The Daily Dish

Yea or Nay for Cost Sharing Reduction Funds?

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Yesterday the U.S. dropped the largest non-nuclear bomb on suspected ISIS caves and tunnels in Afghanistan. The GBU-43 Massive Ordnance Air Blast Bomb (MOAB) had previously never been used, the Pentagon said they chose to use the MOAB because it was the correct weapon for the target. The MOAB bombs were created between 2002 and 2003.

Yesterday the American Action Forum released new research examining how regulations affect small businesses. According to the research the average small business is required to comply with more than 379 hours of paperwork annually which equates to ten full time work weeks. Furthermore, the research concludes that the regulatory costs of these regulatory burdens come out to more than $111 billion annually for small businesses.

Eakinomics: Yea or Nay for Cost Sharing Reduction Funds?

The Affordable Care Act (ACA) provides extra subsidies to those with incomes below 250 percent of the Federal Poverty Limit (FPL) that purchase silver plans in the exchanges. These subsidies serve to further limit the out-of-pocket expenditure for premiums, deductibles and co-pays for those individuals. When an eligible individual purchases a silver plan, the insurer actually delivers a policy with the reduced out-of-pocket built into the terms, counting on the federal government to send it the Cost Sharing Reduction (CSR) money. This much is clear.

Nothing else is.

After the passage of the ACA, Congressional Republicans became convinced that the law did not authorize the executive branch to simply deliver the CSR funds. Instead, it would have to ask the Congress for an appropriation of the funds (roughly $9 billion at present) each year. Congress provided no such appropriation and the Obama Administration paid the CSR funds to the insurers anyway. House Republicans responded by suing the administration and winning the verdict in district court. The Trump Administration has not said whether it plans to appeal the decision, leaving its authority to deliver the CSR money in question.

Congress has not yet provided an appropriation for the 2017 CSR money, with the result that insurers are faced with eating additional costs in their already-unprofitable Obamacare lines of business. If the funds do not appear, more insurers will leave and those remaining will price their 2018 policies under the assumption of no CSR money — a recipe for 30 or 40 percent premium hikes.

Into this muddy picture, the president dropped a threat to withhold the CSR funds unless Democrats came to the table on repealing and replacing Obamacare. It's hard to see this playing out that way. There is no reason for the Democrats to help save the Republicans' efforts to repeal and replace Obamacare ahead of the 2018 midterms. If the exchanges melt down on President Trump's watch, he will get the blame. Presidents always get credit and blame for things that happen during their tenure, regardless of the merits. Moreover, his legal ability to make/withhold the payments is in doubt.

The clean resolution to this uncertainty is for Congress to appropriate the CSR money for 2017 as part of the funding bill due by April 28. That would resolve the uncertainty facing the exchange markets, keep insurers from fleeing further, and minimize the damage that any health care legislation will have to overcome.