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Simple arithmetic shows: employer-provided health coverage a bargain for U.S. taxpayers

Employees receive \$5.34 in benefits for every \$1 of tax expenditure

WASHINGTON, DC – “It is no surprise that public polls reveal the popularity of job-based health coverage, because we all know it is the high-quality, affordable coverage that people want to keep,” American Benefits Council President James A. Klein said today. “Less well known is that employer-provided health coverage is an enormous bargain for American taxpayers,” Klein said. “A simple calculation shows that U.S. companies spend more than \$5 on health benefits for every \$1 of tax revenue lost.”

According to the Joint Committee on Taxation’s [Estimates of Federal Tax Expenditures For Fiscal Years 2019-2023](#), there was \$152.5 billion in “forgone revenue” in 2019 because workers do not pay income tax on their employer-provided health coverage. Meanwhile, the Bureau of Economic Analysis’ National Income and Product Accounts Table 6.11 ([Employer Contributions for Employee Pension and Insurance Funds by Industry and by Type](#)) shows that employers spent \$813.9 billion to provide health coverage the same year.

“A back-of-the-envelope calculation of \$813.9 billion divided by \$152.5 billion reveals that each dollar of federal expenditure yielded approximately \$5.34 in benefits for covered employees and their families. What other federal program can demonstrate the same bang for the buck?” Klein asked.

This “benefits bargain” is relevant and timely for three very important reasons:

- “First, those policymakers who advocate scrapping employer-sponsored health coverage should be aware that it would cost enormously more to provide the same level of financial security for health care needs exclusively directly through

government programs than it does to incentivize tax-favored employer-sponsored coverage,” Klein said.

- “Second, any discussion of a ‘public option’ should include an understanding of the highly efficient private system. Well-intended proposals to provide coverage options must not disturb the innovative and effective employer system,” Klein said. The Council will soon provide detailed formal comments addressing this point in response to the [request for information](#) issued by Senator Patty Murray (D-WA), chair of the Senate Health, Education, Labor, and Pensions (HELP) Committee, and Representative Frank Pallone, Jr. (D-NJ), chair of the House Energy and Commerce Committee.
- “Third, and most urgently and optimistically, there are many practical reforms policymakers can pursue right now that would lower costs and improve quality across the board. This includes cost and quality transparency measures, eliminating anticompetitive practices and enhancing health savings accounts,” Klein said.

As the Alliance to Fight for Health Care [unveiled today](#), voters give the U.S. health care system a positive rating, they are satisfied with their own coverage and do not want major disruptive changes to the health care system. A recent survey conducted by [ALG | Research](#) found that employer-provided health insurance compares favorably to other forms of coverage, particularly on measures of choice, quality, and comprehensiveness. However, while most voters rate the system positively with respect to innovation, quality and choice, they give it poor marks for cost and transparency. (For more information, see the [Alliance to Fight for Health Care news release](#).)

“Americans highly value employer-provided health coverage, but they and lawmakers may not fully understand its economic value. Public policy should build on the employer-sponsored system so more people can share in that value,” Klein concluded.

For more information on employer-sponsored health plans, or to arrange an interview with the Council’s health policy team, contact Jason Hammersla, Council vice president, communications, at jhammersla@abcstaff.org or by phone at (202) 422-4652 (cell).

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The Council is a public policy organization whose members include over 220 of the world’s largest corporations, as ranked by Fortune and Forbes. Collectively, the Council’s members either directly sponsor or administer health and retirement benefits for virtually all Americans covered by employer-sponsored plans.