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## NO EVIDENCE FOR HOUSE REPUBLICAN CHARGE THAT HEALTH REFORM IS A “JOB-KILLER”

by Chad Stone and Paul Van de Water

Health reform will change the American economy in many ways over the next few decades, but it will not significantly change the number of jobs or the unemployment rate. A nonpartisan economic assessment by the Congressional Budget Office (CBO) finds a variety of possible labor market effects, some positive and some negative, but nothing that justifies the inflammatory “job-killing” rhetoric invoked in House Republicans’ efforts to repeal the legislation.<sup>1</sup>

House Republican claims that the legislation (the Affordable Care Act) is a “job-killer” imply that health reform measures will be a major drag on the economy because they will allegedly increase employers’ costs. But these claims are not supported by evidence, and they are at odds with leading non-partisan assessments of how health reform legislation will affect the economy and labor markets.

- *Health reform is unlikely to raise most businesses’ health insurance premiums.* CBO estimates that health reform will have a small effect on premiums for employer-sponsored health insurance in the near term *and will most likely reduce them.* For employers with more than 50 workers (who account for 70 percent of the total insurance market), CBO estimates that the law will reduce average premiums in 2016 by between 0 and 3 percent. For small employers (who make up 13 percent of the market), the estimated change in premiums ranges from an increase of 1 percent to a reduction of 2 percent. According to CBO, “Those overall effects reflect the net impact of many relatively small changes, some of which would tend to increase premiums and some of which would tend to reduce them.”<sup>2</sup>

It should also be noted that under health reform, many small businesses will pay less for a given package of benefits and are likely to provide more comprehensive health coverage than they do today. Qualified small businesses will also be eligible for two years of federal tax credits to defray part of their health insurance costs.

- *Impact on business hiring decisions is likely to be small.* Even if health reform were to impose some

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<sup>1</sup> H.R. 2 Repealing the Job-Killing Health Care Law Act, [http://rules-republicans.house.gov/Media/PDF/HR\\_-\\_Repeal.pdf](http://rules-republicans.house.gov/Media/PDF/HR_-_Repeal.pdf).

<sup>2</sup> Douglas W. Elmendorf, Director, Congressional Budget Office, Letter to the Honorable Evan Bayh, November 30, 2009.

costs on employers, economic principles strongly suggest that the burden of those costs would have little effect on hiring. Any such effect would instead ultimately be passed on to workers in the form of slower growth in their after-tax compensation. CBO draws that conclusion with respect to both the Affordable Care Act's excise tax on high-cost health insurance plans beginning in 2018 and its penalty on firms with 50 or more employees that do not offer health insurance.<sup>3</sup> And because the major impact of health reform does not begin until 2014, businesses will have time to adjust, increasing the likelihood that any impact will primarily be on employees' after-tax compensation, not on hiring.

- *Overall economic effects will be modest.* Moody's Analytics says that "the net long-run impact on the economy will be minor" and that any disincentives from higher Medicare payroll taxes "will hardly make a difference."<sup>4</sup> CBO estimates that "the legislation, on net, will reduce the amount of labor used in the economy by a small amount — roughly half a percent — primarily by reducing the amount of labor that workers will choose to supply."<sup>5</sup>

CBO attributes the small net reduction in labor supply largely to the fact that the Affordable Care Act's expansion of Medicaid and the availability of subsidized health insurance through the new exchanges could lead some people who now work mainly to obtain health insurance to retire earlier or spend more time on activities outside the workplace. That effect could be partly offset, however, by *increased* incentives to work for people who now lack access to employer-based coverage and lose their eligibility for Medicaid if their income rises too high but who, under health reform, will continue to have access to insurance if they work more hours and raise their income.

In short, House Republicans are crying wolf about potential negative effects of health reform on labor markets. They also ignore various effects of the health reform law that could have a *positive* impact on the economy:

- *Reducing budget deficits.* CBO has estimated that health reform will reduce the deficit by \$143 billion over the 2010-2019 period and by the equivalent of \$1.3 trillion over the following decade.<sup>6</sup> CBO has just confirmed that repealing health reform would increase the deficit by roughly the same amounts.<sup>7</sup> According to Moody's Analytics, the lower budget deficits stemming from health reform will bring down interest rates, free up more capital for private investment, and potentially boost long-term economic growth.
- *Increasing labor market flexibility.* Moody's Analytics also points out that "there is the potential for the new law to reduce 'job lock,' when workers stay in a particular job because they are afraid of losing their insurance. . . . If the bill works as planned, Americans will be more able to switch

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<sup>3</sup> Congressional Budget Office, "Box 2-1: Effects of Recent Health Care Legislation on Labor Markets," *The Budget and Economic Outlook: An Update*, August 2010, pp.48-49.

<sup>4</sup> Augustine Faucher, "Healthcare Reform Doesn't Alter the Outlook," Moody's Analytics, March 26, 2010.

<sup>5</sup> CBO, Box 2-1.

<sup>6</sup> James R. Horney and Paul N. Van de Water, *Health Reform Will Reduce the Deficit*, Center on Budget and Policy Priorities, March 25, 2010, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3134>.

<sup>7</sup> Douglas W. Elmendorf, Director, Congressional Budget Office, Letter to the Honorable John Boehner, January 6, 2011.

jobs and open new businesses.”<sup>8</sup> As CBO says, “making it easier for some workers to obtain health insurance outside the workplace ... enabl[es] workers to take jobs that better match their skills.”<sup>9</sup> The result is a more productive economy.

- *Improving health outcomes.* Expanding health coverage improves health outcomes by helping people obtain preventive and other health services and improving continuity of care.<sup>10</sup> CBO suggests that this could also enhance the nation’s economic productivity.<sup>11</sup>

Unlike House Republicans’ claims that health reform is a “job killer,” CBO’s assessment that health reform will have only modest effects (both positive and negative) on U.S. labor markets is based on an examination of the evidence.<sup>12</sup>

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<sup>8</sup> Faucher.

<sup>9</sup> CBO, Box 2-1.

<sup>10</sup> Jill Bernstein, Deborah Chollet, and Stephanie Peterson, *How Does Insurance Coverage Improve Health Outcomes?*, Mathematica Policy Research, April 2010, [http://www.mathematica-mpr.com/publications/PDFs/Health/Reformhealthcare\\_IB1.pdf](http://www.mathematica-mpr.com/publications/PDFs/Health/Reformhealthcare_IB1.pdf).

<sup>11</sup> CBO, Box 2-1.

<sup>12</sup> Congressional Budget Office, *Effects of Changes to the Health Insurance System on Labor Markets*, CBO Economic and Budget Issue Brief, July 13, 2009.