Weekly Checkup

A Look at the CBPP Study and Their "Facts" About Obamacare

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The Center for Budget and Policy Priorities (CBPP) released a paper on Saturday looking at some of the common Obamacare objections and providing their take and analysis. The problem? While there is plenty of valid criticism about the law, such as the higher premiums and reduced physician choice facing exchange enrollees, CBPP chose to look at the predictions and counter with their own speculation. Each of the paper's key points is discussed below:

1) "Health reform has not spurred a big jump in part-time work"
CPBB claims the impact on part time work will be small, citing the Federal Reserve Bank of San Francisco's estimate of a 1 to 2 percentage point increase, and noting that employment data does not show an increase in those involuntarily working part-time jobs. Whether you see 1 to 2 percentage points as an alarming increase or not depends on your definition of alarming; when the unemployment rate bounces up or down by 1 or 2 percentage points, the country takes notice. In addition, now that the employer mandate goes into effect in 2015, not 2014 as originally planned, all we know is that the employment demographics have not seen a dramatic change yet.

Preliminary results released today from a Mercer survey of employers found that 11 percent of respondents plan to "minimize the number of newly eligible employees by cutting back on hours for at least a portion of their workforce."

2) "Health reform is not causing big layoffs"
Again, the employer mandate delay will mitigate the labor force disruption in the near-term. Surveys and anecdotal evidence show that employers are reluctant to hire when they can't predict what health care costs will be. Certainly businesses under 50 will not be able to grow beyond the 49th employee without incurring substantial additional costs and penalties.

3) "Young adults won't have to pay unaffordable premiums for their health insurance"
The premium costs for young adults may not be "unaffordable" when compared with plans priced for older adults or families, but they will increase significantly over what young people can find now in the market (caveat: in most, but not all states, young adults have the option of very inexpensive catastrophic coverage). An American Action Forum poll found that many young adults were likely to drop coverage if their rates increased even 10 percent. With a hypothetical increase of 30 percent, only 55 percent of respondents replied that they would continue to purchase coverage. So even if the coverage is mitigated by premium subsidies, and/or still relatively affordable it seems that young adults may not be willing to absorb the increased price of insurance.

It is also worth noting that the most affordable Bronze plans will still have high deductibles, copayments and coinsurance, so young people will be hit with higher premiums and higher cost-sharing.

4) "Most young adults won't be subject to tax penalties"

Whether or not adults are hit with the individual mandate penalties are determined by whether they agree to pay for insurance (see above paragraph) and their income level. Unfortunately, the CPBB study assumes all subsidized young adults will buy coverage, and only considers the young adults with higher incomes among those who may not buy coverage. There are young adults who will qualify for subsidies, but will see their out of pocket costs rise regardless, and may opt out. Having access to and actually purchasing are very different. What the law deems "affordable" may be beyond what the young and healthy are willing to pay; those fitting that description will pay the penalty, but at this stage it is hard to predict how many that will be.

5) "Health reform will be of substantial benefit to the near-elderly"
The authors are correct that the near-elderly who are currently uninsured, as well as those currently purchasing expensive individual market plans, are likely to benefit financially from lower-priced and/or subsidized premiums. However, the early retirees currently receiving generous retiree coverage from their former employers may lose out if and when their employer opts to drop coverage and shift retirees onto the exchanges, as is being considered in Chicago, Detroit, and by large companies. Similarly, if their company down-sizes or shifts more employees to part-time status, they may be worse off financially despite greater health insurance options.

6) "The health plan from the Republican Study Committee (RSC) isn't a serious alternative to health reform"
Any comprehensive replacement plan is going to have plenty to support or to criticize and certainly there can be debate on the specifics. What the RSC replacement plan does, however, is solve specific problems for specific populations: individuals buying expensive individual market plans with no tax benefit for doing so, and the inability of the uninsured with pre-existing conditions to find coverage. This targeted problem solving is a better approach than trying to overhaul the entire insurance market and health care system, which is having unintended consequences in the labor market and wider economy.

7) "Health reform won't be a drag on the economy"
This is an optimistic view that higher health care costs and the employer mandate will not limit the labor market or increase the part-time workforce. Health care costs are already growing at an unsustainable rate; outpacing salaries, GDP growth, and the consumer price index. Whether this growth is attributable to the ACA or not, it is a drag on the economy. Compensation is equal to salary plus benefits, if benefit costs are growing faster than company revenue, salaries cannot keep pace.

It is reasonable to argue that adding in an employer mandate with arduous reporting requirements and adding specific, expensive, benefits that must be included, will increase employer benefit costs. The elimination of limited benefit plans and the requirement to cover employees' dependent up to age 26 are all cost contributors.

8) "The Administration did not provide a special break for lawmakers and their staffs"
Congress is the only large employer allowed to make contributions for their employees (Members of Congress and their staff) on the exchanges, as the exchanges are only set up currently for individuals and small businesses. These employees are the only individuals working for large employers able to purchase coverage on the exchanges with pre-tax dollars. Will the benefits be better than the Federal Employee Health Benefits they were receiving before? Probably not, but it's still a distinct exemption; and just like other government employees, their employer portion of the health care cost will still be paid by taxpayers.

9) "A one-year delay in health reform's individual mandate would have serious adverse consequences"
Lastly, the report misleadingly states that CBO estimated a delay "would increase the number of Americans who are uninsured by about 11 million in 2014." This is relative to the current predictions, not relative to current

uninsured numbers. A delay would not cause 11 million more Americans to become uninsured, but it would decrease the number expected to sign up for coverage or enroll in Medicaid by 11 million in 2014 relative to projections.

This assumes the individual mandate will be successful in compelling individuals to buy insurance. For individuals at moderate or higher income levels, paying the mandate penalty (at least in the first few years) is significantly less expensive than carrying coverage. We don't know what the demand for health insurance will do when faced with the premiums currently available on the state exchanges. Insurers are counting on 7 million new enrollees, and pricing accordingly. Whether that 7 million will occur has yet to be seen, but avoiding a $95 fee is unlikely to be the impetus.