The J.P. Farley Paycheck Index

How many weeks must an employee work to afford the health plan?

THE PAYCHECK TEST

The plan may look competitive on paper. The employee's bank account delivers the final verdict.

J.P. FARLEY CORPORATION

Why the Paycheck Index exists

A realistic assessment begins where the employee experiences the plan.

Employers do not buy healthcare for the sake of buying healthcare. The plan is expected to help attract and retain people, support a healthy workforce, and strengthen the employment offer.

The difficulty is that plan problems are not always obvious. A familiar network, a quiet workforce, and an advisor's assurance that the benefits are "competitive" do not prove that employees can afford to use them.

THE CENTRAL IDEA

Employees do not measure a health plan in industry percentages. They measure it in take-home pay.

The J.P. Farley Paycheck Index converts employee cost exposure into weeks of net pay. It gives leadership a disciplined way to ask whether the plan behaves like a meaningful benefit—or creates a financial obstacle at the exact moment an employee needs care.

What the Index reveals

- The financial weight of common healthcare events relative to employee income.
- The gap between a plan that looks acceptable at renewal and one employees can afford to use.
- The plan-design levers most likely to lower employee strain.

A QUIET PLAN IS NOT NECESSARILY A SUCCESSFUL PLAN

Silence may mean the burden has been absorbed, postponed, financed—or normalized.

How the Index works

Three healthcare benchmarks. One weighted burden. One understandable result.

ER + MRI	CHRONIC CARE	BROKEN BONE
Acute, unplanned event	Recurring annual burden	Meaningful episodic injury
40%	40%	20%

The two-layer calculation

1. Weighted burden. Estimate the employee's out-of-pocket cost under each benchmark, then apply the 40% / 40% / 20% weighting.
2. Weeks of pay. Divide the weighted burden by the employee's average weekly net pay.

THE RESULT

A single score showing how many weeks of take-home pay the plan's benchmark burden represents.

Use the right wage input

Use average monthly net pay for a broad organizational view. If wages vary widely, calculate the Index at several pay levels—and include the lowest-paid employee category. One company can have one plan but several very different affordability experiences.

The Index is a standardized comparison tool, not a prediction that every employee will experience all three events in one year.

The official formula

Convert plan design from abstract cost sharing into weeks of employee income.

WEIGHTED BURDEN

$$WB = (0.40 \times E) + (0.40 \times C) + (0.20 \times B)$$

WEEKLY NET PAY

$$WNP = (M \times 12) \div 52$$

PAYCHECK INDEX

$$JPFI = WB \div WNP$$

Variables

VARIABLE	DEFINITION
E	Employee out-of-pocket cost for ER + MRI
C	Employee annual out-of-pocket cost for the chronic-condition benchmark
B	Employee out-of-pocket cost for a broken bone
M	Average monthly net take-home pay

Equivalent one-line formula

$$JPFI = [(0.40 \times E) + (0.40 \times C) + (0.20 \times B)] \times 52 \div (M \times 12)$$

A lower score indicates stronger employee affordability. A higher score signals that the same plan places a heavier burden on the employee’s available income.

Read the score

The raw number becomes useful when it leads to a decision.

TIER	INDEX	MEANING	EMPLOYER READING
GREEN	Below 1.5 weeks	**Strong affordability**	The weighted burden is low relative to net pay. The plan behaves like a meaningful benefit.
YELLOW	1.5–2.9 weeks	**Moderate strain**	The cost requires real trade-offs and may create hardship for lower-wage employees.
ORANGE	3.0–4.4 weeks	**High strain**	Common events consume a material share of take-home pay. Employer action is warranted.
RED	4.5+ weeks	**Critical burden**	The plan presents a serious affordability, retention, and workforce-risk concern.

DO NOT RELY ONLY ON THE AVERAGE

If workforce pay varies significantly, calculate the score at multiple wage levels. Affordability can disappear quickly as income falls.

The management question

Do not stop at “What tier are we in?” Ask: Which plan feature is producing the score, which employees feel it most, and what can we change without simply moving cost elsewhere?

Benchmark assumptions

Use these defaults for an initial benchmark, then replace them with plan-specific amounts.

#	BENCHMARK	WEIGHT	DEFAULT OOP	WHAT IT TESTS
1	**ER + MRI**	**40%**	**$1,200**	**ACUTE EVENT** Emergency evaluation plus imaging. Employee cost varies with deductible status, facility copays, coinsurance, and network treatment.
2	**Chronic care**	**40%**	**$3,000 annually**	**RECURRING BURDEN** Type 2 diabetes is used as a standardized proxy for primary care, labs, medication, and periodic specialist care.
3	**Broken bone**	**20%**	**$1,500**	**EPISODIC INJURY** A non-surgical fracture requiring urgent care or ER evaluation, imaging, materials, and orthopedic follow-up.

For a plan-specific score

- Use the Summary of Benefits and Coverage or plan design sheet.
- Calculate the employee responsibility under each scenario, including deductible, copays, and coinsurance.
- Apply the out-of-pocket maximum where relevant.
- Use the same pay input when comparing two plan options.

IMPORTANT

These are modeling assumptions, not predictions of an individual claim or a guarantee of a provider’s billed charge.

Worked example

A moderate-strain result in four steps.

ER + MRI employee cost (E)	$1,000
Chronic-care employee cost (C)	$3,000
Broken-bone employee cost (B)	$2,000
Average monthly net pay (M)	$3,000

1. Calculate weighted burden

WB = (0.40 × 1,000) + (0.40 × 3,000) + (0.20 × 2,000) = $2,000

2. Calculate weekly net pay

WNP = (3,000 × 12) ÷ 52 = $692.31

3. Calculate the Index

JPFI = 2,000 ÷ 692.31 = 2.89 weeks

4. Interpret the result

2.89 WEEKS | YELLOW TIER

The weighted benchmark burden equals approximately 2.9 weeks of net pay. The plan may be manageable for average earners while still creating serious difficulty for employees below the average.

Compare plans in employee terms

The same pay input isolates what the plan design changes.

INPUT	PLAN A: HDHP	PLAN B: PPO
ER + MRI	$1,800	$900
Chronic care	$4,200	$2,400
Broken bone	$2,400	$1,200
Monthly net pay	$3,000	$3,000
Weighted burden	$2,880	$1,560
PAYCHECK INDEX	**4.16 weeks**	**2.25 weeks**
TIER	**Orange**	**Yellow**

THE DIFFERENCE: 1.91 WEEKS

For an employee taking home $3,000 per month, Plan B reduces benchmark exposure by approximately $1,320—nearly two full weeks of net pay.

Comparison rule

Use identical wage inputs for both plans. The purpose is to isolate the financial effect of plan design—not differences in employee income.

What to change after the test

The Index is a starting point for plan management, not a score to admire or defend.

1	Deductible	Highest leverage for employees with one or two moderate events. Test reductions first, especially for lower-wage populations.
2	Coinsurance	Most influential after the deductible is met, particularly for recurring and higher-cost care.
3	Out-of-pocket maximum	Limited effect on the base moderate-event score, but critical protection when several events occur in one year.
4	Care purchasing	Plan design alone is insufficient. Better sites of care, navigation, vendor discipline, and employee education can reduce the cost entering the formula.

DO NOT “FIX” THE SCORE BY SHIFTING COST

A lower employee burden is valuable only if the employer addresses the underlying purchase of care and the long-term economics of the plan.

The objective

Move the Paycheck Index toward zero while preserving the financial sustainability of the plan. That requires measurement, targeted design changes, active purchasing, employee communication, and repeated review—not a once-a-year renewal exercise.

Run your plan through the paycheck test

Enter plan-specific figures, calculate the score, and record the next decision.

INPUT	VALUE	WEIGHTED VALUE
ER + MRI employee cost (E)	$ __________	× 0.40 = $ _________
Chronic-care annual employee cost (C)	$ __________	× 0.40 = $ _________
Broken-bone employee cost (B)	$ __________	× 0.20 = $ _________
WEIGHTED BURDEN (WB)		$ __________

Average monthly net pay (M)	**$ __________**
Weekly net pay: (M × 12) ÷ 52	**$ __________**
PAYCHECK INDEX: WB ÷ WNP	**__________ weeks**

Interpret and act

- Tier: □ Green □ Yellow □ Orange □ Red
- Primary driver of the score: ____
- Employee group most affected: ____
- First plan change to model: ____
- Owner and review date: ____

THE HONEST QUESTION

Does this plan work for the employee who must use it—not only for the people who approve it?

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