The Daily Dish

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Between 394,000 and 859,000 jobs could be created annually over the next 15 years by removing the oil exports ban, according to a new report from IHS. Only about 10 percent of the jobs will come directly from actual production of oil while the other 90 percent will be from the supply chain and broader economy. Surprisingly, Reuters reports that many jobs will actually be created in "Florida, Washington, New York, Massachusetts and other states that are not known as oil producers." AAF has also examined how changing the bell bottom-era ban can boost energy security and diplomatic strength.

$125 billion is the record breaking amount that federal agencies spent in improper payments just last year. This was a $19 billion increase over the previous year. According to the Associated Press, Medicare, Medicaid and the Earned Income Tax Credit rose above the rest with $93 billion in improper payments combined. Senator Ron Johnson sees this not as just a one year problem, but "a problem that is going to get worse year after year if we do not get a handle on it now."

ICYMI yesterday, AAF hosted Louisiana Governor Bobby Jindal for our most recent Fred Malek Lecture Series. You can catch the full speech here.

Eakinomics: Conservatives and Pre-existing Conditions

Conservatives have argued for repeal of the Affordable Care Act (ACA) since its passage 5 years ago, and are now faced with the possible task of doing so if the Supreme Court overturns the legality of paying subsidies in the 37 states that use a federal exchange. At each turn, the president and other supporters of the ACA have accused conservatives of wanting to return control of health care to insurance companies and to permit those companies to deny coverage to those with pre-existing conditions. Expect to hear these charges again and again as the Supreme Court decision in *King v. Burwell* approaches.

What *is* a conservative approach to pre-existing conditions? One answer is a two-pronged strategy that addresses pre-existing conditions in the current population and future pre-existing conditions using different tools. For those currently with pre-existing conditions, a solution is high-risk pools. The basic idea is to recognize that if the ratio of health costs to an individual's income is too high, then the right response is not to regulate every insurance product ("essential benefits"), every sales practice ("guaranteed issue") and every price ("community rating"). The answer is to subsidize those individuals, but retain the dynamism and flexibility of a private market. Hence the high-risk pools as vehicles for subsidies where needed.

The question of the future is handled by incentives. Specifically, if a person buys insurance — in whatever market; individual, small group, employer, etc. — and *stays* continuously covered (again, in whatever market), then no insurance company may "medically underwrite" (i.e., evaluate for pre-existing conditions) the individual. They must be treated as a healthy policyholder. What will happen? First, there is a tremendous incentive for young (and on average healthier) individuals to buy insurance. This brings cheap risks into the pool, and provides the young a way to lock in relatively low premiums in their life. Insurers, on the other hand, now have to compete by providing a high-value policy (low premiums; high benefits) in a pool that contains a mixture of risks, instead of competing by excluding risks. Better competition results and pre-existing conditions get covered.

There is nothing about markets for health insurance that requires a mandate-heavy, regulatory approach to solving the problem of pre-existing conditions. Nor is there anything about pre-existing conditions that precludes an approach other than the ACA.