The Daily Dish

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The Obama Administration's Department of the Interior is looking to make energy exploration and extraction on public lands an even more difficult process. In a speech the secretary of the department stated that environmental concerns would trump economics when looking into new projects. As AAF research highlights, only 8 percent of federal land with oil is currently accessible under standard lease terms, while 60 percent remains completely inaccessible. During the same speech, Secretary Jewell also mentioned that hydraulic fracturing rules would be coming soon.

The Federal Housing Finance Agency inspector general is concerned about the financial stability of Fannie Mae and Freddie Mac. According to Politico Pro, the report details that 60 percent of its profits from 2013 were from “one-off” events such as lawsuits or specific tax breaks. History is repeating itself at FHFA while reform to end the taxpayer bailout of Fannie and Freddie is far overdue.

Eakinomics: Getting Rid of the SGR

A bipartisan negotiation has yielded a proposal to repeal the Sustainable Growth Rate (SGR) mechanism — a proven policy failure that promises to cut doctors’ reimbursements by double-digit percentages each year. Provider cuts of this type don’t fix the poor incentives in fee-for-service medicine — payment reforms are needed for that — and ultimately they are undone by Congress in the annual spectacle known as the “doc fix”. The SGR repeal is packaged together with an extension of the Children's Health Insurance Program (CHIP) and other health provisions for two years.

Now comes the hard part. Repealing the SGR raises spending by $175 billion over the next 10 years. The bill includes reforms that reduce spending by $65 billion — which happens to more than match the $35 billion increase in spending above the current policy of simply keeping reimbursements flat. But it does not have full offsets for the unthinkable double-digits cuts that supposedly would occur under the SGR. This latter aspect has caused some conservatives to reflexively oppose the repeal bill.

This is understandable, but the wrong bottom line for two reasons. First, it is comparing a real proposal to a fantasy. Yes, it would be better to have a bill with $175 billion in 10-year offsets. No question. But there is no bill of that type that will get Democratic support in the Senate and the signature of the president. To repeal the damaging SGR, you have to pick among the best of actual options. Second, it is short-sighted. As I point out in my new analysis, the SGR repeal contains premium reforms and Medigap deductible reforms that not only contribute to the 10-year spending reductions, but continue to improve incentives and reduce spending by another $230 billion in the second 10 years after enactment.

Put differently, the bill more than nets zero over the longer horizon. Over the first 20 years it reduces spending and over any longer horizon the permanent, structural reforms improve incentives and reduce spending on Medicare even more.

The proposed SGR repeal bill is not perfect. But it does not raise taxes and will fix the reimbursement of doctors, introduce structural changes to Medicare, and balance over the next 20 years.

From The Forum

House Budget Looks to Streamline Regulation by Sam Batkins, AAF Director of Regulatory Policy

Merits of the Proposed SGR Repeal by Douglas Holtz-Eakin, AAF President

Obama Administration Has Accumulated $7.5 Trillion in Debt by Gordon Gray, AAF Director of Fiscal Policy; and Sang Kim, AAF Graphic Designer

SGR Repeal Results In $295 Billion Spending Reduction By 2035 by Marisol Garibay, AAF Deputy Communications Director