



Backgrounder for the 2019 Coolidge Cup Online Application

Resolved: The United States should end the tax exemption for employer-sponsored health insurance.

Background

More Americans receive coverage for their healthcare through an employer than from any other source. According to census data, employer-sponsored health insurance covers approximately 56 percent of the population—more than Medicaid at 19 percent, Medicare at 17 percent, or individually-purchased coverage at 16 percent. (The preceding numbers add to more than 100 percent because some people have multiple sources of coverage.) As a source of coverage, employer-sponsored health insurance is an extremely influential part of the American healthcare landscape.

A major reason why receiving employer-based health insurance is so common in the United States is that health insurance is not taxed in the same way as regular compensation. Regular compensation (i.e., income from a wage or salary) is taxable by the federal government, but according to law, the value of the health insurance that an employee receives when the insurance is obtained through an employer is tax-exempt. This arrangement produces certain effects and has certain trade-offs. One obvious positive effect for employees is that they pay less in taxes. On the other hand, an obvious negative effect for employees is that if they lose their job, then they also lose their health insurance and then have to purchase health insurance on their own without the tax benefits that everyone else enjoys. Other important stakeholders such as employers and insurance companies have other sets of positive and negative tradeoffs, too.

The question that we are posing for the video component of the Coolidge Cup Online Application is essentially this: *Is the policy of having employer-sponsored health insurance be tax-exempt a good policy?*

Recommended Resources

Carroll, Aaron. “The Real Reason the U.S. Has Employer-Sponsored Health Insurance” *New York Times*. September 5, 2017. <https://www.nytimes.com/2017/09/05/upshot/the-real-reason-the-us-has-employer-sponsored-health-insurance.html>

Enthoven, Alain, and Victor Fuchs “Employment-Based Health Insurance: Past, Present, and Future” *Health Affairs*. November/December 2006. <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.25.6.1538>

Blumenthal, David. “The Decline of Employer-Sponsored Health Insurance” *The Commonwealth Fund*. December 5, 2017. <https://www.commonwealthfund.org/blog/2017/decline-employer-sponsored-health-insurance>

Horpedahl, Jeremy, and Harrison Searles. “The Tax Exemption of Employer-Provided Health Insurance” *The Mercatus Center at George Mason University*. September 10, 2013. <https://www.mercatus.org/publication/tax-exemption-employer-provided-health-insurance>

Gruber, Jonathan. “Tax Breaks for Employer-Sponsored Health Insurance” (A non-technical summary of NBER Working Paper No. 15766) <https://www.nber.org/aginghealth/2010no1/w15766.html>

Goodman, John. “Employer-Sponsored, Personal, And Portable Health Insurance: Three existing insurance models offer many advantages to employers” *Health Affairs*. November/December 2006. <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.25.6.1556>

Roberts, Russ, and Ed Dolan. “Ed Dolan on Employer-Sponsored Health Insurance” *EconTalk*. January 7, 2019. (Audio recording) <http://www.econtalk.org/ed-dolan-on-employer-sponsored-health-insurance/>