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# FISCAL FACT

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## Outline of Individual and Employer Coverage under House Health Care Reform Bill

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This *Tax Foundation Fiscal Fact* provides a brief outline of the House health care reform bill entitled "America's Affordable Health Choices Act." The information provided is based upon our interpretation of the Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) descriptions of the bill. Some of the text is taken directly from [the CBO report](#). There are obviously costs and benefits to each of the provisions in the bill (the key ones are listed below), but this report does not assess those and is merely designed to provide the public with information on how the bill would treat different scenarios of health insurance coverage.

The House bill would, among other things, establish a public option for health insurance that would be available in a national health insurance exchange (private insurers would be allowed in as well). It would also impose new taxes on most businesses that did not provide health insurance to employees (i.e. "pay or play") and new taxes on individuals who did not purchase health insurance on their own (assuming it was not provided by an employer).

Some important technical notes regarding some of the scenarios are provided at the end of this report, but the following are highlights of key provisions in the bill that would be in place once the bill was fully phased-in (we ignore transition years in this report):

- If an employer chooses to offer coverage, no employee can be excluded.
- Insurers would be required to issue policies to all applicants and could not limit coverage based upon preexisting conditions.
- Premiums would only be allowed to vary across individuals based upon age (by a factor of two).
- The national health insurance exchange would include a public option run by the Department of Health and Human Services that would pay Medicare rates plus 5% for physicians and Medicare rates for hospitals.
- Medicare providers would not be required to participate in the public option.

- The expansion of Medicaid would be fully paid for by the federal government (no additional state funding), although states would be required to maintain current levels of Medicaid funding.
- Medicaid payments rates would be equal to Medicare payment rates.
- Three types of policies would be available in the health insurance exchanges: basic (70% of actuarial value), enhanced (85% of actuarial value) and premium (95% of actuarial value).

The table below maps various scenarios and the policy ramifications that employers and individuals could face under the House bill. The table ignores those who are elderly (and presumably covered by Medicare) or currently enrolled in Medicaid. The table is subject to edits based upon new information that may become available regarding interpretations of the bill's statutes.

**Table 1**  
**Outline of Health Insurance Scenarios under Policies Proposed in House Bill**  
**(Excludes elderly and those currently on Medicaid)**

Note: H.I. = "Health Insurance"; FPL = Federal Poverty Level

Employer Size	Employer Total Payroll	Employer Choice (to all Employees)	Ramifications for Employer	Person's Income (as % of Federal Poverty Level)	Ramifications for Employee
Greater than 50*	Greater than \$250,000	Offer H.I. to employees	Employer must purchase H.I. from private company outside exchange	Income < 133% FPL	Individual has choice to take H.I. from employer or participate in Medicaid
Greater than 50*	Greater than \$250,000	Do not offer H.I. to employees	Employer must pay tax equaling up to 8% of total payroll (varies from 2-8% from \$250,000 to \$400,000)	Income < 133% FPL	Individual can participate in Medicaid
Greater than 50*	Greater than \$250,000	Offer H.I. to employees	Employer must purchase H.I. from private company outside exchange	133% FPL < Income < 400% FPL	Individual must take employer H.I. assuming premiums do not exceed 11% of income
Greater than 50*	Greater than \$250,000	Do not offer H.I. to employees	Employer must pay tax equaling up to 8% of total payroll (varies from 2-8% from \$250,000 to \$400,000)	133% FPL < Inc < 400% FPL	Individual can purchase H.I. via exchange and have it partially subsidized by govt (depending upon income); can purchase private insurance or public option in exchange
Greater than 50*	Greater than \$250,000	Offer H.I. to employees	Employer must purchase H.I. from private company outside exchange	Income > 400% FPL	Individual must take employer H.I. assuming premiums do not exceed 11% of income
Greater than 50*	Greater than \$250,000	Do not offer H.I. to employees	Employer must pay tax equaling up to 8% of total payroll (varies from 2-8% from \$250,000 to \$400,000)	Income > 400% FPL	Individual must purchase H.I. on own via exchange (private or public) or pay tax equal to 2.5% of AGI less filing threshold

Less than 50*	Greater than \$250,000	Offer H.I. to employees	Employer can purchase H.I. from outside or within exchange on behalf of employees (incl. public option); may also be eligible for tax credits if small enough and average wages are low enough	Income < 133% FPL	Individual has choice to take H.I. from employer or participate in Medicaid
Less than 50*	Greater than \$250,000	Do not Offer H.I. to employees	Employer must pay tax equaling up to 8% of total payroll (varies from 2-8% from \$250,000 to \$400,000 but 8% beyond \$400,000)	Income < 133% FPL	Individual can participate in Medicaid
Less than 50*	Greater than \$250,000	Offer H.I. to employees	Employer can purchase H.I. from outside or within exchange on behalf of employees (incl. public option); may also be eligible for tax credits if small enough and average wages are low enough	133% FPL < Income < 400% FPL	Individual must take employer H.I. assuming premiums do not exceed 11% of income
Less than 50*	Greater than \$250,000	Do not offer H.I. to employees	Employer must pay tax equaling up to 8% of total payroll (varies from 2-8% from \$250,000 to \$400,000 but 8% beyond \$400,000)	133% FPL < Income < 400% FPL	Individual can purchase H.I. via exchange and have it partially subsidized by govt (depending upon income); can purchase private insurance or public option in exchange
Less than 50*	Greater than \$250,000	Offer H.I. to employees	Employer can purchase H.I. from outside or within exchange on behalf of employees (incl. public option); may also be eligible for tax credits if small enough and average wages are low enough	Income > 400% FPL	Individual must take employer H.I. assuming premiums do not exceed 11% of income
Less than 50*	Greater than \$250,000	Do not offer H.I. to employees	Employer must pay tax equaling up to 8% of total payroll (varies from 2-8% from \$250,000 to \$400,000 but 8% beyond \$400,000)	Income > 400% FPL	Individual must purchase H.I. on own via exchange (private or public) or pay tax equal to 2.5% of AGI less filing threshold
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Less than 50*	Less than \$250,000	Do not offer H.I. to employees	N/A	Income < 133% FPL	Individual can participate in Medicaid
Less than 50*	Less than \$250,000	Offer H.I. to employees	Employer can purchase H.I. from outside or within exchange on behalf of employees (incl. public option); may also be eligible for tax credits if small enough and average wages are low enough	133% FPL < Inc < 400% FPL	Individual must take employer H.I. assuming premiums do not exceed 11% of income
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Less than 50*	Less than \$250,000	Do not offer H.I. to employees	N/A	Income > 400% FPL	Individual must purchase H.I. on own via exchange (private or public) or pay tax equal to 2.5% of AGI less filing threshold
Not working	Not working	N/A	N/A	Income < 133% FPL	Individual can participate in Medicaid
Not working	Not working	N/A	N/A	133% FPL < Income < 400% FPL	Individual can purchase H.I. via exchange and have it partially subsidized by govt (depending upon income); can purchase private insurance or public option in exchange
Not working	Not working	N/A	N/A	Income > 400% FPL	Individual must purchase H.I. on own via exchange (private or public) or pay tax equal to 2.5% of AGI less filing threshold

Source: Tax Foundation analysis of CBO's July 14th preliminary analysis of the draft legislation "America's Affordable Health Choices Act"

## Technical Notes

\* 50 is the employer size threshold that CBO assumes the new Health Choices Commissioner would set as the threshold for allowing employers to purchase on behalf of employees health insurance through exchanges (including possibly the public option).

There would be exemptions from the 2.5% tax for individuals, for hardship or other reasons (e.g. religious reasons).

The 2.5% tax on adjusted gross income (AGI) could not exceed the national average premium for plans offered in the exchanges.

If an employer offers a plan with premiums over 11% of the employee's income and the employee purchases coverage in the health insurance exchange, then the employer must pay the exchange 8% (or 2-8% for employees with incomes between \$25,000 and \$400,000) of the average payroll per worker at the firm (this is the fine per worker who takes up coverage with the exchange as a result of insufficient coverage offered by the employer).

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