

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

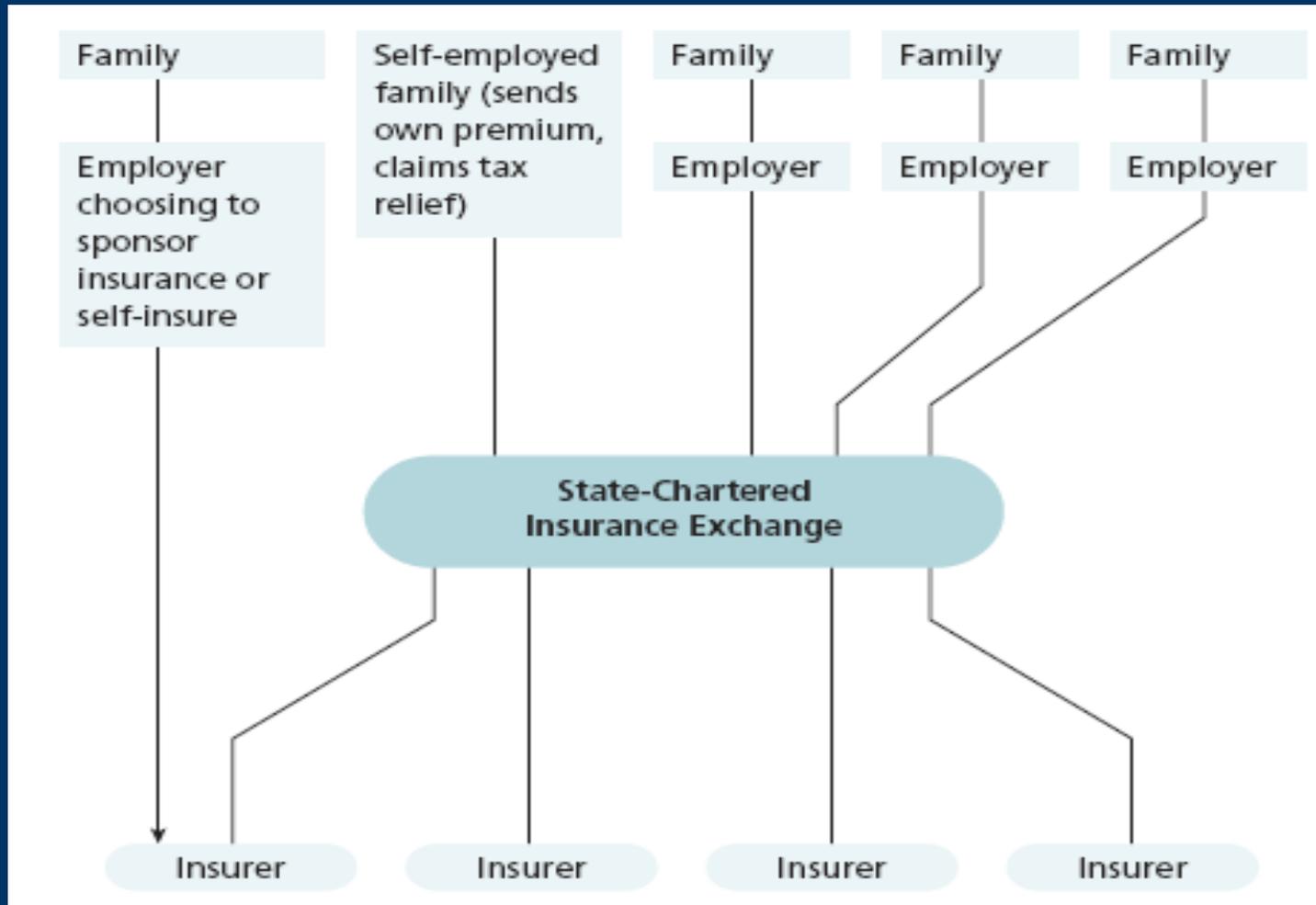
1) Insurance Exchanges

- 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.