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Before the Joint Economic Committee**

Employment Effects of the Affordable Care Act

Mr. Chairman, Vice Chairman Brady, Ranking Member Maloney, and members of the committee, I appreciate the invitation to appear before you today to discuss the impact of health reform on employment and the economy.

Five years after its enactment, the Affordable Care Act (ACA) has achieved major objectives and proved wrong its critics' most dire predictions.

The ACA's most visible success has been to increase the number of Americans with health insurance coverage. Some 17 million more people now have coverage either through the health insurance exchanges, the Medicaid expansion, or the inclusion of young adults on a parent's policy. The Congressional Budget Office (CBO) projects that the number of newly insured will swell to 25 million within a few years.¹

Moreover, health reform is increasing coverage without adding to the budget deficit. CBO now projects that federal health spending will be nearly \$700 billion less over the 2011-2020 period than CBO projected in January 2010 — even with the subsequent enactment of health reform. (See Figure 1.) Although views differ on the sources of the health care cost slowdown and their relative importance, health reform has likely played a significant role and will continue to do so.²

It's also important to note some things that have *not* happened.

First, health reform has not been a “job killer.” The economy has experienced the longest stretch of job growth on record. CBO estimates that health reform will reduce total labor compensation in

¹ Congressional Budget Office, *Insurance Coverage Provisions of the Affordable Care Act — CBO's March 2015 Baseline*, Table 2, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43900-2015-03-ACAtables.pdf>.

² Drew Altman, President, Kaiser Family Foundation, “How Obamacare may be holding down costs,” *Politico*, September 26, 2013, <http://www.politico.com/story/2013/09/why-obamacare-could-be-holding-down-costs-97354.html>.

the economy by about 1 percent, primarily because some people who used to work mainly to obtain health insurance will now choose to work somewhat less, not because employers will eliminate jobs.³ Early indications suggest, for example, that health reform is allowing young parents to limit their hours of work in order to spend more time with their children.⁴ Health reform has also *increased* work incentives for Medicaid beneficiaries, who no longer face losing their health coverage if they work more.

Second, health reform has not created a nation of part-time workers. The share of part-time jobs rose sharply during the recent recession, as it does in every recession, but that situation has turned around. Since President Obama signed health reform into law in March 2010, *all* of the increase in civilian employment has been among people who usually work full time. The average length of the work week has returned to pre-2010 levels. And the share of *involuntary* part-timers — workers who would rather have full-time jobs but can't find them — continues to fall from its post-recession peak. (See Figure 2.)

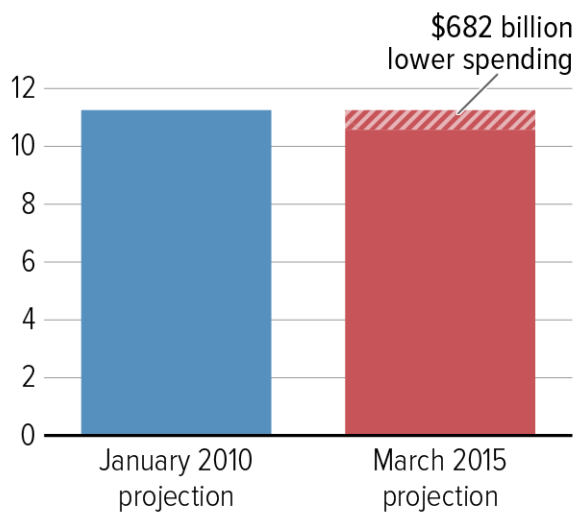
To be sure, some employers, particularly school districts, have said that they are cutting certain employees' hours to avoid the requirement to provide health coverage to full-time workers, but they are the exception. And while it's too early to know exactly how much health reform will ultimately affect the amount of part-time work, there's every reason to expect the impact to be small as a share of total employment.⁵

Third, health reform has not increased insurance premiums. From the start, CBO estimated that health reform would *slightly reduce the growth of premiums for employer-sponsored health*

FIGURE 1

Projected Federal Health Spending Has Fallen Since January 2010 –Even With Health Reform

Spending in trillions of dollars, 2011-2020



Note: Baseline projections of Medicare, Medicaid, health insurance subsidies, and Children's Health Insurance Program for fiscal years 2011-2020. March 2015 projections include actual spending for FY 2011-2014.

Source: CBPP analysis based on Congressional Budget Office estimates.

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³ Congressional Budget Office, "Labor Market Effects of the Affordable Care Act: Updated Estimates," *The Budget and Economic Outlook: 2014 to 2024*, February 2014, Appendix C, http://www.cbo.gov/sites/default/files/45010-Outlook2014_Feb_0.pdf.

⁴ Dean Baker, "Obamacare Is Making It Easier to Be a Young Working Parent," Center for Economic and Policy Research, May 19, 2015, <http://www.cepr.net/publications/op-eds-columns/obamacare-is-making-it-easier-to-be-a-young-working-parent>.

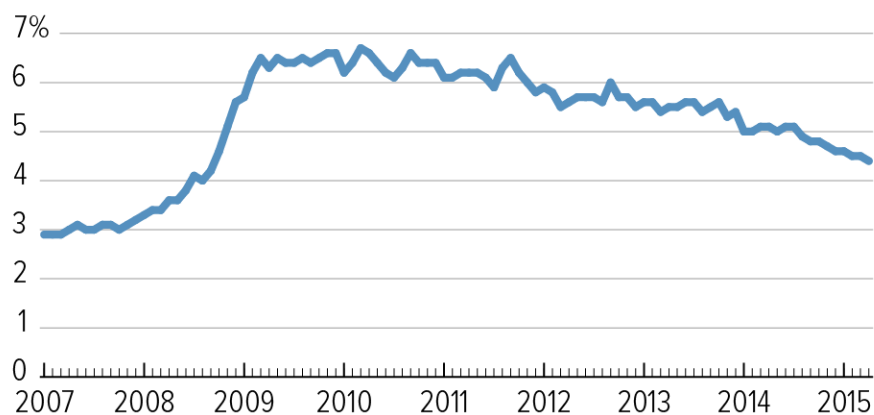
⁵ Paul N. Van de Water, *Health Reform Not Causing Significant Shift to Part-Time Work*, Center on Budget and Policy Priorities, January 6, 2015, <http://www.cbpp.org/research/health-reform-not-causing-significant-shift-to-part-time-work>.

insurance.⁶ In fact, premiums for private health insurance have grown even less rapidly than CBO originally estimated.⁷

FIGURE 2

Involuntary Part-Time Work Has Fallen From Post-Recession Peak

Involuntary part-time workers as a share of all workers



Note: Figure shows those working part time for economic reasons, which comprises those working part time because of slack work or business conditions and those who could only find part-time work.

Source: Bureau of Labor Statistics

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All in all, the short-term economic effects of health reform have been small. “The biggest entitlement legislation in a generation is causing barely a ripple in corporate America,” says Bloomberg Business. “The [ACA] is putting such a small dent in the profits of U.S. companies that many refer to its impact as ‘not material’ or ‘not significant.’”⁸

Over the longer run, health reform will have several positive impacts on the economy.

First, health reform will *reduce the budget deficit*, as CBO has consistently estimated.⁹ Lower deficits will help hold down interest rates, free up more capital for private investment, and potentially boost long-term economic growth.

⁶ Douglas W. Elmendorf, Director, Congressional Budget Office, Letter to the Honorable Evan Bayh, November 30, 2009, <https://www.cbo.gov/sites/default/files/11-30-premiums.pdf>.

⁷ Congressional Budget Office, *Updated Budget Projections: 2015 to 2025*, March 2015, pp. 18-20, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/49973-UpdatedBudgetProjections.pdf>.

⁸ Michelle Cortez and Alex Wayne, “Obamacare Is Barely Denting Corporate Profits,” *Bloomberg Business*, February 19, 2015, <http://www.bloomberg.com/news/articles/2015-02-19/obamacare-proving-not-a-burden-to-u-s-from-chipotle-to-wal-mart>.

⁹ Douglas W. Elmendorf, “Estimating the Budgetary Effects of the Affordable Care Act,” June 17, 2014, <http://www.cbo.gov/publication/45447>.

Second, health reform will *increase labor market flexibility*. It will reduce “job lock,” a situation in which workers stay in a job only to keep their insurance. As a result, Americans will be more able to switch jobs and start new businesses.¹⁰ As CBO says, “by making it easier for some employees to obtain health insurance outside the workplace,” the ACA could “thereby [prompt] those workers to take jobs that better match their skills.”¹¹ The result will be a more productive economy.

Third, expanding health coverage will *improve health outcomes* by helping people obtain preventive and other health services and improving continuity of care.¹² CBO suggests that this could also enhance the nation’s economic productivity.

Finally, and most important, the ACA includes a wide range of measures to *slow the growth of health care costs*, which are consuming an ever-increasing share of our economic output and have contributed significantly to the stagnation in workers’ real wages in recent years. As these provisions take hold, workers will see larger increases in their take-home pay.

Slowing the growth of health care costs is one of our nation’s most pressing economic challenges, and success will benefit employers, workers, and taxpayers. Health care experts agree that the effort will require an ongoing process of testing, experimentation, and rapid implementation of what is found to work. The ACA takes important steps in that process.

¹⁰ Augustine Faucher, “Healthcare Reform Doesn’t Alter the Outlook,” Moody’s Analytics, March 26, 2010.

¹¹ CBO, “Labor Market Effects,” p. 123.

¹² Jill Bernstein, Deborah Chollet, and Stephanie Peterson, *How Does Insurance Coverage Improve Health Outcomes?*, Mathematica Policy Research, April 2010, http://www.mathematica-mpr.com/publications/PDFs/Health/Reformhealthcare_IB1.pdf.