Tax Policy Implications of Proposals under Consideration by the Health Coverage for New Mexicans Committee

Final Report

Office of Tax Policy
N.M. Taxation and Revenue Department
July 10, 2007

Potential Impacts on Revenue, Tax Administration, and Example Taxpayers of Alternative Health Insurance Reform Proposals under Consideration by the Health Coverage for New Mexicans Committee

This report describes and provides estimates of the potential impacts on state and federal tax revenues of alternative health insurance reform proposals under consideration by the Health Coverage for New Mexicans Committee. The report also discusses the potential administrative impacts of the alternatives on the Taxation and Revenue Department, and provides examples of the impact of the proposals on individuals and families with and without current health insurance coverage at various income levels.

Summary of Revenue Impacts

Table 1 summarizes the potential impacts of the alternative health insurance reform proposals on state revenues. The Department could not determine all of the specific impacts of the Health Coverage plan, so no estimates for that alternative are included in this report. However, the revenue impacts of the Health Coverage plan are significantly smaller than the other alternative plans.

Table 1
Summary of State Revenue Impacts of Alternative Plans
(Millions of Dollars)

	Health Security Act 1	Health Security Act 2	Health Choices 1	Health Choices 2	Health Cov. Plan
Impact On New Taxes	1,517	1,611	2,791	1,805	94
Impact On Existing taxes	(48)	(53)	(98)	(52)	(4)
Due to Increased Economic Activity	(13)	9	93	43	29
Total State and Local Revenue	1,456	1,567	2,786	1,796	119

Source: TRD calculations based on estimates by Mathematica Policy Research Inc. Mathematica estimates are from Table VI.3 in the Draft Final Report dated June 19, 2007.

New taxes:
These are the new payroll-related charges required in the plans. Mathematica estimates total taxable payroll to be approximately $35 billion, thus, the estimated tax rate to yield these revenue amounts – assuming 100% compliance – ranges from 4.4% under HSA 1 to 8.1% under Health Choices 1. The table does not reflect employee contributions or new premiums that would be required for participation in some of the plans.

Existing taxes:
Table 2 presents a summary of the fiscal impacts of the different proposals on existing state and federal revenue sources. Details on this analysis are provided in Appendix A. The key assumptions are the following:

- Total compensation paid by employers is the same under present law and under each alternative plan.
- All plans can be designed in a way that is not pre-empted by the Federal ERISA statute. If the New Programs are not preempted by ERISA, they would not be considered an employer plan for purposes of the tax deduction under Section 125 of the Internal Revenue Code.
- New programs are treated as tax deductible for Gross Receipts Tax ("GRT") purposes. Although this may reduce GRT revenue to some extent, there is an offsetting increase in GRT in the Base Case scenario to the extent that Medicaid spending increases. However, this raises the concern that imposing GRT on Medicaid and only on a few other categories of payments in the state could be interpreted by Federal regulators as a discriminatory tax that must be removed. In an alternative scenario we examine the GRT impacts if the GRT on Medicaid reimbursements would also be removed.

Table 2
Summary of Fiscal Impacts of Plans on Existing Revenue Sources:
Under Base Case Assumptions
(Millions of dollars)

	HSA v1	**HSA v2**	**Health Choices V1**	**Health Choices V2**	**Health Cov. Plan**
Individual taxes:					
State income tax	55	50	(5)	34	(4)
Federal income tax	260	239	(21)	164	(22)
FICA tax (employer & employee)	165	151	(13)	105	(13)
Gross receipts tax	(26)	(26)	(16)	(16)	--
Premiums tax	(62)	(62)	(62)	(55)	--
NMHIA/NMMIP Assessments	(15)	(15)	(15)	(15)	--
Subtotal: State taxes	**(48)**	**(53)**	**(98)**	**(52)**	**(4)**
Total Federal tax liabilities	**425**	**390**	**(34)**	**269**	**(35)**
Total all tax liabilities	**377**	**337**	**(132)**	**217**	**(39)**

Revenue Impacts Due to Changes in Total Economic Activity

Table 3 presents fiscal impacts of the different plans associated with the impact of each plan on the total level of economic activity in the state. Estimates of total economic activity impacts were provided by the Bureau of Business and Economic Research (BBER). Estimates shown are adapted from BBER's estimates for the "TRD Base Case" scenario, as reported in the BBER's presentation to the Healthcare for New Mexicans Committee on June 21, 2007. Key assumptions in estimating revenue impacts are the following:

- Total personal income changes by the same amount of total economic output as estimated by the BBER;
- The elasticity of Personal Income Tax and Gross Receipts Tax collections with respect to Personal Income is one – i.e. for each 1% change in personal income, collections of each tax increase by 1%;
- The elasticity of other state and local tax collections with Personal Income is 0.5 – i.e. for each 1% increase in personal income, these revenues increase by 0.5%.

Table 3
State and Local Revenue Impacts Due to Changes in Total Economic Activity
(Millions of Dollars)

	HSA 1	HSA 2	HC 1	HC 2	H Cov.
Change in Personal income	(146)	107	1,072	493	335
Change in State & Local Revenues:					
Gross Receipts Tax	(7.4)	5.4	54.6	25.1	17.0
Personal Income Tax	(2.7)	2.0	19.8	9.1	6.2
Other Taxes	(2.5)	1.8	18.5	8.5	5.8
Total State & Local Taxes	(12.6)	9.3	92.8	42.7	29.0

Source: Calculations by the Taxation and Revenue Department based on estimates by BBER.

Potential administrative role for the Taxation and Revenue Department

Both versions of the Health Security Act and both versions of the Health Choices plan create large new state revenue sources – on the order of $1.5 to $3.0 billion annually. These revenues would be paid by employers as a function of their taxable payroll, thus they would resemble current payroll-based taxes. This suggests that the Taxation and Revenue Department may be the appropriate agency to collect these revenues.

In addition, the HSA and Health Choices plans also feature individual contributions for health insurance that are contingent on household income. This raises the question of how these programs will be administered. The Department already collects a substantial amount of information about income from almost all New Mexico households. Thus it would seem that the Department's records would serve as a useful starting point for the calculations required in each of those plans. The Department does not have the personnel currently to administer a new program like the ones contemplated in the plans. An

alternative to administration by the Department would be for it to share information it currently collects with whatever entity is charged with administering the plans.

Finally, all of the proposed plans would impose a new mandate for individuals to acquire health insurance from some source. One way to administer this requirement is through the annual income tax filing process. If this is the approach adopted in New Mexico, it will require additional resources for the Department to administer.

Examples of Net Impacts on Different Households

Table 4 presents a summary of the net impacts of alternative plans on the after-tax, after-health care expenses income of various household types. The results in Table 4 are illustrated in Graphs 1-5. Details of the calculations are provided in Appendix B.

After- tax, after-health expenses income is calculated from wages, less any employee health insurance premium, federal taxes (employee FICA and income tax), state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchases all other goods this year, or to save for future purchases.

Each set of examples for a specific individual or family type at a specific current wage start with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation. Setting wages in this way implicitly assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance. Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based “contribution” or tax to the New Program under HSA1 or HC1 (the "contribution" under HSA1 is 4.4% and the tax under HC1 is 8.1%). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently HSA employer-provided health insurance.

Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the current premium, and the employee 20%. The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size. It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

Examples are broken into two categories, those currently covered and those currently not covered by employer-provided health insurance. Several patterns are evident in the table:

- Low- and middle-income households not currently covered generally receive significant benefits under both the HSA1 and HC1 plans.
- At incomes of $100,000 or more, most households not currently covered experience losses under both plans.
- For currently covered households, at incomes above $100,000 nearly all have losses, and for smaller and younger households losses occur at lower income levels.
- Young workers at any income level are likely to experience losses, regardless of whether they have current coverage.
- Net benefits under the HC1 plan are more sensitive to household size. Benefits are generally higher (or losses lower) for younger, smaller households. This pattern does not apply at higher income levels however.

The detailed examples summarized in Table 4 and in Graphs 1-5 are provided in Appendix B.

Table 4: Summary of Examples 1A through 5G

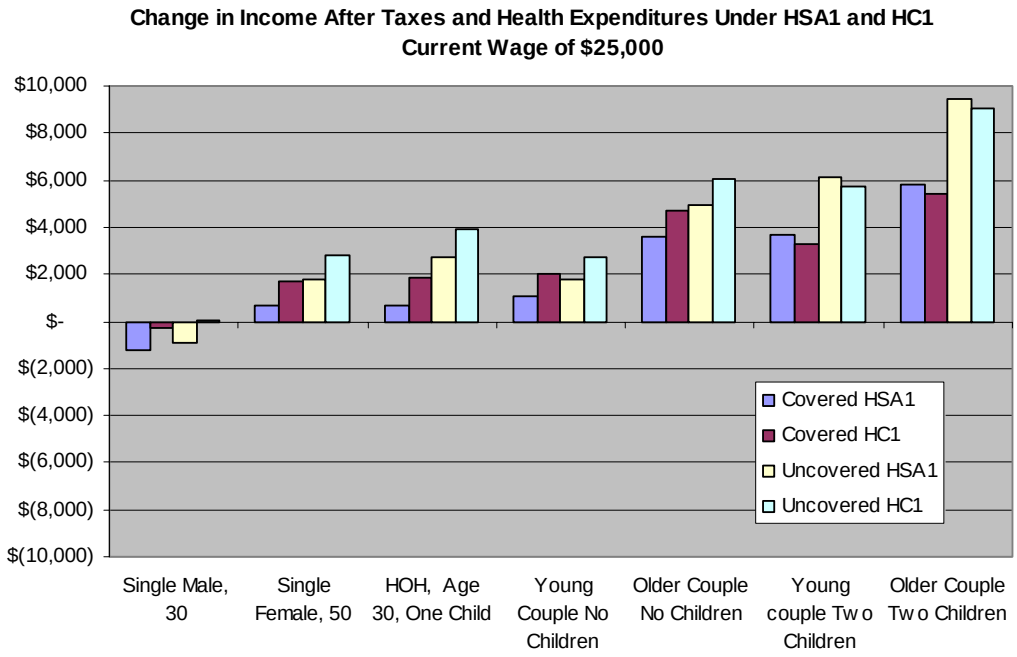
After-Tax, After-Health Expenses Income Under Current Law and Changes from Current Law Under the HSA1 and HC1 Reforms

Family Type and Age of Adults	$25,000 Current Wage			$40,000 Current Wage			$60,000 Current Wage			$100,000 Current Wage			$200,000 Current Wage		
	Current Law	Change from Current HSA1	Change from Current HC1	Current Law	Change from Current HSA1	Change from Current HC1	Current Law	Change from Current HSA1	Change from Current HC1	Current Law	Change from Current HSA1	Change from Current HC1	Current Law	Change from Current HSA1	Change from Current HC1
Currently Covered by Employer-Provided Health Insurance															
Single Male, Age 30	$ 20,076	$ (1,232)	$ (302)	$ 31,163	$ (2,152)	$ (1,109)	$ 44,935	$ (2,672)	$ (1,940)	$ 72,035	$ (3,912)	$ (4,006)	$142,148	$ (6,416)	$ (8,781)
Single Female, Age 50	$ 18,912	$ 659	$ 1,682	$ 29,974	$ 2	$ 988	$ 43,801	$ (766)	$ (85)	$ 70,876	$ (1,783)	$ (2,102)	$141,035	$ (4,494)	$ (6,774)
Head of Household, Female Age 30, One Child	$ 22,338	$ 700	$ 1,873	$ 31,863	$ (107)	$ 1,481	$ 46,675	$ (1,818)	$ 518	$ 72,880	$ (3,142)	$ (1,584)	$140,972	$ (5,954)	$ (6,213)
Couple, Male 30, Female 25, No Children	$ 20,422	$ 1,070	$ 2,015	$ 32,010	$ (543)	$ 1,016	$ 46,284	$ (2,185)	$ 13	$ 75,574	$ (3,667)	$ (2,035)	$148,159	$ (6,624)	$ (7,285)
Couple, Male 50, Female 45, No Children	$ 19,036	$ 3,633	$ 4,674	$ 30,695	$ 1,695	$ 3,364	$ 44,967	$ 173	$ 2,465	$ 74,244	$ (1,030)	$ 414	$146,853	$ (4,105)	$ (4,837)
Couple, Male 30, Female 25, Two Children	$ 25,015	$ 3,666	$ 3,284	$ 34,190	$ 1,034	$ 2,659	$ 48,236	$ (346)	$ 1,927	$ 78,196	$ (3,729)	$ (144)	$148,547	$ (8,632)	$ (4,935)
Couple, Male 50, Female 45, Two Children	$ 23,598	$ 5,787	$ 5,409	$ 32,991	$ 3,143	$ 4,902	$ 46,919	$ 2,013	$ 4,386	$ 76,865	$ (1,271)	$ 2,419	$147,291	$ (6,346)	$ (2,716)
Currently Uncovered by Health Insurance															
Single Male, Age 30	$ 19,714	$ (871)	$ 60	$ 30,857	$ (1,846)	$ (804)	$ 44,507	$ (2,244)	$ (1,512)	$ 71,728	$ (3,605)	$ (3,699)	$141,734	$ (6,002)	$ (8,367)
Single Female, Age 50	$ 17,780	$ 1,790	$ 2,814	$ 28,980	$ 997	$ 1,982	$ 42,481	$ 555	$ 1,236	$ 69,929	$ (836)	$ (1,155)	$139,752	$ (3,211)	$ (5,491)
Head of Household, Female Age 30, One Child	$ 20,330	$ 2,709	$ 3,882	$ 30,519	$ 1,237	$ 2,825	$ 45,216	$ (359)	$ 1,977	$ 71,890	$ (2,152)	$ (594)	$139,432	$ (4,414)	$ (4,673)
Couple, Male 30, Female 25, No Children	$ 19,684	$ 1,808	$ 2,752	$ 30,846	$ 621	$ 2,180	$ 45,294	$ (1,195)	$ 1,004	$ 74,720	$ (2,813)	$ (1,181)	$147,147	$ (5,611)	$ (6,273)
Couple, Male 50, Female 45, No Children	$ 17,701	$ 4,968	$ 6,009	$ 28,611	$ 3,779	$ 5,448	$ 43,195	$ 1,945	$ 4,237	$ 72,730	$ 484	$ 1,928	$145,059	$ (2,310)	$ (3,043)
Couple, Male 30, Female 25, Two Children	$ 22,543	$ 6,137	$ 5,756	$ 32,114	$ 3,110	$ 4,735	$ 46,613	$ 1,278	$ 3,551	$ 76,807	$ (2,340)	$ 1,245	$146,400	$ (6,485)	$ (2,788)
Couple, Male 50, Female 45, Two Children	$ 19,958	$ 9,427	$ 9,049	$ 29,873	$ 6,260	$ 8,019	$ 44,514	$ 4,418	$ 6,791	$ 74,817	$ 778	$ 4,468	$144,123	$ (3,179)	$ 451

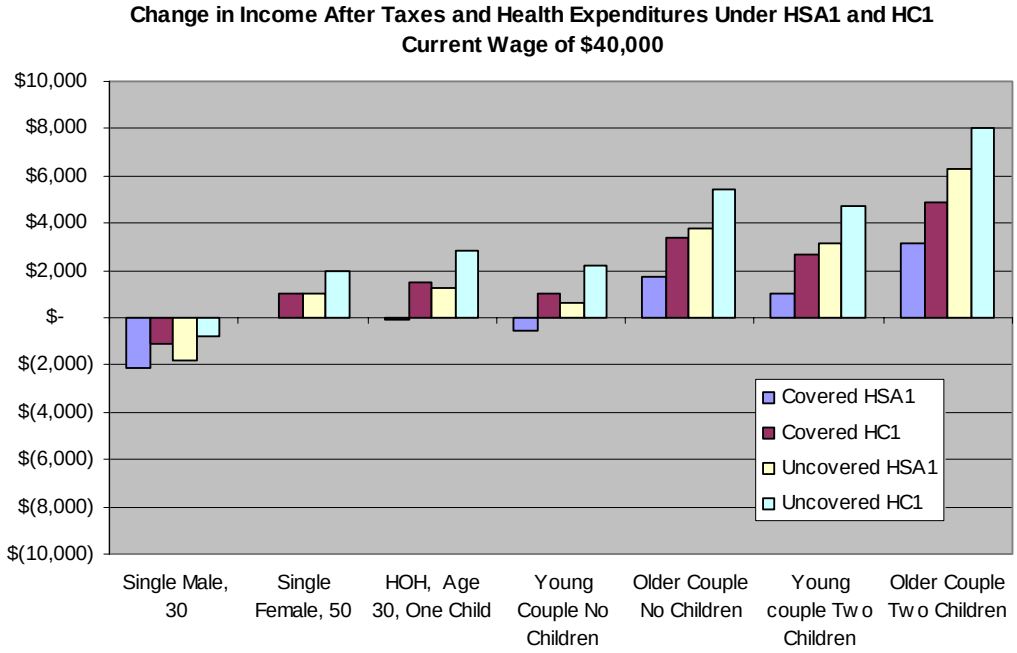
NM Taxation and Revenue Department
Office of Tax Policy

June 18, 2007

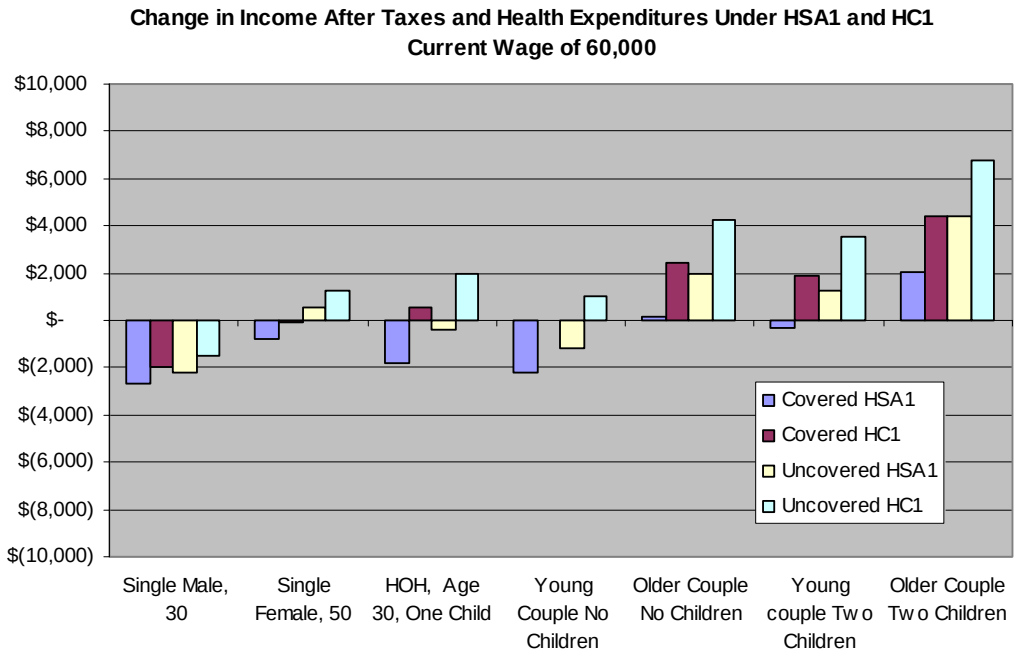
Graph 1



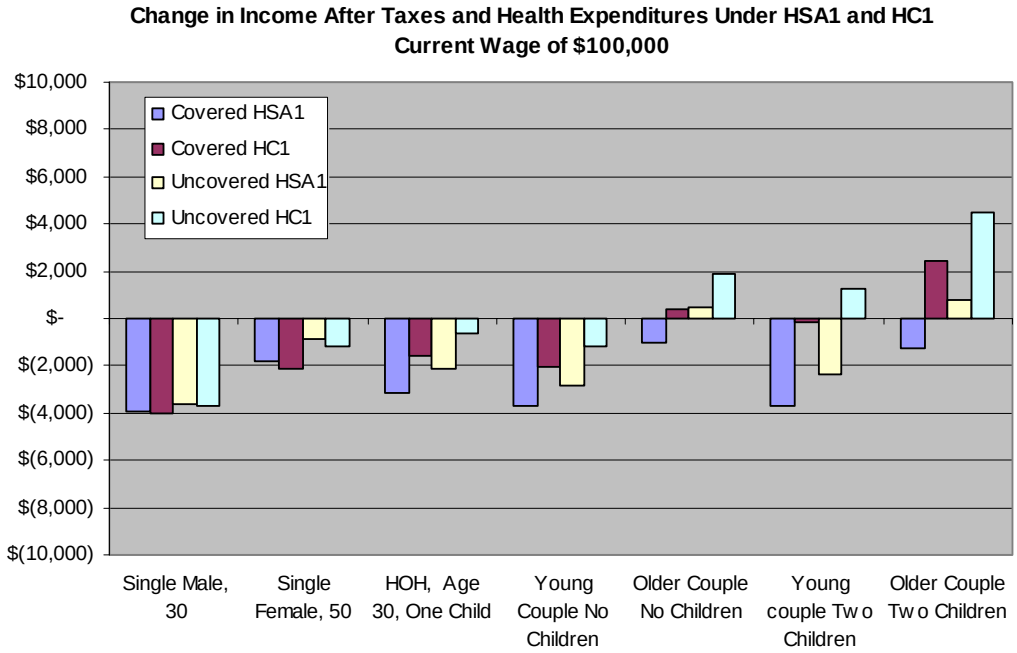
Graph 2



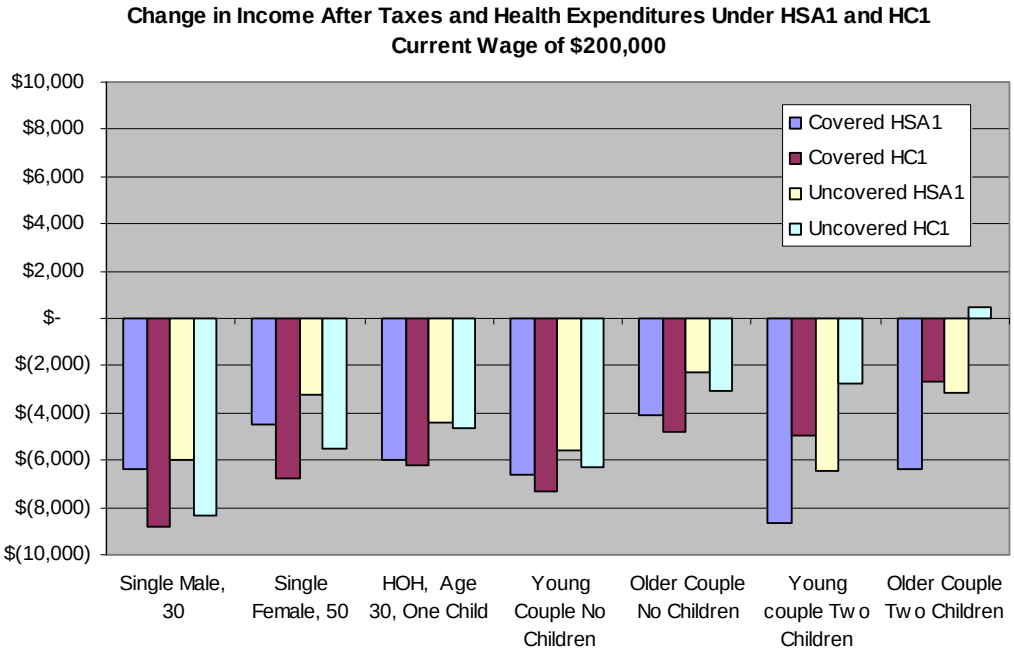
Graph 3



Graph 4



Graph 5


Change in Income After Taxes and Health Expenditures Under HSA1 and HC1
Current Wage of $200,000
$10,000
$8,000
$6,000
$4,000
$2,000
$-
$(2,000)
$(4,000)
$(6,000)
$(8,000)
$(10,000)
Covered HSA1
Covered HC1
Uncovered HSA1
Uncovered HC1
Single Male, 30
Single Female, 50
HOH, Age 30, One Child
Young Couple No Children
Older Couple No Children
Young couple Two Children
Older Couple Two Children

APPENDIX A: IMPACTS ON EXISTING REVENUE SOURCES

Health Security Act:
Income tax (except where noted the discussion applies to federal and state income tax and federal payroll (FICA) tax, and assumes no changes in state law):

Employer tax liability:
Contributions to the Health Plan are assumed to be tax deductible. We would not expect an impact on employers' tax liabilities because the employer's contribution will replace other current compensation (employer health premiums or wages) that is also deductible.

Note that the net effect of the HSA proposal would be to increase wages (by approximately $571 million), which would alter the estimated contribution rate necessary under the proposal.

Individual Income and FICA Taxes:
Changes in the amount of employer contributions relative to present law result in changes in individual income tax liabilities and also in employer and employee FICA tax liabilities. Since we assume that total compensation paid by employers does not change, any change in employer contributions for health insurance – which are deductible by the employer and do not generate taxable income for employees —will result in an offsetting change in other forms of (employer deductible) compensation, wages (which are taxable to employees) and employer FICA (which is not).

<u>Individual tax effect calculation for HSA:</u>

- Total employer contributions under the plan: $1,517 million
- Total present law employer health premiums: $2,157 million
- Total difference: $640 million
- Portion of difference that is higher employer FICA (average rate of 7%): $45 million
- Portion of difference that is higher taxable wages: $595 million.
- **State income tax increase (5% tax rate): $30 million**
- **Federal income tax increase (25% tax rate on wages net of state tax): $141 million**
- **Federal FICA tax increase (employer and employee): $90 million**

Treatment of employee premiums:
The income tax treatment of employee premiums to the New Program under the HSA plan depend on whether the New Program would be considered to be an "employer plan" for purposes of section 125 of the Internal Revenue Code. If the New Program was determined not to be an employer plan, employee premiums to the New Program would not be excludable from employees' wages for either income or FICA purposes. Our interpretation of federal law is that if the New Program is not preempted by ERISA, it would not be considered an employer plan. Since the HSA plan is assumed to not be preempted by ERISA, the base case for our estimates is that employee premiums to the New Program could not be excluded from wages. Alternatively, if the New Program was

somehow determined to be an employer plan, employee premiums would be excludable from wages. In the base case, there would be an increase in taxable wages because current employee premiums paid through section 125 plans would no longer be excluded. In the alternative case, there would be a decrease in taxable income equal to the increase in employee premiums to the New Program over the amount of employee premiums that are excludable under present law.

Base Case: Individual premiums not excludable under Section 125

- Employee premiums under present law (all assumed to be paid through section 125 plans): $539 million
- Increase in employer FICA due to loss in excludable premiums: $38
- Increase in taxable wages due to loss in excludable premiums: $501 million
- **State income tax increase (5% tax rate): $25 million**
- **Federal income tax increase (25% tax rate on wages net of state tax): $119 million**
- **Federal FICA tax increase (employer and employee): $75 million**

Alternative Case: Individual premiums excludable under Section 125

- Total individual premiums under the plan: $1,075 million
- Total individual premiums under present law: $539 million
- Increase in excludable premiums: $536 million
- Reduction in employer FICA due increased excludable premiums: $38
- Reduction in taxable wages: $498 million
- **State income tax decrease (5% tax rate): $25 million**
- **Federal income tax decrease (25% tax rate on wages net of state tax): $118 million**
- **Federal FICA tax decrease (employer and employee): $75 million**

Summary of income tax effects of HSA v1 and HSA v2:

- Under the base case assumption that employee premiums under HSA are not eligible for exclusion under Section 125 of the Internal Revenue Code, state income taxes increase by $55 million per year, Federal income taxes increase by $260 million per year and FICA taxes increase by $165 million per year.
- Under the alternative assumption that employee premiums would somehow qualify for excludability under section 125, the net income and FICA tax effects are relatively small: an increase of $5 million in State income tax, $23 million in Federal income tax and $15 million in Federal FICA.
- Effects of HSA v2 would be similar to those shown for HSA v1 except that the new employer contribution is about $94 million larger under HSA v2. The higher employer contributions mean that taxable wages increase by a smaller amount, reducing the first set of income tax effects identified above. The net income tax effects under HSA v2 are a $50 million increase in State income taxes, a $239 million increase in federal income taxes and a $151 million increase in FICA taxes (employer and employee combined).

Gross Receipts Tax:
TRD believes that the new entity established under the HSA to distribute health care reimbursements would qualify as a "managed care insurer" under section 7-9-93 NMSA 1978. This means that reimbursements paid to the providers described in that section would be tax deductible. Under present law, reimbursements to these providers are deductible only if paid by a managed care provider, but not if paid by Medicaid or Medicare. Out-of-pocket payments -- including co-payments and deductibles under Managed care plans – are not deductible.

In order to determine potential GRT impacts, we have to factor in several other existing exemptions and deductions. These include:

- An exemption for receipts of non-profit providers;
- An exemption for 50% of receipts of for-profit hospitals;
- A new tax credit for the remaining State tax liability of for-profit hospitals;
- A deduction for prescription drugs;
- A separate deduction under 7-9-77.1 for most providers for reimbursements from Medicare.

The cumulative effect of all these provisions is to reduce the GRT tax base substantially relative to the total expenditure estimates provided by Mathematica. We estimate the annual GRT tax base for all health care providers to currently be on the order of $1.5 billion. At an average statewide tax rate of 7%[1], this base yields roughly $105 million in annual state and local revenue.

<u>Base Case: GRT impacts of HSA – Medicaid remains taxable</u>
Table V.3 of the Draft Final Report by Mathematica presents estimates of the proportion of total health care reimbursements by major category of reimbursement. Based on the estimates in that table, we estimate the following impacts on the GRT tax base due to the HSA plans (v1 and v2):

- The GRT tax base will <u>decrease</u> to the extent that the New Program replaces reimbursements like out-of-pocket payments that are currently taxable.
- The GRT base will <u>increase</u> if reimbursement is shifted from a currently tax deductible payer – like private managed care payments – to Medicaid.
- **The net effect of these two changes would be to decrease the GRT tax base by about 25%, or $26 million per year**.
- **All of this revenue impact will fall on the State General Fund because of the local revenue "hold harmless" provisions that apply to deductions taken under Section 7-9-93.**

<u>Alternative Case: GRT effects of HSA assuming Medicaid not taxable:</u>
The base case described above would result in a GRT under which reimbursements by Medicaid are taxable but reimbursements from almost all other sources -- the major exception being out-of-pocket expenses -- are not taxable. Such a tax system might be

[1] This tax rate is based on liabilities as reported by the health sector. It is a little higher than the statewide average rate on all industries because health care is more concentrated within municipal limits, where more local option taxes are imposed.

viewed as discriminatory by federal regulators. **If the result were a mandate for the State to abandon the GRT on all medical service reimbursements by Medicaid, the fiscal impact would increase to approximately 80% of the existing tax base or $84 million. The State would realize budgetary savings of about $13 million on its portion of the GRT currently being paid by Medicaid. Thus the net budgetary impacts would be $71 million.**

The incidence of the GRT decrease depends on who bears the incidence of the tax currently. Although the assumption is often made that the tax is passed forward to the purchaser of the taxed good or service, this assumption is very difficult to test in practice. It is also possible that the tax is borne by the seller. Under the first assumption, the decreased GRT liability would translate into savings for the plan. Under the second, the GRT decrease would result in savings for health care providers.

Premiums Tax:
According to the N.M. Insurance Commission, total health insurance premiums are approximately $2.2 billion annually, with about $2 billion of this base subject to the extra 1% tax rate. This generates $87 million in annual revenue. We estimate that approximately 25% of this total, or $22 million, is attributable to premiums reimbursed by the Medicaid program with the remaining $65 million attributable to commercial insurance.

In addition to this revenue, the State also collects assessments for the New Mexico Health Insurance Alliance and for the N.M. Medical Insurance Pool. Since these programs are assumed to be repealed under the HSA, these revenues will go away as well. TRD does not have detailed information on the revenues to these funds but estimates them to be on the order of $30 to $40 million. Total state revenues from this source are reduced to some extent by credits against the Premiums tax for assessments paid. As a rough estimate we assume the net additional revenue after credits is $15 million.

<u>Base Case: Premiums Tax continues to apply to Medicaid reimbursed premiums</u>
Under the HSA the population covered by private insurance falls by approximately 95%. **Thus, we would expect Premiums Tax collections attributable to commercial health insurance to fall by about $62 million. Assessment revenue to the NMHIA and NMMIP would also decrease, by an estimated $15 million per year.**

<u>Alternative case: Medicaid Premiums no longer subject to Premiums Tax:</u>
A Premiums Tax that is imposed almost exclusively on Medicaid reimbursements may be subject to the criticism that it is a discriminatory tax on the program. In this event, it is possible that almost the entire Premiums Tax would have to be repealed, a loss of about $83 million per year. The State would realize budget savings of about $6 million for its portion of the Premiums Tax paid by Medicaid, reducing the net fiscal impact to $77 million..

N.M. Health Choices Version 1:

Employer tax liabilities:
No significant changes will occur because the new payroll tax will be deductible, as are employers' contributions for health insurance under present law. Any other changes to compensation (employer health premiums or wages) would also be deductible.

Individual income and FICA tax liabilities:
Mathematica estimates that total employer contributions to the new program would exceed their current contributions for employees' health insurance. Under our assumption that total compensation remains constant, the difference would become a reduction of taxable wages with a resulting decrease of income and FICA taxes.

Calculation of Individual tax impacts of Health Choices V1:

- Employer payroll tax liabilities under the plan: $2,791 million
- Total present law employer health premiums: $2,157 million
- Total difference: $634 million
- Portion of difference that is reduced employer FICA: $44 million
- Portion of difference that is reduced taxable wages: $590 million.
- **State income tax decrease (5% tax rate): $30 million**
- **Federal income tax decrease (25% tax rate on wages net of state tax): $140 million**
- **Federal FICA tax decrease (employer and employee): $88 million**

An important secondary impact on these taxes would result from the substitution of a payroll-based contribution for health insurance premiums of currently covered employees. For higher-paid employees, the contribution will be significantly higher than the employer's current contribution for health insurance. The difference will take the form of reduced taxable wages and reduced state and federal income and FICA taxes. For lower-paid employees who currently have employer-provided health insurance, the reverse will occur: their taxable wages will rise, and the state and federal taxes will also rise. But since the marginal income and FICA tax rates differ between lower- and higher-paid employees, there is likely to be a net reduction in state and federal income taxes from this effect, and likely a net increase in FICA.

Treatment of employee premiums:
Because the new program replaces the existing employer-provided insurance program, the existing deductions for employee premiums under those programs would be eliminated, and they would be converted into taxable wage payments, increasing taxable income for employees.

Elimination of individual premium deductions

- Employee premiums under present law (all assumed to be paid through section 125 plans): $539 million
- Increase in employer FICA due to loss in excludable premiums: $38

- Increase in taxable wages due to loss in excludable premiums: $501 million
- **State income tax increase (5% tax rate): $25 million**
- **Federal income tax increase (25% tax rate on wages net of state tax): $119 million**
- **Federal FICA tax increase (employer and employee): $75 million**

Summary of income tax effects of Health Choices V1:
Tax liability decreases due to increased deductible employer payments for health insurance are largely offset by increased tax liability due to the loss of the deduction for employee's contributions. **State income taxes decrease by $5 million per year, Federal income taxes decrease by $21 million per year and FICA taxes decrease by $13 million per year.**

Gross Receipts Tax:
A similar analysis as described under the HSA would apply to the reimbursements by the new Alliance under the Health Choices plan.

Base Case: GRT impacts of Health Choices V1 – Medicaid remains taxable
Table V.3 of the Draft Final Report by Mathematica presents estimates of the proportion of total health care reimbursements by major category of reimbursement. Based on the estimates in that table, we estimate the following impacts on the GRT tax base due to the Health Choices Version 1:

- The GRT tax base will decrease to the extent that the New Program replaces private insurance reimbursements that are currently taxable.
- The GRT base will increase if reimbursement is shifted from a currently tax deductible payer – like private managed care payments – to Medicaid.
- **The net effect of these two changes would be to decrease the GRT tax base by about 15%, or $16 million per year**.
- **All of this revenue impact will fall on the State General Fund because of the local revenue "hold harmless" provisions that apply to deductions taken under Section 7-9-93.**

Alternative Case: GRT effects of Health Choices V1 assuming Medicaid not taxable:
The base case described above would result in a GRT under which reimbursements by Medicaid are taxable but reimbursements from almost all other sources -- the major exception being out-of-pocket expenses -- are not taxable. Such a tax system might be viewed as discriminatory by federal regulators. **If the result were a mandate for the State to abandon the GRT on all medical service reimbursements by Medicaid, GRT revenue would decrease by about 80% or $84 million. The State would realize budgetary savings of about $13 million on its portion of the GRT currently being paid by Medicaid. Thus the net budgetary impacts would be $71 million.**

Premiums Tax:
Base Case: Premiums Tax continues to apply to Medicaid reimbursed premiums
Under the Health Choices V1 commercial premiums payments are estimated to fall by approximately 95%. **Thus, we would expect Premiums Tax collections attributable to**

commercial health insurance to fall by about $62 million. Assessment revenue to the NMHIA and NMMIP would also decrease, by an estimated $15 million per year.

Alternative case: Medicaid Premiums no longer subject to Premiums Tax:
A Premiums Tax that is imposed almost exclusively on Medicaid reimbursements may be subject to the criticism that it is a discriminatory tax on the program. In this event, it is possible that almost the entire Premiums Tax would have to be repealed, a loss of about $83 million per year.

Health Choices Version 2:

Employer taxes:
No significant changes.

Individual income and FICA taxes:
According to Mathematica, employer's contributions to the new program under Health Choices V2 would be lower than their current contributions for employee health insurance. Under our assumption that total compensation remains constant, taxable wages would increase by the difference, resulting in increased income tax liabilities.

Individual tax effects of payroll changes under Health Choices V2:

- Employer payroll tax liabilities under the plan: $1,805 million
- Total present law employer health premiums: $2,157 million
- Total difference = increased compensation: $352 million
- Portion of difference that is increased employer FICA: $25 million
- Portion of difference that is increased taxable wages: $327 million.
- **State income tax increase (5% tax rate): $16 million**
- **Federal income tax increase (25% tax rate on wages net of state tax): $78 million**
- **Federal FICA tax increase (employer and employee): $50 million**

Treatment of employee premiums:
Because the new program replaces the existing employer-provided insurance program for most covered employees, the amount of deductible individual premiums would decrease. Mathematica estimates that total premiums under Health Choices V2 would be $600 million. Assuming that 20% of this figure is the individual portion, total deductible individual premiums would be on the order of $150 million.

Individual tax effects of decreased individual premiums:

- Employee premiums under present law: $539 million
- Employee premiums under Health Choices V2: $150 million
- Increase in FICA-taxable income due to lower premiums: $389
- Increase in employer FICA due to reduced premiums: $27
- Increase in income-taxable wages due to loss in excludable premiums: $362 million
- **State income tax increase (5% tax rate): $18 million**

- **Federal income tax increase (25% tax rate on wages net of state tax): $86 million**
- **Federal FICA tax increase (employer and employee): $55 million**

Summary of income tax effects of Health Choices V2:
Tax liability decreases due to increased deductible employer payments for health insurance are largely offset by increased tax liability due to the loss of the deduction for employee's contributions. **State income taxes increase by $34 million per year, Federal income taxes increase by $164 million per year and FICA taxes decrease by $105 million per year.**

Gross receipts tax:

GRT impacts of Health Choices V2:

Base Case: GRT impacts of Health Choices V2 – Medicaid remains taxable
Using the same methodology described above, we estimate the GRT impacts of Health Choices V2 to be similar to those of Health Choices V1:

- The GRT tax base will decrease to the extent that the New Program replaces private insurance reimbursements that are currently taxable.
- The GRT base will increase to the extent that reimbursement is shifted from a currently tax deductible payer – like private managed care – to Medicaid.
- **The net effect of these two changes would be to decrease the GRT tax base by about 15%, or $16 million per year**.
- **All of this revenue impact will fall on the State General Fund because of the local revenue "hold harmless" provisions that apply to deductions taken under Section 7-9-93.**

Alternative Case: GRT effects of Health Choices V2 assuming Medicaid not taxable:
The base case described above would result in a GRT under which reimbursements by Medicaid are taxable but reimbursements from almost all other sources -- the major exception being out-of-pocket expenses -- are not taxable. Such a tax system might be viewed as discriminatory by federal regulators. **If the result were a mandate for the State to abandon the GRT on all medical service reimbursements, the fiscal impact would increase to approximately 80% of the existing tax base or $85 million. The State would realize budgetary savings of about $13 million on its portion of the GRT currently being paid by Medicaid. Thus the net budgetary impacts would be $71 million.**

Premiums Tax:
Base Case: Premiums Tax continues to apply to Medicaid reimbursed premiums
Under the Health Choices V2 commercial premiums fall by approximately 84%. **Thus, we would expect Premiums Tax collections attributable to commercial health insurance to fall by about $55 million. Assessment revenue to the NMHIA and NMMIP would also decrease, by an estimated $15 million per year.**

Alternative case: Medicaid Premiums no longer subject to Premiums Tax:
A Premiums Tax that is imposed almost exclusively on Medicaid reimbursements may be subject to the criticism that it is a discriminatory tax on the program. In this event, it is possible that almost the entire Premiums Tax would have to be repealed, a loss of about $83 million per year.

Health Coverage Plan:

All tax implications of this plan are significantly smaller than those of the other plans because the changes in financing sources for health care are much smaller relative to present law. Effects can be summarized as follows:

- Fair Share payments of $94 million result in decreased taxable wages to employees, decreasing their state ($4 million) and federal ($22 million) income and FICA ($13 million) taxes.
- Gross Receipts Tax implications are minimal due to small shifts in expenditure patterns.
- Premiums Tax implications are minimal.

APPENDIX B: DETAILED EXAMPLES

Example 1A
Single Male, Age 30, Currently with Employer-Provided Health Insurance and Wage of $25,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 25,000**	$ 25,146	$ 24,342	$ 26,174	$ 25,146	$ 24,342
Employer FICA	$ 1,888	$ 1,924	$ 1,862	$ 2,002	$ 1,924	$ 1,862
Employer Health Premium[2]	$ 1,288			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,106	$ 1,972	$ -	$ 1,106	$ 1,972
Total Compensation[4]	$ 28,176	$ 28,176	$ 28,176	$ 28,176	$ 28,176	$ 28,176
Employee Health Premium[5]	$ 322	$ 1,509	$ -	$ -	$ 1,509	$ -
Taxable Wages[6]	$ 24,678	$ 25,146	$ 24,342	$ 26,174	$ 25,146	$ 24,342
Federal Taxes						
Employee FICA	$ 1,888	$ 1,924	$ 1,862	$ 2,002	$ 1,924	$ 1,862
AGI	$ 24,678	$ 25,146	$ 24,342	$ 26,174	$ 25,146	$ 24,342
Deductions (larger of standard or itemized)	$ 5,350	$ 5,350	$ 5,350	$ 5,350	$ 5,350	$ 5,350
Personal Exemptions	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400
Taxable Income	$ 15,928	$ 16,396	$ 15,592	$ 17,424	$ 16,396	$ 15,592
Income Tax (before credits)	$ 1,998	$ 2,068	$ 1,948	$ 2,222	$ 2,068	$ 1,948
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 1,998	$ 2,068	$ 1,948	$ 2,222	$ 2,068	$ 1,948
Total Federal Taxes[7]	$ 3,886	$ 3,992	$ 3,810	$ 4,225	$ 3,992	$ 3,810
State Income Tax						
Middle-Income Exemption	$ 1,798	$ 1,728	$ 1,849	$ 1,574	$ 1,728	$ 1,849
Taxable Income	$ 14,130	$ 14,668	$ 13,743	$ 15,850	$ 14,668	$ 13,743
Income Tax (before credits)	$ 417	$ 442	$ 398	$ 497	$ 442	$ 398
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 417	$ 442	$ 398	$ 497	$ 442	$ 398
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 300	$ 360	$ 360	$ 1,738	$ 360	$ 360
Income After Taxes and Health Expenses[9]	$ 20,076	$ 18,843	$ 19,774	$ 19,714	$ 18,843	$ 19,774

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 2A
Single Male, Age 30, Currently with Employer-Provided Health Insurance and Wage of $40,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 40,000**	$ 39,557	$ 38,292	$ 41,174	$ 39,557	$ 38,292
Employer FICA	$ 3,035	$ 3,026	$ 2,929	$ 3,150	$ 3,026	$ 2,929
Employer Health Premium[2]	$ 1,288			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,741	$ 3,102	$ -	$ 1,741	$ 3,102
Total Compensation[4]	$ 44,323	$ 44,323	$ 44,323	$ 44,323	$ 44,323	$ 44,323
Employee Health Premium[5]	$ 322	$ 2,000	$ -	$ -	$ 2,000	$ -
Taxable Wages[6]	$ 39,678	$ 39,557	$ 38,292	$ 41,174	$ 39,557	$ 38,292
Federal Taxes						
Employee FICA	$ 3,035	$ 3,026	$ 2,929	$ 3,150	$ 3,026	$ 2,929
AGI	$ 39,678	$ 39,557	$ 38,292	$ 41,174	$ 39,557	$ 38,292
Deductions (larger of standard or itemized)	$ 7,142	$ 7,120	$ 6,893	$ 7,411	$ 7,120	$ 6,893
Personal Exemptions	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400
Taxable Income	$ 29,136	$ 29,037	$ 28,000	$ 30,362	$ 29,037	$ 28,000
Income Tax (before credits)	$ 3,979	$ 3,964	$ 3,809	$ 4,163	$ 3,964	$ 3,809
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 3,979	$ 3,964	$ 3,809	$ 4,163	$ 3,964	$ 3,809
Total Federal Taxes[7]	$ 7,015	$ 6,990	$ 6,738	$ 7,313	$ 6,990	$ 6,738
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 29,136	$ 29,037	$ 28,000	$ 30,362	$ 29,037	$ 28,000
Income Tax (before credits)	$ 1,201	$ 1,195	$ 1,140	$ 1,266	$ 1,195	$ 1,140
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 1,201	$ 1,195	$ 1,140	$ 1,266	$ 1,195	$ 1,140
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 300	$ 360	$ 360	$ 1,738	$ 360	$ 360
Income After Taxes and Health Expenses[9]	$ 31,163	$ 29,011	$ 30,054	$ 30,857	$ 29,011	$ 30,054

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 3A
Single Male, Age 30, Currently with Employer-Provided Health Insurance and Wage of $60,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 60,000**	$ 58,771	$ 56,893	$ 61,174	$ 58,771	$ 56,893
Employer FICA	$ 4,565	$ 4,496	$ 4,352	$ 4,680	$ 4,496	$ 4,352
Employer Health Premium[2]	$ 1,288			$ -		
New Program Contribution or Tax[3]	$ -	$ 2,586	$ 4,608	$ -	$ 2,586	$ 4,608
Total Compensation[4]	$ 65,853	$ 65,853	$ 65,853	$ 65,853	$ 65,853	$ 65,853
Employee Health Premium[5]	$ 322	$ 2,000	$ -	$ -	$ 2,000	$ -
Taxable Wages[6]	$ 59,678	$ 58,771	$ 56,893	$ 61,174	$ 58,771	$ 56,893
Federal Taxes						
Employee FICA	$ 4,565	$ 4,496	$ 4,352	$ 4,680	$ 4,496	$ 4,352
AGI	$ 59,678	$ 58,771	$ 56,893	$ 61,174	$ 58,771	$ 56,893
Deductions (larger of standard or itemized)	$ 10,742	$ 10,579	$ 10,241	$ 11,011	$ 10,579	$ 10,241
Personal Exemptions	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400
Taxable Income	$ 45,536	$ 44,793	$ 43,252	$ 46,762	$ 44,793	$ 43,252
Income Tax (before credits)	$ 7,808	$ 7,622	$ 7,237	$ 8,114	$ 7,622	$ 7,237
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 7,808	$ 7,622	$ 7,237	$ 8,114	$ 7,622	$ 7,237
Total Federal Taxes[7]	$ 12,373	$ 12,118	$ 11,589	$ 12,794	$ 12,118	$ 11,589
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 45,536	$ 44,793	$ 43,252	$ 46,762	$ 44,793	$ 43,252
Income Tax (before credits)	$ 2,070	$ 2,031	$ 1,949	$ 2,135	$ 2,031	$ 1,949
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 2,070	$ 2,031	$ 1,949	$ 2,135	$ 2,031	$ 1,949
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 300	$ 360	$ 360	$ 1,738	$ 360	$ 360
Income After Taxes and Health Expenses[9]	$ 44,935	$ 42,263	$ 42,995	$ 44,507	$ 42,263	$ 42,995

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 4A
Single Male, Age 30, Currently with Employer-Provided Health Insurance and Wage of $100,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 100,000**	$ 97,080	$ 93,977	$ 101,265	$ 97,080	$ 93,977
Employer FICA	$ 7,490	$ 7,427	$ 7,189	$ 7,513	$ 7,427	$ 7,189
Employer Health Premium[2]	$ 1,288			$ -		
New Program Contribution or Tax[3]	$ -	$ 4,272	$ 7,612	$ -	$ 4,272	$ 7,612
Total Compensation[4]	$ 108,778	$ 108,778	$ 108,778	$ 108,778	$ 108,778	$ 108,778
Employee Health Premium[5]	$ 322	$ 2,000	$ -	$ -	$ 2,000	$ -
Taxable Wages[6]	$ 99,678	$ 97,080	$ 93,977	$ 101,265	$ 97,080	$ 93,977
Federal Taxes						
Employee FICA	$ 7,490	$ 7,427	$ 7,189	$ 7,513	$ 7,427	$ 7,189
AGI	$ 99,678	$ 97,080	$ 93,977	$ 101,265	$ 97,080	$ 93,977
Deductions (larger of standard or itemized)	$ 17,942	$ 17,474	$ 16,916	$ 18,228	$ 17,474	$ 16,916
Personal Exemptions	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400
Taxable Income	$ 78,336	$ 76,206	$ 73,661	$ 79,637	$ 76,206	$ 73,661
Income Tax (before credits)	$ 16,045	$ 15,475	$ 14,839	$ 16,409	$ 15,475	$ 14,839
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 16,045	$ 15,475	$ 14,839	$ 16,409	$ 15,475	$ 14,839
Total Federal Taxes[7]	$ 23,535	$ 22,902	$ 22,028	$ 23,923	$ 22,902	$ 22,028
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 78,336	$ 76,206	$ 73,661	$ 79,637	$ 76,206	$ 73,661
Income Tax (before credits)	$ 3,808	$ 3,695	$ 3,561	$ 3,877	$ 3,695	$ 3,561
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 3,808	$ 3,695	$ 3,561	$ 3,877	$ 3,695	$ 3,561
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 300	$ 360	$ 360	$ 1,738	$ 360	$ 360
Income After Taxes and Health Expenses[9]	$ 72,035	$ 68,123	$ 68,028	$ 71,728	$ 68,123	$ 68,028

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 5A
Single Male, Age 30, Currently with Employer-Provided Health Insurance and Wage of $200,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 200,000**	$ 192,899	$ 186,384	$ 201,265	$ 192,899	$ 186,384
Employer FICA	$ 8,940	$ 8,842	$ 8,748	$ 8,963	$ 8,842	$ 8,748
Employer Health Premium[2]	$ 1,288			$ -		
New Program Contribution or Tax[3]	$ -	$ 8,488	$ 15,097	$ -	$ 8,488	$ 15,097
Total Compensation[4]	$ 210,228	$ 210,228	$ 210,228	$ 210,228	$ 210,228	$ 210,228
Employee Health Premium[5]	$ 322	$ 2,000	$ -	$ -	$ 2,000	$ -
Taxable Wages[6]	$ 199,678	$ 192,899	$ 186,384	$ 201,265	$ 192,899	$ 186,384
Federal Taxes						
Employee FICA	$ 8,940	$ 8,842	$ 8,748	$ 8,963	$ 8,842	$ 8,748
AGI	$ 199,678	$ 192,899	$ 186,384	$ 201,265	$ 192,899	$ 186,384
Deductions (larger of standard or itemized)	$ 35,076	$ 33,992	$ 32,949	$ 35,330	$ 33,992	$ 32,949
Personal Exemptions	$ 2,586	$ 2,722	$ 2,857	$ 2,586	$ 2,722	$ 2,857
Taxable Income	$ 162,015	$ 156,185	$ 150,577	$ 163,349	$ 156,185	$ 150,577
Income Tax (before credits)	$ 40,047	$ 38,031	$ 36,272	$ 40,517	$ 38,031	$ 36,272
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 40,047	$ 38,031	$ 36,272	$ 40,517	$ 38,031	$ 36,272
Total Federal Taxes[7]	$ 48,987	$ 46,873	$ 45,020	$ 49,480	$ 46,873	$ 45,020
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 162,015	$ 156,185	$ 150,577	$ 163,349	$ 156,185	$ 150,577
Income Tax (before credits)	$ 8,243	$ 7,934	$ 7,637	$ 8,314	$ 7,934	$ 7,637
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 8,243	$ 7,934	$ 7,637	$ 8,314	$ 7,934	$ 7,637
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 300	$ 360	$ 360	$ 1,738	$ 360	$ 360
Income After Taxes and Health Expenses[9]	$ 142,148	$ 135,732	$ 133,367	$ 141,734	$ 135,732	$ 133,367

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 1B
Single Female, Age 50, Currently with Employer-Provided Health Insurance and Wage of $25,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 25,000**	$ 27,499	$ 26,620	$ 28,623	$ 27,499	$ 26,620
Employer FICA	$ 1,836	$ 2,104	$ 2,036	$ 2,190	$ 2,104	$ 2,036
Employer Health Premium[2]	$ 3,976			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,210	$ 2,156	$ -	$ 1,210	$ 2,156
Total Compensation[4]	$ 30,812	$ 30,812	$ 30,812	$ 30,812	$ 30,812	$ 30,812
Employee Health Premium[5]	$ 994	$ 1,650	$ -	$ -	$ 1,650	$ -
Taxable Wages[6]	$ 24,006	$ 27,499	$ 26,620	$ 28,623	$ 27,499	$ 26,620
Federal Taxes						
Employee FICA	$ 1,836	$ 2,104	$ 2,036	$ 2,190	$ 2,104	$ 2,036
AGI	$ 24,006	$ 27,499	$ 26,620	$ 28,623	$ 27,499	$ 26,620
Deductions (larger of standard or itemized)	$ 5,350	$ 5,350	$ 5,350	$ 5,350	$ 5,350	$ 5,350
Personal Exemptions	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400
Taxable Income	$ 15,256	$ 18,749	$ 17,870	$ 19,873	$ 18,749	$ 17,870
Income Tax (before credits)	$ 1,897	$ 2,421	$ 2,289	$ 2,590	$ 2,421	$ 2,289
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 1,897	$ 2,421	$ 2,289	$ 2,590	$ 2,421	$ 2,289
Total Federal Taxes[7]	$ 3,734	$ 4,525	$ 4,326	$ 4,779	$ 4,525	$ 4,326
State Income Tax						
Middle-Income Exemption	$ 1,899	$ 1,375	$ 1,507	$ 1,207	$ 1,375	$ 1,507
Taxable Income	$ 13,357	$ 17,373	$ 16,363	$ 18,666	$ 17,373	$ 16,363
Income Tax (before credits)	$ 380	$ 577	$ 524	$ 646	$ 577	$ 524
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 380	$ 577	$ 524	$ 646	$ 577	$ 524
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 980	$ 1,176	$ 1,176	$ 5,417	$ 1,176	$ 1,176
Income After Taxes and Health Expenses[9]	$ 18,912	$ 19,571	$ 20,594	$ 17,780	$ 19,571	$ 20,594

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 2B
Single Female, Age 50, Currently with Employer-Provided Health Insurance and Wage of $40,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 40,000**	$ 41,910	$ 40,570	$ 43,623	$ 41,910	$ 40,570
Employer FICA	$ 2,984	$ 3,206	$ 3,104	$ 3,337	$ 3,206	$ 3,104
Employer Health Premium[2]	$ 3,976			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,844	$ 3,286	$ -	$ 1,844	$ 3,286
Total Compensation[4]	$ 46,960	$ 46,960	$ 46,960	$ 46,960	$ 46,960	$ 46,960
Employee Health Premium[5]	$ 994	$ 2,000	$ -	$ -	$ 2,000	$ -
Taxable Wages[6]	$ 39,006	$ 41,910	$ 40,570	$ 43,623	$ 41,910	$ 40,570
Federal Taxes						
Employee FICA	$ 2,984	$ 3,206	$ 3,104	$ 3,337	$ 3,206	$ 3,104
AGI	$ 39,006	$ 41,910	$ 40,570	$ 43,623	$ 41,910	$ 40,570
Deductions (larger of standard or itemized)	$ 7,021	$ 7,544	$ 7,303	$ 7,852	$ 7,544	$ 7,303
Personal Exemptions	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400
Taxable Income	$ 28,585	$ 30,966	$ 29,867	$ 32,371	$ 30,966	$ 29,867
Income Tax (before credits)	$ 3,896	$ 4,254	$ 4,089	$ 4,516	$ 4,254	$ 4,089
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 3,896	$ 4,254	$ 4,089	$ 4,516	$ 4,254	$ 4,089
Total Federal Taxes[7]	$ 6,880	$ 7,460	$ 7,192	$ 7,854	$ 7,460	$ 7,192
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 28,585	$ 30,966	$ 29,867	$ 32,371	$ 30,966	$ 29,867
Income Tax (before credits)	$ 1,172	$ 1,298	$ 1,239	$ 1,372	$ 1,298	$ 1,239
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 1,172	$ 1,298	$ 1,239	$ 1,372	$ 1,298	$ 1,239
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 980	$ 1,176	$ 1,176	$ 5,417	$ 1,176	$ 1,176
Income After Taxes and Health Expenses[9]	$ 29,974	$ 29,976	$ 30,962	$ 28,980	$ 29,976	$ 30,962

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 3B
Single Female, Age 50, Currently with Employer-Provided Health Insurance and Wage of $60,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 60,000**	$ 61,124	$ 59,170	$ 63,623	$ 61,124	$ 59,170
Employer FICA	$ 4,514	$ 4,676	$ 4,527	$ 4,867	$ 4,676	$ 4,527
Employer Health Premium[2]	$ 3,976			$ -		
New Program Contribution or Tax[3]	$ -	$ 2,689	$ 4,793	$ -	$ 2,689	$ 4,793
Total Compensation[4]	$ 68,490	$ 68,490	$ 68,490	$ 68,490	$ 68,490	$ 68,490
Employee Health Premium[5]	$ 994	$ 2,000	$ -	$ -	$ 2,000	$ -
Taxable Wages[6]	$ 59,006	$ 61,124	$ 59,170	$ 63,623	$ 61,124	$ 59,170
Federal Taxes						
Employee FICA	$ 4,514	$ 4,676	$ 4,527	$ 4,867	$ 4,676	$ 4,527
AGI	$ 59,006	$ 61,124	$ 59,170	$ 63,623	$ 61,124	$ 59,170
Deductions (larger of standard or itemized)	$ 10,621	$ 11,002	$ 10,651	$ 11,452	$ 11,002	$ 10,651
Personal Exemptions	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400
Taxable Income	$ 44,985	$ 46,722	$ 45,120	$ 48,771	$ 46,722	$ 45,120
Income Tax (before credits)	$ 7,670	$ 8,104	$ 7,704	$ 8,616	$ 8,104	$ 7,704
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 7,670	$ 8,104	$ 7,704	$ 8,616	$ 8,104	$ 7,704
Total Federal Taxes[7]	$ 12,184	$ 12,780	$ 12,230	$ 13,484	$ 12,780	$ 12,230
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 44,985	$ 46,722	$ 45,120	$ 48,771	$ 46,722	$ 45,120
Income Tax (before credits)	$ 2,041	$ 2,133	$ 2,048	$ 2,241	$ 2,133	$ 2,048
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 2,041	$ 2,133	$ 2,048	$ 2,241	$ 2,133	$ 2,048
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 980	$ 1,176	$ 1,176	$ 5,417	$ 1,176	$ 1,176
Income After Taxes and Health Expenses[9]	$ 43,801	$ 43,035	$ 43,716	$ 42,481	$ 43,035	$ 43,716

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 4B
Single Female, Age 50, Currently with Employer-Provided Health Insurance and Wage of $100,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 100,000**	$ 99,586	$ 96,291	$ 103,905	$ 99,586	$ 96,291
Employer FICA	$ 7,481	$ 7,489	$ 7,366	$ 7,552	$ 7,489	$ 7,366
Employer Health Premium[2]	$ 3,976			$ -		
New Program Contribution or Tax[3]	$ -	$ 4,382	$ 7,800	$ -	$ 4,382	$ 7,800
Total Compensation[4]	$ 111,456	$ 111,456	$ 111,456	$ 111,456	$ 111,456	$ 111,456
Employee Health Premium[5]	$ 994	$ 2,000	$ -	$ -	$ 2,000	$ -
Taxable Wages[6]	$ 99,006	$ 99,586	$ 96,291	$ 103,905	$ 99,586	$ 96,291
Federal Taxes						
Employee FICA	$ 7,481	$ 7,489	$ 7,366	$ 7,552	$ 7,489	$ 7,366
AGI	$ 99,006	$ 99,586	$ 96,291	$ 103,905	$ 99,586	$ 96,291
Deductions (larger of standard or itemized)	$ 17,821	$ 17,925	$ 17,332	$ 18,703	$ 17,925	$ 17,332
Personal Exemptions	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400	$ 3,400
Taxable Income	$ 77,785	$ 78,260	$ 75,558	$ 81,802	$ 78,260	$ 75,558
Income Tax (before credits)	$ 15,891	$ 16,024	$ 15,313	$ 17,015	$ 16,024	$ 15,313
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 15,891	$ 16,024	$ 15,313	$ 17,015	$ 16,024	$ 15,313
Total Federal Taxes[7]	$ 23,371	$ 23,513	$ 22,680	$ 24,567	$ 23,513	$ 22,680
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 77,785	$ 78,260	$ 75,558	$ 81,802	$ 78,260	$ 75,558
Income Tax (before credits)	$ 3,779	$ 3,804	$ 3,661	$ 3,992	$ 3,804	$ 3,661
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 3,779	$ 3,804	$ 3,661	$ 3,992	$ 3,804	$ 3,661
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 980	$ 1,176	$ 1,176	$ 5,417	$ 1,176	$ 1,176
Income After Taxes and Health Expenses[9]	$ 70,876	$ 69,093	$ 68,774	$ 69,929	$ 69,093	$ 68,774

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 5B
Single Female, Age 50, Currently with Employer-Provided Health Insurance and Wage of $200,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 200,000**	$ 195,429	$ 188,828	$ 203,905	$ 195,429	$ 188,828
Employer FICA	$ 8,931	$ 8,879	$ 8,783	$ 9,002	$ 8,879	$ 8,783
Employer Health Premium[2]	$ 3,976			$ -		
New Program Contribution or Tax[3]	$ -	$ 8,599	$ 15,295	$ -	$ 8,599	$ 15,295
Total Compensation[4]	$ 212,906	$ 212,906	$ 212,906	$ 212,906	$ 212,906	$ 212,906
Employee Health Premium[5]	$ 994	$ 2,000	$ -	$ -	$ 2,000	$ -
Taxable Wages[6]	$ 199,006	$ 195,429	$ 188,828	$ 203,905	$ 195,429	$ 188,828
Federal Taxes						
Employee FICA	$ 8,931	$ 8,879	$ 8,783	$ 9,002	$ 8,879	$ 8,783
AGI	$ 199,006	$ 195,429	$ 188,828	$ 203,905	$ 195,429	$ 188,828
Deductions (larger of standard or itemized)	$ 34,969	$ 34,397	$ 33,341	$ 35,753	$ 34,397	$ 33,341
Personal Exemptions	$ 2,586	$ 2,676	$ 2,812	$ 2,496	$ 2,676	$ 2,812
Taxable Income	$ 161,451	$ 158,356	$ 152,676	$ 165,656	$ 158,356	$ 152,676
Income Tax (before credits)	$ 39,847	$ 38,783	$ 36,860	$ 41,297	$ 38,783	$ 36,860
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 39,847	$ 38,783	$ 36,860	$ 41,297	$ 38,783	$ 36,860
Total Federal Taxes[7]	$ 48,777	$ 47,662	$ 45,643	$ 50,299	$ 47,662	$ 45,643
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 161,451	$ 158,356	$ 152,676	$ 165,656	$ 158,356	$ 152,676
Income Tax (before credits)	$ 8,213	$ 8,049	$ 7,748	$ 8,436	$ 8,049	$ 7,748
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 8,213	$ 8,049	$ 7,748	$ 8,436	$ 8,049	$ 7,748
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 980	$ 1,176	$ 1,176	$ 5,417	$ 1,176	$ 1,176
Income After Taxes and Health Expenses[9]	$ 141,035	$ 136,542	$ 134,261	$ 139,752	$ 136,542	$ 134,261

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 1C
Female Head of Household, Age 30, One Child, Currently with Employer-Provided Health Insurance and Wage of $25,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 25,000**	$ 28,186	$ 27,285	$ 29,338	$ 28,186	$ 27,285
Employer FICA	$ 1,821	$ 2,156	$ 2,087	$ 2,244	$ 2,156	$ 2,087
Employer Health Premium[2]	$ 4,761			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,240	$ 2,210	$ -	$ 1,240	$ 2,210
Total Compensation[4]	$ 31,582	$ 31,582	$ 31,582	$ 31,582	$ 31,582	$ 31,582
Employee Health Premium[5]	$ 1,190	$ 1,691	$ -	$ -	$ 1,691	$ -
Taxable Wages[6]	$ 23,810	$ 28,186	$ 27,285	$ 29,338	$ 28,186	$ 27,285
Federal Taxes						
Employee FICA	$ 1,821	$ 2,156	$ 2,087	$ 2,244	$ 2,156	$ 2,087
AGI	$ 23,810	$ 28,186	$ 27,285	$ 29,338	$ 28,186	$ 27,285
Deductions (larger of standard or itemized)	$ 7,850	$ 7,850	$ 7,850	$ 7,850	$ 7,850	$ 7,850
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 9,160	$ 13,536	$ 12,635	$ 14,688	$ 13,536	$ 12,635
Income Tax (before credits)	$ 916	$ 1,470	$ 1,335	$ 1,643	$ 1,470	$ 1,335
EITC	$ 1,507	$ 808	$ 952	$ 624	$ 808	$ 952
Child Tax Credit	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Income Tax (after credits)	$ (1,591)	$ (337)	$ (617)	$ 19	$ (337)	$ (617)
Total Federal Taxes[7]	$ 230	$ 1,819	$ 1,471	$ 2,264	$ 1,819	$ 1,471
State Income Tax						
Middle-Income Exemption	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Taxable Income	$ 4,160	$ 8,536	$ 7,635	$ 9,688	$ 8,536	$ 7,635
Income Tax (before credits)	$ 71	$ 153	$ 130	$ 190	$ 153	$ 130
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ 121	$ 65	$ 76	$ 50	$ 65	$ 76
State Income Tax	$ (50)	$ 89	$ 54	$ 140	$ 89	$ 54
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,291	$ 1,549	$ 1,549	$ 6,604	$ 1,549	$ 1,549
Income After Taxes and Health Expenses[9]	$ 22,338	$ 23,038	$ 24,211	$ 20,330	$ 23,038	$ 24,211

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 2C
Female Head of Household, Age 30, One Child, Currently with Employer-Provided Health Insurance and Wage of $40,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 40,000**	$ 42,597	$ 41,235	$ 44,338	$ 42,597	$ 41,235
Employer FICA	$ 2,969	$ 3,259	$ 3,154	$ 3,392	$ 3,259	$ 3,154
Employer Health Premium[2]	$ 4,761			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,874	$ 3,340	$ -	$ 1,874	$ 3,340
Total Compensation[4]	$ 47,730	$ 47,730	$ 47,730	$ 47,730	$ 47,730	$ 47,730
Employee Health Premium[5]	$ 1,190	$ 2,556	$ -	$ -	$ 2,556	$ -
Taxable Wages[6]	$ 38,810	$ 42,597	$ 41,235	$ 44,338	$ 42,597	$ 41,235
Federal Taxes						
Employee FICA	$ 2,969	$ 3,259	$ 3,154	$ 3,392	$ 3,259	$ 3,154
AGI	$ 38,810	$ 42,597	$ 41,235	$ 44,338	$ 42,597	$ 41,235
Deductions (larger of standard or itemized)	$ 7,850	$ 7,850	$ 7,850	$ 7,981	$ 7,850	$ 7,850
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 24,160	$ 27,947	$ 26,585	$ 29,557	$ 27,947	$ 26,585
Income Tax (before credits)	$ 3,064	$ 3,632	$ 3,428	$ 3,874	$ 3,632	$ 3,428
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Income Tax (after credits)	$ 2,064	$ 2,632	$ 2,428	$ 2,874	$ 2,632	$ 2,428
Total Federal Taxes[7]	$ 5,033	$ 5,891	$ 5,582	$ 6,265	$ 5,891	$ 5,582
State Income Tax						
Middle-Income Exemption	$ 3,238	$ 2,481	$ 2,753	$ 2,132	$ 2,481	$ 2,753
Taxable Income	$ 20,922	$ 25,466	$ 23,832	$ 27,425	$ 25,466	$ 23,832
Income Tax (before credits)	$ 623	$ 846	$ 760	$ 950	$ 846	$ 760
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 623	$ 846	$ 760	$ 950	$ 846	$ 760
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,291	$ 1,549	$ 1,549	$ 6,604	$ 1,549	$ 1,549
Income After Taxes and Health Expenses[9]	$ 31,863	$ 31,756	$ 33,344	$ 30,519	$ 31,756	$ 33,344

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 3C
Female Head of Household, Age 30, One Child, Currently with Employer-Provided Health Insurance and Wage of $60,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 60,000**	$ 61,811	$ 59,836	$ 64,338	$ 61,811	$ 59,836
Employer FICA	$ 4,499	$ 4,729	$ 4,577	$ 4,922	$ 4,729	$ 4,577
Employer Health Premium[2]	$ 4,761			$ -		
New Program Contribution or Tax[3]	$ -	$ 2,720	$ 4,847	$ -	$ 2,720	$ 4,847
Total Compensation[4]	$ 69,260	$ 69,260	$ 69,260	$ 69,260	$ 69,260	$ 69,260
Employee Health Premium[5]	$ 1,190	$ 3,709	$ -	$ -	$ 3,709	$ -
Taxable Wages[6]	$ 58,810	$ 61,811	$ 59,836	$ 64,338	$ 61,811	$ 59,836
Federal Taxes						
Employee FICA	$ 4,499	$ 4,729	$ 4,577	$ 4,922	$ 4,729	$ 4,577
AGI	$ 58,810	$ 61,811	$ 59,836	$ 64,338	$ 61,811	$ 59,836
Deductions (larger of standard or itemized)	$ 10,586	$ 11,126	$ 10,770	$ 11,581	$ 11,126	$ 10,770
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 41,424	$ 43,885	$ 42,265	$ 45,957	$ 43,885	$ 42,265
Income Tax (before credits)	$ 5,654	$ 6,146	$ 5,780	$ 6,664	$ 6,146	$ 5,780
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Income Tax (after credits)	$ 4,654	$ 5,146	$ 4,780	$ 5,664	$ 5,146	$ 4,780
Total Federal Taxes[7]	$ 9,153	$ 9,875	$ 9,357	$ 10,586	$ 9,875	$ 9,357
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 41,424	$ 43,885	$ 42,265	$ 45,957	$ 43,885	$ 42,265
Income Tax (before credits)	$ 1,691	$ 1,822	$ 1,736	$ 1,932	$ 1,822	$ 1,736
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 1,691	$ 1,822	$ 1,736	$ 1,932	$ 1,822	$ 1,736
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,291	$ 1,549	$ 1,549	$ 6,604	$ 1,549	$ 1,549
Income After Taxes and Health Expenses[9]	$ 46,675	$ 44,857	$ 47,193	$ 45,216	$ 44,857	$ 47,193

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 4C
Female Head of Household, Age 30, One Child, Currently with Employer-Provided Health Insurance and Wage of $100,000

	Currently Covered			Currently Uncovered		
Compensation, Taxes, and Health Expenses	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 100,000**	$ 100,325	$ 96,966	$ 104,676	$ 100,325	$ 96,966
Employer FICA	$ 7,478	$ 7,500	$ 7,418	$ 7,563	$ 7,500	$ 7,418
Employer Health Premium[2]	$ 4,761			$ -		
New Program Contribution or Tax[3]	$ -	$ 4,414	$ 7,854	$ -	$ 4,414	$ 7,854
Total Compensation[4]	$ 112,238	$ 112,238	$ 112,238	$ 112,238	$ 112,238	$ 112,238
Employee Health Premium[5]	$ 1,190	$ 4,000	$ -	$ -	$ 4,000	$ -
Taxable Wages[6]	$ 98,810	$ 100,325	$ 96,966	$ 104,676	$ 100,325	$ 96,966
Federal Taxes						
Employee FICA	$ 7,478	$ 7,500	$ 7,418	$ 7,563	$ 7,500	$ 7,418
AGI	$ 98,810	$ 100,325	$ 96,966	$ 104,676	$ 100,325	$ 96,966
Deductions (larger of standard or itemized)	$ 17,786	$ 18,058	$ 17,454	$ 18,842	$ 18,058	$ 17,454
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 74,224	$ 75,466	$ 72,712	$ 79,034	$ 75,466	$ 72,712
Income Tax (before credits)	$ 13,731	$ 14,042	$ 13,353	$ 14,934	$ 14,042	$ 13,353
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 13,731	$ 14,042	$ 13,353	$ 14,934	$ 14,042	$ 13,353
Total Federal Taxes[7]	$ 21,209	$ 21,541	$ 20,771	$ 22,496	$ 21,541	$ 20,771
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 74,224	$ 75,466	$ 72,712	$ 79,034	$ 75,466	$ 72,712
Income Tax (before credits)	$ 3,430	$ 3,496	$ 3,350	$ 3,685	$ 3,496	$ 3,350
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 3,430	$ 3,496	$ 3,350	$ 3,685	$ 3,496	$ 3,350
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,291	$ 1,549	$ 1,549	$ 6,604	$ 1,549	$ 1,549
Income After Taxes and Health Expenses[9]	$ 72,880	$ 69,739	$ 71,296	$ 71,890	$ 69,739	$ 71,296

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 5C
Female Head of Household, Age 30, One Child, Currently with Employer-Provided Health Insurance and Wage of $200,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 200,000**	$ 196,168	$ 189,542	$ 204,676	$ 196,168	$ 189,542
Employer FICA	$ 8,928	$ 8,889	$ 8,793	$ 9,013	$ 8,889	$ 8,793
Employer Health Premium[2]	$ 4,761			$ -		
New Program Contribution or Tax[3]	$ -	$ 8,631	$ 15,353	$ -	$ 8,631	$ 15,353
Total Compensation[4]	$ 213,688	$ 213,688	$ 213,688	$ 213,688	$ 213,688	$ 213,688
Employee Health Premium[5]	$ 1,190	$ 4,000	$ -	$ -	$ 4,000	$ -
Taxable Wages[6]	$ 198,810	$ 196,168	$ 189,542	$ 204,676	$ 196,168	$ 189,542
Federal Taxes						
Employee FICA	$ 8,928	$ 8,889	$ 8,793	$ 9,013	$ 8,889	$ 8,793
AGI	$ 198,810	$ 196,168	$ 189,542	$ 204,676	$ 196,168	$ 189,542
Deductions (larger of standard or itemized)	$ 34,938	$ 34,515	$ 33,455	$ 35,876	$ 34,515	$ 33,455
Personal Exemptions	$ 6,619	$ 6,710	$ 6,800	$ 6,438	$ 6,710	$ 6,800
Taxable Income	$ 157,253	$ 154,943	$ 149,287	$ 162,361	$ 154,943	$ 149,287
Income Tax (before credits)	$ 39,788	$ 39,003	$ 37,032	$ 41,525	$ 39,003	$ 37,032
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 39,788	$ 39,003	$ 37,032	$ 41,525	$ 39,003	$ 37,032
Total Federal Taxes[7]	$ 48,716	$ 47,892	$ 45,826	$ 50,538	$ 47,892	$ 45,826
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 157,253	$ 154,943	$ 149,287	$ 162,361	$ 154,943	$ 149,287
Income Tax (before credits)	$ 7,830	$ 7,708	$ 7,408	$ 8,101	$ 7,708	$ 7,408
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 7,830	$ 7,708	$ 7,408	$ 8,101	$ 7,708	$ 7,408
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,291	$ 1,549	$ 1,549	$ 6,604	$ 1,549	$ 1,549
Income After Taxes and Health Expenses[9]	$ 140,972	$ 135,018	$ 134,759	$ 139,432	$ 135,018	$ 134,759

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 1D
Couple, Male 30, Female 25, No Children, Currently with Employer-Provided Health Insurance and Wage of $25,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 25,000**	$ 27,613	$ 26,731	$ 28,742	$ 27,613	$ 26,731
Employer FICA	$ 1,834	$ 2,112	$ 2,045	$ 2,199	$ 2,112	$ 2,045
Employer Health Premium[2]	$ 4,107			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,215	$ 2,165	$ -	$ 1,215	$ 2,165
Total Compensation[4]	$ 30,941	$ 30,941	$ 30,941	$ 30,941	$ 30,941	$ 30,941
Employee Health Premium[5]	$ 1,027	$ 1,657	$ -	$ -	$ 1,657	$ -
Taxable Wages[6]	$ 23,973	$ 27,613	$ 26,731	$ 28,742	$ 27,613	$ 26,731
Federal Taxes						
Employee FICA	$ 1,834	$ 2,112	$ 2,045	$ 2,199	$ 2,112	$ 2,045
AGI	$ 23,973	$ 27,613	$ 26,731	$ 28,742	$ 27,613	$ 26,731
Deductions (larger of standard or itemized)	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 6,473	$ 10,113	$ 9,231	$ 11,242	$ 10,113	$ 9,231
Income Tax (before credits)	$ 647	$ 1,011	$ 923	$ 1,124	$ 1,011	$ 923
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 647	$ 1,011	$ 923	$ 1,124	$ 1,011	$ 923
Total Federal Taxes[7]	$ 2,481	$ 3,124	$ 2,968	$ 3,323	$ 3,124	$ 2,968
State Income Tax						
Middle-Income Exemption	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Taxable Income	$ 1,473	$ 5,113	$ 4,231	$ 6,242	$ 5,113	$ 4,231
Income Tax (before credits)	$ 25	$ 87	$ 72	$ 106	$ 87	$ 72
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 25	$ 87	$ 72	$ 106	$ 87	$ 72
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,045	$ 1,254	$ 1,254	$ 5,629	$ 1,254	$ 1,254
Income After Taxes and Health Expenses[9]	$ 20,422	$ 21,492	$ 22,437	$ 19,684	$ 21,492	$ 22,437

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 2D
Couple, Male 30, Female 25, No Children, Currently with Employer-Provided Health Insurance and Wage of $40,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 40,000**	$ 42,024	$ 40,681	$ 43,742	$ 42,024	$ 40,681
Employer FICA	$ 2,981	$ 3,215	$ 3,112	$ 3,346	$ 3,215	$ 3,112
Employer Health Premium[2]	$ 4,107			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,849	$ 3,295	$ -	$ 1,849	$ 3,295
Total Compensation[4]	$ 47,088	$ 47,088	$ 47,088	$ 47,088	$ 47,088	$ 47,088
Employee Health Premium[5]	$ 1,027	$ 2,521	$ -	$ -	$ 2,521	$ -
Taxable Wages[6]	$ 38,973	$ 42,024	$ 40,681	$ 43,742	$ 42,024	$ 40,681
Federal Taxes						
Employee FICA	$ 2,981	$ 3,215	$ 3,112	$ 3,346	$ 3,215	$ 3,112
AGI	$ 38,973	$ 42,024	$ 40,681	$ 43,742	$ 42,024	$ 40,681
Deductions (larger of standard or itemized)	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 21,473	$ 24,524	$ 23,181	$ 26,242	$ 24,524	$ 23,181
Income Tax (before credits)	$ 2,438	$ 2,896	$ 2,695	$ 3,154	$ 2,896	$ 2,695
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 2,438	$ 2,896	$ 2,695	$ 3,154	$ 2,896	$ 2,695
Total Federal Taxes[7]	$ 5,420	$ 6,111	$ 5,807	$ 6,500	$ 6,111	$ 5,807
State Income Tax						
Middle-Income Exemption	$ 3,205	$ 2,595	$ 2,864	$ 2,252	$ 2,595	$ 2,864
Taxable Income	$ 18,268	$ 21,929	$ 20,317	$ 23,991	$ 21,929	$ 20,317
Income Tax (before credits)	$ 499	$ 671	$ 595	$ 768	$ 671	$ 595
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 499	$ 671	$ 595	$ 768	$ 671	$ 595
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,045	$ 1,254	$ 1,254	$ 5,629	$ 1,254	$ 1,254
Income After Taxes and Health Expenses[9]	$ 32,010	$ 31,467	$ 33,025	$ 30,846	$ 31,467	$ 33,025

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 3D
Couple, Male 30, Female 25, No Children, Currently with Employer-Provided Health Insurance and Wage of $60,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 60,000**	$ 61,239	$ 59,282	$ 63,742	$ 61,239	$ 59,282
Employer FICA	$ 4,511	$ 4,685	$ 4,535	$ 4,876	$ 4,685	$ 4,535
Employer Health Premium[2]	$ 4,107			$ -		
New Program Contribution or Tax[3]	$ -	$ 2,695	$ 4,802	$ -	$ 2,695	$ 4,802
Total Compensation[4]	$ 68,618	$ 68,618	$ 68,618	$ 68,618	$ 68,618	$ 68,618
Employee Health Premium[5]	$ 1,027	$ 3,674	$ -	$ -	$ 3,674	$ -
Taxable Wages[6]	$ 58,973	$ 61,239	$ 59,282	$ 63,742	$ 61,239	$ 59,282
Federal Taxes						
Employee FICA	$ 4,511	$ 4,685	$ 4,535	$ 4,876	$ 4,685	$ 4,535
AGI	$ 58,973	$ 61,239	$ 59,282	$ 63,742	$ 61,239	$ 59,282
Deductions (larger of standard or itemized)	$ 10,700	$ 11,023	$ 10,700	$ 11,474	$ 11,023	$ 10,700
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 41,473	$ 43,416	$ 41,782	$ 45,469	$ 43,416	$ 41,782
Income Tax (before credits)	$ 5,438	$ 5,730	$ 5,485	$ 6,038	$ 5,730	$ 5,485
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 5,438	$ 5,730	$ 5,485	$ 6,038	$ 5,730	$ 5,485
Total Federal Taxes[7]	$ 9,950	$ 10,415	$ 10,020	$ 10,914	$ 10,415	$ 10,020
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 41,473	$ 43,416	$ 41,782	$ 45,469	$ 43,416	$ 41,782
Income Tax (before credits)	$ 1,694	$ 1,797	$ 1,710	$ 1,906	$ 1,797	$ 1,710
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 1,694	$ 1,797	$ 1,710	$ 1,906	$ 1,797	$ 1,710
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,045	$ 1,254	$ 1,254	$ 5,629	$ 1,254	$ 1,254
Income After Taxes and Health Expenses[9]	$ 46,284	$ 44,099	$ 46,297	$ 45,294	$ 44,099	$ 46,297

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 4D
Couple, Male 30, Female 25, No Children, Currently with Employer-Provided Health Insurance and Wage of $100,000

	Currently Covered			Currently Uncovered		
Compensation, Taxes, and Health Expenses	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 100,000**	$ 99,709	$ 96,403	$ 104,034	$ 99,709	$ 96,403
Employer FICA	$ 7,480	$ 7,491	$ 7,375	$ 7,553	$ 7,491	$ 7,375
Employer Health Premium[2]	$ 4,107			$ -		
New Program Contribution or Tax[3]	$ -	$ 4,387	$ 7,809	$ -	$ 4,387	$ 7,809
Total Compensation[4]	$ 111,587	$ 111,587	$ 111,587	$ 111,587	$ 111,587	$ 111,587
Employee Health Premium[5]	$ 1,027	$ 4,000	$ -	$ -	$ 4,000	$ -
Taxable Wages[6]	$ 98,973	$ 99,709	$ 96,403	$ 104,034	$ 99,709	$ 96,403
Federal Taxes						
Employee FICA	$ 7,480	$ 7,491	$ 7,375	$ 7,553	$ 7,491	$ 7,375
AGI	$ 98,973	$ 99,709	$ 96,403	$ 104,034	$ 99,709	$ 96,403
Deductions (larger of standard or itemized)	$ 17,815	$ 17,948	$ 17,353	$ 18,726	$ 17,948	$ 17,353
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 74,358	$ 74,961	$ 72,251	$ 78,507	$ 74,961	$ 72,251
Income Tax (before credits)	$ 11,437	$ 11,588	$ 10,910	$ 12,474	$ 11,588	$ 10,910
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 11,437	$ 11,588	$ 10,910	$ 12,474	$ 11,588	$ 10,910
Total Federal Taxes[7]	$ 18,917	$ 19,079	$ 18,285	$ 20,028	$ 19,079	$ 18,285
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 74,358	$ 74,961	$ 72,251	$ 78,507	$ 74,961	$ 72,251
Income Tax (before credits)	$ 3,437	$ 3,469	$ 3,325	$ 3,657	$ 3,469	$ 3,325
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 3,437	$ 3,469	$ 3,325	$ 3,657	$ 3,469	$ 3,325
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,045	$ 1,254	$ 1,254	$ 5,629	$ 1,254	$ 1,254
Income After Taxes and Health Expenses[9]	$ 75,574	$ 71,907	$ 73,539	$ 74,720	$ 71,907	$ 73,539

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 5D
Couple, Male 30, Female 25, No Children, Currently with Employer-Provided Health Insurance and Wage of $200,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 200,000**	$ 195,552	$ 188,948	$ 204,034	$ 195,552	$ 188,948
Employer FICA	$ 8,930	$ 8,881	$ 8,785	$ 9,003	$ 8,881	$ 8,785
Employer Health Premium[2]	$ 4,107			$ -		
New Program Contribution or Tax[3]	$ -	$ 8,604	$ 15,305	$ -	$ 8,604	$ 15,305
Total Compensation[4]	$ 213,037	$ 213,037	$ 213,037	$ 213,037	$ 213,037	$ 213,037
Employee Health Premium[5]	$ 1,027	$ 4,000	$ -	$ -	$ 4,000	$ -
Taxable Wages[6]	$ 198,973	$ 195,552	$ 188,948	$ 204,034	$ 195,552	$ 188,948
Federal Taxes						
Employee FICA	$ 8,930	$ 8,881	$ 8,785	$ 9,003	$ 8,881	$ 8,785
AGI	$ 198,973	$ 195,552	$ 188,948	$ 204,034	$ 195,552	$ 188,948
Deductions (larger of standard or itemized)	$ 34,964	$ 34,416	$ 33,360	$ 35,773	$ 34,416	$ 33,360
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 157,210	$ 154,336	$ 148,788	$ 161,460	$ 154,336	$ 148,788
Income Tax (before credits)	$ 33,011	$ 32,207	$ 30,653	$ 34,201	$ 32,207	$ 30,653
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 33,011	$ 32,207	$ 30,653	$ 34,201	$ 32,207	$ 30,653
Total Federal Taxes[7]	$ 41,941	$ 41,087	$ 39,438	$ 43,205	$ 41,087	$ 39,438
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 157,210	$ 154,336	$ 148,788	$ 161,460	$ 154,336	$ 148,788
Income Tax (before credits)	$ 7,828	$ 7,676	$ 7,382	$ 8,053	$ 7,676	$ 7,382
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 7,828	$ 7,676	$ 7,382	$ 8,053	$ 7,676	$ 7,382
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,045	$ 1,254	$ 1,254	$ 5,629	$ 1,254	$ 1,254
Income After Taxes and Health Expenses[9]	$ 148,159	$ 141,535	$ 140,874	$ 147,147	$ 141,535	$ 140,874

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 1E
Couple, Male 50, Female 45, No Children, Currently with Employer-Provided Health Insurance and Wage of $25,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 25,000**	$ 30,391	$ 29,420	$ 31,634	$ 30,391	$ 29,420
Employer FICA	$ 1,773	$ 2,325	$ 2,251	$ 2,420	$ 2,325	$ 2,251
Employer Health Premium[2]	$ 7,280			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,337	$ 2,383	$ -	$ 1,337	$ 2,383
Total Compensation[4]	$ 34,053	$ 34,053	$ 34,053	$ 34,053	$ 34,053	$ 34,053
Employee Health Premium[5]	$ 1,820	$ 1,823	$ -	$ -	$ 1,823	$ -
Taxable Wages[6]	$ 23,180	$ 30,391	$ 29,420	$ 31,634	$ 30,391	$ 29,420
Federal Taxes						
Employee FICA	$ 1,773	$ 2,325	$ 2,251	$ 2,420	$ 2,325	$ 2,251
AGI	$ 23,180	$ 30,391	$ 29,420	$ 31,634	$ 30,391	$ 29,420
Deductions (larger of standard or itemized)	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 5,680	$ 12,891	$ 11,920	$ 14,134	$ 12,891	$ 11,920
Income Tax (before credits)	$ 568	$ 1,289	$ 1,192	$ 1,413	$ 1,289	$ 1,192
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 568	$ 1,289	$ 1,192	$ 1,413	$ 1,289	$ 1,192
Total Federal Taxes[7]	$ 2,341	$ 3,614	$ 3,443	$ 3,833	$ 3,614	$ 3,443
State Income Tax						
Middle-Income Exemption	$ 5,000	$ 4,922	$ 5,000	$ 4,673	$ 4,922	$ 5,000
Taxable Income	$ 680	$ 7,970	$ 6,920	$ 9,460	$ 7,970	$ 6,920
Income Tax (before credits)	$ 12	$ 135	$ 118	$ 183	$ 135	$ 118
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 12	$ 135	$ 118	$ 183	$ 135	$ 118
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,791	$ 2,149	$ 2,149	$ 9,916	$ 2,149	$ 2,149
Income After Taxes and Health Expenses[9]	$ 19,036	$ 22,669	$ 23,711	$ 17,701	$ 22,669	$ 23,711

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 2E
Couple, Male 50, Female 45, No Children, Currently with Employer-Provided Health Insurance and Wage of $40,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 40,000**	$ 44,802	$ 43,370	$ 46,634	$ 44,802	$ 43,370
Employer FICA	$ 2,921	$ 3,427	$ 3,318	$ 3,567	$ 3,427	$ 3,318
Employer Health Premium[2]	$ 7,280			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,971	$ 3,513	$ -	$ 1,971	$ 3,513
Total Compensation[4]	$ 50,201	$ 50,201	$ 50,201	$ 50,201	$ 50,201	$ 50,201
Employee Health Premium[5]	$ 1,820	$ 2,688	$ -	$ -	$ 2,688	$ -
Taxable Wages[6]	$ 38,180	$ 44,802	$ 43,370	$ 46,634	$ 44,802	$ 43,370
Federal Taxes						
Employee FICA	$ 2,921	$ 3,427	$ 3,318	$ 3,567	$ 3,427	$ 3,318
AGI	$ 38,180	$ 44,802	$ 43,370	$ 46,634	$ 44,802	$ 43,370
Deductions (larger of standard or itemized)	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 20,680	$ 27,302	$ 25,870	$ 29,134	$ 27,302	$ 25,870
Income Tax (before credits)	$ 2,319	$ 3,313	$ 3,098	$ 3,588	$ 3,313	$ 3,098
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 2,319	$ 3,313	$ 3,098	$ 3,588	$ 3,313	$ 3,098
Total Federal Taxes[7]	$ 5,240	$ 6,740	$ 6,416	$ 7,155	$ 6,740	$ 6,416
State Income Tax						
Middle-Income Exemption	$ 3,364	$ 2,040	$ 2,326	$ 1,673	$ 2,040	$ 2,326
Taxable Income	$ 17,316	$ 25,263	$ 23,544	$ 27,460	$ 25,263	$ 23,544
Income Tax (before credits)	$ 454	$ 835	$ 747	$ 951	$ 835	$ 747
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 454	$ 835	$ 747	$ 951	$ 835	$ 747
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,791	$ 2,149	$ 2,149	$ 9,916	$ 2,149	$ 2,149
Income After Taxes and Health Expenses[9]	$ 30,695	$ 32,390	$ 34,059	$ 28,611	$ 32,390	$ 34,059

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 3E
Couple, Male 50, Female 45, No Children, Currently with Employer-Provided Health Insurance and Wage of $60,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 60,000**	$ 64,017	$ 61,971	$ 66,634	$ 64,017	$ 61,971
Employer FICA	$ 4,451	$ 4,897	$ 4,741	$ 5,097	$ 4,897	$ 4,741
Employer Health Premium[2]	$ 7,280			$ -		
New Program Contribution or Tax[3]	$ -	$ 2,817	$ 5,020	$ -	$ 2,817	$ 5,020
Total Compensation[4]	$ 71,731	$ 71,731	$ 71,731	$ 71,731	$ 71,731	$ 71,731
Employee Health Premium[5]	$ 1,820	$ 3,841	$ -	$ -	$ 3,841	$ -
Taxable Wages[6]	$ 58,180	$ 64,017	$ 61,971	$ 66,634	$ 64,017	$ 61,971
Federal Taxes						
Employee FICA	$ 4,451	$ 4,897	$ 4,741	$ 5,097	$ 4,897	$ 4,741
AGI	$ 58,180	$ 64,017	$ 61,971	$ 66,634	$ 64,017	$ 61,971
Deductions (larger of standard or itemized)	$ 10,700	$ 11,523	$ 11,155	$ 11,994	$ 11,523	$ 11,155
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 40,680	$ 45,694	$ 44,016	$ 47,839	$ 45,694	$ 44,016
Income Tax (before credits)	$ 5,319	$ 6,072	$ 5,820	$ 6,393	$ 6,072	$ 5,820
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 5,319	$ 6,072	$ 5,820	$ 6,393	$ 6,072	$ 5,820
Total Federal Taxes[7]	$ 9,770	$ 10,969	$ 10,561	$ 11,491	$ 10,969	$ 10,561
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 40,680	$ 45,694	$ 44,016	$ 47,839	$ 45,694	$ 44,016
Income Tax (before credits)	$ 1,652	$ 1,918	$ 1,829	$ 2,031	$ 1,918	$ 1,829
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 1,652	$ 1,918	$ 1,829	$ 2,031	$ 1,918	$ 1,829
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,791	$ 2,149	$ 2,149	$ 9,916	$ 2,149	$ 2,149
Income After Taxes and Health Expenses[9]	$ 44,967	$ 45,140	$ 47,432	$ 43,195	$ 45,140	$ 47,432

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 4E
Couple, Male 50, Female 45, No Children, Currently with Employer-Provided Health Insurance and Wage of $100,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 100,000**	$ 102,696	$ 99,228	$ 107,150	$ 102,696	$ 99,228
Employer FICA	$ 7,469	$ 7,534	$ 7,484	$ 7,599	$ 7,534	$ 7,484
Employer Health Premium[2]	$ 7,280			$ -		
New Program Contribution or Tax[3]	$ -	$ 4,519	$ 8,037	$ -	$ 4,519	$ 8,037
Total Compensation[4]	$ 114,749	$ 114,749	$ 114,749	$ 114,749	$ 114,749	$ 114,749
Employee Health Premium[5]	$ 1,820	$ 4,000	$ -	$ -	$ 4,000	$ -
Taxable Wages[6]	$ 98,180	$ 102,696	$ 99,228	$ 107,150	$ 102,696	$ 99,228
Federal Taxes						
Employee FICA	$ 7,469	$ 7,534	$ 7,484	$ 7,599	$ 7,534	$ 7,484
AGI	$ 98,180	$ 102,696	$ 99,228	$ 107,150	$ 102,696	$ 99,228
Deductions (larger of standard or itemized)	$ 17,672	$ 18,485	$ 17,861	$ 19,287	$ 18,485	$ 17,861
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 73,708	$ 77,411	$ 74,567	$ 81,063	$ 77,411	$ 74,567
Income Tax (before credits)	$ 11,274	$ 12,200	$ 11,489	$ 13,113	$ 12,200	$ 11,489
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 11,274	$ 12,200	$ 11,489	$ 13,113	$ 12,200	$ 11,489
Total Federal Taxes[7]	$ 18,743	$ 19,734	$ 18,973	$ 20,712	$ 19,734	$ 18,973
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 73,708	$ 77,411	$ 74,567	$ 81,063	$ 77,411	$ 74,567
Income Tax (before credits)	$ 3,403	$ 3,599	$ 3,448	$ 3,792	$ 3,599	$ 3,448
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 3,403	$ 3,599	$ 3,448	$ 3,792	$ 3,599	$ 3,448
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,791	$ 2,149	$ 2,149	$ 9,916	$ 2,149	$ 2,149
Income After Taxes and Health Expenses[9]	$ 74,244	$ 73,214	$ 74,658	$ 72,730	$ 73,214	$ 74,658

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 5E
Couple, Male 50, Female 45, No Children, Currently with Employer-Provided Health Insurance and Wage of $200,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 200,000**	$ 198,539	$ 191,834	$ 207,150	$ 198,539	$ 191,834
Employer FICA	$ 8,919	$ 8,924	$ 8,827	$ 9,049	$ 8,924	$ 8,827
Employer Health Premium[2]	$ 7,280			$ -		
New Program Contribution or Tax[3]	$ -	$ 8,736	$ 15,539	$ -	$ 8,736	$ 15,539
Total Compensation[4]	$ 216,199	$ 216,199	$ 216,199	$ 216,199	$ 216,199	$ 216,199
Employee Health Premium[5]	$ 1,820	$ 4,000	$ -	$ -	$ 4,000	$ -
Taxable Wages[6]	$ 198,180	$ 198,539	$ 191,834	$ 207,150	$ 198,539	$ 191,834
Federal Taxes						
Employee FICA	$ 8,919	$ 8,924	$ 8,827	$ 9,049	$ 8,924	$ 8,827
AGI	$ 198,180	$ 198,539	$ 191,834	$ 207,150	$ 198,539	$ 191,834
Deductions (larger of standard or itemized)	$ 34,837	$ 34,894	$ 33,821	$ 36,272	$ 34,894	$ 33,821
Personal Exemptions	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800	$ 6,800
Taxable Income	$ 156,543	$ 156,845	$ 151,212	$ 164,078	$ 156,845	$ 151,212
Income Tax (before credits)	$ 32,825	$ 32,909	$ 31,332	$ 34,934	$ 32,909	$ 31,332
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 32,825	$ 32,909	$ 31,332	$ 34,934	$ 32,909	$ 31,332
Total Federal Taxes[7]	$ 41,743	$ 41,833	$ 40,159	$ 43,983	$ 41,833	$ 40,159
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 156,543	$ 156,845	$ 151,212	$ 164,078	$ 156,845	$ 151,212
Income Tax (before credits)	$ 7,793	$ 7,809	$ 7,510	$ 8,192	$ 7,809	$ 7,510
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 7,793	$ 7,809	$ 7,510	$ 8,192	$ 7,809	$ 7,510
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 1,791	$ 2,149	$ 2,149	$ 9,916	$ 2,149	$ 2,149
Income After Taxes and Health Expenses[9]	$ 146,853	$ 142,749	$ 142,016	$ 145,059	$ 142,749	$ 142,016

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 1F
Couple, Male 30, Female 25, Two Children, Currently with Employer-Provided Health Insurance and Wage of $25,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 25,000**	$ 29,865	$ 28,910	$ 31,086	$ 29,865	$ 28,910
Employer FICA	$ 1,785	$ 2,285	$ 2,212	$ 2,378	$ 2,285	$ 2,212
Employer Health Premium[2]	$ 6,679			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,314	$ 2,342	$ -	$ 1,314	$ 2,342
Total Compensation[4]	$ 33,464	$ 33,464	$ 33,464	$ 33,464	$ 33,464	$ 33,464
Employee Health Premium[5]	$ 1,670	$ 187	$ -	$ -	$ 187	$ -
Taxable Wages[6]	$ 23,330	$ 29,865	$ 28,910	$ 31,086	$ 29,865	$ 28,910
Federal Taxes						
Employee FICA	$ 1,785	$ 2,285	$ 2,212	$ 2,378	$ 2,285	$ 2,212
AGI	$ 23,330	$ 29,865	$ 28,910	$ 31,086	$ 29,865	$ 28,910
Deductions (larger of standard or itemized)	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700
Personal Exemptions	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600
Taxable Income	$ -	$ 5,565	$ 4,610	$ 6,786	$ 5,565	$ 4,610
Income Tax (before credits)	$ -	$ 557	$ 461	$ 679	$ 557	$ 461
EITC	$ 3,465	$ 2,089	$ 2,290	$ 1,832	$ 2,089	$ 2,290
Child Tax Credit	$ 1,737	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Income Tax (after credits)	$ (5,202)	$ (3,532)	$ (3,829)	$ (3,153)	$ (3,532)	$ (3,829)
Total Federal Taxes[7]	$ (3,417)	$ (1,248)	$ (1,617)	$ (775)	$ (1,248)	$ (1,617)
State Income Tax						
Middle-Income Exemption	$ 10,000	$ 10,000	$ 10,000	$ 9,566	$ 10,000	$ 10,000
Taxable Income	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (before credits)	$ -	$ -	$ -	$ -	$ -	$ -
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ 277	$ 167	$ 183	$ 147	$ 167	$ 183
State Income Tax	$ (277)	$ (167)	$ (183)	$ (147)	$ (167)	$ (183)
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 2,010	$ 2,412	$ 2,412	$ 9,464	$ 2,412	$ 2,412
				$ -	$ -	$ -
Income After Taxes and Health Expenses[9]	$ 25,015	$ 28,680	$ 28,299	$ 22,543	$ 28,680	$ 28,299

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 2F
Couple, Male 30, Female 25, Two Children, Currently with Employer-Provided Health Insurance and Wage of $40,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 40,000**	$ 44,276	$ 42,861	$ 46,086	$ 44,276	$ 42,861
Employer FICA	$ 2,932	$ 3,387	$ 3,279	$ 3,526	$ 3,387	$ 3,279
Employer Health Premium[2]	$ 6,679			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,948	$ 3,472	$ -	$ 1,948	$ 3,472
Total Compensation[4]	$ 49,611	$ 49,611	$ 49,611	$ 49,611	$ 49,611	$ 49,611
Employee Health Premium[5]	$ 1,670	$ 2,657	$ -	$ -	$ 2,657	$ -
Taxable Wages[6]	$ 38,330	$ 44,276	$ 42,861	$ 46,086	$ 44,276	$ 42,861
Federal Taxes						
Employee FICA	$ 2,932	$ 3,387	$ 3,279	$ 3,526	$ 3,387	$ 3,279
AGI	$ 38,330	$ 44,276	$ 42,861	$ 46,086	$ 44,276	$ 42,861
Deductions (larger of standard or itemized)	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700
Personal Exemptions	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600
Taxable Income	$ 14,030	$ 19,976	$ 18,561	$ 21,786	$ 19,976	$ 18,561
Income Tax (before credits)	$ 1,403	$ 2,214	$ 2,002	$ 2,485	$ 2,214	$ 2,002
EITC	$ 306	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Income Tax (after credits)	$ (903)	$ 214	$ 2	$ 485	$ 214	$ 2
Total Federal Taxes[7]	$ 2,029	$ 3,601	$ 3,280	$ 4,011	$ 3,601	$ 3,280
State Income Tax						
Middle-Income Exemption	$ 6,668	$ 4,290	$ 4,856	$ 3,566	$ 4,290	$ 4,856
Taxable Income	$ 7,362	$ 15,686	$ 13,705	$ 18,220	$ 15,686	$ 13,705
Income Tax (before credits)	$ 125	$ 382	$ 319	$ 496	$ 382	$ 319
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ 24	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 101	$ 382	$ 319	$ 496	$ 382	$ 319
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 2,010	$ 2,412	$ 2,412	$ 9,464	$ 2,412	$ 2,412
	$ -	$ -	$ -	$ -	$ -	$ -
Income After Taxes and Health Expenses[9]	$ 34,190	$ 35,225	$ 36,850	$ 32,114	$ 35,225	$ 36,850

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 3F
Couple, Male 30, Female 25, Two Children, Currently with Employer-Provided Health Insurance and Wage of $60,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 60,000**	$ 63,491	$ 61,461	$ 66,086	$ 63,491	$ 61,461
Employer FICA	$ 4,462	$ 4,857	$ 4,702	$ 5,056	$ 4,857	$ 4,702
Employer Health Premium[2]	$ 6,679			$ -		
New Program Contribution or Tax[3]	$ -	$ 2,794	$ 4,978	$ -	$ 2,794	$ 4,978
Total Compensation[4]	$ 71,141	$ 71,141	$ 71,141	$ 71,141	$ 71,141	$ 71,141
Employee Health Premium[5]	$ 1,670	$ 3,809	$ -	$ -	$ 3,809	$ -
Taxable Wages[6]	$ 58,330	$ 63,491	$ 61,461	$ 66,086	$ 63,491	$ 61,461
Federal Taxes						
Employee FICA	$ 4,462	$ 4,857	$ 4,702	$ 5,056	$ 4,857	$ 4,702
AGI	$ 58,330	$ 63,491	$ 61,461	$ 66,086	$ 63,491	$ 61,461
Deductions (larger of standard or itemized)	$ 10,700	$ 11,428	$ 11,063	$ 11,895	$ 11,428	$ 11,063
Personal Exemptions	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600
Taxable Income	$ 34,030	$ 38,462	$ 36,798	$ 40,590	$ 38,462	$ 36,798
Income Tax (before credits)	$ 4,322	$ 4,987	$ 4,737	$ 5,306	$ 4,987	$ 4,737
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Income Tax (after credits)	$ 2,322	$ 2,987	$ 2,737	$ 3,306	$ 2,987	$ 2,737
Total Federal Taxes[7]	$ 6,784	$ 7,844	$ 7,439	$ 8,362	$ 7,844	$ 7,439
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 34,030	$ 38,462	$ 36,798	$ 40,590	$ 38,462	$ 36,798
Income Tax (before credits)	$ 1,300	$ 1,535	$ 1,446	$ 1,647	$ 1,535	$ 1,446
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 1,300	$ 1,535	$ 1,446	$ 1,647	$ 1,535	$ 1,446
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 2,010	$ 2,412	$ 2,412	$ 9,464	$ 2,412	$ 2,412
	$ -	$ -	$ -	$ -	$ -	$ -
Income After Taxes and Health Expenses[9]	$ 48,236	$ 47,891	$ 50,164	$ 46,613	$ 47,891	$ 50,164

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 4F
Couple, Male 30, Female 25, Two Children, Currently with Employer-Provided Health Insurance and Wage of $100,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 100,000**	$ 102,130	$ 98,681	$ 106,560	$ 102,130	$ 98,681
Employer FICA	$ 7,471	$ 7,526	$ 7,476	$ 7,590	$ 7,526	$ 7,476
Employer Health Premium[2]	$ 6,679			$ -		
New Program Contribution or Tax[3]	$ -	$ 4,494	$ 7,993	$ -	$ 4,494	$ 7,993
Total Compensation[4]	$ 114,150	$ 114,150	$ 114,150	$ 114,150	$ 114,150	$ 114,150
Employee Health Premium[5]	$ 1,670	$ 6,128	$ -	$ -	$ 6,128	$ -
Taxable Wages[6]	$ 98,330	$ 102,130	$ 98,681	$ 106,560	$ 102,130	$ 98,681
Federal Taxes						
Employee FICA	$ 7,471	$ 7,526	$ 7,476	$ 7,590	$ 7,526	$ 7,476
AGI	$ 98,330	$ 102,130	$ 98,681	$ 106,560	$ 102,130	$ 98,681
Deductions (larger of standard or itemized)	$ 17,699	$ 18,383	$ 17,763	$ 19,181	$ 18,383	$ 17,763
Personal Exemptions	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600
Taxable Income	$ 67,031	$ 70,147	$ 67,318	$ 73,779	$ 70,147	$ 67,318
Income Tax (before credits)	$ 9,605	$ 10,384	$ 9,677	$ 11,292	$ 10,384	$ 9,677
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Income Tax (after credits)	$ 7,605	$ 8,384	$ 7,677	$ 9,292	$ 8,384	$ 7,677
Total Federal Taxes[7]	$ 15,076	$ 15,910	$ 15,153	$ 16,882	$ 15,910	$ 15,153
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 67,031	$ 70,147	$ 67,318	$ 73,779	$ 70,147	$ 67,318
Income Tax (before credits)	$ 3,049	$ 3,214	$ 3,064	$ 3,406	$ 3,214	$ 3,064
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 3,049	$ 3,214	$ 3,064	$ 3,406	$ 3,214	$ 3,064
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 2,010	$ 2,412	$ 2,412	$ 9,464	$ 2,412	$ 2,412
	$ -	$ -	$ -	$ -	$ -	$ -
Income After Taxes and Health Expenses[9]	$ 78,196	$ 74,467	$ 78,052	$ 76,807	$ 74,467	$ 78,052

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 5F
Couple, Male 30, Female 25, Two Children, Currently with Employer-Provided Health Insurance and Wage of $200,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 200,000**	$ 197,973	$ 191,287	$ 206,560	$ 197,973	$ 191,287
Employer FICA	$ 8,921	$ 8,916	$ 8,819	$ 9,040	$ 8,916	$ 8,819
Employer Health Premium[2]	$ 6,679			$ -		
New Program Contribution or Tax[3]	$ -	$ 8,711	$ 15,494	$ -	$ 8,711	$ 15,494
Total Compensation[4]	$ 215,600	$ 215,600	$ 215,600	$ 215,600	$ 215,600	$ 215,600
Employee Health Premium[5]	$ 1,670	$ 8,000	$ -	$ -	$ 8,000	$ -
Taxable Wages[6]	$ 198,330	$ 197,973	$ 191,287	$ 206,560	$ 197,973	$ 191,287
Federal Taxes						
Employee FICA	$ 8,921	$ 8,916	$ 8,819	$ 9,040	$ 8,916	$ 8,819
AGI	$ 198,330	$ 197,973	$ 191,287	$ 206,560	$ 197,973	$ 191,287
Deductions (larger of standard or itemized)	$ 34,861	$ 34,804	$ 33,734	$ 36,178	$ 34,804	$ 33,734
Personal Exemptions	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600
Taxable Income	$ 149,869	$ 149,570	$ 143,953	$ 156,782	$ 149,570	$ 143,953
Income Tax (before credits)	$ 31,414	$ 31,307	$ 29,319	$ 33,850	$ 31,307	$ 29,319
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 31,414	$ 31,307	$ 29,319	$ 33,850	$ 31,307	$ 29,319
Total Federal Taxes[7]	$ 40,334	$ 40,223	$ 38,138	$ 42,890	$ 40,223	$ 38,138
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 149,869	$ 149,570	$ 143,953	$ 156,782	$ 149,570	$ 143,953
Income Tax (before credits)	$ 7,439	$ 7,423	$ 7,126	$ 7,805	$ 7,423	$ 7,126
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 7,439	$ 7,423	$ 7,126	$ 7,805	$ 7,423	$ 7,126
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 2,010	$ 2,412	$ 2,412	$ 9,464	$ 2,412	$ 2,412
	$ -	$ -	$ -	$ -	$ -	$ -
Income After Taxes and Health Expenses[9]	$ 148,547	$ 139,915	$ 143,612	$ 146,400	$ 139,915	$ 143,612

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 1G
Couple, Male 50, Female 45, Two Children, Currently with Employer-Provided Health Insurance and Wage of $25,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 25,000**	$ 32,643	$ 31,599	$ 33,977	$ 32,643	$ 31,599
Employer FICA	$ 1,724	$ 2,497	$ 2,417	$ 2,599	$ 2,497	$ 2,417
Employer Health Premium[2]	$ 9,852			$ -		
New Program Contribution or Tax[3]	$ -	$ 1,436	$ 2,560	$ -	$ 1,436	$ 2,560
Total Compensation[4]	$ 36,576	$ 36,576	$ 36,576	$ 36,576	$ 36,576	$ 36,576
Employee Health Premium[5]	$ 2,463	$ 244	$ -	$ -	$ 244	$ -
Taxable Wages[6]	$ 22,537	$ 32,643	$ 31,599	$ 33,977	$ 32,643	$ 31,599
Federal Taxes						
Employee FICA	$ 1,724	$ 2,497	$ 2,417	$ 2,599	$ 2,497	$ 2,417
AGI	$ 22,537	$ 32,643	$ 31,599	$ 33,977	$ 32,643	$ 31,599
Deductions (larger of standard or itemized)	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700
Personal Exemptions	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600
Taxable Income	$ -	$ 8,343	$ 7,299	$ 9,677	$ 8,343	$ 7,299
Income Tax (before credits)	$ -	$ 834	$ 730	$ 968	$ 834	$ 730
EITC	$ 3,632	$ 1,504	$ 1,723	$ 1,223	$ 1,504	$ 1,723
Child Tax Credit	$ 1,618	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Income Tax (after credits)	$ (5,250)	$ (2,669)	$ (2,994)	$ (2,255)	$ (2,669)	$ (2,994)
Total Federal Taxes[7]	$ (3,526)	$ (172)	$ (576)	$ 344	$ (172)	$ (576)
State Income Tax						
Middle-Income Exemption	$ 10,000	$ 8,943	$ 9,360	$ 8,409	$ 8,943	$ 9,360
Taxable Income	$ -	$ -	$ -	$ 1,268	$ -	$ -
Income Tax (before credits)	$ -	$ -	$ -	$ 22	$ -	$ -
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ 291	$ 120	$ 138	$ 98	$ 120	$ 138
State Income Tax	$ (291)	$ (120)	$ (138)	$ (76)	$ (120)	$ (138)
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 2,756	$ 3,307	$ 3,307	$ 13,751	$ 3,307	$ 3,307
				$ -	$ -	$ -
Income After Taxes and Health Expenses[9]	$ 23,598	$ 29,385	$ 29,007	$ 19,958	$ 29,385	$ 29,007

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 2G
Couple, Male 50, Female 45, Two Children, Currently with Employer-Provided Health Insurance and Wage of $40,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 40,000**	$ 47,054	$ 45,550	$ 48,977	$ 47,054	$ 45,550
Employer FICA	$ 2,872	$ 3,600	$ 3,485	$ 3,747	$ 3,600	$ 3,485
Employer Health Premium[2]	$ 9,852			$ -		
New Program Contribution or Tax[3]	$ -	$ 2,070	$ 3,690	$ -	$ 2,070	$ 3,690
Total Compensation[4]	$ 52,724	$ 52,724	$ 52,724	$ 52,724	$ 52,724	$ 52,724
Employee Health Premium[5]	$ 2,463	$ 2,823	$ -	$ -	$ 2,823	$ -
Taxable Wages[6]	$ 37,537	$ 47,054	$ 45,550	$ 48,977	$ 47,054	$ 45,550
Federal Taxes						
Employee FICA	$ 2,872	$ 3,600	$ 3,485	$ 3,747	$ 3,600	$ 3,485
AGI	$ 37,537	$ 47,054	$ 45,550	$ 48,977	$ 47,054	$ 45,550
Deductions (larger of standard or itemized)	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700	$ 10,700
Personal Exemptions	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600
Taxable Income	$ 13,237	$ 22,754	$ 21,250	$ 24,677	$ 22,754	$ 21,250
Income Tax (before credits)	$ 1,324	$ 2,631	$ 2,405	$ 2,919	$ 2,631	$ 2,405
EITC	$ 473	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Income Tax (after credits)	$ (1,149)	$ 631	$ 405	$ 919	$ 631	$ 405
Total Federal Taxes[7]	$ 1,722	$ 4,230	$ 3,890	$ 4,666	$ 4,230	$ 3,890
State Income Tax						
Middle-Income Exemption	$ 6,985	$ 3,178	$ 3,780	$ 2,409	$ 3,178	$ 3,780
Taxable Income	$ 6,252	$ 19,575	$ 17,470	$ 22,268	$ 19,575	$ 17,470
Income Tax (before credits)	$ 106	$ 560	$ 461	$ 687	$ 560	$ 461
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ 38	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 68	$ 560	$ 461	$ 687	$ 560	$ 461
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 2,756	$ 3,307	$ 3,307	$ 13,751	$ 3,307	$ 3,307
	$ -	$ -	$ -	$ -	$ -	$ -
Income After Taxes and Health Expenses[9]	$ 32,991	$ 36,134	$ 37,892	$ 29,873	$ 36,134	$ 37,892

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 3G
Couple, Male 50, Female 45, Two Children, Currently with Employer-Provided Health Insurance and Wage of $60,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 60,000**	$ 66,269	$ 64,150	$ 68,977	$ 66,269	$ 64,150
Employer FICA	$ 4,402	$ 5,070	$ 4,907	$ 5,277	$ 5,070	$ 4,907
Employer Health Premium[2]	$ 9,852			$ -		
New Program Contribution or Tax[3]	$ -	$ 2,916	$ 5,196	$ -	$ 2,916	$ 5,196
Total Compensation[4]	$ 74,254	$ 74,254	$ 74,254	$ 74,254	$ 74,254	$ 74,254
Employee Health Premium[5]	$ 2,463	$ 3,976	$ -	$ -	$ 3,976	$ -
Taxable Wages[6]	$ 57,537	$ 66,269	$ 64,150	$ 68,977	$ 66,269	$ 64,150
Federal Taxes						
Employee FICA	$ 4,402	$ 5,070	$ 4,907	$ 5,277	$ 5,070	$ 4,907
AGI	$ 57,537	$ 66,269	$ 64,150	$ 68,977	$ 66,269	$ 64,150
Deductions (larger of standard or itemized)	$ 10,700	$ 11,928	$ 11,547	$ 12,416	$ 11,928	$ 11,547
Personal Exemptions	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600
Taxable Income	$ 33,237	$ 40,740	$ 39,003	$ 42,961	$ 40,740	$ 39,003
Income Tax (before credits)	$ 4,203	$ 5,329	$ 5,068	$ 5,662	$ 5,329	$ 5,068
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Income Tax (after credits)	$ 2,203	$ 3,329	$ 3,068	$ 3,662	$ 3,329	$ 3,068
Total Federal Taxes[7]	$ 6,605	$ 8,398	$ 7,975	$ 8,938	$ 8,398	$ 7,975
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 33,237	$ 40,740	$ 39,003	$ 42,961	$ 40,740	$ 39,003
Income Tax (before credits)	$ 1,258	$ 1,655	$ 1,563	$ 1,773	$ 1,655	$ 1,563
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 1,258	$ 1,655	$ 1,563	$ 1,773	$ 1,655	$ 1,563
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 2,756	$ 3,307	$ 3,307	$ 13,751	$ 3,307	$ 3,307
	$ -	$ -	$ -	$ -	$ -	$ -
Income After Taxes and Health Expenses[9]	$ 46,919	$ 48,932	$ 51,305	$ 44,514	$ 48,932	$ 51,305

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.

[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.

[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.

[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.

[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.

[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.

[7] This is the total of the employee FICA and the federal income tax.

[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.

[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 4G
Couple, Male 50, Female 45, Two Children, Currently with Employer-Provided Health Insurance and Wage of $100,000

	Currently Covered			Currently Uncovered		
Compensation, Taxes, and Health Expenses	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 100,000**	$ 105,117	$ 101,567	$ 109,676	$ 105,117	$ 101,567
Employer FICA	$ 7,459	$ 7,569	$ 7,518	$ 7,635	$ 7,569	$ 7,518
Employer Health Premium[2]	$ 9,852			$ -		
New Program Contribution or Tax[3]	$ -	$ 4,625	$ 8,227	$ -	$ 4,625	$ 8,227
Total Compensation[4]	$ 117,312	$ 117,312	$ 117,312	$ 117,312	$ 117,312	$ 117,312
Employee Health Premium[5]	$ 2,463	$ 6,307	$ -	$ -	$ 6,307	$ -
Taxable Wages[6]	$ 97,537	$ 105,117	$ 101,567	$ 109,676	$ 105,117	$ 101,567
Federal Taxes						
Employee FICA	$ 7,459	$ 7,569	$ 7,518	$ 7,635	$ 7,569	$ 7,518
AGI	$ 97,537	$ 105,117	$ 101,567	$ 109,676	$ 105,117	$ 101,567
Deductions (larger of standard or itemized)	$ 17,557	$ 18,921	$ 18,282	$ 19,742	$ 18,921	$ 18,282
Personal Exemptions	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600
Taxable Income	$ 66,380	$ 72,596	$ 69,685	$ 76,335	$ 72,596	$ 69,685
Income Tax (before credits)	$ 9,443	$ 10,997	$ 10,269	$ 11,931	$ 10,997	$ 10,269
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Income Tax (after credits)	$ 7,443	$ 8,997	$ 8,269	$ 9,931	$ 8,997	$ 8,269
Total Federal Taxes[7]	$ 14,902	$ 16,566	$ 15,786	$ 17,566	$ 16,566	$ 15,786
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 66,380	$ 72,596	$ 69,685	$ 76,335	$ 72,596	$ 69,685
Income Tax (before credits)	$ 3,014	$ 3,344	$ 3,189	$ 3,542	$ 3,344	$ 3,189
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 3,014	$ 3,344	$ 3,189	$ 3,542	$ 3,344	$ 3,189
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 2,756	$ 3,307	$ 3,307	$ 13,751	$ 3,307	$ 3,307
	$ -	$ -	$ -	$ -	$ -	$ -
Income After Taxes and Health Expenses[9]	$ 76,865	$ 75,594	$ 79,284	$ 74,817	$ 75,594	$ 79,284

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[1] Each set of examples starts with the current wage of a worker who currently has employer-provided health insurance. Wages in each of the other examples in the set are then determined by the level of total compensation (see footnote 3). Implicitly, this assumes that there are no cross-subsidies in current or proposed employer or employee payments for health insurance.
[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
[6] It is assumed that employee premiums are paid through a section 125 plan under current law, and therefore receive both a payroll and an income tax preference. The New Program under HSA1 (and HC1) are very unlikely to be considered an employer plan under federal law, and therefore a section 125 plan could not be established by the employer for employee premiums.
[7] This is the total of the employee FICA and the federal income tax.
[8] Out of pocket (OOPs) expenses for currently-insured workers are typical for the age, gender, and family characteristics of the specific worker. OOPs for HSA1 and HC1 are assumed to be 20% higher, since the New Program would provide less coverage than a typical current employer plan. OOPs for the currently uninsured is set equal to the health spending of an employee with current employer-provided health insurance, assuming the load charge on the insurance is 12%.
[9] "Income After Taxes and Health Expenses" is wages, less any employee health insurance premium, federal taxes, state income tax, and out of pocket health expenses. This amount represents how much the individual or family has available to purchase all other goods this year, or to save for future purchases.

Example 5G
Couple, Male 50, Female 45, Two Children, Currently with Employer-Provided Health Insurance and Wage of $200,000

Compensation, Taxes, and Health Expenses	Currently Covered			Currently Uncovered		
	Current	HSA1	HC1	Current	HSA1	HC1
Compensation						
Wages[1]	**$ 200,000**	$ 200,960	$ 194,173	$ 209,676	$ 200,960	$ 194,173
Employer FICA	$ 8,909	$ 8,959	$ 8,861	$ 9,085	$ 8,959	$ 8,861
Employer Health Premium[2]	$ 9,852			$ -		
New Program Contribution or Tax[3]	$ -	$ 8,842	$ 15,728	$ -	$ 8,842	$ 15,728
Total Compensation[4]	$ 218,762	$ 218,762	$ 218,762	$ 218,762	$ 218,762	$ 218,762
Employee Health Premium[5]	$ 2,463	$ 8,000	$ -	$ -	$ 8,000	$ -
Taxable Wages[6]	$ 197,537	$ 200,960	$ 194,173	$ 209,676	$ 200,960	$ 194,173
Federal Taxes						
Employee FICA	$ 8,909	$ 8,959	$ 8,861	$ 9,085	$ 8,959	$ 8,861
AGI	$ 197,537	$ 200,960	$ 194,173	$ 209,676	$ 200,960	$ 194,173
Deductions (larger of standard or itemized)	$ 34,734	$ 35,282	$ 34,196	$ 36,676	$ 35,282	$ 34,196
Personal Exemptions	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600
Taxable Income	$ 149,203	$ 152,079	$ 146,377	$ 159,400	$ 152,079	$ 146,377
Income Tax (before credits)	$ 31,178	$ 32,194	$ 30,177	$ 34,772	$ 32,194	$ 30,177
EITC	$ -	$ -	$ -	$ -	$ -	$ -
Child Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
Income Tax (after credits)	$ 31,178	$ 32,194	$ 30,177	$ 34,772	$ 32,194	$ 30,177
Total Federal Taxes[7]	$ 40,087	$ 41,153	$ 39,038	$ 43,857	$ 41,153	$ 39,038
State Income Tax						
Middle-Income Exemption	$ -	$ -	$ -	$ -	$ -	$ -
Taxable Income	$ 149,203	$ 152,079	$ 146,377	$ 159,400	$ 152,079	$ 146,377
Income Tax (before credits)	$ 7,404	$ 7,556	$ 7,254	$ 7,944	$ 7,556	$ 7,254
LICTR	$ -	$ -	$ -	$ -	$ -	$ -
Working Families Tax Credit	$ -	$ -	$ -	$ -	$ -	$ -
State Income Tax	$ 7,404	$ 7,556	$ 7,254	$ 7,944	$ 7,556	$ 7,254
Out of Pocket (Uninsured) Health Expenses						
Total Out of Pocket[8]	$ 2,756	$ 3,307	$ 3,307	$ 13,751	$ 3,307	$ 3,307
	$ -	$ -	$ -	$ -	$ -	$ -
Income After Taxes and Health Expenses[9]	$ 147,291	$ 140,944	$ 144,574	$ 144,123	$ 140,944	$ 144,574

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[2] Premiums under current law are typical for the age, gender, and family characteristics of the specific worker. The employer is assumed to pay 80% of the premium.
[3] The New Program requires a flat payroll "contribution" under HSA1 of 4.4% and a flat payroll tax of 8.1% under HC1.
[4] Total compensation is the sum of wages, employer FICA, employer health premium, and the employer payroll-based contribution or tax to the New Program under HSA1 or HC1 (see note 3). Total compensation is assumed to be fixed for each wage level at the level for a worker who currently has employer-provided health insurance.
[5] The employee premium contribution under current law is assumed to be 20% (see note 2). The employee contribution under HSA1 is assumed to be $2,000 per person (before any subsidy) covered under the New Program. The premium subsidy under HSA1 is 100% of the premium for individuals and families below 100% of the federal poverty guideline for the family size, a maximum premium of $420 per person per year (scaled by income) for individuals and families between 100% and 200% of the federal poverty guideline for the family size, and a cap of 6% of income on the premium for individuals and families above 200% of the federal poverty guideline for the family size.
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