Economic Effects of Repealing the Affordable Care Act Policy Analysis

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Executive Action and the Affordable Care Act

United States President Donald Trump January 2017 signed an executive order giving federal agencies freedom of theoretically not having to impose the individual mandate of Obamacare. This decision is set to have an economic impact on the United States. According to economists, though, it is still very early to determine the results of this executive order and, to be specific, the obligations of the Americans on the new law of having health insurance meeting the minimum necessities as per the Affordable Obamacare Act (Swers, 2017). Economists believe that exempting hardship requirements will exempt the majority of Americans from paying a tax penalty if they do not have health coverage compliant with ACA, but according to them, this will not have a long-term positive result on the economy. Since the beginning of his term in office, President Donald Trump has not been happy with the Obamacare Act, and his administration is set to repeal the Act, ignoring the economic impact on the country.

Legislative Efforts to Repeal Obamacare

It is not the first time a legislative branch of the US government has tried to take down this Affordable Healthcare Act. It has been on the radar a number of times, and now, with the help of the Republicans elected Congress, the Act is likely to be axed. The dubbing of price bills has been done to defund critical portions of the ACA in the budget reconciliation procedure and will be kept in place until new health requirements are drafted. (Swers, 2017). This bill will eliminate the Medicaid expansion plus the health insurance subsidies for two years, besides ending individual and employer mandates with immediate effect.

Coverage Loss and Federal Budget Effects

Congressional Budget Office plus the Joint Committee staff estimates that repealing Obamacare will result in an increase in the federal budget deficit by almost one hundred and thirty-seven billion US dollars in a period ranging from 2016 to 2025 (Rocco, 2017). The estimate is an average of previous estimations showing a dramatic potential decrease or increase in the deficit from the details of a study in macroeconomics. Repealing Obamacare is estimated to either increase or reduce the national debt by $353 and $516 billion, respectively, within the same timeframe. That is just one of the macroeconomic effects of repealing this act.

Healthcare Spending and Employment

This act forms a big part of the economy by the fact that the federal government policy injects billions of dollars into this sector. This makes the nation raise the question of, is repealing the ACA a good move for the economy. Arguments from economists show that abolishing the Obamacare Act will hurt the entire economy. They say that removing the ACA will contribute to a massive loss of jobs and economic contracts in both the local and state economies. This makes it clear that removing ACA will lead to a decrease in expenditure, which, regarding demand, becomes a lousy move for individual families plus the entire national economy. Despite the fact that these arguments don’t consider the replacement plan for the Act, statistics still show that any other program, including curbing of Medicaid and private insurance subsidies, will always have some kind of steep hill that people will have to climb to make up for the economic losses the economy will incur. A state like Arizona gets a benefit of roughly $3 billion from its expenditure on Medicaid and premium subsidies (Goozner, 2017). On the other hand, incremental taxes assessed on the residents of that state to enable them to pay for such benefits is roughly over $1 billion. From that, it is evident that repealing the Obamacare Act will result in a loss of over $2 billion in Arizona State, which is considered one of the significant headwinds to the growth of the US economy.

State-Level Economic Differences

However, in a state like New York City, repealing the act causes them to lose less since their incremental tax accumulation exceeds the government expenditure in the country (Oberlander, 2017). Since the repeal will be replaced by another Act, its replacement will have a positive effect on increasing the aggregate demand resulting from its implementation. However, because Obamacare has created more than one million jobs, the alternative is estimated to employ much less than that, showing that replacing the act will tremendously lead to economic loss. Donald Trump’s administration has made it clear that they intend to exert pressure and give incentives to different kinds of businesses, including healthcare commerce, with him promising to do something about the high drug prices resulting from repealing the Obamacare Act. Considering the supply side of the economy, the increased drugs and prescription prices are justifiable considering the hurdles and taxes put on drugs by the government as well as government interference. In the real sense, all the perspectives the Trump administration will offer to counteract this issue will only concentrate on the supply side, leaving the fantasy of losing the patron’s demands and closing the gap in healthcare. The individual mandate has been one of the greatest illusions in the history of the demand side of the economy.

Consumer Spending and Wider Economic Effects

As mentioned earlier, loss of employment will lead to a reduction in the expenditure in the economy, given that a decrease in the flow of income in the economy leads to a reduction in the demand for goods and commodities (Oberlander, 2017). This will paralyze some sectors in the economy, more so the supplies, since the consumption rate will have reduced. Alternatively, loss of employment will lower some people's living standards in the marketplace because income flow in that particular family will decrease (Manchikanti & Hirsch, 2016). This small variation in the economy will lead to a total decrease in the rate of economic growth, hence having a negative impact on the country's economic growth.

Conclusion on the Economic Impact of Repeal

In summary, repealing and replacing the Health Care Act, Obamacare is more likely to have a high impact on the economic growth rate than other legislative undertakings of this year. This is because of the tremendous capacity of the Obamacare program plus its unswerving impression on the demand of the economy. It is difficult to discern the effects of economic tax cuts for business organizations and corporations since it is unclear if the savings are likely to be directed towards increasing capital spending when compared to the increase in buyback stocks and dividends. Cutting the income tax of people will increase the demand for goods and services, but this is solemnly dependent on the income tax braces receiving the remunerations. Low- and middle-income earners in the economy have more and more exceptional prosperity in which to spend their income, while high-income earners in the economy are likely to save or instead invest their finances.

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