

The Other Jobs Bill

Mitt Romney lionizes entrepreneurship. His health care law—and possibly the national version based on it—helped more than he knew. **By Margot Sanger-Katz**

Innovation idyll: “Romneycare” made it easier to create jobs.



Laura Fitton was lucky to live in Massachusetts when she launched her social-media marketing company, Oneforty, in 2009. Fitton, operating on a shoestring, could afford to pay software engineers only a fraction of their market price. And she couldn't afford to buy them health insurance. But in Massachusetts, which passed a comprehensive health care law six years ago, she could simply direct new hires to a state website where they could easily buy affordable coverage (even if they had preexisting problems). If necessary, they could get their own insurance. That sweetener finally snagged her several talented staff members from bigger, established companies out of state. “People can't live on just a vision; they need health insurance,” Fitton says. “I absolutely was able to get better people.”

Although Mitt Romney now rejects the insurance mandate he enacted as a model for the country (the 2010 health law is “an unfolding disaster for the American economy”), his signature accomplishment as governor of Massachusetts actually appears to be good for small businesses. Decades of economic research suggest that the U.S. system, which tethers health coverage to employment and offers no guarantees to individuals seeking insurance on their own, reduces flexibility and discourages entrepreneurship. Massachusetts, despite the confounding effects of the recession, can now offer aspiring entrepreneurs the freedom to leave large companies and start small ones—and give dissatisfied workers the freedom to change jobs, freelance, or scale back their hours with-

out worrying about depriving their families of health coverage.

It's tricky to separate the effects of the health care law from recent economic trends in Massachusetts, but the overall picture is clear: The law has not hobbled the state. Massachusetts has outperformed the national economy and now tops lists that rank economic health and opportunity. Despite some initial concern from the business community, companies have largely embraced the law as a benefit, not a burden.

“For the vast majority of individuals in Massachusetts and companies in Massachusetts, the law has gone very smoothly; the law has been successful, and the law has had broad support,” says Jim Klocke, the executive vice president of the Greater Boston Chamber of Commerce. The Massachusetts Taxpayers Foundation gives it similar high marks. That nonpartisan organization, concerned with fiscal and economic policy, just released a report disputing what it calls the “myth” that health care reform was a “budget buster” for the state.

A state ranking conducted by the Information Technology and Innovation Foundation and the Kauffman Foundation, which focuses on entrepreneurship, shows Massachusetts pulling away from the pack in measures considered to be predictors of economic performance, called the New Economy Index. The state has occupied the top spot since the list was created in 1999. But in the years since the health care law's implementation, its lead has grown. Massachusetts tops measures like migration of highly educated workers and the number

of fast-growing businesses. “They've gotten better compared to the nation since they put in their health care law,” says ITIF President Robert Atkinson.

Recent studies led by economist Robert Fairlie have established surprising links between entrepreneurship and health insurance. One study compared the rate of new entrepreneurs in the nation with the subset of people whose spouses have employer-based insurance. People in the latter category were more likely to start a new business. A second study looked at when entrepreneurs started new companies. It found a spike in the month after people turned 65, the age of eligibility for Medicare. There was no similar trend at any other age—suggesting that the availability of health coverage is a huge factor. “It really changes who is willing to take this risk and who's not,” says Fairlie, a professor at the University of California (Santa Cruz).

Research also shows that the U.S. health insurance system leads to a phenomenon economists call “job lock,” which prevents people from leaving a job they don't like for fear of losing benefits. As with entrepreneurs, people who have access to a spouse's insurance are more likely than those without to switch jobs or work part time. Economists generally see job lock as an economic negative, because it reduces productivity.

Massachusetts, then, should be a great laboratory for research into how the easy availability of health insurance affects entrepreneurship and job lock. But the unfortunate timing of the law's implementation, which coincided with the recession, has made the trends hard to measure. Many in the state's entrepreneurship community are bullish about health care reform, but they're waiting for the data to prove their hunch. “I have lots of qualitative data,” says John Hawthorne, the CEO of Mass Challenge, an organization that funds start-ups. He says he thinks the law is making it easier for people to launch businesses and hire the talent they need to succeed.

As long as Romney (or the Supreme Court) doesn't stop the implementation of the federal health care law, the rest of the country is about to become a lot more like Massachusetts. The national reform will give Americans access to central exchanges for insurance, and it guarantees that even old or sick people can get insurance. It will be a boon to the job-creating the small businesses—like Laura Fitton's—that Romney champions. ■