

Issues@TheLatinoCoalition

Fair-Care for Workers

Almost 44 million Americans were without health insurance some time during 1999. Over two-thirds were workers or members of their families. Minorities accounted for a disproportionate share of the uninsured. Blacks and Asians were almost twice as likely to be uninsured as whites while Hispanics were more than three times as likely. Fair-Care would help remedy this situation by augmenting the current employer-based health insurance system.

Main Features of Fair-Care

Fair-Care would provide a refundable credit to workers who are not covered by health insurance through their employers (or former employers). These individuals and their families currently receive no tax breaks if they buy insurance on their own.

Retirees not covered by health insurance through former employers and too young to qualify for Medicare also would be eligible. Ineligible for the program would be workers who choose not to participate in health insurance provided by employers (or former employers in the case of retirees). Workers covered by government-sponsored insurance also would be ineligible.

An eligible worker or retiree would receive a refundable credit of up to \$1,000, up to an another \$1,000 for a spouse and an additional \$1,000 if there are children under 18. The credit would provide up to \$3,000 to the average family (two parents and two children) to help cover the annual costs of health insurance.

Participation in Fair-Care

Assuming that 60 percent of those eligible participate, we estimate that 19.5 million people would receive a Fair-Care Credit - 12.7 million workers and spouses, 5.2 million children and one million retirees. Cost of the credit would amount to \$16.6 billion a year in 2001.

Total Participation and Cost Under Fair-Care, 2001
(millions of persons and \$billions)

	Number	Cost
Total Participation	19.5	\$16.6
Adults	12.7	\$12.7
Children	5.,8	\$2.9

Retirees	1.0	\$1.0
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Total Participation and Cost Under Fair-Care, 2001 - 2005

Number of persons in millions	2001	2002	2003	2004	2005
Total participation	19.5	19.6	19.7	19.9	20.0
Adults	12.7	12.6	12.5	12.4	12.2
Children	5.8	6.0	6.1	6.3	6.6
Retirees	1.0	1.0	1.1	1.2	1.2
Annual cost of the program in \$billions					
Total cost	\$16.6	16.6	16.6	16.7	16.7
Adults	12.7	12.6	12.5	12.4	12.2
Children	2.9	3.0	3.1	3.2	3.3
Retirees	1.0	1.0	1.1	1.2	1.2

The cost of the program is projected to be extremely stable over the next five years. Holding the Fair-Care Credit at \$1,000 keeps annual costs virtually flat. As the number of participants rises slightly, reaching 20 million by 2005, program costs would increase somewhat to \$16.7 billion.

Government Administration of Fair-Care

Because the Fair-Care Credit is available to workers of employers who do not offer coverage, it would be easy to administer. There would be no need for complex, bureaucratic determinations involving income, poverty measures, changing economic circumstances, etc. Besides lower administrative costs, there would be less fraud because there is no payoff from trying to "game" the system.

Treasury would have primary responsibility for administering Fair-Care. The Credit would be incorporated into the existing payroll-withholding system by adding two lines to the W-4. One line would indicate whether the worker wants to claim the credit and that the employer does not offer insurance. A second line would indicate whether the child portion would be used. Adjustments to withholding rates would spread payment of the credit throughout the year. Payment would go directly to the individual. The employee would be responsible for documenting the purchase of insurance to the IRS.

Because the credit would be limited to health insurance premiums, participants would report their use of the credit on their annual tax return. The IRS would treat the credit as part of its normal audit process. Filing a false claim would subject the participant to standard tax fraud provisions.

How the Fair-Care Credit Works

Individuals obtaining the credit would not have to wait until the end of the year to file their tax return and receive their credit. It would be automatically provided through either reduced withholding or estimated tax payments. Or, the individual could opt to have the credit assigned to the insurance company. An expanded estimated tax process would provide quarterly refunds for unemployed individuals who would otherwise not be required to file estimated taxes.

Impact of Fair-Care on the Individual

Fair-Care would move toward greater equalization of the tax treatment of health insurance across most income categories and across all types of insurance coverage. It is fair in that it offers similar tax breaks for all workers and their families.

Impact of Fair-Care on the Uninsured and Minorities

Currently, lower income families and minorities are more likely to be uninsured. In 1996, the percentage of persons with health insurance ranged from 75 percent in households with incomes of less than \$25,000 to 92 percent for families with incomes of \$75,000 or more. A larger portion of the Hispanic

population lacks insurance than other ethnic groups. Overall 15.6 percent of the resident population lacked health insurance, compared to more than twice of those of Hispanic origin (33.6%). The Fair-Care Credit would reduce the number of uninsured by providing these groups help, not now available, to buy health insurance.

A tax credit for the purchase of insurance would make it possible for many more people to obtain insurance, thereby helping to lower the total cost of insurance. It would do so in two ways: (1) by reducing the amount of uncompensated care that is offset through cost shifting to private insurance plans and (2) by substantially increasing the insurance base, thus spreading the cost over a wider number of people. A tax credit would also encourage insurance companies to write policies geared to the size of the credit, thus offering more options and making it possible for low income families to obtain coverage without paying much more than the available credits.

As Income Rises, Chances of Having Insurance Rises
(percent of persons having coverage, by household income, 1996)

Household Income	Percent Covered
Less than \$25,000	75.7%
\$25,000 - \$50,000	83.4 %
\$50,000 - \$75,000	90.0 %
\$75,000 or more	92.4 %

Source: U.S. Bureau of the Census, March 1997 Current Population Survey

Who is not Covered?
(percent of persons lacking coverage, by ethnic origin, 1996)

Whites 14.4%
Whites, not Hispanic 11.5%
Asian 21.1%
Black 21.7%
Hispanic 33.6%
All persons 15.6%

Source: U.S. Bureau of the Census, March 1997 Current Population Survey

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The Latino Coalition
707 5th Street, SE
Washington, DC 20003
Phone: (202) 546-0008
Fax: (202) 546-0807