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## ObamaCare's Unequal Subsidies

[Peter Suderman](#) | March 21, 2011

ObamaCare's middle class insurance subsidies are one of the law's most popular features for obvious reasons. But the existence of the subsidies sets up a serious potential problem: What happens *politically* when it's discovered that between two families making roughly the same amount of money, only one has access to a subsidy?

Starting in 2014, that's a distinct possibility under the new system: A family whose employer offers health coverage will get no subsidy. A family whose employer does not offer health coverage as part of their compensation package gets access to a subsidy worth several thousand dollars (the exact amount depends on the family's exact income level, but the Congressional Budget Office estimates the average benefit per subsidized enrollee will be between \$5,200-\$6,000).

Now, it's true that the employer-sponsored insurance of the first employee is subject to a tax break. But I'm not sure that will matter to much of the public. If the law stands through 2014, when the subsidies are introduced, it's likely that many people will perceive the difference as manifestly unfair.

That's where the potential political problem arises. When former CBO director Douglas Holtz-Eakin explains the subsidy dilemma, as he did at a Cato Institute forum on ObamaCare today,

he warns that the end result will likely be pressure on Congress to erase the perceived inequity by extending the subsidy to everyone. Doing so, however, would be enormously expensive: The cost of giving subsidies to just 16 million individuals was projected to be about \$466 billion over the first ten years.

Now it's at least possible that even under pressure, Congress wouldn't give in, or would, say, only extend the subsidy to a small class of individuals. But even starting with a small group would lend itself to a slow-moving expansion over time. Anyone who has watched the creeping expansion of Medicaid (which was expanded widely at the state level prior to a massive federal expansion in ObamaCare) and S-CHIP (Obama signed an expansion shortly after taking office) over the years knows how these things go: Pressure to expand benefits builds, and eventually Congress relents. Obviously it's difficult to predict how these things will play out years in advance, but at the least it's a plausible scenario that would result in the law costing far more than initially assumed.