

Freeing the Employee

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September 10, 2012

For the working age population, one of the biggest problems in the US healthcare system is that health insurance is not portable. In general, when you leave your employer, you must eventually lose the health insurance plan your employer was providing. Almost all the problems people have with pre-existing conditions arise because of a transition from employer-provided insurance to individually purchased insurance. And those problems arise because the employee doesn't own employer-purchased insurance.

So if everyone wants portable insurance, why don't we have it? First, the federal tax law generously subsidizes employer-provided insurance, but it offers very little tax relief to those who must purchase insurance on their own. Employer-paid premiums avoid federal income taxes, federal payroll taxes (FICA), and state and local income taxes as well. But individuals tend to get none of these tax benefits when they pay premiums out of their own pockets.

Even with these discriminatory tax subsidies, insurance could still be portable if employers bought individually owned insurance rather than group insurance for their employees. But here is the second problem. It is illegal in almost every state for employers to use pre-tax dollars to purchase individually owned insurance that travels with the employee from job to job, as well as in and out of the labor market.

Clearly, both state and federal laws need to change. We need to move in the opposite direction—making it as easy as possible for employees to obtain portable health insurance.

The case for portability is strong and goes far beyond the fact that most people want it. First, portability allows a long-lasting relationship with a health plan, which in turn allows a long-lasting relationship with providers of care. This means that people who switch jobs frequently can still have continuity of care—which is usually a prerequisite for high-quality care. Second, people who have portable insurance (as well as portable retirement plans and other benefits) will not be locked into jobs solely because of the nonportable nature of their benefits. Portable benefits are consistent with a mobile labor market, which is a necessary component of a dynamic, competitive economy. Finally, a system of portable benefits is one in which the employer's role is financial, rather than administrative. Employers, therefore, can specialize in what they do best, leaving health insurance to the insurance firms.

For more details, please see my book, *Priceless: Curing the Healthcare Crisis*.