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In health care, one law is working like a charm

By: Barton Hinkle - February 10, 2013

“We have to pass the bill so you can find out what’s in it,” said Nancy Pelosi during the debate over Obamacare. The Affordable Care Act passed, and Americans are now finding out. It’s not a pretty picture.

Take employment. “Medical device makers in Massachusetts and elsewhere are warning of potential job losses,” reports The Boston Globe, because of a 2.3 percent tax on medical devices imposed by law. Even liberal-heartthrob-turned-Massachusetts-Senator Elizabeth Warren, a supporter of the law, says repealing that tax is “essential.” (To paraphrase a cliché, if it saves one job – hers – it’s worth it.)

But the ACA’s effect on jobs goes well beyond medical device makers. Reporting on January’s employment numbers, Investor’s Business Daily notes an “apparent shift to part-time work ahead of a key Obamacare deadline.” Although more people are working in the retail sector, they are working fewer hours per person – now just a hair above 30 hours a week. “A similar trend,” IBD notes, “showed up in leisure and hospitality.”

Why? No great mystery: Under the ACA, companies with 50 full-time employees or more must provide health insurance or pay a fine. As Paul Christiansen writes in The Wall Street Journal, “thousands of small businesses across the U.S. are desperately looking for a way to escape their own fiscal cliff” through layoffs or shifting to more part-time employees. (He advises a third route: “going protean,” an approach in which a small cadre of managers sets strategy and outsources everything else — from accounting and IT to product development and manufacturing — to contractors.)

This employment shift may frustrate one of the aims of the Affordable Care Act: increasing the percentage of Americans who have employer-based health insurance. Won’t the downsized be able to buy subsidized health insurance through the new state exchanges, though? Sure. In fact, they will be forced to, or pay a fine. But that only highlights another area where the law is falling short: cost control. Back in 2010 the Congressional Budget Office estimated the average subsidy at $3,970 per individual. It’s now up to $5,510 — bringing the overall cost between now and 2022 to more than $1 trillion.

This is the trajectory of a law President Obama insisted was necessary to “bend the cost curve downward.” Indeed, three years ago Health and Human Services Secretary Kathleen Sebelius explained the “urgency” of health-care reform this way: “Working families have been saddled with huge rate increase in their health insurance premiums" — 39 percent in California, 56 percent in Michigan, and so on.

Yet as Michael Cannon of the Cato Institute notes, a recent survey of insurance companies finds that "if the law's insurance rules were in force [now], the premium for a relatively bare-bones policy for a 27-year-old male nonsmoker on the individual market would be nearly 190 percent higher."

Okay, so maybe the conservative group that conducted the survey cherry-picked that case. What about other sorts of policies, and other people? The news isn't much better: Wisconsin predicts "an average premium increase of 41 percent." Ohio's Department of Insurance says "the individual health insurance market premiums are estimated to increase by 55 percent to 85 percent above current market average rates."

ACA defenders retort that consumers won't pay the full cost of those big increases because of the subsidies. But those subsidies — soaring already, as noted above — merely shift costs; they do not lower them. The government is picking up the tab in the same sense that it picked up the tab for the war in Iraq: by handing it off to taxpayers.

That's precisely the story with regard to Medicaid, too: Washington is trying to bribe states to expand the Medicaid rolls by funding nearly all of the increases. From a state government's perspective it looks like a sweet deal: free federal money! From the taxpayer's point of view, it looks like a sick joke: Medicaid's expansion could raise the cost of the program by $1 trillion over the next nine years.

That's on top of the trillion-plus cost of subsidizing insurance purchased through state exchanges. Speaking of which: Under ACA law, those exchanges will require thousands of "navigators" to help consumers select a policy. California alone expects to hire 21,000. (Virginia, which is letting the feds run its exchange, has no estimate.)

The insurance industry is supposed to foot the bill for the navigators through a surtax – just one of the many levies in the legislation that are now taking or soon will take effect. Others include a 0.9 percent Medicare tax increase, a 3.8 percent tax on investment income, a tax on indoor tanning, a tax on brand-name drugs . . . and of course the tax for failing to abide by the individual insurance mandate.

Long story short: Less employment, higher rather than lower costs, higher taxes, and massive increases in government spending. The health-care law might not be working as advertised. But another law — the one about unintended consequences — is working like a charm.