

NEW REPUBLIC

Obamacare Critics Now Admit the Law Is Saving Lives, But Say the Price Still Isn't Worth It

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Obamacare's wonkier critics and even some of its supporters used to question whether the law is making people healthier. But that was before last week and the publication of a new [study](#) that found similar reforms in Massachusetts probably saved lives. Now many of those same critics are saying the old skepticism, though rooted in some reliable research of its own, may have been excessive. "The study looks good," [Megan McArdle](#) wrote for *Bloomberg View*. "The Massachusetts study offers the most compelling evidence to date that increasing health insurance coverage translates into fewer deaths," [Philip Klein](#) wrote in the *Washington Examiner*.

The new research hasn't stopped the debate over the Affordable Care Act, of course. It's simply shifted the terms a bit. Yes, the law's critics agree, it appears that Obamacare is making people healthier. But the cost is high, they say—too high to justify.

[Michael Cannon](#), from the Cato Institute, did some back-of-the-envelope calculations to show that every life that Obamacare saves costs between \$4 and \$5 million—a number, he says, that's higher than the World Health Organization's standard for cost-effectiveness. [Christopher Conover](#), writing for *National Review*, made a similar argument. So did [Avik Roy](#). "As an economist might put it, this means there are likely to be policies out there that could save a lot more lives than RomneyCare does per dollar spent," [Cannon](#) wrote at *Forbes*. "Or as [Sarah Palin](#) might put it, even if RomneyCare saved as many lives as this study suggests, it still probably deserves to be death-paneled."

It's to the great credit of these writers that, rather than ignoring the new study or challenging its quality, they are taking it seriously. They are also asking the right kinds of questions. At a time when some Obamacare critics are still screaming about so-called death panels and supposedly socialized medicine, these policy wonks are engaging in a more rational form of argument: cost-benefit analysis. But that kind of analysis only works if you identify all of the costs and benefits—and do so accurately. Cannon, Conover, and others making these claims aren't doing that.

Let's start with the true costs of health care reform. Even if the cost per saved life under Obamacare were truly \$4 or \$5 million—and I doubt it is, for reasons I'll discuss some other time—that would hardly be out of line with other government programs and regulations that enjoy broad support here in the U.S. As [Harold Pollack](#), the University of Chicago professor and *New Republic* contributor, has pointed out, “automobile child restraints and child-resistant cigarette lighters were also estimated to cost several million dollars per life saved.” Some interventions, like regulations of asbestos, cost more—a lot more.

That doesn't mean health care reform represents the most cost-effective way to reduce mortality. It probably isn't. But saving lives also isn't the only reason to provide people with health insurance. The main objective is to provide financial security, by insulating people from crippling and frequently unpredictable medical bills. "Remember," says David Cutler, the Harvard economist whose book [Your Money or Your Life](#) deals explicitly with these issues, "the primary benefit of insurance is smoothing money flows, not extending life. That is, it's peace of mind and the ability to avoid desperation." Other financial benefits of health care reform include more freedom to change jobs and start businesses, since people with pre-existing conditions are no longer dependent upon employers for insurance.

This may all sound kind of fuzzy. But plenty of academic literature backs it up. In 2011, for example, a paper by Tal Gross and Matthew J. Notowidigdo in the *Journal of Public Economics* found that [expanding Medicaid eligibility by 10 percent reduced personal bankruptcies by 8 percent](#). And just this week, a study in the *Journal of Health Economics* found that wages for younger workers were higher in states that had, on their own, made it possible for young adults to remain on their parents' policies. A serious cost-benefit analysis would have to account for all of these benefits, for reasons that [Bill Gardner](#), a health services researcher, explained recently at [The Incidental Economist](#) blog

Health insurance gives you access not just to life saving care, but also to the rest of medical care, including things like hip replacements that allow you to walk and run, and free you from chronic pain. Insurance also protects your family from financial ruin. It's the total contribution of health insurance to well-being that needs to be considered in deciding whether we should support universal coverage. If Cannon is going to place a value on being insured, he needs to consider the total benefit a person experiences from having health insurance, not just the chance that it will save her life.

[Benjamin Sommers](#), a Harvard economist and co-author of the Massachusetts study, expressed similar thoughts via e-mail:

Mortality is not the only—or even primary—benefit of expanded health insurance, since death is a fairly rare outcome. Quantifying the other benefits—improved quality of life and mental health, improved symptoms, and financial protection—are equally or even more important at a population level, since they're much more common. While our study estimated a "number needed to treat" of 830 people covered to save one life, our secondary outcomes implied that for every 4 people gaining insurance, 1 person had a major increase in overall self-reported health. The Oregon study indicated that for roughly every 11 people covered, there was 1 less person with

depression. These are pretty sizable changes that would have to be taken into account in assessing the benefits of expanding coverage.

Of course, [the opposite is also true](#). An honest accounting of the Affordable Care Act should consider all of the law's costs—not just the dollars government is spending to help people get insurance. Under Obamacare, for example, many younger and healthier people are paying more for coverage, because insurers can no longer charge different prices to people based on pre-existing medical conditions. Some employers that might not otherwise pay for insurance are now doing so. There are also lots of new regulations, each of which has the potential to distort the insurance market in ways that make it less efficient. Obamacare detractors would identify costs associated with all of these, though defenders would note (correctly) that many have offsetting benefits of their own.

It'd be great to come up with some honest way of tallying all of these numbers, to get a true sense of the costs and benefits of Obamacare. But there's no obvious, straightforward way to construct such a ledger. Many of these variables are impossible to measure accurately, while others require drawing conclusions that are based more on philosophy than empirical data. About the only thing that seems absolutely clear is that the figures some Obamacare detractors are throwing around right now don't mean much. Like Obamacare or hate it, it's clearly about a lot more than just saving lives.