SHOULD I PLAY OR SHOULD I PAY?
The success of health care reform may come down to how we frame that pivotal decision

BY JOSH BIVENS, ELISE GOULD, AND ALEXANDER HERTEL-FERNANDEZ

Nearly two out of three nonelderly Americans (62.9%) receive health insurance coverage through their employer, and employer contributions to health insurance premiums exceeded $530 billion in 2007 – roughly a quarter of total national health spending. The majority of health reform proposals under consideration would build on this employer-sponsored insurance (ESI) by requiring employers to either provide coverage for their employees or else pay a fee meant to defray the costs of covering these employees through a new national insurance "exchange."

This paper first examines health coverage and costs across a wide range of industries. This survey of the extent to which employers currently cover their workers and the amounts they spend can help to illuminate how firms will decide to either cover their own workers or pay the fee levied for non-coverage (to "play-or-pay" in the jargon of reform) if health reform proposals currently under debate become law.

Employer contributions to health insurance coverage are far from uniform across industries. This paper uses unpublished data from the Employers' Cost for Employee Compensation (ECEC) survey prepared by the Bureau of Labor Statistics (BLS) to document how lumpy this spending is. The results for relatively large industry aggregates are presented in **Table 1** (the full industry list appears in **Table A1** at the end of this report). Among the top 10 industries in terms of dollars per hour worked are two of the three sub-sectors of manufacturing, utilities, and a number of high-wage service sectors (finance and insurance, information, and management of enterprises). When sorted instead by the share of total compensation accounted for by employer contributions to ESI premiums, a couple of high-wage sectors drop out of the top 10 (finance and insurance, management of enterprises) and are replaced by medium-wage industries that provide relatively generous ESI payments per hour worked (non-durable manufacturing and postal services, for example).

Employer health spending today

Compensation, contributions to health insurance premiums, and coverage rates

	Industry	Compensation ($/hr)			Health insurance coverage	Health insurance share of compensation
		Total	*For health insurance*	*Wages*		
49	*Postal service, courier, warehousing*	$26.38	$3.22	$16.27	63.0%	12.2%
31	*Manufacturing (nondurables I)*	23.17	2.44	14.09	68.6	10.5
61	*Educational services*	41.53	4.18	18.88	59.3	10.1
33	*Manufacturing (durables)*	33.97	3.12	19.06	71.8	9.2
22	*Utilities*	49.16	4.42	28.84	84.4	9.0
48	*Transportation*	31.72	2.78	17.30	63.0	8.8
32	*Manufacturing (nondurables II)*	31.29	2.70	17.56	68.6	8.6
21	*Mining*	44.05	3.45	23.41	74.8	7.8
42	*Wholesale trade*	29.81	2.33	20.18	64.9	7.8
51	*Information*	38.74	2.94	24.63	69.3	7.6
53	*Real estate and rental and leasing*	25.60	1.91	16.28	45.3	7.5
62	*Health care and social assistance*	28.57	2.12	18.96	59.3	7.4
45	*Retail trade II*	15.56	1.15	11.51	44.9	7.4
52	*Finance and insurance*	40.49	2.87	21.51	73.4	7.1
23	*Construction*	31.51	2.19	21.85	46.3	6.9
55	*Management of companies and enterprises*	45.31	3.12	22.05	67.0	6.9
44	*Retail trade I*	17.38	1.04	13.41	44.9	6.0
81	*Other services (except pub admin)*	25.05	1.46	16.07	39.0	5.8
71	*Arts, entertainment, and recreation*	18.29	1.06	14.63	42.2	5.8
54	*Prof, scientific, and tech services*	43.69	2.44	27.83	67.0	5.6
56	*Admin, spprt, waste mgmt*	19.82	1.04	14.86	36.7	5.2
72	*Accommodation and food services*	10.63	0.46	10.11	24.2	4.4
	Economy-wide average	29.80	2.31	20.37	54.8%	7.9%
	State and local employees, all industries	34.43	3.90	-	-	11.3%

SOURCE: Unpublished data from the Employers' Cost for Employee Compensation (ECEC) survey, BLS; March supplement to Current Population Survey (CPS).

Figure A is a "scatter-plot" diagram showing the relationship between dollars spent per hour on employer contributions to health insurance premiums and the share of employees in an industry covered by employer-sponsored insurance. As the strong upward slope of the line indicates, coverage rates explain most of the variation in employer spending for health insurance premiums – meaning that it seems unlikely that the lavishness of plans provided by some industries relative to others is a particularly important driver of industrial cost differences.

Factors to be considered in the play-or-pay decision

Play-or-pay reform proposals would require that an employer either directly provide ESI to its employees (play) or else make a contribution to defray the cost of their enrollment in a national insurance exchange (pay). The required employer contribution from non-insuring firms in most play-or-pay plans falls between 4% and 8% of a firm's payroll. Table 1 shows that the economy-wide average falls near the very top of this range (7.9%). Given

ESI coverage rates and employer contributions to premiums per hour, by industry, December 2008
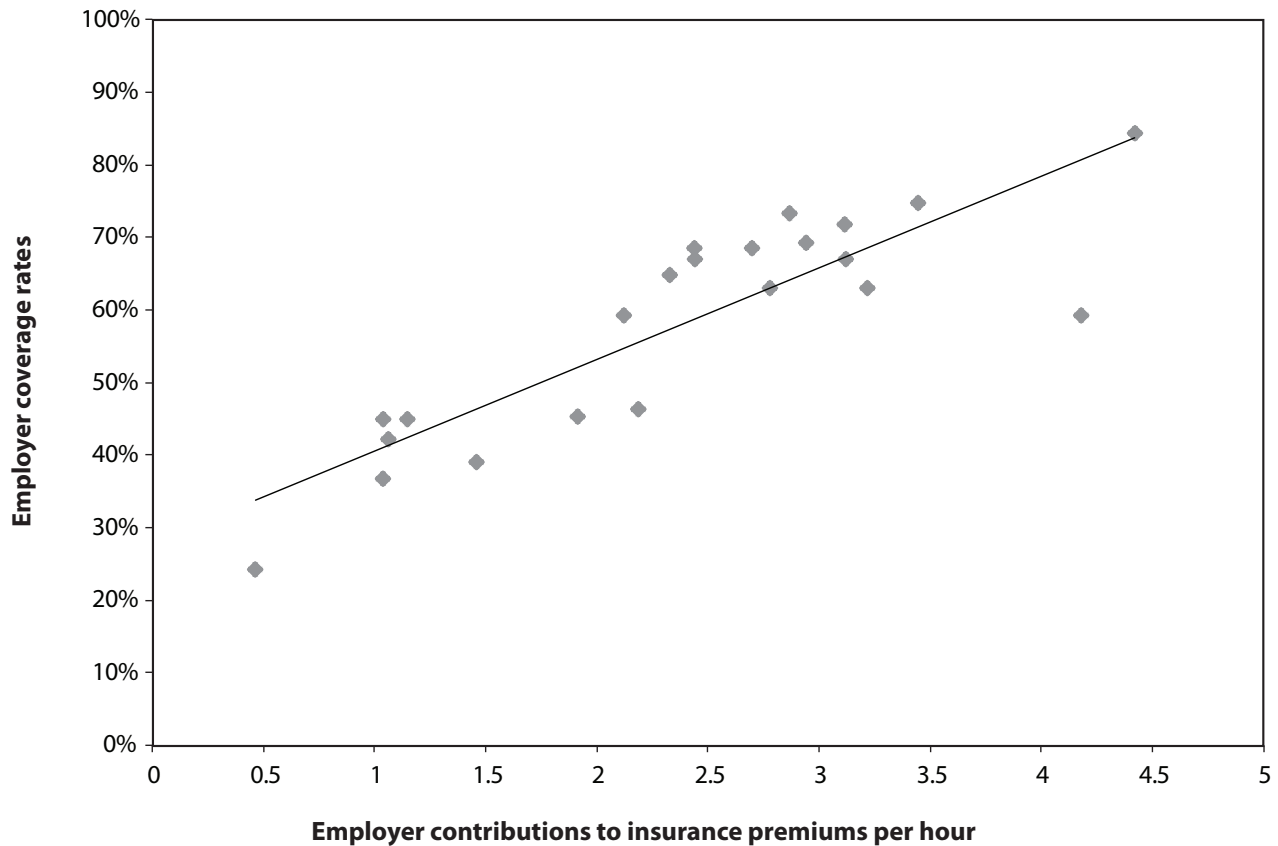
SOURCE: Unpublished ECEC data and March supplement to CPS.

this, one might guess that a very large number of firms may generally tend to choose to pay rather than play. However, it is a bit more complicated than this, and the criteria firms will use in making the play-or-pay decision is not simply the difference between what they pay today as a share of payroll versus the contribution rate under the play-or-pay plan, for a number of reasons.

First, it is the strong belief of economists studying the issue that changing employers' contributions to health insurance premiums will change the *composition* of total compensation but not necessarily the *level*. A worker accustomed to receiving a health benefit of $2.50 an hour presumably wants that benefit and knows that it constitutes compensation. If it drops to $1.50 she will expect to be compensated in some way for that lost dollar,

and so firms have little incentive to shave a dollar from health care if they'll have to turn around and pay it out as a dollar in higher wages or pension benefits. Second, many play-or-pay plans would raise significant revenue to finance enrollment in the national exchange through individual premiums in addition to employer contributions. These *individual* contributions, not just the simple share of payroll accounted for by employer contributions to health insurance premiums, need to be factored into a firm's play-or-pay decision.

Third, health insurance premiums paid by employers (and often even those paid by employees) escape both income and payroll taxes. This means that the after-tax price of health insurance is less than it is for other non-tax-preferred forms of compensation. If we again assume

that firms provide compensation in the form of health care largely because their workers want it, then we can also assume that workers factor in the value of this tax exclusion when weighing how much of their compensation to take in the form of health insurance premiums.

If one grants the assumptions about compensation trade-offs and firm responsiveness to the preferences of their workforces about the form of compensation they receive, then the relevant comparison firms will make in deciding whether to pay or play is the total (both

TABLE 2

Three illustrations of the 'play-or-pay' decision

	Single worker	Worker with a family	High-earning worker with a family
Wages (including employer-paid FICA taxes)	$54,000	$54,000	$200,000
Health insurance premiums			
Total	$4,000	$12,000	$12,000
Employee-paid	0	9,000	0
Employer-paid	4,000	3,000	12,000
Employer-paid insurance as share of wages	**7.4%**	**5.6%**	**6.0%**
Marginal income tax rate (federal + state + local)	20.0%	20.0%	40.0%
Marginal payroll tax rate	15.0%	15.0%	3.0%
Tax deduction 'discount' on premiums	24.0%	24.0%	41.0%
Cost of 'play'			
Total	$3,055	$9,166	$7,057
% of payroll	5.7%	17.0%	3.5%
Costs under Health Care for America plan			
Employer contribution	$3,240	$3,240	$12,000
Employee premiums	840	2,400	2,400
Cost of 'pay'			
Total	$4,080	$5,640	$14,400
% of payroll	7.6%	10.4%	7.2%
Final decision	**PLAY**	**PAY**	**PLAY**

SOURCE: Authors' analysis.

employer and employee share) cost of ESI premiums minus the value of the tax exclusion, on the one hand, versus, on the other, the required employer contribution plus the individual premium needed to enroll in the national exchange.

This is far from a transparent calculation. The value of the tax exclusion to workers is a function of their premium amount, their marginal tax rate, and the extent to which their wages lie above or below the FICA contribution limit (i.e., the cap on Social Security taxes). The individual premium payment for enrollment in the national exchange is a function of plan type (individual or family) and the subsidy rate. Given these complications, it is hard to infer from the industry-by-industry tabulations of what employers currently spend on health insurance premiums as a share of payroll what these firms will do under a play-or-pay plan.

Some examples may make the point a little clearer. **Table 2** walks through three different cases of the decision using the play-or-pay proposal in the Health Care for America (HCA) plan, a proposal authored by Jacob Hacker for the Economic Policy Institute. HCA requires that firms either cover their own workers or make a mandatory payroll-based contribution (6%) to defray the cost of enrolling them in a national insurance exchange, which includes the option of a public insurance plan modeled on Medicare. Workers enrolling in the health care exchange must pay premiums in addition to the employer contribution. (It should be noted at the outset that these examples are chosen for ease of presentation rather than strict real-world accuracy.)

In the first example, imagine a worker who earns $54,000 in payroll wages each year. Her employer provides individual health insurance coverage worth $4,000 annually and requires no contribution from her. At first glance, it appears that this employer spends 7.4% of payroll for this worker ($4,000/$54,000) on health care, and so this employer would be likely to opt to save money by paying the 6% contribution under HCA and letting the worker enroll in the public plan.

But there are additional factors that enter into the decision. If this worker faces a marginal tax rate of 35% (including state and local taxes and payroll taxes), then the true price of the employer-sponsored health plan for this worker must reflect its relatively privileged position relative to cash compensation. Applying the marginal individual tax rate and the payroll tax rate into the calculations[1] yields an after-tax price of about $3,100, or just less than 6% of payroll.

Further, in addition to the 6% employer contribution, enrollment in the exchange would require an annual premium payment of $840 by this worker. The sum of these two is roughly 7.6% of her salary, more than even the pre-tax cost of her employer-sponsored health care. In this case, the employee would want her employer to continue providing health insurance.

The second example also concerns a worker making $54,000 a year, but in this case she is enrolled in her employer-sponsored family plan. The employer pays $3,000 and she pays $9,000 out of pocket (we'll assume tax-free, through a cafeteria plan). Here, the employer is paying just 5.6% of payroll for this worker's insurance and would presumably not want to drop her and have to pay 6% into the public plan.

Again, though, the decision is more complicated. In the first place, from an economics point of view it is the employee who "pays" the total $12,000 cost. She pays the $9,000 employee contribution directly, but also pays the $3,000 employer's share in the form of lower cash compensation. So, when making the decision as to whether she'd prefer to continue receiving her employer's insurance or enrolling in the exchange, it is the *total* cost of this insurance, and not just the employer contribution, that will determine her choice.

Additionally, we must again calculate the tax price of this insurance. Assuming a 35% marginal tax rate, the after-tax price of the family policy is not $12,000 but instead about $9,200, or 17.6% of her cash compensation. Enrollment in HCA would require the 6% contribution from her employer as well as $2,400 annually in family premiums for a combined 10.4% of her cash compensation. In this case, contrary to what might have been guessed by looking just at employer contributions and salary, this worker will have a strong preference to enroll in HCA.

The third example is a worker who makes $200,000 per year and receives a family plan through her employer. The employer contributes the entire $12,000 premium,

and so the simple cost of "playing" is exactly 6%. But if this high-wage worker faces a 50% marginal tax rate, the after-tax price of her employer-sponsored insurance is just 3.5% of payroll. Under HCA, the 6% employer contribution and $2,400 in family premiums would end up costing well over twice this much (7.2%), so this worker would vote strongly to stick with her employer's plan.

The above examples illustrate (among other things) the importance of the current tax exclusion for employer-sponsored health insurance premiums in the play-or-pay decision. Some proposals under consideration would limit this tax exclusion to help finance health reform. Without getting into the merits of limiting this exclusion here (Gould and Minicozzi 2009 provide a good overview of why such a policy may lead to unintended and undesired consequences), it needs to be noted that doing so would, all else equal, increase the size of the national insurance exchange and decrease the probability that those with employer-sponsored insurance today would keep it after reform. Reformers who argue that workers happy with their employer plans will be able to keep them after reform should be wary, on this score alone, about proposed limits to the tax exclusion.

How, and how much, should non-insuring companies have to contribute?

There are two key decisions regarding the appropriate contribution required from non-insuring firms under a play-or-pay reform plan: the amount of the contribution and how it is structured.

Contribution amount

Under the Massachusetts play-or-pay system enacted in 2006, employers who do not provide coverage must provide a payment of $295 annually for each non-covered employee. This clearly is nowhere near enough to finance alternative coverage for these employees – single coverage even in large employer-sponsored group plans costs well over 10 times this amount. Instead, this cost is more of a token, the optimal amount the plan's proponents were able to get through the legislature.[2]

The most compelling argument for mandating an economically significant contribution from non-insuring firms is simply that health coverage is expensive, and the cost of covering the entire population will require meaningful contributions from all stakeholders. Setting this employer contribution low will hence increase the amount of financing required from other sources, either taxes or direct payments from households for insurance and health care.

However, there are sound arguments for keeping the contribution level from non-insuring firms relatively modest, especially when the play-or-pay financing helps defray the costs of enrolling people into a well-run national insurance exchange. Most simply, a lower required contribution rate will encourage a larger group of firms to opt into the exchange. In particular, those firms (generally smaller ones) that face high costs of providing insurance on their own will reap efficiency gains in the national exchange from lower administrative costs and the benefits of large insurance pools. These efficiency gains stemming from pooling together smaller firms into a large exchange are a key lever through which a play-or-pay reform plan could lower national health spending – an absolutely critical benefit of reform.

Furthermore, higher contributions could attract a sicker pool of people into the public plan. At low contribution levels, many firms will find it more advantageous to pay the contribution and have their employees enroll in the public pool. As contribution levels rise, fewer firms will enroll, leading to a smaller insurance pool. A key concern for all health reform plans that depend on a public plan is that it will be subject to adverse selection, the tendency for good health risks to stay in ESI while bad health risks are dumped into the public plan, driving up its costs over time. If contribution levels rise high enough, one could imagine that only those firms least able to find affordable coverage in the private market would enroll in the national exchange. Almost by definition, these will be firms with particularly unhealthy and expensive-to-cover workforces.

In an analysis of the HCA plan, the Lewin Group investigated whether small changes in the 6% contribution rate would result in large changes in the types of enrollees in the national exchange. **Table 3** presents some of their findings. Whether the criteria used was age, health status, or per-member, per-month spending, the difference

TABLE 3

Changes in enrollment in the insurance exchange as required employer contribution rises from 5% to 7%

Employer contribution, as % of payroll	Age		Per-member per-month spending	Share reporting excellent/very good health status
	Average	*Median*		
5%	6.1%	6.3%	0.6%	-6.0%
7%	3.5%	0.0%	-5.2%	-6.7%
Change	-2.6%	-6.3%	-5.8%	-0.8%

SOURCE: Shiels and Haught 2007.

in pool characteristics were minor for all ranges of employer contributions between 5% and 7% and did not change much as the contribution changed. The study estimated that, as the contribution rose from 5% to 7%, enrollees became only slightly less likely to report they were in excellent or very good health, but the enrollment also became slightly younger and slightly less expensive on a per-member, per-month basis relative to those in private coverage. In short, over this range of contribution rates, little changed in terms of the cost characteristics of the pool in the national insurance exchange, arguing that there is little to worry about on the adverse selection front. There is, however, no reason to think that this would apply to contribution rates that are far higher or lower than those estimated by Lewin.

Fixed-dollar contributions or pegged to share of payroll?

An issue that arises often in regard to play-or-pay plans in addition to the *amount* of the contribution required of non-insuring firms is the *structure* of the contribution: should it be a fraction of firm payroll or a fixed-dollar amount?

Hacker and Jacobs (2009) studied a number of health reform proposals (put forward during debates over California health policy reform) that used one or the other formula. The Massachusetts reform of 2006 required a fixed-dollar (and very modest) contribution from firms for each worker not receiving ESI. Senator Chris Dodd (D-Conn.) has recently indicated that federal health reform may follow the Massachusetts lead in this regard. The House Tri-Committee proposal, however, contains a payroll-based contribution requirement from non-insuring firms. In short, this is a lively debate.

A fixed-dollar contribution has the benefit of certainty: it is much easier to know how much money will be raised for each worker enrolled in the national insurance exchange. Further, the level of the contribution, if set high enough, could ensure that new federal taxes would not need to be raised (or could be raised only minimally) in order to defray the cost of enrolling workers without employer-sponsored insurance.

A fixed-dollar contribution also offers a level playing field in terms of employer obligations for health coverage: by definition each non-insuring firm is paying an identical amount for each worker that is not provided coverage, and the contribution level could be set at a level approximating the economy-wide average for employer contributions.

On the other hand, there are also compelling reasons to prefer a payroll-based requirement. For one, a fixed-dollar contribution may actually *limit* the scope of redistribution in the overall reform package because it could essentially force each worker receiving health insurance to pay its full value with lower wages. In a play-or-pay plan like HCA, the payroll-based contribution for low-wage workers will fail to cover the full cost of providing them insurance, and the remainder will have to be made up with various cross-subsidies paid for from new revenue sources. This arrangement will allow workers to purchase

health insurance for smaller wage losses than might be incurred under the fixed-dollar contribution plans.

On this point, Cryan (2009) has noted a key virtue of payroll-based requirements: they may reduce the threat of any job loss arising from mandates to provide health insurance. While it's generally true that workers pay for the portion of ESI premiums formally contributed by employers through lower wages, some institutional constraints may prohibit this wage adjustment – especially minimum wage laws. Baicker and Levy (2008) estimated employment losses from an employer mandate of 250,000 jobs, stemming from the inability of low-wage workers to absorb the extra cost of mandated health insurance through lower wages. Cryan (2009), however, noted that the Baicker and Levy results are driven by their assumption that mandates will be flat rates that are a significant portion of a minimum wage earner's salary (specifically, they model a mandate of hourly health insurance benefits that is 40% of the minimum wage).

If required contributions from non-insuring firms are instead capped at some percentage of payroll below 40%, then employment losses on the scale predicted by Baicker and Levy will not come to pass. The crux of the Cryan result can be demonstrated by comparing the share of workers in "at-risk" categories of the wage distribution under a fixed-dollar mandate versus a percentage-of-payroll mandate that corresponds to several reform proposals currently under debate. The at-risk category is simply a wage low enough that if it fell to absorb the cost of a mandate it would be pushed below the prevailing minimum wage in the worker's state. This comparison is displayed in **Figure B**.

Over a third of uninsured workers have wages less than $2.50 over the prevailing minimum, and a fixed-dollar employer requirement that approached this size would run the risk of pushing them into disemployment. By contrast, only about 13% of these workers have wages less than 6% over the prevailing minimum wage. Using

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FIGURE B

Wage categories 'at risk' for given mandates and the cumulative share of workers in them
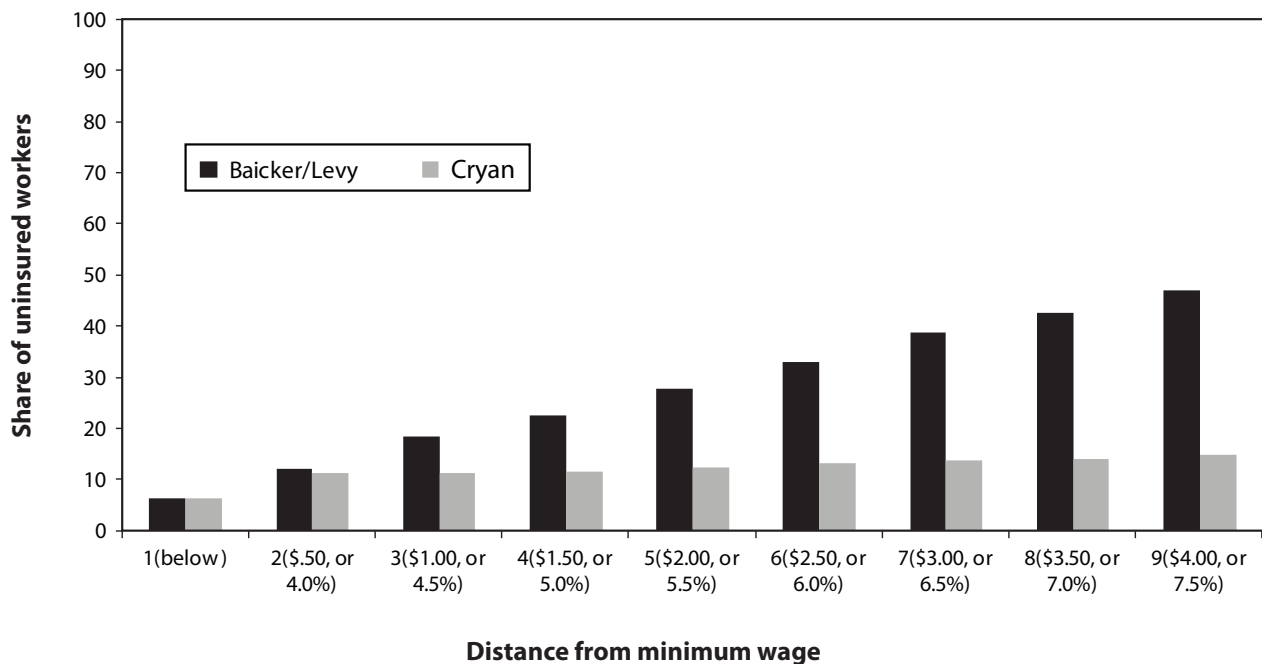
SOURCE: Cryan (2009).

the exact same parameters as Baicker and Levy, Cryan models the employment effects of a 6% payroll contribution and finds employment losses that are less than a fifth as large as those predicted by Baicker and Levy.

Cryan correctly notes that the Baicker and Levy findings of job losses associated with fixed-dollar mandates are driven by their assumption that increasing the minimum wage leads to employment losses. This is not a universally shared belief among economists studying the issue. Card and Krueger (1992) provided the most famous dissent from this view; they argue that no significant job losses followed even relatively large minimum wage increases in various states (Fox 2008 provides a literature review of the minimum wage research and argues that there is still scant evidence of job losses following increases). Cryan (2009) also notes that any threat of job loss stemming from employer mandates will surely be dwarfed by the economic benefits of intelligently directed health reform.

Conclusion

Employer contributions to health insurance premiums vary greatly by industry. This paper has used unpublished data from the ECEC series prepared by the BLS to document these differences. These industry differences in employer spending on ESI premiums seem to be driven overwhelmingly by the share of an industry's employees that are covered.

However, one must be cautious in using this industry data to infer anything concrete about how firms will react to play-or-pay proposals with a given required contribution from non-insuring firms. The play-or-pay decision is a complex one, and depends on employees' marginal tax rates as well as the precise degree of trade-off between employer-paid premiums and other forms of compensation. Often what seems like a slam-dunk one way or the other reverses once one takes into account after-tax prices and the strong probability that even employer contributions are actually "paid" by the employee.

Any particular play-or-pay plan would need careful scoring to figure out the enrollment implications of its particular parameters. At the aggregate level, the Lewin Group's scoring of HCA lets us know roughly how big the national insurance exchange would be given a couple of parameters (the contribution rate and the required individual premiums for enrolling in the exchange). This analysis is, however, much harder to do at the industry level.

Total compensation and employer contributions to health insurance premiums, by detailed industry

Industry NAICS code and name	Compensation ($/hr)		Health insurance share of total compensation
	Total	Health insurance premiums	
211 Oil and gas extraction	$60.96	$3.99	6.5%
212 Mining (except oil and gas)	39.50	3.50	8.9
213 Support activities for mining	38.61	3.13	8.1
221 Utilities	49.16	4.42	9.0
236 Construction of buildings	36.01	2.28	6.3
237 Heavy and civil engineering construction	31.05	2.45	7.9
238 Specialty trade contractors	29.97	2.10	7.0
311 Food manufacturing	22.61	2.54	11.3
312 Beverage and tobacco product manufacturing	36.11	3.44	9.5
313 Textile mills	24.70	2.60	10.5
314 Textile product mills	18.84	1.83	9.7
315 Apparel manufacturing	16.02	0.89	5.5
321 Wood product manufacturing	20.50	1.56	7.6
322 Paper manufacturing	36.73	3.65	9.9
323 Printing and related support activities	25.97	2.07	8.0
324 Petroleum and coal products manufacturing	53.37	3.60	6.7
325 Chemical manufacturing	42.07	3.29	7.8
326 Plastics and rubber products manufacturing	24.32	2.51	10.3
327 Nonmetallic mineral product manufacturing	27.65	2.58	9.3
331 Primary metal manufacturing	28.81	3.02	10.5
332 Fabricated metal product manufacturing	26.98	2.77	10.3
333 Machinery manufacturing	32.40	3.08	9.5
334 Computer and electronic product manufacturing	45.80	3.19	7.0
335 Electrical equipment, appliance, and component manufacturing	28.43	2.80	9.8
336 Transportation equipment manufacturing	41.99	4.02	9.6
337 Furniture and related product manufacturing	22.88	2.20	9.6
339 Miscellaneous manufacturing	25.57	2.57	10.0
423 Merchant wholesalers, durable goods	31.67	2.45	7.7
424 Merchant wholesalers, nondurable goods	26.41	2.14	8.1
425 Wholesale electronic markets and agents and brokers	31.42	2.35	7.5
441 Motor vehicle and parts dealers	21.67	1.16	5.3
442 Furniture and home furnishings stores	19.09	0.85	4.5
443 Electronics and appliance stores	18.17	1.28	7.0
444 Building material and garden equipment and supplies dealers	17.10	1.09	6.4
445 Food and beverage stores	16.41	1.30	7.9
446 Health and personal care stores	19.73	0.81	4.1
447 Gasoline stations	11.58	0.58	5.0
448 Clothing and clothing accessories stores	15.18	0.74	4.9

Total compensation and employer contributions to health insurance premiums, by detailed industry

| Industry NAICS code and name | Compensation ($/hr) | | Health insurance share of total compensation |
	Total	Health insurance premiums	
451 Sporting goods, hobby, book, and music stores	$12.31	$0.62	5.1%
452 General merchandise stores	15.31	1.26	8.3
453 Miscellaneous store retailers	13.64	0.65	4.8
454 Nonstore retailers	25.84	2.06	8.0
481 Air transportation	57.16	4.92	8.6
482 Rail transportation	46.97	5.15	11.0
484 Truck transportation	24.33	1.70	7.0
485 Transit and ground passenger transportation	23.24	2.06	8.9
487 Scenic and sightseeing transportation	14.62	1.31	9.0
488 Support activities for transportation	28.65	3.16	11.0
492 Couriers and messengers	31.67	4.56	14.4
493 Warehousing and storage	21.84	2.07	9.5
511 Publishing industries (except internet)	36.59	2.53	6.9
512 Motion picture and sound recording industries	28.88	1.04	3.6
515 Broadcasting (except internet)	35.79	2.30	6.4
517 Telecommunications	43.88	4.23	9.6
518 Internet service providers, web search portals, and data processing services	49.69	2.95	5.9
519 Other information services	27.76	2.76	9.9
522 Credit intermediation and related activities	33.66	2.59	7.7
523 Securities, commodity contracts, and other financial investments and related activities	69.19	3.50	5.1
524 Insurance carriers and related activities	37.83	2.96	7.8
525 Funds, trusts, and other financial vehicles	43.80	3.06	7.0
531 Real estate	26.82	2.04	7.6
532 Rental and leasing services	21.92	1.56	7.1
533 Lessors of nonfinancial intangible assets (except copyrighted works)	40.64	3.12	7.7
541 Professional, scientific, and technical services	43.69	2.44	5.6
551 Management of companies and enterprises	45.31	3.12	6.9
561 Administrative and support services	18.95	0.94	5.0
562 Waste management and remediation services	37.41	2.97	7.9
611 Educational services	41.53	4.18	10.1
621 Ambulatory health care services	31.48	1.88	6.0
622 Hospitals	35.19	3.12	8.9
623 Nursing and residential care facilities	20.37	1.57	7.7
624 Social assistance	19.52	1.49	7.6
711 Performing arts, spectator sports, and related industries	27.99	1.72	6.1
712 Museums, historical sites, and similar institutions	24.87	1.92	7.7
713 Amusement, gambling, and recreation industries	14.93	0.80	5.3
721 Accommodation	15.22	1.37	9.0

Total compensation and employer contributions to health insurance premiums, by detailed industry

Industry NAICS code and name	Compensation ($/hr)		Health insurance share of total compensation
	Total	Health insurance premiums	
722 Food services and drinking places	$9.77	$0.29	3.0%
811 Repair and maintenance	23.48	1.22	5.2
812 Personal and laundry services	15.25	0.79	5.2
813 Religious, grantmaking, civic, professional, and similar organizations	30.04	1.85	6.2
921 Executive, legislative, and other general government support	35.65	4.10	11.5
922 Justice, public order, and safety activities	38.59	4.26	11.0
923 Administration of human resource programs	36.97	4.44	12.0
924 Administration of environmental quality programs	33.91	3.45	10.2
925 Administration of housing programs, urban planning, and community development	27.87	2.44	8.8
926 Administration of economic programs	33.85	3.67	10.8

SOURCE: Unpublished data from the Employers' Cost for Employee Compensation (ECEC) survey, Bureau of Labor Statistics.

Endnotes

1. The "tax price" of this insurance is the employer payment of $4,000 multiplied by one minus the sum of the marginal individual income tax rate plus the payroll tax rate divided by one minus the payroll tax rate. The payroll tax rate appears in both the numerator and the denominator because it would apply to cash compensation as well as compensation paid in the form of health insurance premiums.

2. It should be noted that one issue that plagued the Massachusetts reform was whether or not the play-or-pay system was legal under the auspices of the Employee Retirement Income Security Act (ERISA). States undertaking reforms to employer-provided benefits generally have to tread lightly over anything that could run afoul of ERISA. By pegging the employer contribution so low, Massachusetts policy makers may have been thinking that this was the highest amount they could charge employers without giving them the financial incentive to undertake litigation over ERISA rather than pay the penalty. They may well have been right. This problem will presumably not affect reform undertaken at the national level, so the Massachusetts reform in this regard is probably of little direct relevance.

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