The Daily Dish

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The Social Security Administration spent over $200 million more on chasing down false payments than it recovered from 2008-2013. According to the Office of the Inspector General, the agency issued $128.3 million in “low-dollar” over payments and then spent $323 million in an attempt to recover the funds. Over the past decade, the agency has issued $16.3 billion in disability insurance overpayments alone.

Click here for the surprising numbers on how much we spend on prescription drugs. Hint: It is probably less than you think.

With a short month before the next recess, the House Judiciary Committee will focus on passing legislation to provide an alternative to Dodd-Frank. The legislation will specifically cover how a failing bank will be handled as it is wound down. Recently, AAF found that over the next decade, Dodd-Frank will reduce economic activity by $895 billion. Soon to celebrate its 5th birthday, Dodd-Frank has already issued $20.9 billion in regulations, according to AAF’s RegRodeo.com.

Eakinomics: Obamacare and the Market

The Affordable Care Act, aka Obamacare survived the Supreme Court test, now let's see about the market test. The courts decided that all exchange shoppers were eligible for subsidies; reports indicate that they are going to need them.

Across the country insurers are requesting, and insurance commissioners are approving, double digit percentage increases — some reports are as high 54 percent — in premiums. The need to hike premiums reflects three factors:

- Rising health care costs. In the end, health insurance serves merely to shift the underlying costs of health care services from those with large expenses to those in good health. The aggregate premiums must be enough to cover the bill. Despite the much-ballyhooed (and prematurely celebrated) slowdown in health care spending growth, the bill is rising — and growth appears to be accelerating. That is bad news for premiums.
- An expensive risk pool. With a full year of coverage experience on the books, it is clear that the exchange purchasers are more expensive than expected. During the initial enrollment a lot of attention was paid to sign-ups of the so-called young invincibles. The administration asserted the pools were balanced between young and inexpensive beneficiaries and older and more expensive enrollees. Maybe not.
- Uneven premium payments. Insurers typically count on receiving 11 months of premium payments — not everyone will pay every month. Obamacare rules that out and dictates that insurers must calculate premiums assuming that they will be paid in full. Worse, Obamacare has guaranteed issue — insurance companies must issue a policy if someone signs up. Even if that same someone did not pay the final three months of payments the previous year, which — as it turns out — is something he or she can get away with because Obamacare imposes a requirement that companies must continue to pay claims for 90 days after premium payments stop. Think about it, a person can decide to not pay premiums in October,

November, and December and still get a new policy in January.

Given these pressures, there are two possible futures. In one, individuals decide that there are not enough affordable options and simply choose to not purchase coverage. This undercuts the basic premise of Obamacare — expanding coverage. In the other, individuals do continue to purchase insurance. However, the rising premiums translate directly into higher subsidies and greater demand for taxpayer resources. In either event, there is no strong evidence that Obamacare will fulfill it tripartite promise of affordable insurance, bending the cost curve, and fiscal sobriety.

From the Forum

Week in Regulation by Sam Batkins, AAF Director of Regulation Policy

The U-6 Fix by Douglas Holtz-Eakin, AAF President

Fact of the Day

There will be a shortfall of about 90,000 physicians by 2020.