

For more information see the second page in either the PDF or Excel file

T09-0439

**Changes in Payments by Switching to Exchange from Employer Provided Coverage¹
Family of Four, 2016**

	Compenation: Cash Income	Increase in Payroll taxes paid by Employee under Subsidy Exchange (H)	Increase in Payroll taxes paid by Employer under Subsidy Exchange (P)	Increase in income tax paid under Subsidy Exchange (I)	Value of Subsidy (D+E)	Maximum Value of Employer Penalty for not providing health insurance (O)	Net change in income under Subsidy Exchange ² (E B-C-D-F)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
100	\$ 24,000	\$ 1,016	\$ 1,016	\$ (2,161.06)	\$ 17,796	\$ 400	\$ 17,525
125	\$ 30,000	\$ 1,016	\$ 1,016	\$ 480.54	\$ 17,300	\$ 400	\$ 14,387
150	\$ 36,000	\$ 1,016	\$ 1,016	\$ 2,937.51	\$ 16,572	\$ 400	\$ 11,202
175	\$ 42,000	\$ 1,016	\$ 1,016	\$ 4,125.99	\$ 14,000	\$ 400	\$ 7,442
200	\$ 48,000	\$ 1,016	\$ 1,016	\$ 4,046.57	\$ 13,000	\$ 400	\$ 6,521
225	\$ 54,000	\$ 1,016	\$ 1,016	\$ 3,082.97	\$ 9,900	\$ 400	\$ 4,385
250	\$ 60,000	\$ 1,016	\$ 1,016	\$ 2,103.59	\$ 8,640	\$ 400	\$ 4,104
275	\$ 66,000	\$ 1,016	\$ 1,016	\$ 1,992.63	\$ 7,100	\$ 400	\$ 2,675
300	\$ 72,000	\$ 1,016	\$ 1,016	\$ 1,992.60	\$ 5,484	\$ 400	\$ 1,059
325	\$ 78,000	\$ 1,016	\$ 1,016	\$ 1,992.60	\$ 4,700	\$ 400	\$ 275
350	\$ 84,000	\$ 1,016	\$ 1,016	\$ 1,992.60	\$ 3,948	\$ 400	\$ (477)
375	\$ 90,000	\$ 1,016	\$ 1,016	\$ 1,992.60	\$ 3,200	\$ 400	\$ (1,225)
400	\$ 96,000	\$ 1,016	\$ 1,016	\$ 1,992.60	\$ 2,412	\$ 400	\$ (2,013)
425	\$ 102,000	\$ 1,016	\$ 1,016	\$ 1,992.60	\$ -	\$ 400	\$ (4,425)
450	\$ 108,000	\$ 1,016	\$ 1,016	\$ 2,582.60	\$ -	\$ 400	\$ (5,015)

1) Subtracts current employer provided coverage columns from Exchange columns

2) This is equal to L-L' in the table T09-0438.

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.