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David - please pass along any names/contacts you would like us to send this to — Mac

I spoke w/ Derek and we are on track

Cost of Clinton health plan put at 2 million jobs

By Donald Lambro
THE WASHINGTON TIMES

The employer mandates in President Clinton's health care reform plan could result in 2.1 million jobs being lost, largely among low-income workers, a study by two economists said yesterday.

Although Mr. Clinton's Council of Economic Advisers concluded that job losses from the plan would be at least 600,000, the study estimates that the number could be significantly higher.

The study said the losses would occur among low-wage workers in large businesses as well as among hard-pressed smaller businesses that would either reduce their staffs or cut hourly pay scales or salaries to offset higher health care costs.

"Ironically, the Clinton health care plan may ultimately hurt those it was designed to help: the low-income wage-earner," said Carlos Bonilla, chief economist of the Employment Policies Institute, which issued the study by economists June and Dave O'Neill. The two economists are associated with Baruch College's Center for the Study of Business and Government at City University of New York.

The plan's mandates would "provide disincentives to employ workers."

Under a "best-case scenario," in which the government succeeds in holding down health care costs, they said the Clinton plan would cost between 780,000 and 890,000 jobs.

But if the plan's cost-control targets are not reached and savings needed to cover the costs of subsidies for employee health care premiums are not available, "the job loss under the current plan could go as high as 2.1 million."

"About 60 percent of this job loss arises in sectors that are not scheduled to receive any subsidies until the year 2000," the study said.

The study also said the plan's business subsidies would result in an estimated $40-billion-a-year increase in federal spending and that this amount would not cover all of the plan's added costs.

"A second set of costs, which could prove more serious than increases in the federal budget, relates to losses in economic productivity from the inefficient reorganization of workers among firms that would be generated by the peculiar incentives embedded in the subsidy scheme," the study said.

The Clinton plan's employer mandates, which require businesses to pay up to 80 percent of employee health care premiums, would "continue to provide disincentives to employ low-skill workers," the economists said.

The Clinton plan "has political appeal" because it shifts the costs of financing health insurance without appearing to raise taxes, the study said.

But it said the belief among many economists is "that while employers may get the check, they quickly pass it on to workers who pay the bill through lower wages, and where wage rollbacks are infeasible, through reductions in employment."

Meanwhile, an analysis prepared for the Alexis de Tocqueville Institution, a bipartisan economic think tank, said the plan would "increase federal taxes by over 27 percent" by 2004.

"The vast bulk of these new revenues, $513 billion, will come from compulsory payments by individuals and businesses to health alliances," said an analysis by economist Bruce Bartlett. "A tax increase of this magnitude during peacetime is unprecedented in American history."

Mr. Bartlett noted that several recent analyses of the economic impact of the Clinton plan concluded that "the overall effect would be to reduce employment as well as real output in the economy."

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