

3 Questions Congress Should Answer Before Bailing Out Obamacare

Having failed last year to pass legislation undoing Obamacare's damage, congressional Republicans now are reportedly looking to spend billions of additional tax dollars bailing out insurers offering Obamacare coverage, rather than dealing with [the real problems](#) that are driving up costs.

The money would be added to a government funding bill that Congress plans to take up this month.

The motivation for this abrupt about-face appears to be an election-year panic attack.

Republicans fear that insurance companies will, once again, announce large premium increases for Obamacare coverage this fall—just before November's elections. Apparently, congressional Republicans are being persuaded by industry lobbyists that they can “buy down” premiums by giving insurers billions of dollars in taxpayer money.

When a crowd starts panicking, the best response is to remain calm and assess the situation before taking any action. To that end, here are three questions for Republican lawmakers.

1. How likely is it that there will be large premium increases this fall if Congress doesn't give insurers a bailout?

The investment disclaimer that “past performance is no indicator of future results” applies whether the past performance was good or bad, and it applies in this situation as well. Obamacare's past experience has certainly been bad, but that does not automatically mean it will get substantially worse in the future.

Recent data indicate that Obamacare appears to be settling into a stable—albeit, unattractive—equilibrium.

Basically, the law's mix of regulations and subsidies acted as a magnet attracting high-cost individuals and repelling low-cost individuals. Four years on, those effects appear to have largely played out.

Subsidized enrollment in the exchanges has been [basically flat](#) for the past two years, while the number of people buying individual market coverage on an unsubsidized basis has declined significantly.

Thanks to Obamacare's premium subsidy design, a growing share of the remaining enrollees are largely insulated from premium increases, while many of the unsubsidized enrollees—whose premiums became unaffordable—have already exited.

For there to be a big hike in premiums next year, the risk pool would have to get significantly worse than it is already. That could happen if there was either a major influx of additional high-cost enrollees or a major exit of low-cost enrollees.

However, the available evidence suggests that almost all of the eligible high-cost individuals are already in, and large numbers of low-cost individuals have already exited.

The prudent move would be for Congress to hold off taking any action until insurers file their initial 2019 rate requests in May and June. At least then, members will have a more realistic picture of what to expect. Right now, it's all conjecture.

2. What guarantees do you have from insurers that if you give them a bailout, they will lower their premiums—and by how much? If you think higher premiums are a political liability, how will you look to your constituents if you vote to bail out insurers now, and then come October, they hike their premiums

anyway?

Remember, despite the law funneling \$20 billion in “temporary reinsurance” subsidies to insurers during the first three years of Obamacare (2014 through 2016), premiums still escalated.

By waiting until insurers submit their 2019 premium requests, Congress would at least then have a factual basis for asking insurers and state insurance regulators—in public hearings—to quantify the effect that any proposed changes in federal policy or funding will have on next year’s actual premiums.

If Congress acts now, it would just be throwing more tax dollars into the unknown in the hope that it will have some positive effect.

Even most racetrack wagers offer better odds than that.

3. What do your constituents who are most upset about high Obamacare premiums think of the idea?

Keep in mind that the people who would primarily benefit from a reduction in premiums are those buying coverage without any Obamacare premium subsidies.

They are your middle-class constituents who are self-employed or own small businesses. What do they think? Are they still buying Obamacare plans, or have they already abandoned the Obamacare market?

How much would premiums have to drop before they would come back? Understandably, they have been the biggest supporters of “repeal and replace.” Have they now changed their minds to favoring “bail out and prop-up?”

It’s just a thought, but it might be a good idea to get their answers before (rather than on) Election Day.

If “repeal and replace” is still desired, conservatives across

the country have put together [a consensus alternative](#) on how to replace Obamacare.

Drawing on the lessons of last year's failure to pass a bill out of the Senate, that alternative focuses on fixing the two major problems Americans face under Obamacare—rising costs and decreasing value—all without spending an additional federal dime.

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