



U.S. HOUSE OF REPRESENTATIVES

# COMMITTEE ON THE BUDGET

B-71 Cannon House Office Building, Washington, DC 20515 (202) 226-7200 ★ [democrats.budget.house.gov](http://democrats.budget.house.gov)

Chris Van Hollen,  
*Ranking Democrat*

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## What CBO Said about the Affordable Care Act

On February 4, 2014, the Congressional Budget Office (CBO) released its annual [\*Budget and Economic Outlook\*](#), which included updated estimates of costs and coverage under the Affordable Care Act.

### **Premiums in the new insurance marketplaces are lower than was initially projected.**

Based on a review of the competitive pricing of the plans being offered in the new health insurance Marketplaces, CBO lowered its estimate of average premiums for insurance coverage through those exchanges in 2014 by 15 percent.

**CBO now projects that the risk corridor program, which Republicans refer to as an “Obamacare bailout,” [actually saves the federal government \\$8 billion over the 2015-2024 period](#).** The risk corridor program helps to stabilize the risks faced by insurers during the first few years of Marketplace operations and encourages insurers to offer coverage in the new Marketplaces. Republicans have discussed attaching repeal of the program to a bill to raise the debt limit – the height of hypocrisy since [Republicans voted for the Medicare Part D program, which includes a similar risk corridor program](#), except that the Part D program is permanent, whereas the Affordable Care Act program is temporary.

**The Affordable Care Act gives workers more flexibility.** CBO’s report estimates that the Affordable Care Act will reduce the total number of hours worked, on net, by about 1.5 percent to 2.0 percent from 2017 to 2024, which translates to a reduction in full-time-equivalent employment of about 2.0 million in 2017, rising to about 2.5 million in 2024. This effect is not driven by a reduction in the demand for employees; instead, CBO reports that the effect is **“almost entirely because workers will choose to supply less labor.”** In fact, CBO notes that there is “no compelling evidence that part-time employment has increased as a result of the [Affordable Care Act].” Americans now have access to affordable, quality health insurance through the new health insurance Marketplaces. The Affordable Care Act empowers individuals to make choices about their own lives and livelihoods, like retiring on time, choosing to spend more time with their families, or even opening their own businesses. [A report from the Urban Institute and Robert Wood Johnson Foundation projected](#) that the Affordable Care Act will lead to 1.5 million Americans starting new businesses. Americans are no longer trapped in jobs just to provide coverage for their families.

Following are some useful facts about the effects of the Affordable Care Act on the labor market.

- CBO's estimate is not equivalent to the loss of two million jobs. Rather, it is the result of some individuals choosing not to work, and others choosing not to work as many hours as they would have otherwise. Therefore, the total reduction in the labor force will correspond to the loss of two million full-time *equivalents*.
- CBO sees "no compelling evidence that part-time employment has increased as a result of the [Affordable Care Act]." And CBO explains that the law will not lead to an increase in unemployment or underemployment.
- The reduction in workers as a result of the Affordable Care Act is an entirely different issue than the unemployment issues that we are facing today, which are due, in part, to Republican budget austerity and intransigence. According to CBO's report, the unemployment rate is projected to remain stubbornly high, above 6 percent until late 2016. While unemployment is down from a high of 10 percent in 2009, too many Americans are still unable to find work. Although more than 8.2 million jobs have been created over the last 46 months, there are still about three Americans searching for every one open job. The good news is that we know how to boost economic growth, jobs, and wages. Democrats in Congress and the President have called for a major investment in our national infrastructure – to modernize the backbone of our economy, to spur innovation, to keep America at the cutting edge of global competition, and to put more Americans back to work with good paying jobs. Unfortunately, Republicans in Congress have repeatedly refused to even consider a plan to invest in job creation. We also know that extending unemployment benefits would add 200,000 jobs to the economy.
- One bright spot on the jobs front, according to CBO, is that that the Affordable Care Act will have a stimulative effect on the economy over the next few years by providing health insurance to working families and allowing them to use some of their resources to purchase health care and other goods. CBO expects that lower-income households that gain subsidized coverage will increase their spending on other goods and services – thereby raising overall demand in the economy. This will induce some employers to hire more workers or increase the number of hours of current employees in the near-term – which is important during this period of economic recovery.
- As noted by CBO, the evidence of the effects of health insurance on labor is mixed. Some studies, including the [Oregon Health Insurance Experiment](#), a study that used the gold standard of research techniques – the random trial – have shown little effect on labor market outcomes. The Oregon study included a population that is very similar to the one that will benefit from the Medicaid expansion under the Affordable Care Act – low-income adults with incomes up to 100% of the Federal Poverty Level. The Oregon study found no statistically significant impact of Medicaid coverage on employment or earnings.

- Fact checkers have rated as false statements by Republicans that a reduction in the supply of labor is equivalent to jobs losses. Several Republicans made statements about job losses caused by the Affordable Care Act based on an earlier CBO estimate of the labor market effects of the law (in 2010, CBO found smaller effects on the labor market, but found that they were mainly the result of supply-side changes.) Non-partisan fact-checking organizations debunked these Republican claims that the Affordable Care Act is a "job-killer" based on CBO's analysis. [Politifact rated that claim as "false."](#) [Factcheck.org said the GOP claim "badly misrepresents what CBO actually said."](#) Since CBO released its report yesterday, [the Washington Post Fact Checker](#) has already fact-checked a series of Republican claims stating that the Affordable Care Act will lead to a loss of two million jobs – awarding the claim three Pinocchios.