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Economist Jonathan Gruber Backs U.S. on Health-Law Subsidies

MIT professor's earlier comments about Affordable Care Act ignited political furor

By Stephanie Armour

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Jonathan Gruber, the Massachusetts Institute of Technology economist whose comments about the U.S. health law earlier had ignited a political furor, says federal subsidies to lower insurance premiums were intended for all those who qualify, regardless of whether they get coverage through a state or federal exchange.

A suit before the Supreme court seeks to halt the use of tax credits to offset the cost of insurance premiums for residents in about three dozen states that don't operate their own insurance exchanges and use the federal HealthCare.gov website instead. Challengers in the case argue the law allows the tax credits only for insurance buyers in states with their own exchanges—currently just 13 states and the District of Columbia.

The court is expected to rule on the matter in June.

But the Affordable Care Act meant to give subsidies to people even in states that opted not to set up their own insurance exchanges for people to obtain coverage, Mr. Gruber said on Wednesday.

Mr. Gruber spoke at a summit on the health law in New York City, where he sparred with Michael Cannon, director of health policy studies at the libertarian Cato Institute, which opposes the health care law.

A Supreme Court decision striking down subsidies, provided as tax credits, would lead to great upheaval and cause millions of Americans to lose health insurance, Mr. Gruber warned.

“In the states that are federal exchange states, you’ll see an enormous collapse of this [insurance] market,” said Mr. Gruber, adding that he doesn’t expect Congress to come up with a solution if subsidies are eliminated by the court in the affected states.

Mr. Gruber had been awarded government contracts in 2009 and 2010 for work on the health-care overhaul.

Mr. Cannon, on the other hand, backs the suit in the Supreme Court challenging the legality of subsidies provided to nearly 8 million Americans who signed up for coverage on the federal exchange. He said the law clearly specifies subsidies are available only in states that set up their own exchanges.

A Supreme Court decision that favors the plaintiffs would in effect free millions of Americans from having to pay a penalty when they file their federal tax returns if they go without health coverage, and would be a boost to employers who must bear the cost of providing health coverage to employees or risk penalties if they don’t, said Mr. Cannon. That is because there is an exemption from penalties for individuals who can’t afford to pay for a health-care plan.

The Obama administration has set up a special enrollment period for people to obtain health insurance if they would owe a penalty for not having coverage. That enrollment period runs from March 15 through end of April.

As of March 29, about 36,000 consumers have selected plans using the tax special enrollment period in states using the federal marketplace, the federal government said on Wednesday.

“There are 57 million people across the country being subjected to illegal taxes across the U.S.,” said Mr. Cannon. “What the [Internal Revenue Service] is engaged in is illegal taxation. It’s taxation without representation.”

The Obama administration has repeatedly said it doesn’t have a contingency plan if subsidies are struck down. Mr. Cannon said that stance is an effort by the administration to prejudice the court by giving the impression they will do nothing.

The summit marks the first high-profile appearance by Mr. Gruber since December when he apologized to Congress after a 2013 video surfaced in which he said the 2010 health law passed in part because its lack of transparency was a “huge political advantage.” He also referred to the “stupidity of the American voter.”

Republicans seized on his comments as evidence the Obama administration has engaged in a pattern of deception in implementing the law.

Mr. Gruber said Wednesday that the ACA is working well with no evidence of any major disruption to employer-provided insurance or labor markets.

“The ACA, it’s still early, but its early returns are very well,” he said.