The Daily Dish

June 10th Edtition

DOUGLAS HOLTZ-EAKIN | JUNE 10, 2014

The first of what will likely be many reports on the VA came out on Monday. There are 100,000 veterans waiting on care, including over 57,000 that have waited for over 90 days for care. USA Today continues to report, “the agency also found evidence that in the past 10 years, nearly 64,000 veterans who sought care at the VA were simply never seen by a doctor.” Senator McCain (AZ) and Senator Bernie Sanders (VT) have a bill right now to shake up the agency and speed the process to fire employees not living up to the standard our veterans deserve.

On Monday, analysts reported that if Sprint acquires T-Mobile, “it could save up to $6.6 billion on network, equipment and operating costs…” Reuters continues to report, “it will have to slash its prices to match the target company's steep discounts…” This is the most recent in a line of large acquisitions that are usually scrutinized if they will serve the public’s interest.

Yesterday the White House issues an executive order on student loans. The Senate is expected to consider a bill by Senator Warren (MA) on student loans. The bill allows borrowers to refinance their loans using taxpayer dollars. AAF released research this morning revealing it as a “flawed bill that raises serious questions…Absent from the discussion is the risk it will transfer to taxpayers, the inequalities it threatens to exacerbate, and the limited impact it would have on college access.”

Eakinomics: Getting Subsidies Right (or Not) in Obamacare

Today the Ways and Means Health Subcommittee holds a hearing on “Verification of Income and Insurance Information Under the Affordable Care Act.” Hidden below the deceptively dull title is a serious issue: how does the federal government ensure that taxpayer dollars go to the correct insurance subsidy recipients, and in the right amounts?

In case you think this is easy, the process is depicted here. (Spoiler alert; finish your coffee before trying to understand.)

At the hearing, I plan to testify on three main points:

The subsidy eligibility system is too difficult for consumers to navigate. The complexity of the subsidy eligibility system, and the information required of the consumers and employers will result in erroneous subsidy allotments;

The tax system is already too complicated and in need of reform. The additions to the tax code stemming from the ACA will continue to worsen this problem, placing taxpayers at risk when requesting ACA benefits; and

The complexities and burdens created by the subsidy eligibility system and income verification flaws in the ACA are generating serious vulnerabilities in the federal budget.These vulnerabilities will come in the form of fraudulent spending, increased program costs, and a heavier taxpayer burden.

To get a flavor of the scale of problem, think about the Earned Income Tax Credit (EITC). Like the ACA premium credits, the EITC is a means-tested, refundable tax credit. It is the largest refundable tax credit in the tax code at the moment. Eligibility for the credit is based on income and family size — like the ACA — but does not depend on any employer behavior — unlike the ACA. According to the Treasury Inspector General for Tax Administration, 21 percent to 25 percent of the simpler EITC credits made in 2012 were in error – costing $11.6 to $13.6 billion. If we extrapolate this to the ACA, where outlays for premium credits are estimated to total $726 billion over 2015-2024, an error rate of 21 percent would result in $152 billion in erroneous ACA premium credit payments.

With this kind of risk, one would hope that finely-honed systems for income and eligibility verification would be in place. They are not and 2014 excess payments are very unlikely to be detected and captured.

In the Forum

New AAF Insight- Inside the Administration’s Spring 2014 Regulatory Agenda: AAF Director of Regulatory Policy, Sam Batkins goes in depth on the Administration’s new Unified Regulatory Agenda and its $126 billion in costs.