3 **Increased adoption of telemedicine serves**

The majority of carriers that support medical benefits are providing telemedicine options, which ultimately save on time, costs and create a more optimal experience for both patients and providers.

COVID-19 insights



At the time of this publication, the global pandemic of COVID-19 wreaked havoc on individuals and businesses across the world and the US.

We thought it prudent to include as much information as we could gather about the impacts of COVID-19 on the interface between the healthcare system and small businesses. To do so, we assessed, amalgamated, and anonymized Zenefits customer data, from roughly 11,000 businesses, during the time frame of January 2020 through mid-April 2020.



How COVID-19 affected small and mid-size businesses' healthcare in 2020

USE OF SPECIAL QUALIFYING EVENT

The number of employees who applied for a qualifying life event due to COVID-19 while specific insurers were offering a special enrollment period:

- Of the 206 companies that had a carrier who offered a special enrollment period, 118 had employees who took advantage of the offer
- However, less than half of those employees who started the process completed it (44.5%, 418 started, only 186 completed)

* Insurers only offered the extension for a short period of time, most expired in April, leaving many who didn't act early unable to take advantage.

Experts suggest the pandemic will make a large impact on the future of benefits and healthcare in general.

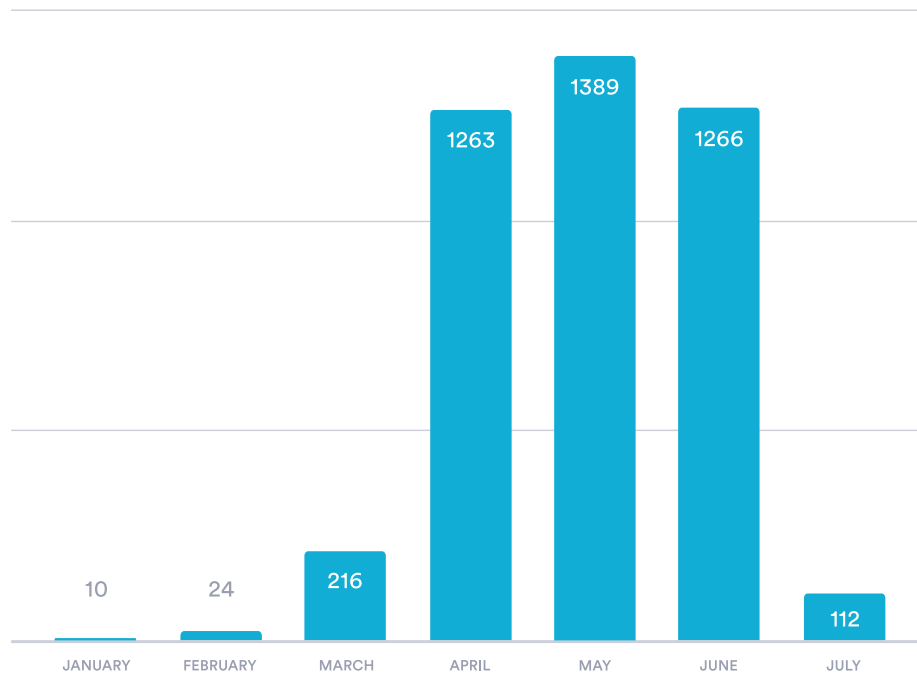
Historically enrollment periods have strictly been dictated by employer and carrier processes, leaving most to offer Open Enrollment during Fall with an effective date of 1/1 the following year. The pandemic has demonstrated the need for year-round flexibility and we may continue to see these types of shifts take place in the benefits landscape moving forward.

USE OF COVID-19 TAX CREDITS

Due to COVID-19, a total of 688 employees from 194 companies took advantage of both emergency paid sick leave (EPSL) and the emergency family and medical leave act (EFMLA) amounting to \$973,000 processed tax credits within the Zenefits platform.

- 48.2% of employees used emergency time off for self-care
- 32.4% of employees used emergency time off for FMLA
- 18.0% of employees used Emergency Time Off for Family Care

TIME OFF REQUESTS FOR COVID-19



*This data was pulled on July 27, 2020

During the first week of May, there were 1,389 COVID-19 leave requests from employees who use Zenefits HR, an 13,790% increase from the first week of January 2020.

There were more than 100 COVID-19 specific reasons employees requested time off through their HR platform, ranging from “COVID-19 Childcare Leave” to “Emergency Leave” to “Sick.”

Others reasons for leave recorded in the Zenefits platform included:

- COVID Vacation
- Caretaking
- Isolated/Sick
- Self-Symptoms
- Care for Self
- Care for Others

By June, that number had fallen to 1,266 leave requests.

USE OF COVID-19 TAX DEFERRALS

901 companies suggested interest in the Paycheck Protection Program (PPP) loan as measured by the number of companies who downloaded the PPP loan application through the Zenefits platform. Of those that initially downloaded the application, a total of 141 companies deferred \$2.9M through the Zenefits HR platform.

Conclusion



As small to midsize businesses continue to strive to offer employees additional options and packages to serve them best, the need for benchmark data becomes apparent.

It's our goal to provide the relevant benchmark data at our disposal to help offer insight and information that allow small to midsize businesses to make and implement decisions unique to their situations.

We hope the raw data collected within this benchmark report will allow US businesses to help identify market norms, employee habits and desires, and find cost effective solutions that offer value to benefit plans.

Zenefits provides a technology platform in which small businesses gain access to benefits options, often at more affordable rates, or with greater ease and convenience. [Learn more.](#)

It's our opinion that transparency, technology and real solutions help to improve healthcare and healthcare access across small to midsize businesses and beyond.

Zenefits will continue to provide ongoing solutions for small to midsize business as well as benchmark data and leadership for the market.

