The Daily Dish

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DOUGLAS HOLTZ-EAKIN | MARCH 12, 2015

The Senate is continuing to debate how, for the first time since the 1990s, to pass a balanced budget. According to Reuters, the end goal of a Republican budget will be "to eliminate deficits within 10 years, cut federal benefits programs and lower tax rates." The major dispute is currently whether defense spending should be increased. AAF is hosting a relevant event today in conjunction with the Foreign Policy Institute featuring Senator Lindsey Graham entitled, "Will We Confront the Growing Security Threats?"

During a hearing, Republican senators highlighted states' concerns over excessive rules from the EPA. Officials from Indiana, Wyoming and Wisconsin testified to the negative effects of onerous rules passed by the administration that "will cause significant harm to Hoosiers and most residents of the United States without providing any measurable offsetting benefits," according to Indiana's Department of Environmental Quality commissioner. AAF has even found that 100 state and federal parks will fail to comply with one EPA rule to lower ozone emissions.

Eakinomics: The Assault on Medicare Advantage

"Medicare" actually consists of several programs: Part A covers hospital stays, Part B covers outpatient doctor visits, and Part D covers outpatient prescription drugs. Collectively, these — especially A and B — constitute the "fee-for-service" traditional approach to Medicare. It is widely agreed that fee-for-service medicine embraces all the wrong health care incentives– providers get paid for doing things to people instead of keeping them well. Fee-for-service also promotes poor financial incentives– providers can do more procedures and make more money.

The final part of Medicare is Medicare Advantage (Part C, known as MA), a comprehensive package of private insurance that can cover services otherwise in A, B, and D. MA is widely disliked by the progressive wing because it relies on private insurers (never mind that A, B, and D rely on private-sector docs, nurses, hospitals, and medicines) and used to receive a 15 percent subsidy premium from the government. The latter is long gone. More importantly MA has good incentives to coordinate care and can provide supplemental benefits valued by the beneficiaries. But most importantly, MA is not fee for service — the MA plan gets a fixed premium and must manage within it — and constitutes an important bridge to the future for Medicare.

Obamacare has put MA under assault. There have been some significant cuts to MA in recent years, including huge downward rate adjustments and some burdensome regulations. Enrollment is still growing – there are currently about 17 million beneficiaries in the program – but no program can survive sustained, cumulative cuts. The most recent installment of the cuts indicates that MA plans will see a -1.2 percent reduction in payment in 2016. The 2016 rate cut could result in premium increases of up to $20 per beneficiary per month, in addition to benefit reductions and plans exiting local markets. This is troubling as 37 percent of MA beneficiaries live on incomes of $20,000 or less — increases in out-of-pocket costs will pose a significant financial burden. On top of that, the the sickest, who use the most health care, may be forced to leave MA for Medicare fee-for-service; exactly the wrong outcome for those who need coordinated care.

The assault on MA is troubling in and of itself. It is even more troubling from the perspective of moving Medicare toward a system of higher quality and financial sustainability.

From the Forum

Residential Furnace Efficiency Standards by Dan Goldbeck, AAF Research Analyst

History Repeating Itself At Fannie Mae by Marisol Garibay, AAF Deputy Communications Director

Obamacare: Slightly Less Unaffordable than Previously Reported by Jonathan Keisling, AAF Health Care Data Analyst; and Conor Ryan, AAF Senior Health Care Data Analyst