

Appendix for “Paying More, Getting Less,” by Joel A. Harrison, *Dollars & Sense*, May/June 2008

Health Care Cost Amount & Percent of Quintiles of Wage Packet				
	Bottom 20%	Second 20%	Third 20%	Fourth 20%
Total Cash Money Income	<\$23,700	\$23,700 - \$42,304	\$42,305 - \$65,000	\$65,000 - \$99,522
Average Dollars in Taxes Paid by Households (Tax Foundation estimates)	\$1,684	\$11,932	\$21,194	\$35,288
Midpoint Income for Interval		\$33,002	\$53,652	\$82,261
Income Used In Calculations		\$25,000	\$50,000	\$75,000
Wage Packet (Total Income + Employer’s Medicare & SSN Share)		\$26,913	\$53,825	\$80,738
Extrapolated Average Taxes¹ (% of Wage Packet)		\$9,039 (33.6%)	\$19,751 (36.7%)	\$32,173 (39.8%)
Amount of Income for Health Care² (% of Wage Packet)		\$3,109 (11.6%)	\$6,794 (12.6%)	\$11,068 (13.7%)
CBO Adjustment (0.78)³		\$2,425 (9.0%)	\$5,300 (9.8%)	\$8,633 (10.7%)
JCT Adjustment (0.68)⁴		\$2,114 (7.9%)	\$4,620 (8.6%)	\$7,526 (9.3%)
Total Amount & Percentage of Wage Packet for Health Care with Employer Paid Single Health Insurance⁵				
Wage Packet + Average Single Health Premiums (\$4,479)⁵		\$31,392	\$58,304	\$85,217
Based on Tax Foundation		\$7,588 (24.2%)	\$11,273 (19.3%)	\$15,547 (18.2%)
CBO adjustment		\$6,904 (22.0%)	\$9,779 (16.8%)	\$13,112 (15.4%)
JCT adjustment		\$6,593 (21.0%)	\$9,099 (15.6%)	\$12,005 (14.1%)
Total Amount & Percentage of Wage Packet for Health Care with Employer Paid Family Health Insurance⁵				
Wage Packet + Average Family Health Premiums (\$12,106)⁵		\$39,019	\$65,931	\$92,844
Based on Tax Foundation		\$15,215 (39.0%)	\$18,900 (28.7%)	\$23,174 (25.0%)
CBO adjustment		\$14,531 (37.2%)	\$17,406 (26.4%)	\$20,739 (22.3%)
JCT adjustment		\$14,220 (36.4%)	\$16,726 (25.4%)	\$19,632 (21.1%)

Note: The Wage Packet used in my calculations is slightly smaller than many people’s actual wage packet. I added 10% in wages to the Wage Packet (to cover Worker's Comp, Unemployment Insurance, etc.). While the absolute amounts paid to health care did not change, the percentages of Total Wage Packet were reduced by between 1.0 and 1.6%. However, I did not add the ca. 40% of Worker's Comp to the numerator that goes to medical payments and estimated out-of-pocket expenses, which would obviously reduce the difference.

¹ For example, in Second 20%, \$25,000/\$33,002 = 0.758 Then 0.758 x \$11,932 = \$9,039.

² Multiply 34.4% of taxes going to health care, for example: (0.344* \$9,039) = \$3,109

³ Center of Budget & Policy Priorities using CBO estimated Tax Foundation overestimates 28%, 1/1.28 = 0.78, for example: 0.78 * (0.344* \$9,039) = \$2,425

⁴ Center of Budget & Policy Priorities using Joint Committee on Taxation estimated Tax Foundation overestimates 47%, 1/1.47 = 0.68, for example: 0.68 * (0.344* \$9,039) = \$2,114

⁵ Formula to calculate total percentage of wage packet going to health costs:

$$\frac{(\text{tax going to health} + \text{health insurance})}{(\text{salary} + \text{employer Medicare } 1.45\% + \text{health insurance} + \text{SSN})}$$