
The Anti-Jobs Bill

Obamacare would badly undermine America's economic prospects.

BY [James C. Capretta](#) and [Yuval Levin](#)

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After a year of debate and legislative scheming, President Obama and congressional Democrats are making one last push for their ill-conceived health care plan. Fittingly, the endgame is as unseemly as the various maneuvers and backroom deals that got them this far.

The procedural machinations are outrageous and embarrassing. But they are not nearly as bad as the substance of what the Democrats are pushing. Obama-care (like the public's distaste for it) has not changed—and the sordid details of the desperate struggle to pass the bill must not cause us to forget its ruinous implications for the country. It is a sweeping and expensive plan to put the federal government in the driver's seat of American health care. But no less important than the dangers it poses for American medicine are the ways it threatens to undermine the nation's prosperity.

The heart of the Democratic plan is a promise to provide subsidized insurance coverage to some 35 to 40 million people. This will cost about \$200 billion per year by 2019. And despite all of the talk of bending the cost curve, the Congressional Budget Office says the price will grow by 8 percent per year every year thereafter—which parallels the rapid cost growth of Medicare and Medicaid over the last four decades. In other words, the White House and congressional Democrats want to create another runaway entitlement program, piled on top of the unaffordable ones that are already slated to bankrupt the government.

Taxpayers recognize this. They see lawmakers running up debt at an unprecedented pace and understand it cannot go on much longer. As they watch the Democrats race ahead to put in place yet another long-term spending commitment, they fear when the next shoe will drop: Once Obamacare is locked in, it will only be a matter of time before the president and other Democrats argue that we must raise taxes to head off a debt crisis that their reckless spending helped to hasten.

Beyond taxes and spending, Obama-care would also wreak havoc on the labor market. Because employers would get penalized if any of their low- and moderate-wage workers ended up in the new subsidized insurance pool, they would avoid hiring such workers. Democrats claim they want to jam through health care reform so they can turn their attention to jobs, but the bill provides a strong disincentive for businesses to hire those who need jobs the most.

The plan would, moreover, trigger an inefficient and costly re-sorting of American labor. Under the bill, despite the enormous cost of subsidizing coverage in the new government-run "exchanges," only 18 million people would be getting such subsidized coverage in 2016—even though there are 127 million Americans today with incomes in the targeted range of between one and four times the poverty rate. The vast majority of workers would still be in job-based plans and get no additional help. Gene Steuerle of the Urban Institute estimates that a worker making about \$60,000 per year in 2016 would get \$4,500 more in federal aid if he were able to get his insurance through an exchange rather than through his employer. That's a powerful incentive for workers and firms to rearrange their operations to take advantage of the federal money. In time, the American economy would be divided into companies with low-wage workers getting government-subsidized health care and others with higher-wage workers who continue to get employer-based plans. This would make the labor market far less efficient (harming productivity), and it would mean that the subsidies themselves would cost far more than the CBO now estimates.

And for those workers who do end up getting federal subsidies for their insurance, the program is a trap. If they get a pay raise, they will lose some of their insurance subsidy. Indeed, the schedule of subsidy withdrawal is so severe that it will push many low-wage families into effective tax brackets of 60 percent to 80 percent, according to a CATO Institute analysis. Obama-care would thus provide a strong disincentive to work and so undermine the most successful policy initiative in generations: welfare reform.

The health care debate is not just about health care. The Democrats' bill is so massive, so far-reaching, and so poorly designed that its implications for the larger economy (and especially for employment, which should now be Washington's top priority) could be immense—and disastrous. For the sake of the economy, no less than for that of American health care, Congress should pause, think, and start over.

James C. Capretta is a fellow at the Ethics and Public Policy Center and a health policy consultant. Yuval Levin, also a fellow at EPPC, is the editor of National Affairs.

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