

WHAT DOES THE FUTURE HOLD FOR THE EMPLOYMENT-BASED HEALTH BENEFITS SYSTEM?

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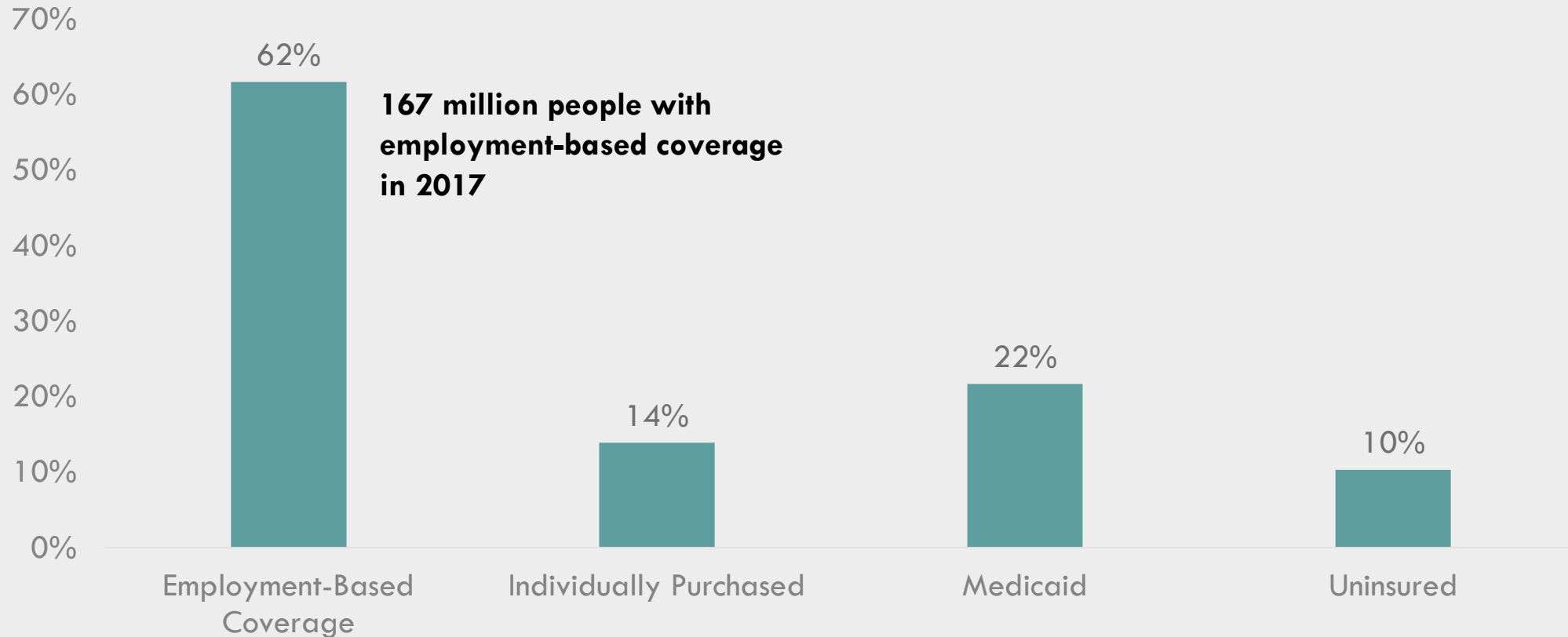
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BRIEF HISTORY LESSON ON EMPLOYMENT-BASED HEALTH BENEFITS

- Employer interest in worker “health” dates back to the 1800s
- Growth in health “insurance” occurred during World War II wage and price controls
- 1943, War Labor Board ruled that employer contributions to health insurance were not subject to wage controls
- Employers added health insurance during shortage of labor
- Health coverage tripled by the end of the war
- 1954, IRS clarified that employer contributions were deductible as a business expense, and that worker contributions were to be excluded from taxable income

EMPLOYMENT-BASED COVERAGE IS THE MOST COMMON SOURCE OF INSURANCE FOR INDIVIDUALS UNDER AGE 65



TAX BREAK ON EMPLOYMENT-BASED HEALTH BENEFITS IS THE LARGEST “TAX EXPENDITURE” IN THE FEDERAL BUDGET

- Health insurance premiums for employment-based health coverage excluded, without limit, from workers’ taxable income.
- Premiums not subject to federal and state income tax or payroll taxes for Social Security and Medicare.
- Out-of-pocket expenses can be paid with pretax dollars via FSA, HSA and HRA.
- \$272 billion in forgone federal tax revenue in 2018 due to exclusion.
- \$226 billion for pension contributions and earnings.
- \$41 billion for mortgage deduction (down from \$66 bil in 2017).



HISTORICAL BI-PARTISAN SUPPORT FOR CHANGING THE TAX TREATMENT OF EMPLOYMENT-BASED HEALTH COVERAGE



Proposals to change the way health coverage is taxed could have far-reaching implications for worker wages, the number of people with employment-based health coverage, other forms of health coverage, the future of the employment-based health coverage system, and **government tax collections**

COMPARISON OF SUBSIDIES UNDER CURRENT LAW WITH POSSIBLE CHANGES

	Average subsidy	Lives Covered (millions)	Total Subsidy (billions)
<u>Subsidies Under Current Law</u>			
Employment-Based Coverage	\$1,785	165	\$294.4
Non-group < 400% FPL	\$6,111	9	\$55.0
Medicaid Expansion	\$5,813	12.2	\$70.8
<u>Possible Scenarios</u>			
Employment-Based Coverage < 400% FPL	\$1,397	73	\$101.9
Move 73 mil. to non-group	\$6,111	73	\$445.7