The Daily Dish

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The Supreme Court will hear a challenge against a California law that allows school districts to require public school teachers to either join a teacher's union in their district or pay the equivalent in dues to that union, which is generally around 2 percent of their salary. The case, Friedrichs vs. California Teachers Association, argues that the laws in California, as well as 22 other states, are unconstitutional because they require "fair share" fees for nonunion members.

The House is expected to begin reforming the federal open records process, to increase transparency and accessibility of public government records. Last year, researchers tested federal agencies' response rate with only seven responding with usable records in a timely manner. The legislation would create an online portal to which all requests to any agency are submitted in order to simplify the process of acquiring public records.

Eakinomics: The Future of the Individual Market

The problems of the Affordable Care Act's (ACA's) exchanges are well-chronicled. Remarkably, new problems continue to arise. Or, perhaps, not remarkably as the Obama Administration continues to let politics lead it to change the rules in midstream. As reported by the *New York Times* this past Saturday "Eager to maximize coverage under the Affordable Care Act, the Obama administration has allowed large numbers of people to sign up for insurance after the deadlines in the last two years, destabilizing insurance markets and driving up premiums, health insurance companies say."

The problem is the more than 30 "special enrollment" categories and proceeded to recruit millions of Americans to sign up, even after the regular enrollment deadline had passed. The result was that people could wait until they had actually gotten sick and used costly medical services before they signed up for insurance. There was also little to no effort to verify their eligibility. The upshot was "'Individuals enrolled through special enrollment periods are utilizing up to 55 percent more services than their open enrollment counterparts' who sign up in the regular period, the Blue Cross and Blue Shield Association, whose local member companies operate in every state, told the administration.

This was entirely predicable. Indeed, as I wrote in 2011: In Massachusetts — the model for Obamacare, reporting indicated that consumers were purchasing insurance, undertaking expensive care episodes and then dropping coverage. Blue Cross and Blue Shield of Massachusetts reported that, in 2009, 936 people signed up for coverage for 3 months or less, undertook medical spending at 4 times the norm, and ran up a price tag of over $1,000 per month. Because the average premium (roughly $400) fell far short of monthly costs (over $2,200), these effectively uninsured individuals continued to impose costs on the insured pool. Is this quantitatively important? In 2009, roughly 86,000 individuals became newly insured. Blue Cross and Blue Shield have a roughly 50 percent market share, so insured perhaps 43,000 of those new enrollees. If so, the 936 individuals constituted on the order of 2.2 percent of the enrollees and, clearly, a higher fraction of the costs.

If this pattern continues — along with the low enrollment rates for the young and healthy — the exchanges will not become broad-based insurance markets. Instead, they will devolve into *de facto* high-risk pools — special insurance arrangements for costly patients with too little income. There is nothing wrong with high-risk pools; they are a key element of many conservative reform plans. But in those frameworks, high-risk pools complement other reforms. In the ACA the exchanges were supposed to be the reforms.

From the Forum

December Jobs: All Surprises, But Not All Good Surprises by Douglas Holtz-Eakin, AAF President

The House on Regulation: Regulatory Reform Passes by Sam Batkins, AAF Director of Regulatory Policy