The Daily Dish

Grading Obamacare on the New York Times Curve

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Yesterday House Financial Services Committee chair Rep. Jeb Hensarling (R-TX) stated that he has no interest in reviving Glass-Steagall. While the Trump Administration has called for a "21st century Glass-Steagall", Hensarling said it is unsure exactly what the administration means by that but he remains opposed to reimplementing Glass-Steagall era banking divisions.

On Thursday Health and Human Services (HHS) secretary Tom Price told the House Ways and Means Committee that he supports Treasury Secretary Steve Mnuchin's call for a clean debt limit increase. Mnuchin was made the official administration point of contact for the debt ceiling debate this week by President Trump and has called for a clean debt ceiling increase. Office of Management and Budget director Mick Mulvaney has stated he is opposed to Mnuchin's plan for a clean debt limit hike.

Eakinomics: Grading Obamacare on the New York Times Curve

The Patient Protection and Affordable Care Act, aka Obamacare, is in full meltdown. Left to its designers' devices, all that will remain of President Obama's signature domestic policy accomplishment will be a pile of ash. Despite this, the New York Times continues to spin its news in favor of the law; the latest being "Obamacare Didn't Destroy Insurance Markets, but It Also Didn't Fix Them." I'll admit that it is a step for the Times to admit that things are not perfect, but a closer read reveals that it is still a rosy take on the situation.

The essential argument goes like this. The individual market in a state consists of both the Obamacare exchanges and "off-exchange" policies sold through insurance brokers and others, with roughly half of the 22 million individuals in each part. The exchanges are clearly melting down, but the off-exchange individual market continues to survive; indeed in the Times view it seems just as robust as before Obamacare. The authors suggest that this is because off-exchange policies are not eligible for tax subsidies, will be bought by higher-income individuals, and those individuals will likely be healthier.

Unfortunately, this just does not hang together. First, there is no evidence presented that the off-exchange population is healthier; this is merely an assertion. However, if it was, this hardly helps the argument. Insurers are required to price their products based on the entire risk pool — on-exchange and off-exchange. If premiums reflect the pool, they will be "too expensive" from the perspective of the off-exchange risks and too cheap relative to the exchange risks. This is hardly a recipe for Obamacare preserving the individual market. Also, the authors don't mention the fact that the off-exchange policies include the "grandfathered" plans from the individual and small group market. These are the legacy of President Obama facing up to misleading the American people into thinking that if they liked their insurance, they could keep it. As a result, these non-Obamacare policies exist to this day off the exchanges.

Viewed from that perspective, perhaps the lesson is that everything that Obamacare touched is falling apart. Those grandfathered plans and employer sponsored plans are the islands of insurance market calm in the meltdown maelstrom.