The Daily Dish

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CATRINA RORKE | MARCH 23, 2015

Happy birthday to Obamacare! It was five years ago today that President Obama signed the bill into law, so where are we now? In order to implement the law, the federal government has issued over $42 billion in regulatory costs and built a website costing potentially $1.7 billion. Deductibles for benchmark plans are increasing. Medicare Advantage registrants saw a $1,300 cut in benefits. Only about a quarter of healthcare.gov signups were without insurance prior to the law.

Democrats and Republicans are reaching across the aisle to pass legislation to solve the "doc fix." According to the Wall Street Journal, the bill "would permanently replace the system for calculating reimbursement for doctors and other Medicare providers." Since 1997, Congress has passed 17 patches, however the current payment rate is 17% below the 2001 rate. When asked about the bipartisan nature of the bill, Speaker Boehner said, "I saw a door and I walked through it."

Eakinomics: Hydraulic Fracturing and Federal Lands Guest Authored by Catrina Rorke, AAF Director of Energy and Environmental Policy

On Friday, as most eyes were trained on the NCAA tournament, the Obama administration finalized yet another regulation to increase the costs of producing energy in this country. All this hiding the ball – for the sake of mixing sports metaphors – is getting old.

The Bureau of Land Management at the Department of Interior released hydraulic fracturing ("fracking") regulations that would cost $32 million to $45 million per year and provide no quantified benefits. This is the third version of the rule; all three are summarized below. In its earliest iteration, regulatory costs could have exceeded benefits by a factor of five. The next proposal dramatically cut costs, "while providing the same benefits." This time, we don't know what the benefits are, but we do know that this version is the most expensive.

	2012 Proposal	2013 Proposal	2015 Final
Annual Costs	$44 million	$17 million	$45 million
Costs per Well	$11,833	$5,110	$11,400
Paperwork Burden Hours	28,560	32,904	50,758

The regulation establishes standards for well construction to prevent against water contamination at well sites, requires management plans for water used in fracking operations, and requires the disclosure of chemicals used in fracking fluids. These protections aim to reduce the future risk of well failure and groundwater contamination at a fracking site.

The government, however, has not linked a single event of groundwater contamination to fracking operations; all benefits come from the "prudent" reduction of presumed risk. In describing the benefits, the rule states, "BLM does not quantify the benefits of the rule, because it is unable to monetize the incremental reduction in risk that the rule confers…However, this does not mean that the rule is without benefits."

Cost benefit analysis required by most regulatory efforts exist explicitly to "monetize the incremental reduction in risk" from undertaking a rule. To beg an exception in this circumstance suggests that BLM was unable to determine that benefits exceed the costs of implementing this rule.

The silver lining is that this costly, unsubstantiated regulation applies only to fracking operations on federal lands. As AAF research has demonstrated, this administration continues to take actions that push oil and gas development to state and private lands. Roughly 60 percent of all federal lands with oil and gas resources are closed to development, and federal leasing activity has declined 20 percent in the last four years. A reliable, low cost fuel supply remains a low priority in this administration.

From the Forum

A Responsible Fantasy Budget by Douglas Holtz-Eakin, AAF President

Week in Regulation by Sam Batkins, AAF Director of Regulatory Policy