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Sebelius Sticks American People With Higher Costs, Fewer Choices, and Lost Jobs

By Doug Bandow

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Congress passed the misnamed Patient Protection and Affordable Care Act four years ago. It was a signal political achievement. Alas, ObamaCare is proving to be a policy bust as Kathleen Sebelius leaves her job as Secretary of Health and Human Services.

For instance, health insurance premiums are rising dramatically, especially for the young. The federal government now mandates expensive "benefits" that many people do not need or desire.

Even more dramatic is the reverse Robin Hood redistribution from the generally lower-income young to the mostly wealthier old. As I point out in my new Forbes online article: "By requiring coverage irrespective of health status and limiting risk-based premium differentials ObamaCare shifted costs from gray-haired investment bankers to newbie sales associates. Despite the administration's faux shock at the huge premium increases for the young, the legislation is working precisely as intended."

Along with higher premiums came the destruction of existing plans. The president's promise that if people liked their policies they could keep them was a calculated and cynical deception. The legislation explicitly overrode private choice to impose Washington's preferred "benefit" mix.

Another impact of the ACA, discussed in a new report from the American Health Policy Institute, is to increase business costs through new taxes, mandated benefits, and administrative costs. Moreover, companies ultimately will end up paying indirect costs, such as a share of new taxes on others, such as for medical devices.

In 2012 large employers spent about $580 billion to cover employees and their dependents. AHPI figured these companies would have to spend an extra $4800 to $5900 per employee.

Some amount of this new expense will be shifted onto customers. How much depends on consumer demand and industry competitiveness. Moreover, companies will lose revenue as higher prices reduce sales.

Firms also will more aggressively shift costs onto employees. Between 1999 and 2013 the cost of employer-provided health insurance trebled, causing business to look for ways to cut corporate outlays. That effort will continue.

The third consequence of the ACA's cost increases is to raise the price of hiring workers, which will reduce the number of jobs. The principle is simple: the more expensive government makes it for companies to add workers, the fewer workers companies will add.

Unfortunately, the administration is hiking business costs in more areas than just health care. Last year the Heritage Foundation's James Gattuso and Diane Katz estimated that annual regulatory costs jumped roughly $70 billion during President Obama's first term.

Explained Gattuso and Katz: "While historical records are incomplete, that magnitude of regulation is likely unmatched by any administration in the nation's history." In its fourth year alone the administration issued 2605 new rules, with annual regulatory costs jumping more than $23.5 billion. On top of that was another $4.6 billion in one-time implementation costs.

Unfortunately, there are thousands more proposed rules in the federal pipeline. Obviously, regulations have benefits as well as costs. However, public choice economics warns of perverse public incentives, with government agencies acting to advance their own interests—in particular, their influence, workforce, and budget—even if contrary to the public interest.

At a time of slow economic growth and high unemployment, the most painful consequence of hyper-regulation may be lost jobs. ObamaCare has a particularly pernicious impact because it directly raises the costs of hiring additional workers. And the president wants to inflate that burden still further by, for instance, raising the minimum wage and expanding regulations covering overtime pay.

The Affordable Care Act is many things, but it certainly is not affordable. "Vote for ObamaCare so people can find out what is in it," declared then-House Speaker Nancy Pelosi. Now we know and most people are appalled at what they discovered. Higher costs, fewer choices, and lost jobs. Heckuva job, Barack!

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