



The Daily Dish

The Final Volcker Rule and the ACA's MA Cuts

DOUGLAS HOLTZ-EAKIN | DECEMBER 4, 2013

December 10th is the expected date on a vote on the final rule for the long awaited language of the “Volcker Rule.” The [Wall Street Journal](#) reports that “U.S. regulators are expected to approve next week a toughened version of the Volcker rule, ushering in an era of stricter oversight for Wall Street with restrictions on the trading banks can do with their own money.”

“Five federal agencies plan to approve a tougher-than-expected version of the so-called Volcker Rule next week, eking out passage before the year is up and providing Wall Street with some much-sought clarity,” writes the [New York Times](#) on the draft regulation.

Under the final passed rule, “Regulators are expected to closely track trading activities with an eye on whether certain trades known as hedges are designed to post a profit rather than offset risks that accompany trading with clients. The finished version of the Volcker rule is likely to require that hedges be designed to reduce specific risks.”

Eakinomics: Medicare Advantage

Medicare Advantage (MA) is a popular Medicare option chosen by 14.4 million seniors — about 28 percent of all beneficiaries — in which companies design plans that cover health care benefits in a comprehensive, coordinated fashion. It stands in stark contrast to traditional, “fee-for-service” Medicare that rewards doctors and other providers for the quantity — but not the quality — of the services they provide. Given that fee-for-service medicine has been identified as one of the most significant problems in American medicine, it make sense that policy should support the existence or even expansion of MA.

Unfortunately, the Affordable Care Act (ACA) used Medicare, in general, and MA, in particular, as a piggy bank to finance the creation of its new entitlement to insurance subsidies in the exchanges. The planned cuts to MA funding endanger its future. Avalere, a health consultancy, estimates that 142 plans will disappear entirely — another violation of the president’s promise that “if you like your health insurance, you can keep it.” Low-income beneficiaries and minorities, especially Hispanics, will [bear the brunt of the MA cuts](#). About three-fourths of the cuts will hit those with incomes of less than \$32,400 per year.

Today the House Energy and Commerce Health Subcommittee holds a [hearing](#) on the MA cuts under the ACA and [I am pleased to testify](#). The basic message: stop the raid on MA.