The Daily Dish

Obamacare Blues

DOUGLAS HOLTZ-EAKIN, PATRICK HEFFLINGER | SEPTEMBER 26, 2016

Last week members of Congress voiced concerns that the new fuel efficiency standards being pushed by the Obama Administration could increase the cost of fuel for consumers. The new standards aim to reduce U.S. fuel dependency by encouraging the use of hybrid and other fuel efficient vehicles. Members who voiced concern during an Energy & Commerce Committee hearing are concerned that the new standards may disproportionately hurt lower income families.

The American Action Forum (@AAF) released research last week examining the Obama Administration's final regulatory review. AAF found that while President Obama has signed executive orders aimed at removing red tape, the retrospective reports show the administration has added more than $22 billion in costs and increased paperwork by 17.1 million hours. AAF analysis shows the Obama Administration is on track to achieve over 650 major regulations before the president leaves office.

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Blue Cross Blue Shield of Nebraska, that is, which announced that it is withdrawing from the Obamacare exchange in its state. This is a striking indictment of Obamacare because the Blue plans were the backbone of the individual market prior to the Affordable Care Act (ACA) and the largest participants in the exchanges. It comes on the heels of the high-profile withdrawal of United Health and Aetna from the bulk of their Obamacare business. (Irony alert: Aetna continues to offer in Nebraska.)

What's to be done? The administration's reflex is simply to throw more money at the problem, but that will merely disguise the underlying problems and delay the day of reckoning. The risk pools suffer an imbalance of older, more expensive customers over younger, and cheaper customers. Currently, the ACA limits the premium for the former to be at most 3 times the premiums for the latter. As it turns out, the data suggest that the spending on the older premium holders is roughly 5 times that of the younger. Changing the rules to permit the premiums to have a 5:1 ratio would make premiums relatively cheaper for the younger and healthy, and help to attract them to the exchanges.

The exchange pools also suffer from an inability of insurers to manage their risks. For example, the administration has created multiple "special enrollment periods" to allow people to get coverage outside of the normal sign up period. Unfortunately, these enrollees have turned out to be very expensive, but the beneficiaries are paying normal premiums and losses ensue. Similarly, the administration permits a 3 month grace period before an insurance company can cut off a non-paying customer. In the interim someone can rack up a series of expensive bills. Shorter grace periods would minimize this problem.

The ACA was and remains a poor response to the issues of low-value care and inadequate insurance options. But there is an array of options to improve the functioning of the current exchange markets.