



## The Daily Dish

# The ACA's Troubled "Fix"

DOUGLAS HOLTZ-EAKIN | NOVEMBER 15, 2013

In the latest delay of the Affordable Care Act's implementation, President Obama yesterday said his administration would allow insurers to offer cancelled insurance plans for another year by simply not enforcing a key element of the law. This comes in response to mass plan cancellations. The [Wall Street Journal](#) writes "President Barack Obama, in a retreat aimed at quelling the latest protest over his health-care law, on Thursday said insurers can extend by one year those policies they had canceled for failing to meet the law's requirements."

The announcement was met with mixed reaction from state insurance commissioners and insurance companies alike. The [National Review](#) writes that "Washington State rebuffed President Obama's plan... Mike Kreidler, the state's insurance commissioner, said that he had "serious concerns" about the extension's implementation and didn't believe it made sense for his state."

The move [raises several questions](#) on how this delay can be implemented and how this affects the structure of the ACA overall. AAF health policy expert [Emily Egan](#) writes in a new insight: "President Obama announced an "administrative fix" to the Affordable Care Act (ACA), in response to the outrage over millions of cancelled health insurance plans. However, this so-called "fix" doesn't quite add up. The administration still needs to answer questions regarding how their latest Obamacare delay will work."

### ***Eakinomics: The Fed and the Crisis***

My experience on the [Financial Crisis Inquiry Commission](#) convinced me that the Federal Reserve launched the most essential and effective policy responses during the 2007-2008 financial crisis. As my colleague Satya Thallam has [documented](#) these programs were broad-based and open to all comers; a strategy designed to address a widespread liquidity crunch that threatened all lending. This is consistent with the Fed's stated goal of helping Main Street — not Wall Street.

Nevertheless, the notion that policy responses were less philosophy and more favors persists. This impression may be fed by the release of a new Government Accountability Office [report](#) that concludes “During the 2007-09 financial crisis, the federal government's actions to stabilize the financial system provided funding support and other benefits to bank holding companies and their subsidiaries.” That sounds nefarious. But think about the logic of the report: “... these actions helped to stabilize financial conditions, while participating firms also accrued benefits specific to their own institutions, such as liquidity benefits from programs that allowed them to borrow at longer maturities and *at interest rates that were below possible market alternatives*” (emphasis added).

The most important point is that markets were not functioning. Broad swaths of the financial arterial system had frozen up entirely so there *were no market rates*. In those circumstances, it would be policy malfeasance to demand rates equal or higher than the few trades occurring in the market when the goal is to improve the ability to make trades at all.

The financial crisis and Great Recession left a deep emotional scar on the United States. That makes it important that the quality of policymaking be judged by the facts of the situation, not the desire to place blame.