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Health Reform: A Four-Tranche System

Updated and Revised

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This package of tables considers interactions between four different provisions of government support for health care that exist under the new Health Reform law (the Patient Protection and Affordable Care Act, or PPACA): Medicare, Medicaid, Insurance Subsidies offered through the Exchange, and Employer Sponsored Insurance (ESI). The summary table estimates the value of health benefits to families and singles at various income levels under the four options, and the charts show how these benefit levels change as income rises. Estimates for Medicare benefits are from CMS; estimates of Medicaid premiums are from the Health Policy Center. Backup tables work through the calculations for the value of the exchange subsidy and the tax subsidy for ESI.

The backup tables provide a comparison of health subsidies in the employer-provided system and the subsidy exchange in the Health Care and Education Reconciliation Act that was signed into law on March 30, 2010. This is an update to tables that compared health subsidies under the employer-provided system and the subsidy exchange in the earlier versions health reform proposals. The main provisions of the law are found in the Patient Protection and Affordable Care Act (PPACA), originally passed by the Senate on December 24, 2009. The changes in the latest Reconciliation Act that are relevant to this analysis include: (1) premium contributions range from 2% of income for people earning up to 133% of the federal poverty line to 9.5% of income for earners in the 300%-400% FPL range; (2) the employer penalty for not providing coverage in 2014 is $2,000 per full time worker and is indexed in subsequent years; and (3) cost share subsidies ensure an actuarial value of the health premium of 94% for those under 150% FPL; of 85% for 150-200% FPL; of 73% for 200-250% FPL and of 70% for 250% and higher.

We made several assumptions when calculating these estimates. First, we assume that the employer provides only cash wages and health insurance benefits (where applicable), and pays the appropriate employer payroll taxes. Secondly, our starting point was to set the employee's cost to the employer equal under the subsidy and ESI scenarios; this represents the amount of extra or less subsidy to be shared by employee or employer by adding or removing employer-provided insurance. In a simple case where the employer gives the employee the extra benefits from switching to the exchange, for instance, those benefits would be net of any employer penalty that had to be paid. Finally, the two earner scenario assumes that both employees either: (1) both have ESI available; or (2) are both eligible for the exchange. In the exchange situation, we assume that both employers incur a penalty that is passed on to the employee. A family with two earners where only one worker's employer incurs a penalty would resemble the one-earner situation at an equal income level.

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Other Publications by the Authors

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