

Background

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Economics of Play-or-Pay Mandates in Health Care Reform Bills

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The two main health care reform bills that Congress is currently debating each include some form of “play-or-pay” employer mandate: America’s Affordable Health Choices Act of 2009 (H.R. 3200)¹ and the Affordable Health Choices Act.² The House “Blue-Dog compromise,” a version of H.R. 3200, also includes a play-or-pay employer mandate.³

The play-or-pay mandates in these bills, which require employers to offer health insurance to their employees or pay a tax to the federal government, will affect between 95 million and 105 million workers, and 509,000 to 1.4 million employers, including up to 1 million small businesses.⁴ The mandates will cost businesses at least \$49 billion per year and put 5.2 million low-wage workers at risk of unemployment or reduced working hours. The prospect of fewer job opportunities in the future will put another 10.2 million workers at risk of slower wage growth and cuts in other benefits.⁵ Up to 382,000 low-wage unskilled workers are likely to lose their jobs.⁶ Further, some of the cost of the mandates will be passed on to American consumers in higher prices for goods and services—an indirect tax on savers and those with fixed incomes.

Although the employer mandate in H.R. 3200 will result in a *net* increase of 3 million workers with employment-based health insurance (1.7 percent), according to the Congressional Budget Office (CBO), the mandate will cause 9 million mostly low-wage and part-time workers to *lose* their employment-based health insurance.⁷

Talking Points

- The two main health care reform bills that Congress is currently debating each include a “play-or-pay” employer mandate.
- The play-or-pay mandates in these bills, which require employers to offer health insurance to their workers or pay a tax to the federal government, will affect between 95 million and 105 million workers, and 509,000 to 1.4 million employers, including up to 1 million small businesses.
- The mandates will put 5.2 million low-wage workers at risk of unemployment or reduced working hours.
- Another 10.2 million workers are at risk of slower wage growth and cuts in benefits, and some of the cost of any play-or-pay mandate will be passed on to Americans through higher prices for the goods and services they buy—an indirect tax on savers and those on fixed incomes.

This paper, in its entirety, can be found at:
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Economic research also shows that mandating employee health insurance will discourage some people from working more hours by reducing their real hourly wage rate.⁸

The House and Senate Employer Mandates

Although the final details of the employer mandate are not yet available, under H.R. 3200, the play-or-pay mandate would require the following:

- Employers with more than \$250,000 in annual payroll must offer their employees health insurance coverage or pay an amount equal to 2 to 8 percent of each worker's wages into a Health Insurance Exchange Trust Fund.
- If a worker does not accept the employer's coverage because he is covered by someone else's health insurance, or he is covered by Medicaid, Medicare, or military insurance, the employer does not have to pay the 2 to 8 percent of each worker's wages into a Health Insurance Exchange Trust Fund.
- The health insurance offered must have an actuarial value equal to at least 70 percent of an essential benefits package, as defined by the federal government, with annual cost-sharing limits of \$5,000 for individual coverage, and \$10,000 for family coverage.
- Employers must contribute at least 72.5 percent of the premium for individual health insurance and 65 percent of the premium for family coverage.
- Employers who do not offer the required minimum coverage and premium contributions to their employees and have annual payrolls of more than \$400,000 per year must pay 8 percent of each worker's wages into a Health Insurance Exchange Trust Fund. Employers with annual payrolls between \$250,000 and \$400,000 per year would be required to pay 2 percent to 6 percent on a sliding scale.
- Employers with fewer than 10 employees and average annual employee compensation of less than \$20,000 will receive a credit equal to 50 percent of the employer's health care expenses. The credit phases out as the number of employees increases from 10 to 25 and the average annual compensation of employees increases from \$20,000 to \$40,000. The small business credit would not be available for workers with wages above \$80,000.
- Employers must notify the federal government if they are going to offer health insurance to their workers or pay into the trust fund. Employers can make different coverage choices for full-time workers, part-time workers, and separate lines of business.

1. There are three different versions of H.R. 3200: (1) the Ways and Means Committee bill at <http://waysandmeans.house.gov/media/pdf/111/AAHCA09001.xml.pdf> (August 24, 2009), (2) the Education and Labor Committee substitute at http://edlabor.house.gov/documents/111/pdf/markup/FC/HR3200-AmericasAffordableHealthChoicesActof2009/MILLCA_158.pdf (August 24, 2009), and (3) the "Blue-Dog compromise" at http://energycommerce.house.gov/Press_111/20090731/hr3200_ross_2.pdf (August 24, 2009).
2. The Senate Health, Education, Labor and Pensions (HELP) Committee bill is available at <http://help.senate.gov/BAI09A84.xml.pdf> (August 24, 2009).
3. The "Blue-Dog compromise" amendment for the employer mandate is available at http://energycommerce.house.gov/Press_111/20090731/hr3200_ross_2.pdf (August 24, 2009).
4. Applied Economic Strategies LLC estimates.
5. *Ibid.*
6. *Ibid.*
7. Congressional Budget Office, "Additional Information Regarding the Effects of Specifications in the America's Affordable Health Choices Act Pertaining to Health Insurance Coverage," July 26, 2009, at <http://www.cbo.gov/ftpdocs/104xx/doc10400/07-26-InfoOnTriCommProposal.pdf> (August 24, 2009).
8. Congressional Budget Office, "Effects of Changes to the Health Insurance System on Labor Markets," July 13, 2009, at <http://www.cbo.gov/ftpdocs/104xx/doc10435/07-13-HealthCareAndLaborMarkets.pdf> (August 24, 2009).

Under the House Blue-Dog compromise the exemption to the play-or-pay mandate covers 592,000 more small businesses than under H.R. 3200. The compromise would require:

- Employers with \$500,000 or more in annual payroll must offer their employees health insurance or pay 8 percent of each worker's wages into a Health Insurance Exchange Trust Fund. Small businesses with less than \$500,000 in annual payroll are not subject to the play-or-pay mandate.

Under the Senate Health, Education, Labor and Pensions (HELP) Committee bill, the play-or-pay mandate would require:

- Employers with more than 25 workers must offer their employees qualifying health insurance coverage or pay a fee. Employers with fewer than 26 workers are not subject to the play-or-pay mandate.
- All employers must contribute at least 60 percent of the premium for health insurance coverage.
- Employers who do not offer the required minimum level of coverage and premium contributions to their employees must pay \$750 per year for each full-time worker (35 or more hours per week), and \$375 per year for each part-time worker. For employers subject to the assessment, the first 25 workers would be exempted from the fee.
- Employers with fewer than 10 workers will receive a credit of \$1,000 (for individual coverage) to \$2,000 (for family coverage) for each employee, with bonus payments of \$200 to \$400 per worker for each 10 percent of the health insurance expenses exceeding 60 percent that are paid by the small employer. The credit phases out as the number of full-time employees increases from 10 to 50.

Covered Businesses and Workers

Firms and Workers Covered by the House and Senate Play-or-Pay Employer Mandates

Bill	Firms	Total Employment	Average Firm Size	Avg. Annual Payroll per Employee
H.R. 3200	1,376,000	104,647,000	76.0	\$42,900
"Blue-Dog Compromise"	784,000	97,410,000	124.2	\$43,900
Senate HELP Committee Bill	509,000	95,359,000	187.2	\$41,600

Note: Estimates are a static analysis based on the current health insurance status of the workers.

Sources: Data on Senate HELP Committee bill and the "Blue-Dog Compromise" from U.S. Small Business Administration, Office of Advocacy, "Employer Firms, Establishments, Employment, and Annual Payroll Small Firm Size Classes, 2006," at http://www.sba.gov/advoc/research/data_uspdf.xls (August 27, 2009); data on H.R. 3200 prepared by the U.S. Census Bureau for Applied Economic Strategies.

Table 1 • B 2312  heritage.org

Who Is Covered by the Mandates?

Under H.R. 3200, approximately 1.4 million businesses with 104.6 million wage and salary employees would be covered by the play-or-pay mandate. (See Table 1.) Under the "Blue-Dog" compromise, approximately 784,000 businesses with 97.4 million employees would be covered by their play-or-pay mandate. Under the HELP Committee bill, approximately 509,000 businesses with 95.4 million employees would be covered by their play-or-pay mandate.

Under H.R. 3200, 63.8 million workers in covered firms already have employer-based health insurance in their own name, and 16.7 million are dependents with employer-based health insurance under another worker's plan.⁹ (See Table 2.) Significantly, it is not clear how the employer mandate will affect the 7.3 million multiple jobholders.¹⁰ For example, will both employers have to offer health insurance to these workers?

Under the Senate HELP Committee bill, 60.9 million workers in covered firms already have

9. Applied Economic Strategies, LLC estimate based on U.S. Census Bureau 2008 ASEC Supplement data.

10. Press release, "Table A-13. Persons Not in the Labor Force and Multiple Jobholder by Sex, not Seasonally Adjusted," Bureau of Labor Statistics, August 7, 2009, at <http://www.bls.gov/news.release/empst.t13.htm> (August 26, 2009).

Covered Workers by Health Insurance Status

Workers Covered by the House and Senate Play-or-Pay Employer Mandates; Figures are in Thousands

Bill and Worker Health Insurance Status	Total	Medicaid Eligible	Eligible for Exchange Subsidy	Not Eligible for Exchange Subsidy	Full-Time, Full-Year	Part-Time, Full-Year	Part-Year
H.R. 3200							
No health insurance	15,216	3,906	8,448	2,862	8,679	1,677	4,861
Employer-based, own name	63,761	2,219	24,988	36,548	54,905	2,136	6,722
Employer-based, dependent	16,670	252	5,294	11,126	7,798	2,894	5,978
Other private health insurance	4,291	824	2,022	1,445	1,851	738	1,702
Medicaid	3,244	1,660	1,337	247	988	535	1,721
Other public insurance	1,465	125	706	635	878	166	421
Total	104,647	8,985	42,792	52,870	75,100	8,144	21,403
Senate HELP Committee Bill							
No health insurance	12,301	3,955	6,034	2,314	6,891	1,415	3,995
Employer-based, own name	60,934	3,595	23,094	34,245	52,568	1,993	6,374
Employer-based, dependent	14,495	326	4,495	9,674	6,883	2,463	5,148
Other private health insurance	3,624	820	1,584	1,220	1,530	602	1,491
Medicaid	2,765	1,604	950	211	812	451	1,502
Other public insurance	1,240	140	563	537	774	135	330
Total	95,359	10,442	36,734	48,177	69,469	7,057	18,833

Note: Estimates are a static analysis based on the current health insurance status of the workers.

Sources: Data on Senate HELP Committee bill from U.S. Small Business Administration, Office of Advocacy, "Employer Firms, Establishments, Employment, and Annual Payroll Small Firm Size Classes, 2006," at http://www.sba.gov/advo/research/data_uspdf.xls (August 27, 2009); data on H.R. 3200 prepared by the U.S. Census Bureau for Applied Economic Strategies.

Table 2 • B 2312  heritage.org

employer-based health insurance in their own name, and 14.5 million are dependents with employer-based health insurance under another worker's plan. (See Table 2.)¹¹

Most important, 34.4 million to 40.9 million employees who are covered by a mandate do not have employment-based health insurance in their own name and would have to be offered insurance in order for their employer to avoid a penalty. (See Table 2.)

Under the House bill, 42.8 million workers in covered businesses would be eligible to receive a partial credit for the cost of purchasing health insurance through the exchanges that would be created

(36.7 million under the HELP Committee bill). (See Table 2.) Moreover, under the House bill, 9 million of the workers in these covered businesses would be automatically eligible for Medicaid (10.4 million under the HELP Committee bill).

Most of the workers in covered businesses who do not have employment-based health insurance are employed in industries defined by the Census Bureau as: restaurants (12 percent), department stores (3 percent), grocery stores (3 percent), colleges and universities (3 percent), other amusement (a subset of amusement), gambling, and recreation industries (2 percent), nursing care (1.7 percent), and employment services (1.5 percent).

11. Applied Economic Strategies, LLC estimate based on U.S. Census Bureau 2008 ASEC Supplement data.

(See Table 3.) Their median weekly earnings are between \$387 and \$400. They are disproportionately Hispanic women in families, ages 16 to 25, who are not citizens.¹²

How a Mandate Will Change Employment-Based Health Insurance

The Congressional Budget Office estimates that under H.R. 3200, some firms would decide to stop offering health insurance, and 3 million workers would lose their employment-based coverage, because, from the employer's perspective, it is more costly to "pay" than to "play" under the mandate, particularly for low-wage workers.¹³ This finding is consistent with the fact that private-sector employers currently pay 10 to 12 percent of wages to provide health insurance, significantly more than the 8 percent firms would have to pay if they choose to no longer offer health insurance.¹⁴

The CBO also estimates that under H.R. 3200, 3 million low-wage workers who would be covered by employment-based insurance would instead choose to purchase insurance through the new health insurance exchanges with a subsidy.¹⁵ Another 3 million part-time workers would likely decline to enroll in their employer's health insurance and instead purchase insurance through the new exchanges with a subsidy.¹⁶

Finally, the CBO estimates that under H.R. 3200, 12 million workers who are currently uninsured would enroll in their employer's health insurance coverage.¹⁷ This increase is driven by two factors: (1) the individual mandate will increase the take-up rates for eligible workers who currently decline coverage for a variety of reasons; and (2) some

Workers Covered by Mandates

Between 34.4 million and 40.9 million small-business workers are covered by the House or Senate employer mandates and do not have their own employment-based health insurance.

Numbers of Workers are in Thousands

Type of Worker	H.R. 3200	Senate HELP Committee Bill
Women	21,792	18,762
Ages 16 to 25	12,429	9,191
Families	33,649	28,538
Non-citizen	4,784	3,718
Hispanic	7,523	5,921
Black	5,233	4,613
<i>By Industry, as Defined by Census Bureau</i>		
Restaurants	5,263	4,165
Department stores	1,271	1,308
Grocery stores	1,147	1,102
Colleges	1,101	1,102
Other amusement	794	654
Nursing care	673	654
Employment services	614	551
Real estate	600	448
Truck transportation	573	448
Traveler accommodation	550	448
Total number of workers	40,886	34,425
Median weekly earnings	\$387	\$400

Note: Estimates are a static analysis based on the current health insurance status of the workers.

Sources: Data on Senate HELP Committee bill from U.S. Small Business Administration, Office of Advocacy, "Employer Firms, Establishments, Employment, and Annual Payroll Small Firm Size Classes, 2006," at http://www.sba.gov/advocaresearch/data_uspdf.xls (August 27, 2009); data on H.R. 3200 prepared by the U.S. Census Bureau for Applied Economic Strategies.

Table 3 • B 2312  heritage.org

12. The Census Bureau data contains a variable on the citizenship status of individuals. The variable makes no distinction between legal and illegal aliens. It distinguishes only between citizens and non-citizens.
13. Congressional Budget Office, "Additional Information Regarding the Effects of Specifications in the America's Affordable Health Choices Act Pertaining to Health Insurance Coverage."
14. Press release, "Employer Costs for Employee Compensation—March 2009," Bureau of Labor Statistics, June 10, 2009, at <http://www.bls.gov/news.release/pdf/ecec.pdf> (August 25, 2009), and Congressional Budget Office, "Additional Information Regarding the Effects of Specifications in the America's Affordable Health Choices Act Pertaining to Health Insurance Coverage."
15. Congressional Budget Office, "Additional Information Regarding the Effects of Specifications in the America's Affordable Health Choices Act Pertaining to Health Insurance Coverage."
16. *Ibid.*

employers will find it less costly to play than to pay, especially for higher-income workers, and begin to offer coverage.

Under the Senate HELP Committee bill, there will be substantially different changes in coverage because employers that do not offer the qualified health insurance to their employees would have to pay only \$750 per year for each full-time worker, and \$375 per year for each part-time worker, substantially less than the 8 percent tax in H.R. 3200 and the cost of providing health insurance.

The Cost to Businesses

There are a number of costs to employers in H.R. 3200 and the HELP Committee bill that are related to the play-or-pay mandate, including: (1) the cost of *not* offering health insurance (the pay part of play-or-pay); (2) the cost of providing health insurance to workers who do not currently have coverage (the play part of play-or-pay); and (3) the increased cost of providing health insurance that meets the essential benefits package mandated by the legislation.

- According to the CBO, the cost of not offering qualifying health insurance and paying the tax is an average of \$23.3 billion per year.¹⁸
- The cost of providing 3 million more workers with qualified health insurance is \$11.3 billion to \$14.6 billion per year depending on what coverage (individual or family) the workers will enroll in.¹⁹
- The cost of increasing the share of the premium employers pay in order to meet the qualifying coverage standard under the House mandate will be an additional \$14.8 billion per year.²⁰

Therefore, the total cost of the play-or-pay mandate for employers will be at least \$49.4 billion to \$52.7 billion per year.

The Mandate: 5.2 Million Low-Wage Employees at Risk

Several factors influence the degree to which requiring employers to offer health insurance will affect prices, wages, employment, and profits.

1. What is the likely cost of the mandate both in terms of specific benefits and in terms of lost flexibility for employers? Besides increasing costs for employers who do not provide insurance, a mandate that specifies generous benefits will increase the costs for some employers who already provide insurance.
2. How much of the increased cost of employing workers is passed on to consumers in the form of higher prices for the goods and services they purchase?
3. How much of the cost is borne by employees in the form of reduced wages, slower wage growth, or reductions in other benefits? There is substantial evidence that the cost of health insurance mandates will be shifted to employees, resulting in lower wages.²¹ Moreover, raising prices also reduces the real inflation-adjusted wages of workers. Firms can also shift the cost of the mandate to other workers who are not affected by the mandate (for example, those already covered by employment-based health insurance).
4. How many workers not currently covered by employer-sponsored insurance are subject to wage rigidities that prevent accommodation of increased costs through reduced wages and

17. *Ibid.*

18. Congressional Budget Office, "H.R. 3200, America's Affordable Health Choices Act of 2009," July 17, 2009, Table: "Preliminary Analysis of the Insurance Coverage Specifications Provided by the House Tri-Committee Group," at <http://www.cbo.gov/ftpdocs/104xx/doc10464/hr3200.pdf> (August 26, 2009).

19. Applied Economic Strategies, LLC estimate based on the CBO estimate of \$5,000 per year for individual health insurance and \$12,000 per year for family coverage, times the share of the insurance premium that employers would be required to pay under the H.R. 3200 mandate, times the share of the 3 million workers who are individuals, family heads, and dependents. The share of workers who are individuals, family heads, and dependents was estimated from Census Bureau data on workers who report having no health insurance coverage.

20. Applied Economic Strategies, LLC estimate based on CBO data and Kaiser Family Foundation, "Employer Health Benefits 2008 Annual Survey," Exhibit 6.11. The share of workers who are individuals or family heads was estimated from Census data.

other forms of compensation? In this situation any mandate may have a substantial effect on employment.

5. How much of the increased cost is borne by shareholders and business owners in the form of lower profits and proprietor income?
6. How much can firms offset the higher cost of employing workers by increasing productivity without reducing the hours of work?
7. How will any exemptions, such as those for small businesses, dependents with health insurance, or subsidies for employers and workers, affect the impact of any mandate?

Hiring decisions are based on the total compensation of employment, including wages and benefits, such as paid vacation and holidays, paid sick leave, retirement benefits, and health insurance. If a worker's compensation is sufficiently high to absorb the entire cost of the new mandate, the mandate will likely change the *composition* of compensation (lower wages, more benefits) but not the total value of compensation.

However, a problem arises when a worker's compensation consists primarily of wages and is not high enough to absorb the cost of the mandate without bumping into the minimum wage. In this case, the play-or-pay mandate will have the same effect on employment as an increase in the minimum wage and will likely reduce the employment of, and job opportunities for, low-skilled workers.

Impact on Prices. Since the beginning of 2008, when San Francisco mandated employers to offer health insurance to workers or pay a fee to the city

to fund health care, restaurants have explicitly passed on the cost of the mandate to consumers in the form of a health surcharge that shows up on the restaurant bill as a flat fee or as a percentage (like a sales tax). Most important, any increase in prices associated with the enactment of a play-or-pay mandate is effectively a hidden tax on savers and those on fixed-incomes.

If firms in the same industry and local market are mandated to provide health insurance and if the demand for their goods and services is relatively inelastic, then these firms could raise prices to offset the cost of the mandate. However, the ability of firms to raise prices will be constrained by the presence and degree of international competition they face and at what point in the business cycle the mandate is enacted. (For example, it will be more difficult for employers to raise prices in a recession and recovery when consumers are also increasing their savings and reducing their debt.) Moreover, the firms that provide health insurance prior to enactment of the mandate will gain a competitive advantage over those firms that do not currently provide health insurance and are subject to the mandate.

Impact on Employment. The play-or-pay mandate will put 5.2 million workers at risk of unemployment, working fewer hours, and providing fewer job opportunities (see Table 4), and up to 382,000 workers could lose their jobs.²² See the methodology below for a description of how these estimates were calculated. These workers are disproportionately likely to be single, Hispanic or black, under 30 years of age, non-citizens, and are part-time or part-year employees working in food preparation, sales, or transportation.

21. Phillip Cryan, "Will A 'Play-or-Pay' Policy For Health Care Cause Job Losses?" Institute for America's Future and the Economic Policy Institute, June 2009; Katherine Baicker and Helen Levy, "Employer Health Insurance Mandates and the Risk of Unemployment," National Bureau of Economic Research *Working Paper* No. 13528, October 2007; Craig Olsen, "Do Workers Accept Lower Wages in Exchange for Health Benefits?" *Journal of Labor Economics*, Vol. 20, No. 2 (2002); Norman Thruston, "Labor Market Effects of Hawaii's Mandatory Employer-Provided Insurance," *Industrial and Labor Relations Review* (October 1997); Price Fishback and Shawn Kantor, "Did Workers Gain from the Passage of Workers' Compensation Laws?" *Quarterly Journal of Economics* (August 1995); Jonathan Gruber, "The Incidence of Mandated Maternity Benefits," *American Economic Review* (June 1994); Jonathan Gruber and Alan Kruger, "The Incidence of Mandated Employer-Provided Insurance: Lessons from Workers' Compensation Insurance," *Tax Policy and the Economy*, Vol. 5 (1991); and Lawrence H. Summers, "Some Simple Economics of Mandated Benefits," *The American Economic Review*, Vol. 79, No. 2 (May 1989).

In addition, the employers of another 10.2 million workers will see their labor costs rise because the employers will be required to increase the share

of the premium they pay in order to meet the qualifying coverage standard under the House mandate.²³ This will put their employees at risk of slower wage growth, fewer hours of work, and reduced job opportunities.

At Risk of Losing Their Jobs

Under the House play-or-pay employer mandates, 5.2 million workers employed by firms covered by those mandates would be at risk of losing their jobs.

Numbers of Workers are in Thousands

Type of Worker	H.R. 3200
Single	3,019
Hispanic	1,647
Black	844
Under 30 years of age	2,739
Non-citizen	1,202
Part-time	819
Part-year	1,958
By Occupation	
Food preparation	1,071
Sales	823
Transportation and material moving	530
Median weekly earnings	\$236
Total number of workers	5,237

Note: Estimates are a static analysis based on the current health insurance status of the workers.

Sources: Data on H.R. 3200 prepared by the U.S. Census Bureau for Applied Economic Strategies.

Table 4 • B 2312  heritage.org

Conclusion

The play-or-pay employer mandates that Congress is currently debating will impact 95.4 million to 104.6 million workers, and 509,000 to 1.4 million employers, including up to 1 million small businesses. The mandates will cost businesses at least \$49.4 billion to \$52.7 billion per year, and result in up to 382,000 low-wage unskilled workers losing their jobs. All told, 5.2 million low-wage workers will be at risk of losing their jobs or having their hours of work reduced, and they will likely have fewer job opportunities in the future. Another 10.2 million workers are at risk of slower wage growth and cuts in other benefits, and some of the cost of any play-or-pay mandate will be passed on to Americans in higher prices for the goods and services they buy—an indirect tax on savers and those on fixed incomes.

—D. Mark Wilson is a consultant for The Heritage Foundation and a former Deputy Assistant Secretary for Employment Standards Administration at the U.S. Department of Labor.

22. Applied Economic Strategies LLC estimates based on methodology used in Cryan, “Will A ‘Play-or-Pay’ Policy for Health Care Cause Job Losses?” and Katherine Baicker and Helen Levy, “Employer Health Insurance Mandates and the Risk of Unemployment,” National Bureau of Economic Research *Working Paper* No. 13528, October 2007. See the Methodology. Congressional Budget Office, “Effects of Changes to the Health Insurance System on Labor Markets.”
23. Kaiser Family Foundation, “Employer Health Benefits 2008 Annual Survey,” Exhibit 6.11.

APPENDIX: METHODOLOGY

The findings in this report on the number of workers who are “at risk” of negative employment effects from the play-or-pay employer mandate, and the static job loss estimates that such a mandate would cause, were generated using the Census Bureau’s “March 2008 Annual Social and Economic Supplement” (ASEC).

To estimate the number of workers who are at risk and the estimated jobs that would be lost due to the employer mandate in H.R. 3200, the following steps were taken:

1. Health insurance variables for “total private,” “employment-based,” “direct purchase,” “total public,” “Medicaid,” “Medicare,” “Military Health Care,” and “not covered” were constructed using ASEC variables to match the Census Bureau estimates published in “Income, Poverty, and Health Insurance Coverage in the United States: 2007,” Table C-1, August 2008.
2. Only those observations with the following conditions were selected for analysis: (age > 15 & age < 65) & workyn = 1 & clslyr < 5 & empls > 1 & (NoHI = 1 or DirPurch = 1). That is, non-elderly people who reported working last year as wage and salary employees in firms with 10 or more workers and either had no health insurance, or directly purchased health insurance, and, therefore, would likely to be covered by employer mandate.
3. Average hourly pay was calculated using $((\text{WSal-Val} / \text{WksWork}) / \text{HrsWk})$.
4. The amount of payroll tax to be paid per hour for the worker observed was calculated using a 4 percent payroll tax for workers in firms with 10 to 24 employees (emplsz = 2), and 8 percent for workers in firms with 25 or more employees.
5. The amount of the payroll tax was then subtracted from the worker’s current hourly pay. If the resulting amount was above \$4.35 (60 percent of the current federal minimum wage) and below the applicable federal or state minimum wage, the worker was considered “at risk.”
6. For those at-risk observations, the difference between (a) their hourly pay minus the payroll tax costs per hour and (b) the prevailing federal or state minimum wage was calculated. That difference was then divided by the worker’s current hourly pay to find the percentage increase in compensation effectively mandated for that worker.
7. That percentage was then multiplied by the assumed elasticity of employment (0.03) to mandated wage increases.
8. The sum of the probabilities of job loss for at-risk workers, using the appropriate ASEC weight, was calculated to estimate the national employment loss estimate.