

Shots - NPR's Health Blog

Will Health Savings Trickle From Your Paycheck To Social Security?

Categories: [Medicare & Medicaid](#), [Policy](#), [Insurance](#)

05:04 pm

August 5, 2010

by PHIL GALEWITZ

Partner content from: **KHN**
KAISER HEALTH NEWS

If employers save money on health insurance because of the new health law, will they give their workers a raise?

Absolutely, says a [new report](#) by the trustees of Social Security.

The theory is that the health law will help the financial viability of Social Security because employers will shift money they now spend on health insurance into higher wages. That, in turn, will mean more taxes collected on fatter payrolls to support Social Security and Medicare.

Further, the report cited two provisions in the health law that will reduce employers' health insurance costs:

A tax on [Cadillac plans](#), or unusually expensive health insurance plans, that goes into effect in 2018 will shrink their popularity and plans will be cheaper and health spending by the employer will go down.

The formation in 2014 of new insurance exchanges that are expected to increase competition and drive premiums lower.

The new health law is "estimated to have a significant financial effect" that will help Social Security, the report said.

But that's "a fantasy," says Michael Tanner, senior fellow at the conservative [Cato Institute](#), adding that even if employer health insurance costs go down, the higher taxes on some employers from the law would negate any benefits.

Tanner did concede that if employers do save money on health care, they would pay out some of the money in higher wages. "But I think this report is getting a little bit optimistic," he said.

Administration officials said they expect employers to pay higher wages if their insurance costs go down because they know the reverse is true: When employers face

higher health insurance costs, they hold down or lower wages as a result.

The benefits from the new health law provided some of the only bright lights in the new report on Social Security. The report said the short term outlook for the program has worsened because of the "deeper recession than was projected last year."

Oh, and remember last year, when the trustees said the Medicare trust fund would run out in 2017 – even sooner than previously projected?

Today, they [pushed the clock back](#) and said it would last until 2029. But "only if the government achieves significant savings in health care."

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Eugene Carroll (Eugene_C) wrote:
There's no way to "gestimate" this stuff yet, IMO.

The new system works, presumably, by getting more people who are uninsured to pay into the healthcare costs or pay a fine. Regardless of whether people choose insurance or the fine, more money will be paying into the system. What remains to be seen is how many will choose the fine, and how many will buy insurance, and of those who buy insurance, how their overall average health will change the risk pool.

Until we can see how that plays out, I don't think we can make very accurate predictions at this point, IMO.

Friday, August 06, 2010 9:50:16 AM

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Hollis Davis (HollisDavis) wrote:
great stuff as allways

Flowers

Friday, August 06, 2010 9:19:19 AM

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Ian Dakar (Dakarrian) wrote:
@Mike

Of COURSE. I mean, every time we give them a tax cut it goes strait into worker's pocketbooks. Just look at the massive wages everyone got during the past 10 years of extra tax cuts!

Face it. All savings of any type stays with the company and all costs go to the consumer first then to payroll. To put aside the 'hate' a little, companies DO raise incomes, but they do it based on the supply/demand of the labor market: how much do they need to pay to get the quality and quantity of labor they want.

In short, giving them money does not change your paycheck. The ability for the company to get what they want from you elsewhere is what determines your paycheck. Not much different from how consumers price shop to buy items (with some paying too much, and others going too cheap and getting crap).

Thus tax cuts and health savings won't really improve income. Education (aka, being able to get a better job) will help along with enticing industries that pay well rather than fighting to hold jobs that can be done cheaper elsewhere and never pay well enough anyway.

Friday, August 06, 2010 7:34:24 AM

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Mike C (lux) wrote:

So by this logic, since nearly all oil corporations consistently post ridiculous profits, all employees, no matter what level hierarchically, should consistently be given wage increases, year after year, because of all the extra cash lying around? What are the janitors making over at Exxon these days? Might be time for a career change.

<http://money.cnn.com/2010/07/29/news/companies/Exxon/>

Thursday, August 05, 2010 7:46:52 PM

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mario Tedde (mtedde) wrote:

hold your breath, there is no savings.

Thursday, August 05, 2010 6:51:36 PM

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cake eater (cakeater) wrote:

I know paying all the employees more money is the first thing that pops into the company I work for head when they have extra money...

Thursday, August 05, 2010 6:41:50 PM

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