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# NATIONAL CENTER FOR POLICY ANALYSIS

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## The Economic Effects of Repealing the Affordable Care Act

The Congressional Budget Office (CBO) recently analyzed the effect of repealing and replacing the Affordable Care Act on federal revenues and the uninsured. There was much hype about their conclusions that 24 million people would be added to the ranks of the uninsured (although about 14 million of those would choose not to buy insurance because they would no longer be forced to). Also, federal deficits would fall by \$337 billion over 10 years. However, the CBO did not measure the economic effects of repealing some of the most burdensome aspects of Obamacare, which would create hundreds of thousands of jobs and increase Americans' personal incomes.

**The Repeal of ACA Taxes.** Taxes shrink the economic activities on which they are imposed. For example, a tax on labor income will cause a reduction in the number of workers hired. Using the NCPA-DCGE model, we estimate the effects on jobs and revenue of repealing eight taxes that were implemented under the Affordable Care Act:

- Medicare tax of 0.9 percent on incomes over \$200,000.
- Net investment tax of 3.8 percent on income over \$200,000.
- Higher AGI floor for medical reimbursement of 10 percent, up from 7.5 percent.
- Tax of 40 percent on high cost health insurance plans (delayed to 2020).
- Tax on branded prescription drug manufacturers and importers.
- Tax of 2.3 percent on medical devices (delayed to 2018).
- Tax of 10 percent on tanning services.
- Patient-centered outcomes research trust fund fee tax (ends 2019).

Repeal of the ACA will end the exchange subsidies. Under these subsidies, some 33 million full-time workers can qualify for exchange subsidies only by working part-time or reducing their incomes below 400 percent of the poverty level. This creates an implicit “full-time employment tax” of 4.5 percent on payrolls.<sup>1</sup>

**The House Plan.** The House plan will award tax credits per family member based on age and income, ranging from \$2,000 individuals under 30, to \$4,000 for individuals aged 60 and over, with a maximum family limit of \$14,000. The credits will phase out by \$100 per \$1,000 of income over \$75,000 for a single filer and \$150,000 for joint filers. The House plan also:

Increases Health Savings Account contribution levels to match the out-of-pocket expenses for high deductible plan and allows both spouses to make catch-up

Repealing the ACA and replacing it with the House Plan would by 2027:

- Increase real GDP by \$426 billion, or 1.5 percent (see table above).
- Increase private sector employment by 940,000, or 0.49 percent.
- Increase personal income by \$185 billion, or 0.76 percent.
- Reduce federal revenue by \$132 billion, or 2.51 percent (see table below).

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<sup>1</sup> Casey B. Mulligan, *Side Effects and Complications: The Economic Consequences of Health Care Reform* (Chicago: University of Chicago Press, 2015), pp. 117-18.

## Effects on Key Economic Indicators

	Change relative to CBO baseline			
	2018		2027	
	'000 jobs	%	'000 jobs	%
<b>Total Employment</b>	<b>544</b>	<b>0.350</b>	<b>755</b>	<b>0.34</b>
Private Employment	745	0.49	940	0.47
Public Employment	(201)	(7.77)	(83)	(3.2)
	\$ billion	%	\$ billion	%
Real GDP (\$billion)	239	1.34	426	1.50
Personal Income	111	0.62	185	0.76
Business Investment	22	0.77	67	0.99
Imports	2	0.05	7	0.15
Exports	5	0.17	11	0.27

Source: NCPA-DCGE model.

## Revenue Effects

	Change in revenue					
	2018		2027		Cumulative, 2018-27	
	\$ billion	%	\$ billion	%	\$ billion	%
Federal Revenue	(84.03)	(2.39)	(131.45)	(2.51)	(1,049.58)	(2.43)
Payroll Tax	3.69	0.29	8.36	0.38	58.46	0.34
Personal Income Tax	(72.69)	(4.34)	(95.10)	(4.36)	(834.59)	(4.35)
Corporate Income Tax	0.80	0.24	1.93	0.34	13.21	0.30
Excise Taxes	(17.62)	(16.97)	(49.16)	(36.65)	(307.98)	(25.28)
Estate and Gift Taxes	0.07	0.30	0.16	0.39	1.11	0.36
Other Taxes and Fees	1.71	1.23	2.35	1.33	20.22	1.31
State and Local Revenue	26.14	0.76	39.63	1.09	325.25	1.07
Total Government Revenue	(57.89)	(0.97)	(91.82)	(1.03)	(724.33)	(0.99)