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DEBUNKING FALSE CLAIMS ABOUT HEALTH REFORM, JOBS, AND THE DEFICIT

By Paul N. Van de Water

Proponents of repealing the health reform law (the Affordable Care Act) argue that that the law will increase deficits — contrary to the Congressional Budget Office’s finding that it will *reduce* deficits by \$143 billion over 2010-2019 and by about \$1.3 trillion over the following decade¹ — and that it will “kill jobs.” Independent evidence provides no support for either argument.

Moreover, House Republican leaders’ charges that CBO’s cost estimate is “rigged” by biased assumptions CBO was forced to use are demonstrably false. At a time when the nation faces serious long-term fiscal challenges, the notion of congressional leaders rejecting CBO estimates they find politically inconvenient and promoting their own partisan estimates instead has far-reaching, and disturbing, implications.

Claims that the health reform law relies on budgetary gimmicks to reduce deficits are false.²

- **Claim:** The law uses a gimmick to make it appear fiscally responsible: its biggest spending increases don’t take effect for four years, so CBO’s cost estimate for the first decade (2010-2019) includes *ten* years of revenue increases but only *six* years of significant spending. The unstated implication of this charge is that in subsequent decades, when ten years of revenue increases are accompanied by ten years of spending increases, the law will greatly increase deficits.

Fact: There is no gimmick here, and this charge is groundless. CBO estimates that the law will reduce deficits *not only over the 2010-2019 decade, but in the second decade and subsequent decades*. In fact, the law will reduce deficits by *more* in subsequent decades than in the first decade, because its most important cost-saving measures are phased in and produce larger savings over time.

- **Claim:** CBO’s cost estimate double-counts the Medicare savings and additional Social Security

¹ Douglas W. Elmendorf, Director, Congressional Budget Office, Letter to the Honorable Nancy Pelosi, March 20, 2010.

² For more detail, see Paul N. Van de Water and James R. Horney, “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>.

payroll tax collections that the law will generate, because these savings and revenues could not both help pay for health reform and improve Medicare's and Social Security's finances.

Fact: This, too, is a canard. In estimating the law's impact on the deficit, *CBO counted the Medicare savings and Social Security revenues only once*. The financial status of the Medicare or Social Security trust funds is a different matter, distinct from CBO's estimate of the impact of the legislation on the budget deficit. The skilled CBO experts did not double count, as anyone familiar with budget estimates knows.

- **Claim:** CBO's cost estimate is misleading because it doesn't include \$115 billion in additional discretionary spending that Congress must provide to implement health reform.

Fact: The health reform law contains *authorizations* for a variety of grant and other programs, and CBO has estimated that *if* future Congresses *chose* to fully fund these authorizations — which Congress is under no requirement to do — the total expenditures involved would amount to \$115 billion over ten years. But the large bulk of this amount is neither required nor necessary to implement the health reform law, and much of it doesn't even reflect new expenditures. As CBO has stated, more than \$86 billion is “for activities that were already being carried out under prior law or that were previously authorized.”³ CBO has noted that the law's actual implementation costs — that is, the cost that federal agencies will incur to administer the law — will be roughly \$10-20 billion over the first decade.

- **Claim:** CBO's cost estimate inappropriately includes savings from the new CLASS long-term care insurance program.

Fact: Congressional leaders deliberately crafted the health reform bill so that it would be fully paid for *without* relying on savings from CLASS Act premiums. The CBO estimate clearly shows that if one excludes the net revenues of \$70 billion from CLASS Act premiums, health reform still reduces the deficit by \$73 billion over the first ten years.

- **Claim:** CBO's cost estimate for health reform is misleading because it doesn't include the cost of the “doctor fix,” or fixing the sustainable growth rate (SGR) payment formula for physicians.

Fact: The cost of fixing the SGR formula is entirely unrelated to health reform, as can easily be proved — all of the cost of fixing the SGR formula *would remain if health reform were repealed*. None of that cost can be attributed to health reform.

House Republican leaders' attacks on CBO are unprecedented and inaccurate.

- When CBO estimated⁴ this week that the House Republican proposal to repeal the Affordable Care Act would increase the deficit by roughly \$145 billion over 2012-2019 and by about \$230 billion through 2021, House Speaker Boehner described the estimate as merely CBO's “opinion” and implied that Democrats had forced CBO to produce misleading figures, saying that “CBO can only provide a score based on the assumptions that were given to them.”

³ Douglas W. Elmendorf, Director, Congressional Budget Office, Letter to the Honorable John Boehner, January 6, 2011.

⁴ *Ibid.*

- In fact, over several decades, the House and Senate Budget Committees, along with presidential administrations of both parties, have developed procedures that CBO uses to prepare cost estimates. In estimating the cost of health reform or its repeal, as with any estimate, CBO uses these longstanding, bipartisan procedures — *not* assumptions specified by the sponsor of the legislation. Thus, Speaker Boehner’s charge is flatly incorrect.
- Up until now, congressional leaders of both parties have acknowledged CBO’s professionalism and recognized its critical role as a neutral arbiter in budget matters. They have accepted CBO’s cost estimates, even when those estimates have proved inconvenient for their side. This wholesale attack on, and rejection of, a CBO estimate for a major piece of legislation by the leadership of the House or Senate is unprecedented.

Claims that health reform will destroy jobs by harming the economy are sharply at odds with the findings of leading non-partisan experts.⁵

- House Republicans have charged that the bill will destroy jobs by adding greatly to businesses’ costs. In fact, health reform is unlikely to raise most businesses’ health insurance premiums. CBO estimates that it will *reduce* premiums for employers with more than 50 workers — who account for 70 percent of the total insurance market — by up to 3 percent by 2016. For small employers, the estimated change in premiums ranges from an increase of 1 percent to a reduction of 2 percent.⁶
- Similarly, Moody’s Analytics says that the Affordable Care Act’s “net long-run impact on the economy will be minor” and that any disincentives from higher Medicare payroll taxes “will hardly make a difference.”⁷ Moody’s 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 jobs and open new businesses.” The result would be a more productive economy.
- The health reform law may also have other positive impacts on the economy. Expanding health coverage improves health outcomes by helping people obtain preventive and other health services and improving continuity of care.⁸ CBO has suggested that this could enhance the nation’s economic productivity.⁹
- While health reform will “reduce the amount of labor used in the economy by a small amount,” according to CBO, this will happen because some workers who now work mainly to obtain health insurance will decide to work somewhat less, not because employers will eliminate jobs.

⁵ For more detail, see Chad Stone and Paul N. Van de Water, “No Evidence That Health Reform Is a ‘Job Killer,’” Center on Budget and Policy Priorities, January 6, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3362>.

⁶ Douglas W. Elmendorf, Director, Congressional Budget Office, Letter to the Honorable Evan Bayh, November 30, 2009.

⁷ Augustine Faucher, “Healthcare Reform Doesn’t Alter the Outlook,” Moodys’ Analytics, March 26, 2010.

⁸ Jill Bernstein, Deborah Chollet, and Stephanie Peterson, *How Does Insurance Coverage Improve Health Outcomes?*, Mathematica Policy Research, April 2010.

⁹ Congressional Budget Office, “Box 2-1: Effects of Recent Health Care Legislation on Labor Markets,” *The Budget and Economic Outlook: An Update*, August 2010.