

Insight



Instant Analysis: Holtz-Eakin on the Ramifications of the Administration Delaying the Employer Mandate

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The bombshell that just dropped is *not* 4th of July fireworks –ndash; it was the White House announcing that it was delaying enforcement of the employer-mandate in ObamaCare until 2015. For a public inured to raven political decisions trumping policy, even this was a stunner.

Can the president simply ignore the law? Technically the mandate is not gone, but the administration has great latitude to determine its priorities in enforcing the law. It will simply be much too busy to penalize those violating the mandate, an executive power grab that is familiar from their playbook on education, climate change, and elsewhere.

The policy implications are fairly straightforward. Essentially for calendar 2014 the act of dropping coverage and dumping employees into the exchanges is on sale. Drop and dump, but no penalty. Accelerating the rush of employers to the exits is bad news for taxpayers. At a minimum, the federal revenue from fines is gone. More realistically, the costs of already-bloated insurance subsidies will escalate and the red ink will rise.

Viewed from a health insurance perspective, the implications are mixed. For some, it may well be the case that the new, exchange-based insurance is a better combination of coverage and cost. But it will come at the cost of even greater churning in insurance coverage – which translates into switching provider networks and interrupting health care. (The laughing you hear in the background is those remembering the president’s promise that “if you like your insurance, you can keep it.”)

Harm to health care, interrupted health insurance, bigger federal deficits, and brazen disregard for the law of the land sounds like a bad idea. Why do it?

Politics. Democrats no longer face the immediate specter of running against the fallout from a heavy regulatory imposition on employers across the land. Explaining away the mandate was going to be a big political lift; having the White House airbrush it from the landscape is way better.

It helps with ObamaCare in other ways as well. The administration was flailing to find high-profile allies (e.g., the National Football League) to advertise the wonders of ObamaCare. In a single masterstroke it has given every company a reason to explain its existence (“don’t worry, you’ll be fine in the exchanges”) and created a *de facto* advertising campaign of enormous scale and reach. Deviously brilliant.

Finally, those on the paranoid right and central-planning left will see this as a willful acceleration of the transition to exchanges full of Americans that are ripe to be transformed into a single-payer system. It will be read as another blow struck in the meta-fight over the size and scope of the federal government.

The announcement is a surprise but bad policy, dreadful governance, and slippery politics are not.