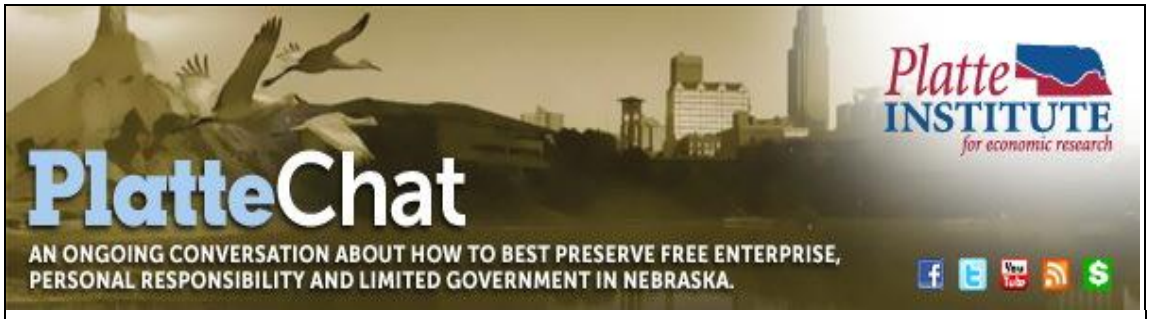

Alternative Options for Health Care
By Jordan Cash

Two weeks ago, the Platte Institute came out against the implementation of a state-run health care exchange which is part of the federal Patient Protection and Affordable Care Act (PPACA). That article may be viewed here. Among the reasons the Platte Institute opposes the exchange is because a state exchange will not give Nebraska local control, the exchange will increase health care costs and cost taxpayers millions of dollars, and setting up an exchange before a Supreme Court decision undermines the state's lawsuit against the PPACA. That being said, there are many other ways Nebraska can lower health care costs and make it easier to access health insurance.

In terms of a health care exchange, not instituting a state-run exchange program does not mean that there can be no exchange whatsoever. Private health insurance exchanges already exist in twenty states and are utilized extensively by businesses who seek to give their employees more choice in health care while keeping costs low.[1] As the Nebraska Health Care Alliance-a group that supports state exchanges-notes, we use similar exchange methods for airline flights, renting cars, and finding hotels;[2] all of those services are provided by private companies in the free market and health insurance exchanges can be operated the same way. Having private exchanges would provide competition and incentivize insurance companies and health care providers to keep costs down. Additionally, private exchanges have a much longer track record of success than their state-run counterparts. Health Services Administrators-a private exchange founded in 1969 serving Massachusetts, Rhode Island, and New Hampshire-has survived and thrived even with competition from the Massachusetts state exchange established in 2006.[3]

Nebraska can also help lower health care costs by reducing the number of mandates imposed by the state government. As the Platte Institute noted in our *Pro-Growth Strategy for Nebraska*, the Cornhusker state currently has thirty-six health care mandates, more than Iowa and South Dakota and one less than Wyoming. Mandates force insurance companies to give coverage on certain items regardless of whether the customer wishes to pay for it. Ten of these mandates are raise health care costs by one to three percent, with dental coverage mandates raising costs by three to five percent, and mental health parity mandates increasing costs by five to ten percent.[4] Mandates that customers may not need or wish to pay for would include alcoholism, birthing centers/midwives, mammograms, maternity stay, cleft palates, breast reconstruction,

among others.[5]

While these benefits are good, they should be negotiated between individuals and their insurance company on a one-on-one basis, not mandated by the state. An elderly man should not have to pay insurance for birthing centers and maternity stay when such services will not be needed. Similarly, non-diabetics would not need their insurance to cover diabetes treatments. Individuals should negotiate coverage based on their specific needs. Those who expect to bear children could negotiate to have birthing centers and other pregnancy related procedures covered, just as older people could negotiate to be insured for age-related diseases and procedures. Personal responsibility combined with a market free from mandates would bring health insurance down to affordable levels by people being informed and smart about what insurance they need. If mandates are needed, they should only be to cover things like catastrophic care, with other extraneous items negotiated by the individual and their provider.

Another option for Nebraska would be to join an interstate compact for health insurance. Interstate compacts have been used across the United States for numerous activities, and are authorized by Article One, Section Ten of the Constitution as long as Congress ratifies the compact.[6] Such an agreement could serve as a replacement to the PPACA, and put states in charge of how to regulate their health care industries, giving more local control than a federally mandated insurance exchange ever could. Such a compact would even allow for purchasing insurance across state lines with other member states, expanding the market, enabling competition, and lowering costs. The Health Care Compact currently being promoted has passed in Texas, Georgia, Oklahoma, and Missouri, and would put the states in total control of health care regulation if they chose.[7] States could still follow federal regulations if they wished, but they could change policies to be more receptive to state needs. This compact would also change the federal health care funding structure, as federal money would effectively be block granted to the states based upon 2010 levels, and adjusted for inflation and population changes (Nebraska's base funding is estimated to be slightly over $4 billion). This funding would also become mandatory spending and not subject to annual appropriations.[8] Once the money is given, states would be in control, and would not be subject to federal regulation.[9]

The potential of private insurance exchanges, lowering state mandates, and a health insurance compact make it abundantly clear that there are many other options Nebraska could access in place of a federally-mandated-and federally controlled-state exchange. Nebraska should explore those alternative options to lower costs instead of wasting time and resources on state-run exchanges with no real local control.

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[1] Julie Appleby, "Businesses turn to ‘private exchange' health insurance," in *USA Today* and *Kaiser Health News*. April 29, 2011. Accessed November 29,

2011:http://www.usatoday.com/money/smallbusiness/2011-04-28-small-business-insurance_n.htm; Emily Berry, "The emergence of private insurance exchanges," in *American Medical News*, September 5, 2011. Accessed November 29, 2011: http://www.pnhp.org/news/2011/september/the-emergence-of-private-insurance-exchanges.

[2] Nebraska Health Care Alliance, "About the Health Insurance Exchanges." Accessed November 29, 2011: http://nebraskahealthcarealliance.org/about.

[3] HSA, "About Us." Accessed November 29, 2011: https://www.hsainsurance.com/About-Us.aspx; Health Connector, "Timeline." Accessed November 29, 2011: https://www.mahealthconnector.org/portal/site/connector/menuitem.aeceb4005a8e46bd7176b66033468a0c/?fiShown=default

[4] Eric Thompson, *Pro-Growth Strategy for Nebraska*, Policy Study-September 2011 (Omaha, Nebraska: Platte Institute for Economic Research), 14, 28.

[5] Victoria Craig Bunce and JP Wieske, "Health Insurance Mandates in the States 2008," Council for Affordable Health Insurance, 4-7. Accessed November 29, 2011: http://www.cahi.org/cahi_contents/resources/pdf/HealthInsuranceMandates2008.pdf.

[6] The pertinent language of Article One, Section Ten says "No State shall, without the Consent of Congress, [...] enter into any Agreement of Compact with Another State;" more than 200 interstate compacts currently exist.

[7] Pat Hartman, "Leo Linbeck III: "I Can't Stand Monopolies,"" August 5, 2011. Accessed December 1, 2011: http://healthcarecompact.org/blog/2011-08-05/leo-linbeck-iii-i-cant-stand-monopolies.

[8] The Health Care Compact, 5. http://healthcarecompact.org/sites/default/files/The_Health_Care_Compact_FINAL2.pdf .

[9] The full text of the proposed compact may be found at http://healthcarecompact.org/sites/default/files/The_Health_Care_Compact_FINAL2.pdf .