The Daily Dish

June 11th Edition

DOUGLAS HOLTZ-EAKIN | JUNE 11, 2014

The IRS introduced what it calls the "Taxpayers' Bill of Rights." The first 'right,' the right to be informed, details that we "are entitled to clear explanations of the laws and IRS procedures in all tax forms, instructions, publications, notices, and correspondence." That comes as a surprising statement for any person who has ever filed their taxes. AAF found that the average person can spend an average of 12 hours filling out the possible 199 forms.

The Obama administration has yet again delayed provisions in the President's health care plan. The new ACA delay is for small businesses that have not been able to access the website. From the Daily Caller "The SHOP (Small Business Health Options Program) exchanges were supposed to launch along with the individual Obamacare exchanges on Oct. 1, 2013, but the Obama administration initially delayed the SHOP website until November 2014 in order to focus on fixing the problems with HealthCare.gov." This delay will continue through 2016.

The president held his Tumblr discussion yesterday, mainly sticking to the topic of higher education. AAF has a new insight out explaining why pay as you earn (PAYE) isn't the perfect deal the president is pitching. "First, they do nothing to limit student debt, help manage the cost of college, or promote access to college at all…Second, the changes themselves may prove costly."

Eakinomics: Two Wrongs Do Not Make a Policy

In 1990 Congress created the Medicaid Drug Rebate Program, a variant of price fixing that imposed a ceiling on the manufacturers' price when provided to Medicaid patients. Specifically, manufacturers were required to offer Medicaid the 'best price' offered to any other health insurance provider. The price-fixing, however, had a serious catch. Before the law passed, manufacturers regularly donated prescription drugs to health care facilities with high volumes of low-income patients (in return they got a charitable deduction and some good-will). Continuing this practice, however, would mean that the Medicaid best prices was……zero. Charitable giving collapsed.

Instead of getting rid of the problem, Congress created the 340B program in 1992 — a second form of price-fixing that mandates discounts to health care providers serving low-income patients. Specifically, 340B sets a 'ceiling price' that drug manufacturers can charge these health care providers.

What could go wrong?

First, the ACA expanded the definition of eligible health care providers to include outpatient settings, free-standing cancer hospitals, rural referral centers, sole community hospitals, and critical access hospitals. Second, between 2004 and 2013, 340B purchases have grown from $0.8 billion to $7.2 billion per year, and the affected drugs rose from 3 percent of purchased drugs in 2004 to over 25 percent of those drugs in 2013. By February 2014, about one-third of all hospitals participated in the 340B program, accounting for about 62 percent of all hospital outpatient drug spending. Worse, nothing about the current 340B program ensures that any savings get

passed along to needy patients.

So, 340B has grown from a patch on a bad policy to a disaster in and of itself.

Expect a “rule making” from the Administration to “fix” 340B. It will include new definitions of qualified patients, covered health providers, and rules on pharmacies, generics and the like. But don’t expect a return to market-based common sense.