

# [The affordable care act or obamacare in america - the negative effects](https://assignbuster.com/the-affordable-care-act-or-obamacare-in-america-the-negative-effects/)

[Economics](https://assignbuster.com/essay-subjects/economics/)

The affordable care act, commonly known as Obamacare, has been under much scrutiny since its introduction in 2010. Unrest over ACA’s recent overhaul was created after Douglas Elmendorf, director of the congressional budget committee, released a controversial report on his analysis of Obamacare changes. When questioned by House budget committee chairman Paul Ryan, Elmendorf, responded “ The act creates a disincentive for people to work.” The loophole in question were those beneath a reevaluated, certain income threshold will receive federal healthcare subsidies or Medicaid. One of the major unintentional problems pointed out with the new threshold was that a predicted several million workers would willingly curb their work hours or jobs in order to qualify for the benefits. Another problem, “ job lock” also will occur in this situation where people will take on jobs they don’t want or a lower paying job because that is their only way of qualifying for health insurance.

Obamacare seems to be still an unfinished product, and has many kinks to fix. This loophole was probably an unintentional oversight since it is fairly complicated to collaborate and write over 10, 000 pages of regulation, which is ever increasing. This loophole is indicative of a market failure, since people will purposefully opt for lower income in order to qualify for benefits or just quit their jobs. It is also important to note that this problem does not stem from a shortage of jobs. Coupled with the already declining rate of growth in the country and an aging population, the lowered supply of labor could adversely affect economic growth. It also possibly takes away from the incentive for people to work and move into the middle class since it is just easier to stay in the working class. Closing this loophole and implementing a universal benefit-like single payer would eliminate this problem. At the same time, Obamacare has the side benefit of making the lives of poorer older workers or workers with children better off. For the people who do remain in the work force, they will compete for higher wages and be able to make a better living. It is unclear which of these two forces is stronger or if they will counteract each other and how it will affect the economy.

The Obamacare loophole can be a double edged sword. It appears that the subsidies and benefits provided will boost to an economy due to an increased amount of discretionary spending among the beneficiaries. Taking a bigger picture, over the long run, however, if there is not a balanced budget for Obamacare, such as how the large majority of Medicare recipients receive more than they paid in taxes, the healthcare program will aggravate our debt problems. It is unclear how Americans view this “ loophole” and how it will affect the economy. All that is clear at this point is that the opponents to the ACA will mischaracterize this loophole as a job killer.

Option 2: Describe a loophole in a specific piece of legislation (in the U. S. or in another country) of interest to you. Argue, using whatever evidence you can, whether you believe that this loophole was purposefully placed in the legislation, or whether the loophole was the result of over-sight. Does this loophole create a market failure? If so, discuss the market failure and how closing the loophole would eliminate it. Or, does the loophole mainly re-distribute resources from one interest group to another? If so, discuss who benefits and who loses from the loophole, and by how much.

The response issued by White House Press Secretary Jay Carney about this oversight: “[people] will be empowered to make choices about their own lives and livelihoods” seems like a politically correct cover up response.

There are also other pressing problems with the way Medicare is designed. Wealthier people end up receiving more benefits than they paid into the system because they tend to be healthier and live longer. The healthcare reform was intended to redistribute resources and help the poor but it appears that this was an oversight they did not take into account.

Not surprisingly, they find that all those currently on Medicare are expected to receive over their lifetimes much more from the system than they paid into it. What is surprising is that these net gains are greatest for the upper income brackets. For example, the second-highest income decile has a lifetime net gain of $18, 900, while the third-lowest decile has a lifetime net gain of $15, 500. In other words, the Medicare program effectively transfers money from low to high income groups.