

# Study: Obamacare could save US businesses \$3.25 trillion through 2025

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A new study finds that the Affordable Care Act (ACA) will save US businesses \$3.25 trillion through 2025, largely through ending employer-sponsored health care and shifting health insurance costs to workers and their families. Research from S&P Capital IQ Global Markets Intelligence (GMI), a financial information division of Standard & Poor's, finds that the "ACA presents an opportunity for U.S. companies to radically redefine the role they play in the health care system." The study is a stark demonstration of the pro-corporate character of the Obama administration's signature domestic policy.

GMI's "Market Intellect" report estimates that S&P 500 companies stand to save nearly \$700 billion through 2025 as a result of the ACA, or about 4 percent of these companies' current market capitalization. Using a propriety model, GMI projects that US businesses as a whole could save \$3.25 trillion over this same time period.

GMI notes that the "ACA may eventually come to be historically recognized as the starting point of the reconstruction of the U.S. health care benefit industry and a catalyst for how companies provide health care insurance for their employees." The study likens this vast shift to the employers' migration in recent decades away from providing defined pension benefits in favor of "the defined contribution approach, including IRAs, Keogh plans, and 401k plans."

The corporate research group recognizes that any drastic change to the employer-provided health care benefits—the way the majority of workers and their families are currently insured—would "likely be frowned upon by employees and the voting public at large." They predict, however, that once a few high-profile companies depart from their traditional approach to health benefits, others will quickly follow

suit.

They cite approvingly the September 2013 announcement by IBM that it planned to move about 110,000 retirees off its company-sponsored health plan, offering them instead a stipend to purchase health insurance on a private health-care exchange. GMI also notes the decision by United Parcel Service (UPS) to drop health coverage for the working spouses of its nonunion workers. UPS expects this move, which has affected about 15,000 spouses of UPS employees, to save the company some \$60 million annually.

According to the report, the Obamacare health insurance exchanges present "the opportunity for employers to distance themselves from the health care arena over time, especially concerning lower-income and part-time workers." The researchers also note that the employer penalties for not providing insurance to full-time workers "will not be enough to incentivize companies to continue offering health care benefits to their employees."

Employers are also expected to manipulate workers' schedules so that they come under the 30 hours per week average above which they would be required under the ACA to provide health care coverage. "Food service, hospitality, retail, and education workers may be very susceptible," to such maneuvers by employers to game the Obamacare system.

The transition away from traditional employer-sponsored health care is likely to occur in stages, the study notes, similar to the shift away from defined pension benefits. First to be affected will be entry-level college graduates, lower-wage and part-time workers, and those employees most likely to qualify for subsidies to purchase insurance on the Obamacare exchanges.

This shift, however, will be steady and sure. GMI

estimates that by 2016, 10 percent of employees will be shifted to the government health care exchange. The study projects that this figure will rise by 20 percent in each subsequent year so that by 2020, *90 percent of all employees will have transitioned to the exchanges*.

As health care costs continue to rise, the burden of this increase will fall on workers and their families. GMI estimates that S&P 500 employees' costs will double between 2016 and 2025, while the employer share of costs will be cut in half, dropping from 69.58 percent to 32.66 percent over this same period.

While the study notes in passing that employees purchasing coverage on the Obamacare exchanges will "face higher deductibles and increased out-of-pocket expenses," it leaves unmentioned the reality that these costs will force workers to self-ration health care for themselves and their families, resulting in poor health outcomes and untimely deaths.

It is worthwhile to quote the concluding paragraph of the "Market Intellect" report in its entirety:

"This analysis uniquely highlights the basic premise that corporations will deliberately and strategically devolve their participation in providing health care benefits for Americans, shifting the obligation toward individuals and government. Our intention, which this modeled approach intends to fulfill, is to provide investors with a distinctly practical view of how financial 'market forces' may steer the evolution of the U.S. health care industry following the preliminary introduction of the Affordable Care Act."

In other words, the design of the ACA legislation has provided an opportunity for corporate America to effect a sea change in the way health care insurance has traditionally been provided to workers and their families. This shift will result in surging profits for big business, while gutting health care for ordinary workers and their families.

The GMI researchers arrive at the same conclusion as Ezekiel Emanuel, a close ally of President Barack Obama who served as a special adviser on health care reform to the White House from January 2009 to January 2011, as the ACA was being drafted. He writes in his recent book *Reinventing American Health Care*: "By 2025 few private-sector employers will still be providing health insurance."

Emanuel predicts that traditional employer-sponsored coverage will be replaced by a combination of defined

contributions by employers for workers to purchase coverage from private insurers on health care exchanges and the elimination of insurance coverage altogether for some workers.



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