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Sorry, The CBO Did Not Say Health Reform Kills 800,000 Jobs

Jonathan Chait February 11, 2011 | 12:40 pm

Republican pollsters have found that, to whatever degree people are upset about the Affordable Care Act, it is primarily a function of economic conditions rather than ideological opposition to the concept of the law. They accordingly have done everything to frame their opposition in terms of jobs, including titling their repeal bill the "Repealing The Job-Killing Health Care Law Act."

Yesterday, CBO Director Doug Elmendorf testified before the House Budget Committee, and confirmed his agency's finding that the Affordable Care Act would, very slightly, reduce employment levels. In keeping with their policy of loudly touting every CBO analysis that backs up their talking points while dismissing out of hand every CBO analysis that refutes them, Republicans excitedly circulated the video. Here are typical reactions from the Weekly Standard's Jeffrey Anderson ("CBO Director Says Obamacare Would Reduce Employment By 800,000 Workers") and National Review's Yuval Levin ("Job Killing.")

This description is, at best, highly misleading. CBO did not find that the ACA would kill jobs. It found that "the legislation, on net, will reduce the amount of labor used in the economy by a small amount—roughly half a percent—primarily by reducing the amount of labor that workers choose to supply." It won't be the case that there will be fewer jobs available. It's simply that fewer people will choose to work. Why? CBO explains:

The expansion of Medicaid and the availability of subsidies through the exchanges will effectively increase beneficiaries' financial resources. Those additional resources will encourage some people to work fewer hours or to withdraw from the labor market. In addition, the phaseout of the subsidies as income rises will effectively increase marginal tax rates, which will also discourage work. But because most workers who are offered insurance through their jobs will be ineligible for the exchanges' subsidies and because most people will have income that is too high to be eligible for Medicaid, those effects on financial resources and marginal tax rates will apply only to a small segment of the population.

Other provisions in the legislation are also likely to diminish people's incentives to work. **Changes to the insurance market, including provisions that prohibit insurers from denying coverage to people because of preexisting conditions and that restrict how much prices can vary with an individual's age or health status, will increase the appeal of health insurance plans offered outside the workplace for older workers. As a result, some older workers will choose to retire earlier than they otherwise would.**

In other words, people who are only working because they desperately need employer-sponsored health

insurance will no longer do so. They're not going on the public dole -- they're just people who have the means not to work full-time and will be free to make employment decisions that aren't premised upon an individual health insurance market that shuts them out. Some workers will choose to retire early because they now have the ability to buy their own health insurance. This is what Republicans call "destroying jobs."

Now, CBO does show a very minor effect of higher taxes discouraging the work incentive. But this is a very small portion of what is a fairly small effect to begin with. Basically the analysis shows the effect of giving workers with preexisting conditions access to a health care system that doesn't lock them into the employer-provided system. Apparently, in the conservative view, being chained to your desk at some big company until you're 65 and unable to retire or start your own business because the individual market is rife with adverse selection is defined as "freedom."



Freedom!

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