INDEPENDENT FISCAL OFFICE

October 30, 2026

The Honorable Greg Scott
Pennsylvania House of Representatives
P.O Box 202054
Harrisburg, PA 17120

Dear Representative Scott:

This letter responds to your October 9, 2026 request concerning an estimate for certain provisions contained in HB 2763 entitled "The Universal Health Care Act." Specifically, you requested that the office provide:

- an estimate of the new revenues that would be generated under the bill from the proposed payroll tax and unearned income tax; and
- a general estimate of the amounts that employers in Pennsylvania currently spend on employee health insurance premiums.

The proposal eliminates health insurance premiums and would move all residents to a single payer system. All residents currently employed (private, government and self-employed) would migrate to the new system, as would residents without coverage and those who receive coverage through the health insurance exchange (Pennie). Per the bill, the newly proposed taxes are as follows:

- An employer payroll tax of 7.5% on employee W-2 wages, replacing previous spending by employers on health insurance premiums.
- An employee payroll tax of 2.5% on employees, replacing previous spending by employees on health insurance premiums and out-of-pocket expenses.
- A 10% payroll tax on the self-employed, including general partnership income and other income subject to the federal self-employment tax.
- A 10% tax on Pennsylvania taxable unearned income and all other income not specifically exempted (e.g., Social Security income).

Revenue estimates for the new taxes are displayed in the table on the final page. Relevant notes and data sources used for the estimates are as follows:

- The estimates pertain to tax year 2026 and are purely static estimates. They do not reflect any behavioral effects or macroeconomic (i.e., dynamic) impacts from the new taxes or the elimination of current health insurance premiums.
- The estimates do not include any changes (or amounts paid) for coverage provided under Medicaid, Medicare or Medicare Supplemental plans.

- The estimates do not reflect any potential savings from reduced out-of-pocket expenses for consumers. They also do not reflect any net tax costs or savings to firms from the deduction of health insurance premiums under the current system compared to the 7.5% employer payroll tax under the proposed system.
- The proposed employer payroll tax (7.5%) generates $37 billion (see table). The estimate uses payroll data published by the U.S. Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages, which are based on the location of the employer.[1] Wages for residents who commute and work out-of-state are not included.
- The proposed employee payroll tax (2.5%) generates $12 billion using the same data source.
- The proposed tax on self-employment income (10%, includes general partners) generates $3.0 billion. The estimate is based on taxable self-employment income for Pennsylvania reported to the Social Security Administration (self-employment income subject to the Medicare Hospital Insurance (HI) tax) for 2023 (latest data) grown to 2026.
- The proposed tax on unearned income (10%) generates $17 billion. The estimate is based on Pennsylvania income tax return data for 2025 grown to 2026 and includes amounts reported (and taxed) by non-residents.
- Total new revenues are $69 billion. As noted, this figure is a purely static estimate for 2026.

The bottom portion of the table displays estimates for current health insurance premiums paid by employers, employees, self-employed individuals and residents who receive coverage through Pennie. These estimates are subject to considerably more uncertainty due to lack of data and assumptions necessary to estimate the impact. Relevant notes are as follows:

- The estimate for health insurance premiums paid by Pennsylvania employers is $40 to $44 billion. Based on data published by the U.S. Bureau of Economic Analysis (NIPA Table 7.8 for U.S., Table SA4 for Pennsylvania), the ratio of group health insurance premiums to wages and salaries paid is roughly 11.0% for 2026.[2] Data from the U.S. BLS show that Mid-Atlantic employers (includes government) pay 82% of health insurance premiums for single coverage and 76% for family coverage. The analysis assumes a weighted average employer share of 78% for both types of coverage. Based on that parameter, employee health insurance premiums range from $11 to $12 billion.
- Premiums paid by self-employed individuals are difficult to estimate because some (1) may not have coverage, (2) receive coverage through Pennie or (3) receive coverage through their firm (e.g., general partners). The analysis used 50% of reported self-employment earnings and assumed an average premium of 10% of income reported, for an estimate of $1.5 billion. It is noted that this particular estimate is subject to significant uncertainty.
- The estimate for net premiums paid for residents using the health insurance exchange is $1.3 billion. The estimate is based on average Pennie enrollment through September (435,000) and the average net monthly premium reported ($251) after application of advance premium tax credits.

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[1] The analysis includes wages earned by non-residents who commute to and work in Pennsylvania. If those amounts are excluded, then it would reduce the tax base by 3% to 4%. The published QCEW amount was increased by 4% to account for wages not reported through the unemployment insurance system.

[2] The Bureau of Economic Analysis notes that the data include "both health insurance purchased by employers for their active and retired employees and health insurance provided by employers on a self-insured basis."

If you have further questions regarding this response, please do not hesitate to contact my office (contact@ifo.state.pa.us).

Sincerely,



Matthew J. Knittel
Director, Independent Fiscal Office

Static Revenue Estimates for Single Payer Proposal (2026)

	Proposed Tax Rate	Tax Base		Revenue Estimate	
		Low	High	Low	High
Proposed New Tax Revenues					
Wage Income					
Employer	7.5%	$487.3	$487.3	$36.5	$36.5
Employee	2.5%	$487.3	$487.3	$12.2	$12.2
Self Employment	10.0%	$27.0	$29.9	$2.7	$3.0
Unearned Income	10.0%	$168.0	$176.6	$16.8	$17.7
Total				**$68.2**	**$69.4**
Spending on Health Insurance Premiums					
Employers				$39.7	$43.9
Employees				$11.2	$12.4
Self-Employed				$1.3	$1.6
Health Insurance Exchange Net Premiums				$1.2	$1.4
Total				**$53.4**	**$59.2**

Note: Billions of dollars. Exchange premiums are after tax credits. Estimates assume that employers pay 78% of health insurance premiums and employees pay 22%.