

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo w/attach	Chris Jennings, Steve Edelman to Hillary Clinton Re: Meeting with Senator Ford (11 pages)	5/27/93	P5
002. memo w/attach	Chris Jennings, Steve Edelman Re: Meeting with Senator Kerrey (19 pages)	5/27/93	P5

COLLECTION:

Clinton Presidential Records
 Domestic Policy Council
 Chris Jennings (Health Security Act)
 OA/Box Number: 23754

FOLDER TITLE:

May 1993 HSA [6]

gf86

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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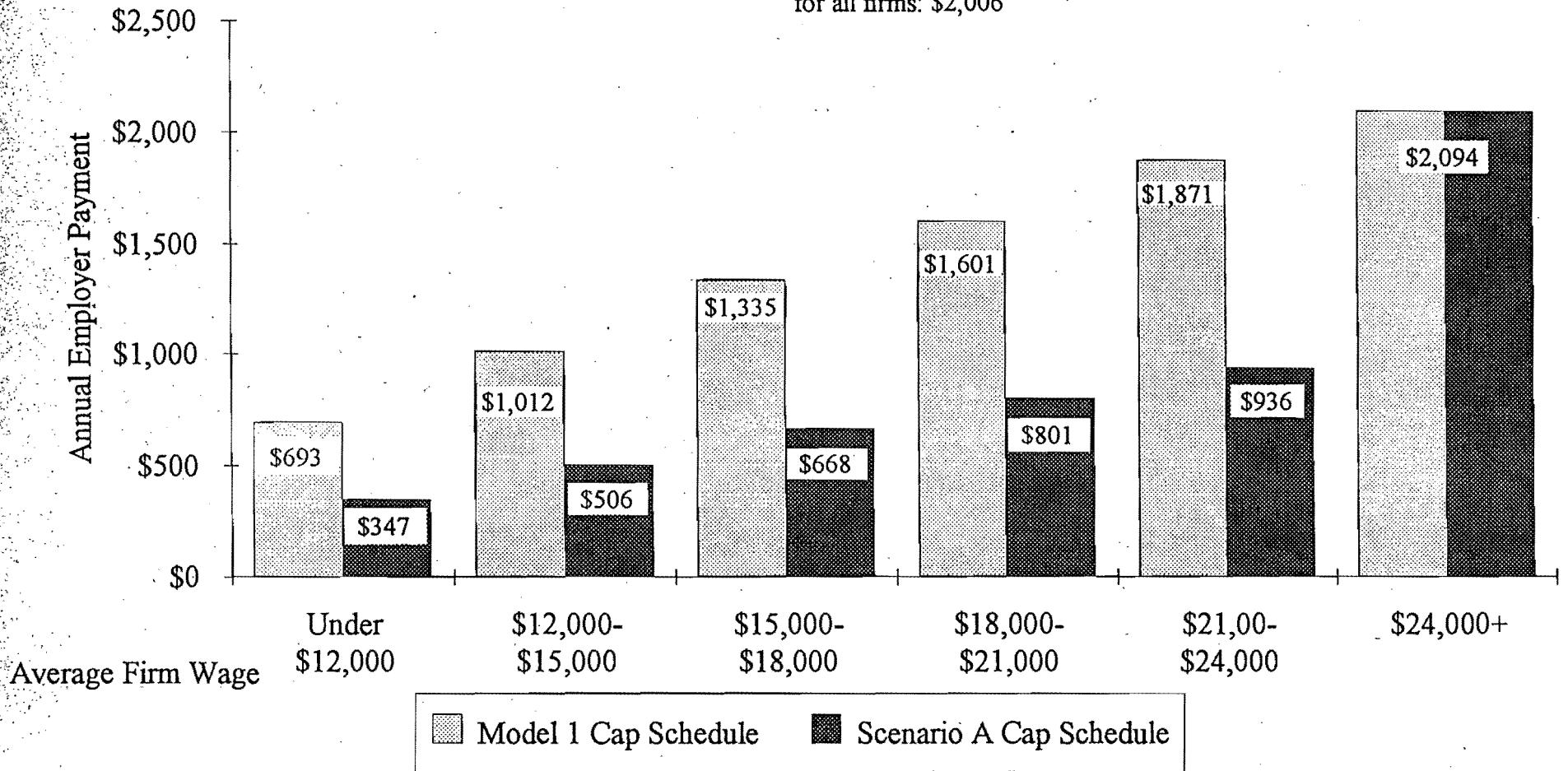
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Employer Payments Per Worker Low Wage Firms with less than 10 Workers

Average employer payment per worker
for all firms: \$2,006



Model 1

Individual Wage Caps for Firm Discounts

Firm size	Average Wage					
	< 12	12-15	15-18	18-21	21-24	24+
≤ 25	5.5%	6.8%	8.1%	9.4%	10.7%	12%
26-50	6.8%	8.1%	9.4%	10.7%	12%	12%
51-75	8.1%	9.4%	10.7%	12%	12%	12%
75+	12%	12%	12%	12%	12%	12%

Scenario A

Individual Wage Caps for Firm Discounts

Firm size	Average Wage					
	< 12	12-15	15-18	18-21	21-24	24+
≤ 25/10	2.8%	3.4%	4.1%	4.7%	5.4%	12%
10-25	5.5	6.8	8.1	9.4	10.7	12%
26-50	6.8%	8.1%	9.4%	10.7%	12%	12%
51-75	8.1%	9.4%	10.7%	12%	12%	12%
75+	12%	12%	12%	12%	12%	12%

Chose for #1 SA

- Havers 2.8 to distribution
under 12 cent length

5.5-12

2.8-12

Carveout
w/ 2.8-12

Scenario

Scenario

A

B

- Subsidy chosen for market length is Model 1

Govt Subs

1 Year	90.0	82.1	87.7	90.1
5 year	316	351.6	373.7	388.4
10 year	1082	939.1	1,001.9	1,031.7

Revenue:

Corp Assessment

5 year	8	40.6	40.6	40.6
10 year	12	81.2	81.2	81.2

Other Revenue

5 year	19	24.6	29.4	33.7
10 year	40	49.2	58.8	67.4

Total

5 year	27	65.2	70.0	74.3
10 year	52	130.4	140.0	148.6

I'll be at the office for a little bit -
Then home -

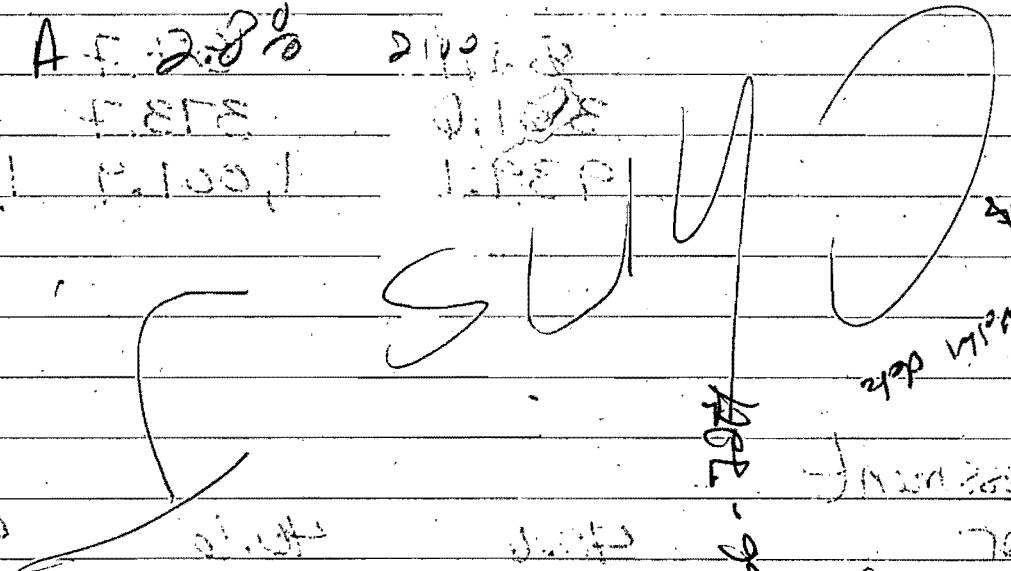


Jinde

Handwritten notes in the top left corner, including "1-15-15" and "1-15-15".

Empire Construction

1.000 A.F. 2.8%
1.275 F.878
1.185 P.100/1



Handwritten notes on the right side, including "1.000", "1.275", "1.185", and "1.000".

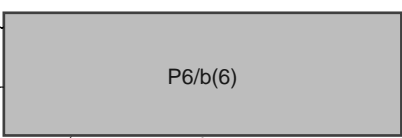
APR - 996500

Brace Model
(30) 589 = 51.84

F.878 J.878 J.878
H.878 K.878 L.878

M.878 N.878 O.878
P.878 Q.878 R.878

71



P6/b(6)

Model 1
Individual Wage Caps for Firm Subsidies

		Average Wage					
		<\$12,000	\$12,000- \$15,000	\$15,000- \$18,000	\$18,000- \$21,000	\$21,000- \$24,000	\$24,000+
Firm Size	25 or fewer	5.5%	6.8%	8.1%	9.4%	10.7%	12.0%

Scenario A
Individual Wage Caps for Firm Subsidies

		Average Wage					
		<\$12,000	\$12,000- \$15,000	\$15,000 \$18,000	\$18,000 \$21,000	\$21,000 \$24,000	\$24,000+
Firm Size	10 or fewer	2.8%	3.4%	4.1%	4.7%	5.4%	12.0%
	10-25	5.5%	6.8%	8.1%	9.4%	10.7%	12.0%

Won't an individual wage cap provide an incentive for firms to keep wages low?

It is important to keep in mind that wages are only one means through which employers compensate their workers. An employer and employee generally agree upon a total compensation package for the worker, which is often composed of both wage and non-wage benefits. In competitive markets, total compensation reflects the value of the worker to the employer. An individual wage cap (just like any payroll cap) may lead to changes in the composition of compensation packages, with wage growth lagging growth of other benefits, but it will not slow the growth of total compensation. There is no reason to expect that total compensation will fall below current levels -- in fact, the value of the compensation package may actually increase because workers will be receiving health insurance that is being purchased at a subsidized price.

The question implies that an individual wage cap would somehow disadvantage those workers who are eligible for caps on their employers' contributions for health coverage. In no way, however, are low-wage workers worse off under the individual wage cap than they are under the current system or under alternative subsidy structures. Unlike firm-based payroll caps, which subsidize firms based on their total payroll, individual wage caps are an effective way to give the subsidies to only those low-wage workers who are in need of them. Under a firm-based payroll cap, some high-wage workers who work in capped firms would receive subsidies. Under an individual wage cap, these high wage workers would not be eligible for subsidies.

Individual wage caps are better than firm-level payroll caps for a number of reasons:

- First, as noted above, individual wage caps only give subsidies to workers whose wages fall below the caps.
- Second, individual wage caps treat all workers with the same wages the same, regardless of the type of firm in which the worker might be employed. Alternatively, under a firm-based payroll cap, for example, the marginal cost of health coverage for a minimum wage worker could be ten times as high in an uncapped firm than in a capped firm, because the uncapped firm has to pay the full cost of health coverage for each worker, regardless of how much the worker makes. The cost of covering a minimum wage worker in an uncapped firm is basically the equivalent of increasing the minimum wage only for large firms. This dramatic increase in the effective minimum wage for large firms is one of the major reasons many analysts have estimated that the Health Security Act will have negative net employment effects, and certainly negative gross employment effects for low-wage workers in uncapped firms.
- Finally, individual wage caps minimize the incentives for firms to game the system in order to maximize their subsidies by outsourcing employment: A minimum wage worker is a minimum wage worker -- whose marginal cost to every employer is the same -- regardless of where that worker might be employed.