Avalere Health™

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Return on Investment for Offering Employer-Provided Insurance

EVERY PATIENT POSSIBLE

An Avalere Health Document
for US Chamber of Commerce

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Executive Summary

In support of the Protecting Americans' Coverage Together campaign, the US Chamber of Commerce commissioned Avalere Health to estimate employers' return on investment (ROI) of employer-provided insurance (EPI), also known as employer-sponsored health insurance, broken down by firm size. The ROI measured in this analysis refers to the return on each dollar invested by a firm into health care benefits for their employees. EPI currently covers around half the US population and employers are facing increasing cost pressures as premiums have grown at their highest rate in over a decade. Despite this, Avalere Health estimates that savings from EPI exceed costs for firms of all sizes in 2025, and the ROI for EPI investment is projected to increase through 2029.

According to Avalere Health's analysis, EPI will provide an estimated 120% ROI to employers in the aggregate in 2025 and a 137% return in 2029. Key drivers of ROI include $439.4B from improved productivity in 2025 and $558.8B in 2029, $256.4B from tax benefits in 2025 and $319B in 2029, and $50.6B from increased retention in 2025 and $63.7B in 2029. As costs rise and labor markets tighten, Avalere Health finds that EPI provides financial returns that support productivity, employee stability, and better access to health services.

Introduction

For the purposes of Avalere Health's analysis, EPI refers to health coverage offered to employees and their dependents by employers. EPI has experienced a changing landscape over the past few years that includes rapidly increasing premiums, new benefit offerings, as well as a shift in employee values and needs. As workers have put more emphasis on flexibility and overall wellbeing within the workplace, employers are recently offering expanded telehealth access, mental health programs, fertility benefits, and coverage of GLP-1s. In its review of the most recent literature and data regarding these benefits, Avalere Health found that there is not yet enough evidence in many to know if they provide downstream cost-savings to employers. Avalere Health did find, however, that when employers offer wellness programs that include certain components such as mental health programs like employee assistance programs (EAPs), there can be a meaningful impact on EPI ROI across a number of categories. In this updated report, Avalere Health incorporates mental and behavioral health programs as well as the most recent applicable data available to reevaluate how EPI and corresponding benefits provide returns to employers.

In 2025, EPI covered approximately 180M nonelderly individuals in the United States.[1] As part of its analysis, Avalere Health estimates the benefits that companies offering EPI may receive across various categories, including increased employee retention, reduced recruitment costs, improved employee productivity, reduced medical costs (including disability costs), and tax benefits derived from provision of EPI. Within the analysis, ROI is defined as the monetary value of benefit for each dollar employers invest in healthcare coverage. Investment in EPI may include health insurance premiums, mental health programs, direct medical expenses, administrative costs associated with processing medical claims, and

[1] Kaiser Family Foundation. "2025 Employer Health Benefits Survey." (Accessed November 3, 2025).

other costs associated with providing health insurance. Avalere Health calculated the ROI derived from EPI by dividing the total employer benefits by the total costs of providing EPI.

Factors Driving Return on Investment

Avalere Health analyzed the various benefits of offering EPI to determine total ROI. These include outcomes related to direct medical costs, productivity, recruitment, retention, short- and long-term disability, and tax benefits. EPI yields the largest monetary savings from improvements in employee productivity, retention, and tax benefits. To identify each outcome's share of the benefit of EPI, Avalere Health first analyzed the value of each across all firms, regardless of employee count. Table 1 reflects these values.

Table 1. Estimated Employer Savings from Employer-Provided Insurance, as $ of Gained ROI (in billions)

All Firm Sizes					
Outcome	**2025**	**2026**	**2027**	**2028**	**2029**
Direct Medical Costs	$15.3	$16.4	$17.4	$18.5	$19.6
Productivity	$439.4	$470.7	$498.4	$527.6	$558.7
Recruitment	$0.4	$0.4	$0.4	$0.5	$0.5
Retention	$50.6	$56.5	$58.8	$61.2	$63.7
Short- and Long-Term Disability	$3.2	$3.3	$3.3	$3.3	$3.4
Tax Benefits	$256.4	$288.4	$305.8	$312.3	$319.0
Total Benefits	**$765.3**	**$835.8**	**$884.2**	**$923.5**	**$965.1**

Avalere Health then calculated the share of benefits that each outcome comprises each year. Table 2 reflects the share of benefit of EPI for each from 2025 to 2029.

Table 2. Estimated Employer Savings from Employer-Provided Insurance, as % of Gained ROI

All Firm Sizes					
Outcome	**2025**	**2026**	**2027**	**2028**	**2029**
Direct Medical Costs	2.0%	2.0%	2.0%	2.0%	2.0%
Productivity	57.4%	56.3%	56.4%	57.1%	57.9%
Recruitment	0.05%	0.05%	0.05%	0.05%	0.05%
Retention	6.6%	6.8%	6.7%	6.6%	6.6%
Short- and Long-Term Disability	0.4%	0.4%	0.4%	0.4%	0.4%
Tax Benefits	33.5%	34.5%	34.6%	33.8%	33.1%

Direct Medical Costs

Avalere Health calculated the reduction in employees' direct medical costs as a factor impacting ROI for EPI. Employers who offer EPI and associated mental or behavioral health programming, such as EAPs, tend to have healthier employee populations and spend less on medical expenditures through the major medical plan for their employees, resulting in higher ROI. Studies show a decrease in healthcare expenditures for a variety of common conditions among insured employees working at firms of all sizes. Avalere Health's analysis found that due to the low cost of employing these offerings to their employees, on average $5 per employee per month, employers see a positive return from the decreased exacerbation of conditions that are caused by stress. Avalere Health's analysis estimates approximately $15.3B in ROI from a reduction in direct medical costs in 2025 and $19.7B in 2029. The share of ROI that reduction in direct medical costs comprise of stays consistent between 2025 and 2029, hovering around 2%.

Productivity

Avalere Health analyzed increased productivity as a function of reductions to absenteeism and presenteeism attributable to the offering and uptake of EPI. For the purposes of this analysis, reductions in absenteeism and presenteeism are achieved through mental health programs as a component of EPI offerings, as well as improvements to employees' access to care.

Avalere Health's analysis estimates that all firms in the aggregate derived $439.4B in returns to employers from productivity increases in 2025 (57.4% of total benefits), growing to $558.8B in 2029 (57.9% of total ROI).

Recruitment Costs

Avalere Health analyzed the costs of recruiting new employees and estimated the impact of EPI on recruitment costs. EPI offerings can positively influence prospective employees' decisions to join firms, reducing employer recruitment and vacancy costs. While recruitment occurs episodically and therefore contributes a smaller share of modeled ROI, employer-provided insurance remains a benefit that may help employers compete for talent, especially in tight labor markets. Avalere Health's model assumes 9% of individuals decide to accept a certain position based on EPI. Avalere Health's analysis estimates that all firms in the aggregate derived $366.9M in returns to employers in 2025, growing to $466.6M in 2029. As a share of total ROI, recruitment costs' contribution stays constant at 0.05% during the period analyzed.

Retention

Avalere Health examined the impact of EPI on employee retention, a function of voluntary turnover that is independent of recruitment by other companies. EPI is a key component of employee retention; it provides a positive retention-related ROI for employers of all sizes. EPI can positively influence retention because it reduces voluntary turnover, which in turn lowers costs employers spend on recruitment, onboarding, and training. New hires may also require higher salaries than tenured employees at the same job level, further increasing the employer costs of voluntary turnover. Avalere Health's analysis estimates $50.6B in returns to employers from improved retention in 2025 and $63.7B in 2029. As a share of total ROI, retention contribution remained relatively consistent, dropping slightly from 6.62% to 6.60% across the 5-year period.

Short-Term and Long-Term Disability

Avalere Health analyzed the benefits EPI has on short- and long-term disability claims. According to Avalere Health's analysis, providing EPI reduces costs for firms of all sizes on short- and long-term disability by helping to reduce the volume of claims. Avalere Health estimated reductions in disability claims of $3.2B in returns to employers in 2025, growing to $3.4B in 2029. The benefits of reduced short-term and long-term disability claims as a share of total ROI remained low, from 0.42% in 2025 to 0.35% in 2029, representing a small share of overall ROI compared to other benefits examined.

Tax Benefits

Employers receive federal and state income tax deductions from providing EPI to employees and dependents. This reduction in taxable income contributes to the ROI of EPI. Avalere Health's analysis estimates that employers in the aggregate derived $256.4B in employer tax benefits from EPI in 2025, growing to approximately $319B in 2029. The contribution of tax benefits to overall ROI remained relatively stable from 2025 to 2029, comprising 33.5% of ROI in 2025 and 33.1% in 2029.

Additional Considerations

As employers continue expanding benefit offerings, several emerging trends in fertility support, telehealth flexibility, and GLP-1 medication coverage may shape future ROI analyses. While current evidence does not yet provide reliable multi-year projections, these benefits remain areas of growing interest and potential long-term value for employers.

From a Mercer survey on fertility benefits[2], more employers are covering benefits such as drug therapy, in vivo and in vitro fertilization, as well as egg freezing. 97% of employers responded that providing infertility coverage did not cause a change in EPI costs, but the effects on retention and recruitment are unclear, and concerns over optimizing vendor costs and employee utilization remain prominent. It is likely that an employee may remain at a job longer if utilizing these benefits, but without clear evidence, Avalere Health chose to not include this benefit in the model.

As the use of telehealth has expanded since the COVID-19 pandemic, the ability to access clinical care while reducing absenteeism at work has grown. Studies show, however, that utilization of telehealth for primary care has decreased since the pandemic peak — except for behavioral health services, for which telehealth utilization has remained steady.[3] As Avalere Health's modeling already incorporates mental health benefits into the ROI calculation, telehealth benefits were not included in the model to avoid doubling any effects.

There has been much discussion around GLP-1s and their associated costs and potential benefits in reducing future medical expenditures. Avalere Health did not find any decisive longitudinal studies, however, that would project savings within the next five years for employers. While employers cite coverage of these medications as being important for employee satisfaction, they also state the associated costs are of concern.[4] Due to the current uncertainty of the ROI of GLP-1s, Avalere Health did not factor coverage of these drugs specifically into the ROI modeling.

Return on Investment Overall and By Firm Size

Overall EPI ROI

Avalere Health's analysis estimates that EPI provides an aggregated 120% ROI to employers in 2025, rising year-over-year to reach 137% in 2029. The growth in ROI overall can be attributed to a range of factors, such as growing employment rate, projected rise in wages, expected increase in per-employee spending on mental and behavioral health programs, and stagnant employee turnover rates, counteracting the growing cost to employers of providing EPI. However, each of these factors will affect the various components of ROI differently. Table 3 reflects total ROI across employers of different firm sizes.

[2] Mercer. Erin Dowling, "New survey finds employers adding fertility benefits to promote DEI." (Accessed December 3, 2025).

[3] Center for Improving Value in Health Care. "New Telehealth Analysis Shows Sustained Demand for Mental Health Services." (Accessed December 3, 2025).

[4] Peterson-KFF Health System Tracker. Lynne Cotter et al., "Perspectives from employers on the costs and issues associated with covering GLP-1 agonists for weight loss." (Accessed December 3, 2025).

Table 3. Estimated ROI of Employer-Provided Health Insurance by Employer Size, %

Employer Size	2025	2026	2027	2028	2029
Less than 50 Employees	122%	130%	135%	139%	143%
50-99 Employees	119%	125%	128%	130%	132%
100-499 Employees	118%	124%	128%	130%	133%
500+ Employees	124%	130%	134%	136%	138%
Aggregate	120%	127%	131%	134%	137%

Key Trends by Firm Size

Attributes that influence EPI's ROI include employee turnover, employer offering and employee participation in EPI, and level of investment in EPI (including investment in mental health programs). Data from firms shows that there is variation by firm size for each of these components, with smaller firms spending less on EPI and participation being lower for these firms, while the largest firms spend the most on EPI and have the highest levels of participation. Due to these factors, ROI varied between firm sizes.

Avalere Health's analysis finds that the smallest and largest employers saw a larger ROI for investing in EPI. As seen in Table 3, Avalere Health estimates that employers with less than 50 employees are expected to see their ROI grow almost 20%, from 122% to 143%, across the 5-year period – far surpassing the growth of ROI from any other employer size. Employers with over 500 employees are estimated to have the highest ROI of 124% in 2025 but see a gradual plateau in ROI compared to the smallest company size. Employee surveys reflect the importance of EPI to employees as the vast majority of employees consider health-related benefits as a top priority when considering employment with a firm. This corresponds to the increasing gains in productivity and retention across all firm sizes.

Conclusion

Avalere Health's analysis accounts for key components that contribute to returns and estimates that ROI for EPI was $765B in 2025 and is estimated to grow to $965B by 2029 among all firms in the aggregate. The factors that contributed most significantly to ROI included increased productivity, tax benefits, and retention. Meanwhile, direct medical costs, recruitment, and short- and long-term disability contributed a relatively smaller overall share. There may be additional factors beyond EPI that influence the value of the benefits analyzed. Overall, Avalere Health found that employers experience benefits that exceed the cost of offering EPI across all firm sizes analyzed, and the smallest and largest firm sizes tend to have greater returns.

Methodology

To estimate the costs and savings of EPI, Avalere Health utilized publicly available data. To calculate ROI across firms of all sizes, Avalere Health used Bureau of Labor Statistics (BLS) estimates of private employment and EPI costs per employee to estimate total costs associated with coverage by firm size. Projections incorporated assumptions based on historical growth in employment and costs per employee.

When estimating ROI within productivity, direct medical costs, and short- and long-term disability, mental health programs were key contributing factors. Avalere Health relied on longitudinal studies that incorporated multiple years (5+ years) and large employee samples, or meta-analyses of the impact of EAPs and mental health offerings. These longer-term studies showed a positive return through reduced absenteeism and presentism, increased employee productivity, and increased satisfaction at work. These positive returns were correlated with a reduction in poor mental health status and burnout among surveyed employees.

To estimate the tax benefits by firms analyzed, Avalere Health used Congressional Budget Office projections of employer tax benefits from EPI as a percent of health insurance costs. To estimate retention of the companies, Avalere Health incorporated information about turnover and average salaries from BLS as well as estimates of salary associated with turnover from Society for Human Resource Management (SHRM). For the benefits associated with lowered recruitment, Avalere Health utilized BLS data on voluntary separations related to EPI and SHRM data on recruitment and vacancy costs.

To estimate ROI, Avalere Health used BLS estimates of employment and EPI costs per employee to estimate total costs associated with coverage by firm size, which incorporate assumptions based on historical growth in employment and costs.