Evolving Beyond Traditional Employer-Sponsored Health Insurance

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The Problem

- Chronic lack of coverage in small business, for part-time workers and people who change jobs.

- Small pools don’t spread risk well

- General lack of portability

- $200 billion tax subsidies grossly inequitable

- Fear of change among Americans
So what to do?

• Take the policymaker’s Hippocratic Oath: don’t harm parts that work tolerably well

• Enable other parts to evolve in order to provide secure, portable coverage with fair and efficient tax subsidies

• Foster gradual evolution, not revolution

=> Health Exchange Plan
1) Insurance Exchanges

- State-chartered, modeled on EHBP -- offer menus of plans. Families pick plans
  - Keep plans between jobs
  - Same tax benefits as ESI

- Act as premium aggregators.

- States would:
  - Set architecture of market rules
  - Establish pooling arrangements, risk adjustment etc.

- Fed government would:
  - Clarify tax rules
2) Employers as Facilitators, Not Sponsors

- Traditional ESI employers
  - Manage health care plans (or run plans)
  - Handle financial transactions

- Under HEP:
  - Many employers would continue to do BOTH.
  - Others offer coverage through exchange and:
    - Arrange enrolment up for insurance exchange plans.
    - Arrange payroll deductions/tax benefits.
What would that look like?
3) Reform of Tax Treatment

• Gradually limit open-ended tax exclusion

• Replace with refundable tax credit 90% average plan
  - Families below 200%, but it could be higher or structured differently.
  - Key is to go in the direction of equity.