The Daily Dish

June 4th Edition

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The administration's problems with providing health care to those promised, continue to mount. Nearly 3 million people who signed up for Medicaid coverage as part of the Affordable Care Act are still waiting for their applications to be processed. According to Roll Call, "delays—due to technological snags with enrollment websites, bureaucratic tangles at state Medicaid programs and a surge of applicants — betray Barack Obama's promise to expand access to health care for some of the nation's most vulnerable citizens." Because of the inadequacies of the system, "low-income people are being prevented from accessing benefits they are legally entitled to receive."

New AAF insight- An Inside Look at Greenhouse Gas Regulation: "This proposal, when finalized, will utterly transform the way we produce and use energy, and add another layer of bureaucratic control over an energy market struggling to adjust to the needs of a modern economy." Due to the new rule and other energy regulations "consumers could bear a 10.3 percent increase in electricity bills by 2020." AAF identified the top ten states that will most likely be hit the hardest. Texas could face a whopping $812 million in compliance costs.

Eakinomics: Terrorism Risk Insurance Act

The Senate Banking Committee voted 22-0 yesterday to reauthorize the Terrorism Risk Insurance Act (TRIA), a program created by Congress in 2002 to respond to the property and casualty insurance market fallout of the terrorist attacks of September 11, 2001. In the aftermath of the attacks, insurers stopped offering insurance against the financial losses from terrorist attacks (terrorism risk insurance) or raised premiums for that insurance prohibitively. Without a functional insurance market, concern arose that new commercial structures would not be built or that large, center-city office structures would not be able to serve as effective workplaces.

TRIA acts as insurance for insurers. In the event of a large-scale terrorist event ($100 million in damages that lead to claims), insurance companies first pay all their claims — a deductible. But above the deductible, insurers pay only part of the claim (15 percent, the copay or coinsurance), while the government pays the remainder up to a maximum. Because insurers have protection against catastrophic losses, they were again able to offer reasonably-priced terrorism risk insurance, which was evidenced by widespread purchases of the insurance.

But how much insurance is the right amount of insurance? Too little and the terrorism risk market dries up. Too much TRIA, however, permits premiums to be kept too low. This sends the wrong homeland security message — things are fine. Faced with higher premiums, a firm might install better street-level security to deter losses, diversify its geographic locations, or take other measures that improved the security of workers and workplaces. Too much TRIA insurance undercuts the desire to improve homeland security.

With TRIA up for reauthorization, Congress has the chance to put in motion a plan to “get it right.” As AAF’s Satya Thallam argues reauthorization should be accompanied by a mechanism to steadily cut back the TRIA insurance — raise the size of a triggering event, increase the deductible, or raise the coinsurance — year by year. In doing so, Congress could observe when the private insurance markets could not handle additional risk, thus “right-sizing” TRIA (including eliminating it if that was the right answer).

The TRIA proposal is also the inaugural release of AAF’s Solutions, our attempt to regularly contribute to a positive policy agenda for the Congress and administration.