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OPINION | REVIEW & OUTLOOK

CBO's Catastrophic Omission

The budget gnomes ignore some insurance for high-cost illness.

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This week's Washington panic attack over health reform wasn't diminished by the Congressional Budget Office's unreliable prediction record, though CBO did manage to introduce new fears into the debate: Namely, the budget scorekeepers claim the House bill could degrade the quality of insurance. This editorializing could use some scrutiny.

Without government supervision of insurance minutiae and a mandate to buy coverage or pay a penalty, CBO asserts, "a few million" people will turn to insurance that falls short of the "widely accepted definition" of "a comprehensive major medical policy." They might select certain forms of coverage that Obama Care banned, like "mini-med" plans with low costs and low benefits. Or they might select indemnity plans that pay a fixed-dollar amount per day for illness or hospitalization, or dental-only or vision-only single-service plans.

CBO decided to classify these people as "uninsured," though without identifying who accepts ObamaCare's definition of standardized health benefits and why they deserve to substitute their judgment for the choices of individual consumers. CBO concludes that people who opt for niche products don't count as insured because "they do not have financial protection from major medical risks."

Limited-benefit plans weren't for everyone but did serve some financial trade-offs. Workers moving up the income scale in low-wage industries such as fast food used mini-med as a bridge to more generous coverage. Even the Obama Administration granted a mini-med regulatory waiver in 2010 to dozens of restaurant chains when they were nearly forced to cancel these plans.

But the strangest part of CBO's preoccupation with "high-cost medical events" is that the analysts never once mention catastrophic coverage—not once. These types of plans didn't cover routine medical expenses

but they did protect consumers against, well, a high-cost medical event like an accident or the diagnosis of a serious illness. Those plans answered what most people want most out of insurance—financial security and a guarantee that they won't be bankrupted by cancer or a distracted bus driver.

ObamaCare even preserved a form of catastrophic coverage—with low monthly premiums that cover 100% of expenses over a very high deductible. The catch is that you have to be under age 30 or obtain a “hardship exemption” because comprehensive ObamaCare policies are too expensive despite the subsidies. The average monthly premium for catastrophic coverage in 2016 was \$175 even with ObamaCare rules that require these plans to cover three “free” primary care visits a year, and the GOP tax credits are large enough to pay for such coverage as a minimum floor.

The point is that under the House reform Americans won't have any problem insuring against a bad health event, even if CBO won't admit it. The House bill is designed to create more alternatives that can accommodate the diverse needs and preferences of a nation of some 320 million people. CBO has become a fear factory because it prefers having government decide for everybody.

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