The Daily Dish

June 25th Edition

DOUGLAS HOLTZ-EAKIN | JUNE 25, 2015

It's the incredible shrinking Obamacare doctor networks! A new report found that four out of every ten plans sold on the Obamacare exchanges are in networks described as "small" or "extra small." A "small" network is defined as covering 25 percent of doctors in an area, while "extra small" only covers 10 percent. The Robert Wood Johnson Foundation says this is a problem because it can leave customers "vulnerable to the financial burden of out-of-network care."

The Senate approved TPA, so called "fast track" trade authority, yesterday in a 60-38 vote. The bill now travels to the president's desk for his signature. TPA allows for negotiators to do their job using guidelines from Washington. Congress then has the opportunity for a straight up or down vote on the deal. Passing this legislation will now fast track TPP which is one of three pending free trade agreements, could boost U.S. GDP by $77 billion and create 550,000 jobs over the next ten years.

Eakinomics: Cures, But Maybe Not For the Federal Budget

The House is considering H.R. 6, "The 21st Century Cures Act." The bill is chock-full of good stuff:

- A National Institutes of Health (NIH) Innovation Fund that covers a newly-created Accelerating Advancement Program (which requires a dollar-for-dollar funding match by a participating institution); "early stage investigators"; "high-risk, high-reward research"; and other priorities.
- A focus on expanding knowledge regarding biomarkers, precision medicine, infectious diseases, and antibiotics.
- A biomedical strategic plan for rare and pediatric diseases.
- A new requirement for the Food and Drug Administration (FDA) to utilize patient experience data in order to assess the risks and benefits of new treatments and use the results in the approval process.
- New incentives for drugs ("orphan drugs") that serve very limited populations (under 200,000).
- Better information about pricing in Medicare.

And the list could go on. It is a solid, bipartisan step forward from a policy perspective.

The problem is the funding. (Spoiler alert: this is going to get geeky, drink your coffee now.) Most federal spending comes in one of two flavors. Discretionary spending is provided in two steps. First, Congress authorizes spending on an agency, program, or activity. Then, each year the Congress appropriates the desired level of funding in the annual appropriations bills. Mandatory (or direct, or entitlement) spending bypasses the annual appropriations process. Congress sets up criteria (e.g., you have to be 65 to receive Medicare) and benefit levels in the authorizing language and all that qualify receive the benefit; the amount of spending is not limited in any way.

As reported from the Energy and Commerce Committee, the Cures bill was discretionary spending — and that is good. The fundamental budget problem is the explosive growth of mandatory/entitlement spending over the

next decade. This explosion is fueling an unsustainable rise in the debt, and crowding out annual discretionary spending for defense and non-defense activities alike (a budget reality that is simply codified by the current caps on discretionary spending.) The basic lesson is simple: no more mandatory spending.

Unfortunately there is a move afoot to put Cures into murky mandatory budget territory. Specifically, there is a hybrid third type of spending — the appropriated entitlement — in which the authorizing language also appropriates a specific amount (e.g., $2 billion a year over 5 years for the Innovation Fund). Something like:

"there is authorized to be appropriated, and appropriated, to the NIH Innovation Fund out of any funds in the Treasury not otherwise appropriated, $2,000,000,000 for each of fiscal years 2016 through 2020. The amounts appropriated to the Fund by the preceding sentence shall be in addition to any amounts otherwise made available to the National Institutes of Health."

This is mandatory spending. It happens regardless of what a future appropriations committee might decide for NIH funding in 2018 or 2020.

In the interest of fairness, it should be noted that Cures also contains reductions in other mandatory spending so that there is no net overall increase. Even so, imposing mandatory spending reductions that offset new discretionary spending would be a preferable option. Unfortunately, the latter may simply be impossible as progressives continue to stick their heads in the sand regarding the fiscal outlook; mandatory spending in particular.

Politics or no politics, 21st Century Cures is good health policy. If progressives permit it to be subject to annual appropriations, it will also be good budget policy.

From the Forum

What's Left in the ACA if the Administration Wins King v. Burwell by Sam Batkins, AAF Director of Regulatory Policy

Why Critics of a Regulatory Budget Have it Wrong by Sam Batkins, AAF Director of Regulatory Policy