

Summary of Paper: [Accounting-Based Regulation: Evidence from Health Insurers and the Affordable Care Act](#)

What is this Study About?

The researchers examine the impact of the Patient Protection and Affordable Care Act (ACA) on health insurers, focusing on the requirement that insurers spend a minimum amount of their premium revenue on policyholder benefits. They explore how the ACA's enforcement mechanisms influence insurers' self-reported estimates and the economic consequences of potential overestimation in reported estimates.

What are the major findings of the study?

The researchers found evidence of strategic overestimation by insurers in their reported estimates to avoid rebate payments to policyholders, with an estimated 14 percent of insurers engaging in such practices. This manipulation led to hundreds of millions of dollars in underpaid policyholder rebates. These findings highlight how regulatory design and oversight weaknesses can diminish the effectiveness of accounting-based regulation, impacting both policyholders and the broader economic landscape.

Why is the study important?

By illuminating the challenges in enforcing accounting-based regulation within the health insurance sector, the researchers underscore the need for more robust oversight and regulatory mechanisms to ensure compliance. They demonstrate the significant economic implications of regulatory evasion and provide insights into how policy design can influence corporate behavior, ultimately affecting consumer welfare and market dynamics.