

Health Insurance Tax Credits: Comparison of Impact Estimates

Source of Impact Estimates	Effectiveness of Tax Credits	Impact Estimates	Tax Credit Structure	Size of Credits	Eligibility Criteria
Wozniak, Gregory D., and David W. Emmons, "Tax Credit Simulation Project Technical Report," June 2000, Center for Health Policy Research, American Medical Association.	Credits can significantly expand coverage	Coverage increases by 16-26 million Expanding coverage costs \$30-\$60 billion	Refundable credits are inversely related to income	Various levels, \$1800-\$2000/ \$3600-\$4000 (single/family)	Purchase of employer-based or individual market coverage; \$75000-\$100000 income eligibility cut-off
Lewin Group, "Health Coverage 2000: Cost and Coverage Analysis of Eight Proposals to Expand Health Insurance Coverage," prepared for RWJF, Sept. 2000. Impact estimates for AMA proposal	Credits have moderate impact on expanding coverage	Coverage increases by 6-17 million \$30-\$82 billion in new federal spending	Refundable credits are inversely related to income	Various levels, \$1500-\$2000/ \$3000-\$4000 (single/family)	Purchase of employer-based or individual market coverage, with \$150000-\$200000 income eligibility cut-off
Gruber, Jonathan and Larry Levitt. <i>Tax Subsidies for Health Insurance: Costs and Benefits</i> . <i>Health Affairs</i> , Vol. 19, Number 1, Jan/Feb 2000.	Credits have small impact on expanding coverage	Coverage increases by 4-12 million Expanding coverage costs \$13-\$44 billion	Various forms: refundable and nonrefundable; credits are inversely related to income	\$500/\$1000 - \$2000/\$4000 (single/family)	Various scenarios: nongroup, nongroup with no employer offer, and any insurance; \$60000/\$100000 (single/family) income eligibility cut-off
Pauly, Mark, and Bradley Herring. <i>Expanding Coverage Via Tax Credits: Trade-Offs and Outcome</i> . <i>Health Affairs</i> , Jan/Feb 2001.	Credits can significantly increase the number of individuals with self coverage	Coverage gains: a. 100% with partial coverage policies b. uninsured cut by 1/3 to 2/3 c. Small impact	Various forms: Refundable, fixed dollar and proportional to premium	a. \$1000- \$2000 b. 75% of premium c. 25% of premium	Purchase of employer-based or individual market coverage; alternative income eligibility (median income and % of FPL) cut-offs
Pauly, Mark, David Song, and Bradley Herring. "Tax Credits, the Distribution of Subsidized Health Insurance Premiums, and the Uninsured," NBER, Working Paper 8457, Sep 2001.	Credits can significantly expand coverage	Uninsured reduced by 21-85%, take-up rate for \$1000 deductible PPO is 85%	Net premiums for 50% of self-coverage purchasers are zero or low levels	\$1000 refundable credit	Single ("self only") coverage

Prepared by Gregory D. Wozniak, PhD, Center for Health Policy Research, American Medical Association, March 2002.

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Source	Non-employer Group Market Assumptions	Methodology	Critical Assumptions	Other Elements	Comments
Wozniak, Gregory D., and David W. Emmons, "Tax Credit Simulation Project Technical Report," June 2000, Center for Health Policy Research, American Medical Association.	Significant increases in the size and extent of this market, better matches of benefit mixes and demand, non-employer groups could gain dominant share of market	Simulation of take-up are calculated at aggregated levels of income	For lower income groups, credits approaching 100% of the premium would not be left on the table		
Lewin Group, "Health Coverage 2000: Cost and Coverage Analysis of Eight Proposals to Expand Health Insurance Coverage," prepared for RWJF, Sept. 2000. Impact estimates for AMA proposal.	Current individual market premiums are used in the simulations	Microsimulation model, with coverage take-up rates derived from estimates of responses in the demand for coverage given a change in premiums, responses vary by income	Estimates of responses in the demand for coverage capture the all-or-nothing nature of the tax credit	Assumes a large number of employers "cash-out" defined benefit plan and drop coverage offer, causing large drop in coverage	
Gruber, Jonathan and Larry Levitt. <i>Tax Subsidies for Health Insurance: Costs and Benefits</i> . <u>Health Affairs</u> , vol. 19, no. 1, Jan/Feb 2000.	Current individual market premiums are used in the simulations	Microsimulation model, coverage take-up rates are derived from estimates of responses in the demand for coverage given a change in premiums, responses vary by income	Estimates of responses in the demand for coverage capture the all-or-nothing nature of the tax credit	Notes that expanding the size of the nongroup market would greatly improve it's efficiency	Microsimulation models fail to capture the full impact of a large fully-refundable credit particularly for low-income groups
Pauly, Mark, and Bradley Herring. <i>Expanding Coverage Via Tax Credits: Trade-Offs and Outcome</i> ." <u>Health Affairs</u> , Jan/Feb 2001, vol.20, no. 1, 9-26.	Expanded availability of partial coverage plans and "moderate-deductible, moderate-limit" plans	Estimates of the price potential buyers are willing to pay for coverage (reservation price of insurance) are used to predict coverage take-up	Coverage could become nearly universal, although less than comprehensive with wider availability of moderate benefit plans	"So while we know what happens with high-wage workers and high subsidies, and with low-wage workers and low subsidies, we have no observations on actual behavior of low-wage workers with high subsidies, with the subsidy applying primarily to individual insurance."	Reservation price approach comes close to capturing the AMA's modeling approach
Pauly, Mark, David Song, and Bradley Herring, "Tax Credits, the Distribution of Subsidized Health Insurance Premiums, and the Uninsured," NBER, Working Paper 8457, Sep 2001.	Uses current individual market premium data derived from online quotes (eHealthinsurance) matched to uncovered individuals. Expanding the individual market would result in even more optimistic outcomes.	Two approaches are used to estimate the price potential-buyers are willing to pay for coverage (reservation price of insurance), estimates are used to predict self-coverage take-up		Results are sensitive to insurer underwriting practices, how quotes and actual premiums may differ	