



Written by [Michael Tennant](#) on February 6, 2014

ObamaCare Will Cost 2.5 Million Jobs by 2024, CBO Says

The more we get to see ObamaCare in action, it seems, the worse the outlook for the nation becomes. According to a [report](#) released Tuesday, the nonpartisan Congressional Budget Office (CBO) now believes the Affordable Care Act (ACA) will cost the equivalent of 2.5 million jobs by 2024 — “a historically high number of people ... locked out of the workforce,” as [CNBC](#) put it. What’s more, the CBO’s estimate of ACA-related job losses by 2021, 2.3 million, is almost triple its 2011 forecast of 800,000.



“CBO estimates that the ACA will reduce the total number of hours worked, on net, by about 1.5 percent to 2.0 percent during the period from 2017 to 2024,” reads the report. This translates into “a decline in the number of full-time-equivalent workers of about 2.0 million in 2017, rising to about 2.5 million in 2024.”

The agency is clear that ObamaCare is responsible for these projected job losses: “Although CBO projects that total employment (and compensation) will increase over the coming decade, that increase will be smaller than it would have been in the absence of the ACA.” However, it is also quick to point out that “the estimated reduction stems almost entirely from a net decline in the amount of labor that workers choose to supply, rather than from a net drop in businesses’ demand for labor.”

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This assertion has led many ObamaCare proponents to claim that the law is a victory for Americans because it allows them to change jobs without losing their health insurance. For instance, White House Press Secretary Jay Carney said, “At the beginning of this year, we noted that as part of this new day in health care, Americans would no longer be trapped in a job just to provide coverage for their families, and would have the opportunity to pursue their dreams. This CBO report bears that out, and the Republican plan to repeal the ACA would strip those hard-working Americans of that opportunity.”

Unfortunately for the pro-ACA forces, the CBO report only mentions such a thing in passing. Instead, the report makes it abundantly clear that the main reason people will reduce their working hours or quit working altogether is that the law’s subsidies and taxes “discourage work.” This, observed [Guy Benson](#) of Townhall.com, is “horrible, unspinnable news.”

ObamaCare’s insurance subsidies create two disincentives to work, according to the CBO. First, “because subsidies decline with rising income,” “some people will choose not to work or will work less.” Second, for those receiving them, “subsidies increase available resources ... thereby allowing some people to maintain the same standard of living while working less.”

While most of these effects will be felt by those at the lower end of the income scale, who often are uninsured, the CBO suggests that those with full-time jobs that offer health insurance could also be affected. A person getting insurance through his employer is ineligible for the ACA’s insurance



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subsidies; the forgone subsidies then act as taxes because they represent money the individual is not receiving. They may “effectively constitute a tax on labor supply,” inducing a full-timer to switch to part-time employment where he will not be offered insurance, the report says. In the CBO’s view, however, “the cost of forgoing exchange subsidies operates primarily as an implicit tax on employment-based insurance, which does not imply a change in hours worked. Instead, the tax can be avoided if a worker switches to a different full-time job without health insurance (or possibly two part-time jobs) or if the employer decides to stop offering that benefit.”

In other words, wrote *Forbes*’ [Scott Gottlieb](#), “the old employer sponsored system forced people to stay in jobs they didn’t like because they needed the health insurance coverage. The new Obamacare system will force people to stay out of jobs they do want because they need to maximize their subsidies. And this is social progress?”

He added:

The net effective tax rate on an incremental \$1,000 in income could easily exceed 50% as workers are forced to forgo some of their subsidies for the additional income when they straddle certain wage bands. Obamacare implicitly assumes that people won’t grow their take home pay, but will instead remain fixed in certain income bands. So it imagines that workers won’t face these tradeoffs. That’s not true, and it’s certainly not consistent with peoples’ [sic] aspirations.

The expansion of Medicaid — which, under the assumption that more states will choose to participate in it over time, the CBO expects to include “around 80 percent of the potentially eligible population” by 2018 — will also discourage work because its benefits decrease as income rises. Although the agency suggests that the existence of other subsidies may help to mitigate this effect, it still believes that “expanded Medicaid eligibility under the ACA will, on balance, reduce incentives to work.”

The employer mandate, too, will harm workers. “In CBO’s judgment,” reads the report, “the costs of the penalty eventually will be borne primarily by workers in the form of reductions in wages or other compensation,” leading “some workers to supply less labor.” Employers may themselves choose to reduce their head counts below 50, the number of full-time employees that triggers the mandate, or keep workers from putting in 30 or more hours in a week, thereby preventing them from being classified as full-time under the ACA. The CBO also surmises that the mandate will harm those with the lowest incomes and skills the most. Employers will probably reduce wages to compensate for the mandate’s costs, but they cannot reduce them below the mandated minimum wage. “As a result, some employers will respond to the penalty by hiring fewer people at or just above the minimum wage — an effect that would be similar to the impact of raising the minimum wage for those companies’ employees.” (If the CBO can grasp the effects of the minimum wage, why can’t the rest of the folks on Capitol Hill?)

The various outright taxes in ObamaCare, such as the Medicare payroll tax hike, the “Cadillac” insurance plan tax, and the individual mandate penalty, will also have negative effects on the labor supply, the CBO forecasts.

Other bad news for ObamaCare in the report: Its 10-year cost estimate is now over \$2 trillion (up from \$900 billion originally and \$1.8 trillion in the last forecast), and it will insure one million fewer people this year than previously forecast, in part because of the numerous bugs in Healthcare.gov. The CBO expects the federal budget deficit to decline through fiscal year 2015 but then to start growing again, with the ACA contributing to that red ink.



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“This law is increasing national healthcare spending, raising premiums and out-of-pocket costs for millions, kicking people off of their preferred plans, limiting patients’ access to care, contributing to deficits, and drastically reducing employment,” penned Benson. Indeed it is; and that is why, among [many other reasons](#), ObamaCare needs to be repealed or nullified as soon as possible.



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