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**T09-0438
Employee and Employer Payments Under Proposed Subsidy Exchange in Senate Finance Bill
Family of Four, 2016**

FPL ¹	Compensation: Cash Income ²	Health Care Payments		Direct Subsidies Provided by Government			Employee Tax Payments		Employee Totals				Employer Payments				Percent of Cash and Health Benefits/ Subsidies Spent on Health Care ((C+D)/J)	
		Value of Silver Plan Premium (paid by employee using subsidy received)	Average Value of Cost Share (paid by employee using subsidy received)	Senate Finance Committee proposed Percent of Income allocated to Premium	Value of Subsidy Received ³	Value of Cost Share Subsidy Received ⁴	Payroll Taxes paid by employee	Income Tax Paid by Employee ⁵	Cash Income + Direct Gov't Subsidies + Employer Provided Health Benefits (B+F+G+O)	Health Care Costs Paid by Employee (C+D-F-G-O)	Payments made by Employee (H+I+K)	Net After-tax, After-health cost Income ⁶ (J-L-F-G-O)	Cash Income	Health Care Benefits Provided by Employer	Maximum Employer Penalty ⁶	Payroll Taxes Paid by Employer		Total Cost to Employer (N+O+P+Q)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)
100	\$ 24,000	\$ 14,700	\$ 5,100	2.10%	\$ 14,196	\$ 3,600	\$ 1,836	\$ (6,447)	\$ 41,796	\$ 2,004	\$ (2,607)	\$ 26,607	\$ 24,000	\$ -	\$ 400	\$ 1,836	\$ 26,236	47.37%
125	\$ 30,000	\$ 14,700	\$ 5,100	3.40%	\$ 13,700	\$ 3,600	\$ 2,295	\$ (5,451)	\$ 47,300	\$ 2,500	\$ (656)	\$ 30,656	\$ 30,000	\$ -	\$ 400	\$ 2,295	\$ 32,695	41.86%
150	\$ 36,000	\$ 14,700	\$ 5,100	4.80%	\$ 12,972	\$ 3,600	\$ 2,754	\$ (3,588)	\$ 52,572	\$ 3,228	\$ 2,394	\$ 33,606	\$ 36,000	\$ -	\$ 400	\$ 2,754	\$ 39,154	37.66%
175	\$ 42,000	\$ 14,700	\$ 5,100	6.31%	\$ 12,100	\$ 1,900	\$ 3,213	\$ (1,724)	\$ 56,000	\$ 5,800	\$ 7,289	\$ 34,711	\$ 42,000	\$ -	\$ 400	\$ 3,213	\$ 45,613	35.36%
200	\$ 48,000	\$ 14,700	\$ 5,100	7.50%	\$ 11,100	\$ 1,900	\$ 3,672	\$ 60	\$ 61,000	\$ 6,800	\$ 10,532	\$ 37,468	\$ 48,000	\$ -	\$ 400	\$ 3,672	\$ 52,072	32.46%
225	\$ 54,000	\$ 14,700	\$ 5,100	8.68%	\$ 9,900	\$ -	\$ 4,131	\$ 960	\$ 63,900	\$ 9,900	\$ 14,991	\$ 39,009	\$ 54,000	\$ -	\$ 400	\$ 4,131	\$ 58,531	30.99%
250	\$ 60,000	\$ 14,700	\$ 5,100	10.10%	\$ 8,640	\$ -	\$ 4,590	\$ 1,860	\$ 68,640	\$ 11,160	\$ 17,610	\$ 42,390	\$ 60,000	\$ -	\$ 400	\$ 4,590	\$ 64,990	28.85%
275	\$ 66,000	\$ 14,700	\$ 5,100	11.42%	\$ 7,100	\$ -	\$ 5,049	\$ 2,760	\$ 73,100	\$ 12,700	\$ 20,509	\$ 45,491	\$ 66,000	\$ -	\$ 400	\$ 5,049	\$ 71,449	27.09%
300	\$ 72,000	\$ 14,700	\$ 5,100	12.80%	\$ 5,484	\$ -	\$ 5,508	\$ 3,660	\$ 77,484	\$ 14,316	\$ 23,484	\$ 48,516	\$ 72,000	\$ -	\$ 400	\$ 5,508	\$ 77,908	25.55%
325	\$ 78,000	\$ 14,700	\$ 5,100	12.80%	\$ 4,700	\$ -	\$ 5,967	\$ 4,560	\$ 82,700	\$ 15,100	\$ 25,627	\$ 52,373	\$ 78,000	\$ -	\$ 400	\$ 5,967	\$ 84,367	23.94%
350	\$ 84,000	\$ 14,700	\$ 5,100	12.80%	\$ 3,948	\$ -	\$ 6,426	\$ 5,460	\$ 87,948	\$ 15,852	\$ 27,738	\$ 56,262	\$ 84,000	\$ -	\$ 400	\$ 6,426	\$ 90,826	22.51%
375	\$ 90,000	\$ 14,700	\$ 5,100	12.80%	\$ 3,200	\$ -	\$ 6,885	\$ 6,360	\$ 93,200	\$ 16,600	\$ 29,845	\$ 60,155	\$ 90,000	\$ -	\$ 400	\$ 6,885	\$ 97,285	21.24%
400	\$ 96,000	\$ 14,700	\$ 5,100	12.80%	\$ 2,412	\$ -	\$ 7,344	\$ 7,260	\$ 98,412	\$ 17,388	\$ 31,992	\$ 64,008	\$ 96,000	\$ -	\$ 400	\$ 7,344	\$ 103,744	20.12%
425	\$ 102,000	\$ 14,700	\$ 5,100	n/a	\$ -	\$ -	\$ 7,803	\$ 8,160	\$ 102,000	\$ 19,800	\$ 35,763	\$ 66,237	\$ 102,000	\$ -	\$ 400	\$ 7,803	\$ 110,203	19.41%
450	\$ 108,000	\$ 14,700	\$ 5,100	n/a	\$ -	\$ -	\$ 8,262	\$ 9,650	\$ 108,000	\$ 19,800	\$ 37,712	\$ 70,288	\$ 108,000	\$ -	\$ 400	\$ 8,262	\$ 116,662	18.33%

**Employee and Employer Payments Under Current Health System
Family of Four, 2016**

FPL	Cash Income ⁷	Health Care Payments		Direct Subsidies Provided by Government			Employee Tax Payments		Employee Totals				Employer Payments				Percent of Cash and Health Benefits/ Subsidies Spent on Health Care ((C+D)/J)	
		Value of Silver Plan Premium (paid by employer)	Average Value of Cost Share (paid by employee)	Senate Finance Committee proposed Percent of Income allocated to Premium	Value of Subsidy Received	Value of Cost Share Subsidy Received	Payroll Taxes paid by employee	Income Tax Paid by Employee ⁵	Cash Income + Direct Gov't Subsidies + Employer Provided Health Benefits (B+F+G+O)	Health Care Costs Paid by Employee (C+D-F-G-O)	Payments made by Employee (H+I+K)	Net After-tax, After-health cost Income ⁸ (J-L-F-G-O)	Cash Income ⁷	Health Care Benefits Provided by Employer	Maximum Employer Penalty	Payroll Taxes Paid by Employer		Total Cost to Employer (N+O+P+Q)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)
100	\$ 10,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 820	\$ (4,286)	\$ 25,416	\$ 5,100	\$ 1,633	\$ 9,083	\$ 10,716	\$ 14,700	\$ -	\$ 820	\$ 26,236	77.90%
125	\$ 16,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 1,279	\$ (5,932)	\$ 31,416	\$ 5,100	\$ 447	\$ 16,269	\$ 16,716	\$ 14,700	\$ -	\$ 1,279	\$ 32,695	63.02%
150	\$ 22,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 1,738	\$ (6,525)	\$ 37,416	\$ 5,100	\$ 313	\$ 22,404	\$ 22,716	\$ 14,700	\$ -	\$ 1,738	\$ 39,154	52.92%
175	\$ 28,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 2,197	\$ (5,850)	\$ 43,416	\$ 5,100	\$ 1,447	\$ 27,270	\$ 28,716	\$ 14,700	\$ -	\$ 2,197	\$ 45,613	45.61%
200	\$ 34,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 2,656	\$ (3,987)	\$ 49,416	\$ 5,100	\$ 3,769	\$ 30,947	\$ 34,716	\$ 14,700	\$ -	\$ 2,656	\$ 52,072	40.07%
225	\$ 40,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 3,115	\$ (2,123)	\$ 55,416	\$ 5,100	\$ 6,092	\$ 34,624	\$ 40,716	\$ 14,700	\$ -	\$ 3,115	\$ 58,531	35.73%
250	\$ 46,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 3,574	\$ (244)	\$ 61,416	\$ 5,100	\$ 8,430	\$ 38,286	\$ 46,716	\$ 14,700	\$ -	\$ 3,574	\$ 64,990	32.24%
275	\$ 52,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 4,033	\$ 767	\$ 67,416	\$ 5,100	\$ 9,900	\$ 42,816	\$ 52,716	\$ 14,700	\$ -	\$ 4,033	\$ 71,449	29.37%
300	\$ 58,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 4,492	\$ 1,667	\$ 73,416	\$ 5,100	\$ 11,259	\$ 47,457	\$ 58,716	\$ 14,700	\$ -	\$ 4,492	\$ 77,908	26.97%
325	\$ 64,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 4,951	\$ 2,567	\$ 79,416	\$ 5,100	\$ 12,618	\$ 52,098	\$ 64,716	\$ 14,700	\$ -	\$ 4,951	\$ 84,367	24.93%
350	\$ 70,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 5,410	\$ 3,467	\$ 85,416	\$ 5,100	\$ 13,977	\$ 56,739	\$ 70,716	\$ 14,700	\$ -	\$ 5,410	\$ 90,826	23.18%
375	\$ 76,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 5,869	\$ 4,367	\$ 91,416	\$ 5,100	\$ 15,336	\$ 61,380	\$ 76,716	\$ 14,700	\$ -	\$ 5,869	\$ 97,285	21.66%
400	\$ 82,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 6,328	\$ 5,267	\$ 97,416	\$ 5,100	\$ 16,695	\$ 66,021	\$ 82,716	\$ 14,700	\$ -	\$ 6,328	\$ 103,744	20.33%
425	\$ 88,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 6,787	\$ 6,167	\$ 103,416	\$ 5,100	\$ 18,054	\$ 70,662	\$ 88,716	\$ 14,700	\$ -	\$ 6,787	\$ 110,203	19.15%
450	\$ 94,716	\$ 14,700	\$ 5,100	\$ -	\$ -	\$ -	\$ 7,246	\$ 7,067	\$ 109,416	\$ 5,100	\$ 19,413	\$ 75,303	\$ 94,716	\$ 14,700	\$ -	\$ 7,246	\$ 116,662	18.10%

1) FPL - Federal poverty level
 2) Cash income calculated according to CBO projections of the Federal Poverty Level in 2016.
 3) The value of the subsidy is equal to the average price of the Silver Plan (\$14,700) less the share of income allocated to the premium.
 4) Average cost share subsidy applied to all income levels within a given FPL range as shown in CBO Analysis of Subsidies and Enrollee Payments, October 9, 2009
 5) Income tax calculated using the Urban-Brookings Tax Policy Center, Microsimulation Model (version 0509-3). Calendar year. Baseline is an Administration baseline, which extends all of the individual income tax provisions included in 2001 EGTRRA and 2003 JGTRRA; extends the 2009 AMT Patch and indexes the AMT exemption, rate bracket threshold, and phase-out exemption thresholds. Assumes wages and salary is the only type of income for all tax units. Assumes a married couple filing a joint tax return; both the head and spouse are under age 65 with two children under age 17. The high-earning spouse is allocated 60 percent of total wages. The couple claims the standard deduction as well as any earned income tax credit (EITC) or child tax credit (CTC) for which they are eligible. The couple claims no other credits.
 6) Assumes that all employers have over 50 employees and are subject to employer penalty for not providing health insurance. Also assumes employers are not eligible for small employer tax credit.
 7) Cash income is calculated assuming the same total cost to employers under the two scenarios, adjusting for the value of the premium, the value of the employer penalty, and lower employer taxes under the current plan.
 8) Assumes employee bears the average cost share amount as indicated in column C.

HEALTH REFORM: COMPARING VALUES IN A TWO-SUBSIDY SYSTEM

In many health reform proposals, a new subsidy would be provided for those purchasing health insurance whose income falls below a certain income level. At the same time, those who receive employer-provided health insurance could not receive the new subsidy, but would be eligible for existing tax subsidies. These existing subsidies derive from the exclusion from income and Social Security tax of employer-provided payments.

The figures in the related tables show the difference in subsidies for health care between the employer-provided health insurance system, and the subsidy system currently under consideration by the Senate Finance Committee. The new subsidy would be provided in addition to the employee's compensation (which for these purposes is assumed to be all cash). Households with lower earnings receive a larger subsidy and pay a lower percentage of their income on health care, but no household pays more than 12.8% of their cash income on health care.

The net savings represents the difference between the two levels of subsidy. In these tables the amount of health insurance and the amount of cost share under the policy are assumed to be the same and are made to match an assumed policy used in a number of Congressional Budget Office analyses. The net saving for those receiving the new subsidy relative to the old, but remaining, subsidy equals the sum of the difference in taxes, the difference in direct subsidies and the difference in employer penalties. The net savings would fall somewhat for employers offering more generous plans, although the plan assumed here would cost employers \$14,700 for a family policy in 2016.

In the examples, comparisons are made between employees generating the same employer cost. Employer cost includes cash wages plus employer payments for insurance, plus employer Social Security taxes on compensation paid, plus any penalty under the new law for not providing health insurance. The example does not include other changes, such as to Welfare, Food Stamps or Medicaid, which would apply especially at lower-income levels. Other assumptions are listed in footnotes to the table.