

AFFORDABLE FOR INDIVIDUALS VERSUS AFFORDABLE FOR WAL- MART EMPLOYEES

Here's a scary part of MaxTax, if I understand it correctly. MaxTax still screws employees but rewards Wal-Mart as I've laid out in this post and this post. Here's the language in question:

As a general matter, if an employee is offered employer-provided health insurance coverage, the individual would be ineligible for a low income premium tax credit for health insurance purchased through a state exchange. An employee who is offered coverage that does not have an actuarial value of at least 65 percent or who is offered unaffordable coverage by their employer, however, can be eligible for the tax credit. Unaffordable is defined as 13 percent of the employee's income. For purposes of determining if coverage is unaffordable, salary reduction contributions would be treated as payments by the employer. The employee would seek an affordability waiver from the state exchange and would have to demonstrate family income and the premium of the lowest cost employer option offered to them. Employees would then present the waiver to the employer. The employer assessment would apply for any employee(s) receiving an affordability waiver. Within five years of implementation, the Secretary must conduct a study to determine if the definition of affordable could be lowered without significantly increasing costs or decreasing employer coverage.

A Medicaid-eligible individual can always choose to leave the employer's

coverage and enroll in Medicaid. In this circumstance, the employer is not required to pay a fee.

But note how affordability is defined: 13% of "income."

Now look at how MaxTax defines "affordable" for individuals having to buy insurance via an exchange.

Exemptions from the excise tax will be made for individuals where the full premium of the lowest cost option available to them (net of subsidies and employer contribution, if any) exceeds ten percent of their AGI.

The individual definition of affordable uses 10% of Adjusted Gross Income. Whereas the employer's definition of affordable uses 13% of (apparently) total income.

Now, it's a good thing (sort of) that the affordability rate for individuals is 10% of AGI. That means a family would be able to opt out if there were no health care available at even a lower rate than I thought (for example, it might mean a middle class family could opt out if health insurance cost them \$6,000 a year, as opposed to \$8,000 a year). It's a bad thing, though, because it means MaxTax would be far from universal—a lot of middle class families will pretty much have to opt out because they can't afford coverage.

But if your employer offers health care—even if it covers just 65% of costs—then you can't opt-out unless you're paying out of pocket 13% of your total income!! Oh, and to opt-out you have to go to your manager and tell him or her that you're opting out, which means the employer will be fined; how many people do you think will be fired rather than opt-out?

I hope I'm wrong about this. But if I'm understanding this correctly, it reinforces my

impression that MaxTax is an invitation to allow employers to turn their employees into captive profit centers.