

## Get Bosses Out of Health Insurance Altogether

***Hobby Lobby*, this should be something Left and Right agree on.**

By: Michael Tanner  
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The Supreme Court's decision last week in *Burwell v. Hobby Lobby* has pushed all the buttons that could be expected when sex and religion intersect. Many on the right are celebrating because they value religious expression and feel rather less excited about sex, especially of the non-procreative variety. And much of the Left is outraged because religion is generally considered of far less import while sexual freedom has a high priority. But both sides are missing the point.

It is true that your boss shouldn't be deciding whether or not your insurance plan includes contraceptives. It is also true that your boss shouldn't have to pay for your contraceptives if it violates his or her religious beliefs. But why is this debate limited to employers with certain clearly defined religious beliefs, or for that matter to contraception?

The bigger question should be: Why is some woman arguing with her boss about what benefits are included in her insurance plan in the first place?

There's no good answer. The entire concept that our boss should provide our insurance is an anomaly that grew out of unique historical circumstances during World War II. At the time of a significant labor shortage, President Roosevelt imposed wage (and price) controls, preventing employers from competing for available workers by raising salaries. In an effort to circumvent the regulations and attract workers, employers began to offer non-wage benefits, among them health insurance.

In 1953, the IRS compounded the problem by holding that employer-provided health insurance was not part of wage compensation for tax purposes. This means that if a worker is paid \$40,000 and their employer also provides an insurance policy worth \$16,000, the worker pays taxes on just the \$40,000 in wages. If, however, instead of providing insurance, the employer gave the worker a \$16,000 raise — allowing the worker to purchase his or her own insurance — the worker would have to pay taxes on \$66,000 in income, a tax hike of as much as \$2,400. This puts workers who buy their own insurance at a significant disadvantage compared to those who receive insurance through work.

As a result, Americans were driven to get health insurance through their job: In 1960, just a third of non-elderly Americans received health insurance at work, roughly. Today, 58.4 percent do. (That's actually down from the peak of 71.4 percent in 1980).

Employer-provided insurance is problematic for several reasons. Most significantly, it hides much of the true cost of health care from consumers, encouraging over consumption. Basing insurance on employment also means that if you lose your job, you are likely to end up uninsured. And once you've lost insurance, it can be hard to get new coverage, especially if you have a pre-existing condition.

But, in the context of *Hobby Lobby*, employer-provided insurance is even more insidious: It gives your boss the power to determine what is and is not included in your insurance plan. The government's answer, of course, is simply to mandate that certain benefits, in this case contraceptives, be included. But that merely substitutes the government's judgment for your boss's. Thus we infringe on your employer's desires and your own, leaving both of you at the mercy of politicians.

Instead of fighting over religious liberty vs. contraceptive coverage, both sides should agree to start transitioning away from employer-provided insurance and into a system where each of us owns personal and portable insurance, independent of our job.

Getting there requires changing the tax treatment of health insurance so that employer-provided insurance is treated the same as other compensation for tax purposes: that is, as taxable income. At the same time, to offset the increased tax, workers should receive a standard deduction, a tax credit, or expanded Health Savings Accounts (HSAs), regardless of whether they receive insurance through their job or purchase it on their own.

As a result of this shift in tax policy, employers would gradually substitute higher wages for insurance, allowing workers to shop for the insurance policy that most closely match their needs. That insurance would be more likely to be true insurance — protecting the worker against catastrophic risk, while requiring out-of-pocket payment for routine, low-dollar costs. And it would belong to the worker, not the employer, meaning that workers would be able to take it from job to job and would not lose it if they became unemployed.

But it would also mean that workers, not their bosses, would decide what benefits they want to pay for. People could have contraceptive coverage or any other kind of coverage if we wanted it and were willing to pay for it.

In a less politically polarized world, that would be a reform that both left and right could embrace. In this one, I wouldn't hold my breath.

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