

Obamacare and the Economy: The Financial Impacts of the Affordable Care Act

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Executive Summary

This report presents the findings of an investigation into the financial impacts of the Affordable Care Act (ACA) on the United States' economy. The ACA is comprised of many smaller pieces that are woven together into a complicated piece of legislature. Unraveling the details and separating fact from fiction is never easy when the change is perceived to be so threatening.

Conclusion

Overall, the Affordable Care Act should provide many of its publicized benefits with a net positive impact to the nation's economy. This success hinges on continued support of mandates that have already been implemented as well as the future installation of related mandates designed to work in tandem with existing changes.

Finances

Providing that all funding initiatives are allowed to function, the ACA will generate the money needed to sustain itself and ultimately reduce the deficit. In the short term, there may be pockets of increased rates, but as the remainder of the mandates are enacted, the gaps will be closed. Central to the elimination of gaps in coverage is the regulation of the availability and cost of health care services, from both the provider and insurer. Already, changes have been made to Medicare to reduce inefficiency and insurers are responding to incentives to align themselves with providers that demonstrate high levels of cost efficiency. Additionally, as with any insurance structure, the more individuals contributing means the less risk each individual bears.

Work Force

Increases in productivity related to better health benefit the bottom line of all American businesses. There is an anticipated shift in available jobs from people forced to work excessive hours to maintain marginal health benefits to people that were previously unable to find work. Increases in employment numbers (of those eligible to work who are working) lead to a stimulated economy.

On the surface, the mandates directed at employers appear to be onerous, but in reality they merely regulate the quality of the care already being offered. In many cases, tax breaks are offered to offset costs raised by the increase in coverage.

Prior Success

As can be seen in Massachusetts, under the similar “Romneycare” laws on which the Affordable Care Act was largely based, over 95% of the state is insured with both individual and group premiums growing at a slower rate than the national average. While a small-scale test is not proof of success on the national scale, it does prove that the plan is viable.

Introduction

Purpose

The purpose of this report is to present the results of the investigation into the financial impacts of the Affordable Care Act (ACA) on the United States' economy as it is currently understood.

Scope

This report focuses on the available financial effects and near-term predictions of the ACA assuming that all currently implemented and planned mandates are not repealed or further modified. Approval, by either the government or the public, was not considered in this report. Additionally, with the exception of the ACA legislation itself and sources contributing to the history of the ACA, all considered sources were published within the last twelve months.

Material was reviewed that pertained to how the ACA obtains the income required to fund the associated mandates and overall impacts to the nation's deficit. Additionally, ways in which the Act affects the cost of healthcare through efficiency are addressed. From the employment side, we take a look at anticipated shifts in the workforce in response to more readily available healthcare and the benefits of improved health on worker productivity (and associated business benefits). For the employers' view, the impacts to both small business (fewer than fifty employees) and large business (more than fifty employees) are reviewed separately. Finally, we look at the successful implementation of a similar program in Massachusetts.

Procedure

Various articles from major news sources were retrieved in online format and formed the bulk of the reviewed material. Other sources include the original legislation itself, as published on the Internet by the U.S. government, and research conducted by impartial, nonpartisan groups such as ProCon.org.

Background

Over the past four years, the people of the United States have been bombarded with a multitude of contrary "facts" about how our healthcare system should work and what changes need to happen to get it to that perfect ideal.

While the Affordable Care Act does not claim to solve all the problems, when it was passed in March of 2010, it has attempted to address as many as it can. Unfortunately, it passed without Republican support and the resulting political battles have weakened the overall structure of

the ACA. Despite thirty-six attempts by the Republican Party to repeal the Act, the majority of the mandates have passed into effect or are on track to be implemented in the next few years.

The ACA is a complex piece of legislature, over 900 pages in length, with many moving parts required to function in unison to bring about the desired improvements in our healthcare system. With such complexity and adversity, it is no surprise that the available information may be conflicting or even rapidly outdated in the face of a constantly shifting political landscape.

For this reason, this report was commissioned to perform an investigation of the current state of affairs relating to the ACA and its impacts on the economy. With the deadline for open enrollment looming at the end of March, we have more information available now to confirm or deny predictions made in 2010.