

Your Company Health Plan Isn't Safe in a Biden Presidency

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By Chris Jacobs

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In the summer of 2008, the Obama-Biden presidential campaign ran the most-aired ad of the decade, "Unravel," alleging that Sen. John McCain's policy proposals would dismantle employer-based health coverage. Twelve years later, that ad takes on an ironic tone for President Obama's vice president. As I outline in a new report, Joe Biden's health plan could pull apart the system by which most Americans receive insurance.

The collapse would come as a result of two interlinked provisions in the Democrat's plan. Mr. Biden proposes to increase subsidies for ObamaCare exchange plans -- decreasing the percentage of income households must pay in out-of-pocket premiums, and increasing the cost-sharing assistance provided for deductibles and copayments. He would also repeal an ObamaCare provision that prohibits households that are offered "affordable" health coverage by their employer from receiving exchange subsidies.

To illustrate the effects, consider a family of four earning 250% of the poverty line. In 2018 this household would have earned \$61,500 and paid an average of \$5,431 for family coverage from an employer, with an average deductible of \$2,961. But under a subsidy regime referenced in Mr. Biden's plan, and originally proposed by the Urban Institute, that same family would have paid \$3,690 for a plan with a deductible of only \$1,000. Even after the tax preference for employer-provided insurance, the family could see savings of \$2,236 a year, or nearly \$200 a month.

The combination of lower premiums and deductibles would encourage significant switching from employer insurance to the exchanges. Virtually all households with incomes below 200% of the poverty line could save more than \$100 a month, and some above that threshold would save, too. Assuming that a great majority -- say, 90% -- of households saving at least \$100 a month would switch plans, and that half of those saving less than \$100 monthly would do so, I find that 24 million Americans would switch out of employer coverage under the Biden proposal.

Some might find these results a feature, not a bug. Liberals would question why anyone could object to increasing financial assistance for working-class families who struggle to afford coverage. But the change would have significant negative consequences for taxpayers, businesses and those wishing to remain in employer coverage.

First, federal spending would explode. Extending exchange subsidies to 24 million people would cost around \$166 billion this fiscal year, and \$2.2 trillion over a decade. While the Biden campaign last year claimed its health plan would cost "only" \$750 billion over the next 10 years, this provision alone would vastly exceed that price tag. And these trillions wouldn't decrease the uninsured rate one bit. They would only substitute federal spending for spending by private employers and individuals.

Second, businesses could face higher taxes. Under ObamaCare, large firms that offer employer coverage face a per-worker tax of approximately \$4,060 in 2021 if their workers receive federal exchange subsidies. Unless Congress modifies this employer mandate -- a change Mr. Biden hasn't publicly supported -- businesses whose employees voluntarily switch out of employer coverage will face an estimated \$481 billion in new taxes over 10 years. These business tax hikes wouldn't begin to pay for the higher federal subsidy spending, but they would harm job growth and economic recovery.

Third, and most important, these changes would destabilize employer-based health coverage. The 24 million dropouts amount to roughly 1 in 7 Americans insured through an employer. And because I estimate that nearly two-thirds of those who will drop coverage are under 35 -- younger, more modestly paid employees just beginning their working careers -- businesses will face an older, sicker pool of employees, who cost more to insure.

That could cause businesses to drop coverage altogether. Mr. Obama's infamous "lie of the year" -- "If you like your plan, you can keep your plan" -- jeopardized the insurance of only about 4.7 million Americans when ObamaCare took effect in 2014. Last year consultants at Avalere Health estimated that a plan similar to Mr. Biden's would reduce the number of people covered by employer health plans by 32 million: 18 million would migrate to the exchanges voluntarily, while another 14 million were forced there because their employers stopped offering coverage.

Mr. Biden claims to support ObamaCare, but he and the rest of the Democratic Party want a full government takeover of health care. As Kamala Harris, Mr. Biden's running mate, put it last year: "Let's eliminate all of that. Let's move on." Mr. Biden's plan would provide a roadmap to do just that.

Mr. Jacobs is founder and CEO of Juniper Research Group and author of "The Case Against Single Payer."