The Daily Dish

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The Senate Committee on Banking, Housing, and Urban Affairs has scheduled a vote on the Johnson-Crapo bill for GSE reform. Though Johnson-Crapo has its shortcomings, reform on GSEs is far past due. From AAF's President Douglas Holtz-Eakin, “Realistically, however, the best way to get to that result is to pass something in the Senate, pass the PATH Act in the House, and let conferees hammer out the differences to produce a final bill.” We have a breakdown of the bill here.

Retrospective Review Update- CMS Burden Reduction Rule: “The Centers for Medicare & Medicaid Services (CMS) recently released the final version of a rulemaking that seeks to reduce costs. The rule would cut back on the requirements that certain health-care providers must meet when administering care under Medicare or Medicaid.” “It is commendable that CMS is taking some significant steps in consolidating outdated requirements. However, the pace of new regulatory requirements, thanks to programs such as the ACA, continues to dwarf the deregulatory efforts of this administration.”

Eakinomics: The ACA and Premiums, Guest Authored by Conor Ryan, AAF Health Care Data Analyst

The Administration has unilaterally raised taxpayer’s exposure to higher spending under the Affordable Care Act (ACA). Specifically, it used its authorities to ensure that premium subsidies will rise at higher rates than the law would otherwise permit.

In order to prevent the Health Insurance Marketplaces from becoming an expanding budgetary burden, the ACA includes a cost control provision that tempers the growth of subsidy spending. As detailed in an AAF primer, if average health insurance premiums grow faster than median household income, the percentage of household income that Marketplace enrollees spend on health insurance is intended to rise as well. For example, if premiums rise one percent faster than median household income, enrollees will be required to spend 1 percent more of their household income on health care premiums. This cost-sharing mechanism safeguards the federal budget from absorbing health insurance premium increases in the individual market that have averaged near 8 to 10 percent in recent years.

These mandated adjustments carry the risk that families will be exposed to large premium increases over the next few years as insurance companies are impacted by the new standards imposed on the individual market. The administration reacted predictably: in the midst of a 100 page addition to the fine-print Federal Register, the Department of Health and Human Services (HHS) defanged the budget protection. Given the opportunity to define a methodology to calculate the average premium increase, HHS did not specify an estimate based on an array of actual individual market premiums.

Amazingly, it chose to use a projection – not actual data – of the per enrollee cost of employer sponsored – not individual – insurance. This decision excludes all insurance plans in the Marketplace, completely decoupling enrollee cost-sharing from the reality of premium growth for subsidized insurance plans.

For next year, the rule has already set the “average premium growth” to be 4.2 percent, which is likely to be woefully short of reality and guarantees that the federal government will pay for the lion’s share of premium

increases to be announced this fall. If the rule does not adjust to account for the individual market, exchange spending will become another uncontrolled mandatory spending liability. As Casey Mulligan points out in the Economix blog on the New York Times, this could be the rule that health policy wonks, 25 years from now, are pointing to as the root of the deficit problems.