



The Daily Dish

In Defense of the AHCA

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[President Trump is expected to call for a more than 30 percent](#) cut in funding for the Environmental Protection Agency (EPA) in his budget. President Trump has been a vocal critic of the EPA stating that the EPA has passed burdensome regulations onto businesses which have acted as roadblocks to job creation. While the president's budget outline will call for cuts, Congress will ultimately decide on funding levels for FY2018.

[Last week Defense Secretary James Mattis said](#) that President Trump has approved new tactical measures aimed at defeating ISIS in Iraq and Syria. Secretary Mattis said that the new strategies will help to ensure that the U.S. does not “simply transplant this problem from one location to another.” In his press conference on Friday Secretary Mattis did not say how long the U.S. will remain in Syria but said the U.S.'s intent is simply to drive ISIS out of Syria.

Eakinomics: In Defense of the AHCA

The American Health Care Act (AHCA) — the Obamacare “repeal and replace” act — has passed the House, but not without receiving some withering criticism — it took too long to get done, is just “Obamacare lite”, didn't result in cost reductions, and covered too few individuals.

This seems just a bit much. To begin, the AHCA cuts \$1 trillion in taxes, reforms the premium tax credits that subsidize the individual market, and shifts Medicaid from an open-ended federal subsidy to a budgeted amount per beneficiary in each state. Put differently, it is a significant tax cut and the reform of two major entitlement programs and it passed the House on March 6. If I had told someone in January that the house would cut taxes by \$1 trillion and reform two entitlement programs, they would have been shocked to see that done in only three months.

It is also the opposite of Obamacare, which raised taxes, created a new entitlement program, and expanded Medicaid. How does that make the AHCA “Obamacare lite”? In the process, it also eliminates poor incentives that led the Congressional Budget Office (CBO) to conclude that the ACA harmed labor supply. As a result, [CBO estimates that repealing the ACA would increase the labor force by between 0.8 percent and 0.9 percent — an additional 2 million full-time-equivalent workers](#) — and increase economic output by 0.7 percent on average. This is the result of eliminating the implicit tax rates on additional work and undoing the damaging delinking of work and health insurance. More generally, the AHCA is part of superior economic policy that focuses on reduced taxes, sustainable entitlement programs, and a lighter regulatory burden.

But what about the health insurance aspects of the AHCA? After all, the CBO estimated that the first version of the AHCA would raise premiums (at least in the near term) and reduce insurance coverage by 24 million lives over the next 10 years. The idea that premiums will rise sharply is hardly universally shared. After all, the CBO analysis did not incorporate information for the past year during which the average rise in silver plan premiums was 25 percent. That is one reason that [alternative estimates](#) show that premiums will fall after adoption of the AHCA.

The same applies to the coverage estimates. There are good reasons to be skeptical about posing the choice as between the 11 million in the ACA individual market that the CBO expects in 2018 and the AHCA. It is between the ongoing and increasing devastation under Obamacare and an alternative that is viable and stable or growing. Similarly, it is unrealistic to assume that Medicaid spending will continue to grow at the current projection of 5.3 percent per year. That entitlement growth — when combined with Social Security, Medicare, and the ACA premium subsidies — leads to a debt spiral and economy calamity. Instead, it is simple fact that there will have to be Medicaid reform at some point in the not-too-distant future. So, the right comparison is between the AHCA Medicaid reforms and an alternative reform in the future. It is not between the AHCA Medicaid reforms and pretending that Medicaid as we know it can continue indefinitely.

There are no coverage estimates that will satisfy the left — the ACA proved their willingness to write taxpayer checks — but conservatives should have a realistic view of the AHCA impacts. They should also be willing to defend the consequences of providing individuals freedom to choose. In the original CBO score, 6 million individuals stop buying insurance and 5 million decline to participate in a free Medicaid programs simply because the individual mandate is repealed. That choice presumably makes them better off, rather than being something to be decried.

Don't get me wrong. The AHCA is not perfect; there are sensible tweaks to the insurance market subsidies and Medicaid reforms one could envision. But it is a significant step toward better economic policy, dramatic and needed reforms to entitlement spending, and a sensible approach lower-income health insurance coverage.