Health Care Exchanges Don't Work
by Jordan Cash

During this session of the Legislature, two bills have been introduced in an attempt to comply with the federal Patient Protection and Affordable Care Act's (PPACA) provision that asks states set up health insurance exchanges and mandates exchanges be up and running by January 1, 2014. These bills are LB835 and LB838 introduced by Omaha Sens. Jeremy Nordquist and Rich Pahls, respectively. However, with the PPACA currently a hostage of the judicial process, there is no guarantee this provision of PPACA will survive court challenges and these bills are premature.

Much of the drive to establish the health exchanges has been predicated on the notion that not establishing a health exchange by the deadline established by the federal Department of Health and Human Services (DHHS) would result in a federal takeover of Nebraska's health care system. There are multiple problems with this line of reasoning. First, a historical look reveals that DHHS has already pushed back the deadline allowing states to apply for exchange-creating grants not once, but twice-once in July 2011 and again in December 2011.[1] Additionally, when New York voted to delay implementation of a health care exchange, United States Secretary of Health and Human Services Kathleen Sebelius-the person responsible for ensuring exchanges are up and running on time-simply said that waiting for more information was "pretty appropriate" and that she understood why the New York legislators would want to wait for the Supreme Court's decision.[2] So while some proponents of these bills insist the exchanges must be set up immediately to retain local control, it is clear DHHS is willing to push back deadlines to accommodate legal challenges and determine what federal regulations will be introduced. Indeed, the lack of information, as acknowledged by Sebelius herself, has already prompted Idaho to request the deadline for when exchanges are supposed to be operation be pushed back a year to January 1, 2015.[3]

Apart from the fact that an extension from DHHS and Secretary Sebelius seems both warranted and-from past experience-probable given the lack of information and the Supreme Court decision which isn't expected until late June,[4] there is the question of whether state exchanges are even good policy. Regulations imposed by the federal government will effectively control state-exchanges whether or not they are administered from Lincoln or Washington, and exchanges will ultimately be overseen by federal bureaucrats and not by state officials.[5] Thus, "local control" of the exchanges is illusory; the PPACA will make state-based exchanges little more than a state facility for a federally-run exchange. In fact, state-exchanges are so dependent on federal grant money-money that will no longer be offered in 2015[6]-establishing exchanges simply to receive federal grants will make the states more indebted to the federal government, and the federal government stops providing grants in 2015 so states will forced to bear the $17.5 million by

themselves.[7]

Even more problematic is that these bills would construct an exchange regardless of what happens to the PPACA in the court system. LB835 makes explicit that exchange would continue to operate even if the federal law is repealed or struck down by the Supreme Court, and LB838 would construct an exchange without providing for the possibility that the PPACA could be repealed or struck down.[8]

In states where exchanges have already been attempted-Massachusetts and Utah-they have not succeeded in making health care more affordable but have instead made insurance more expensive and cost the state millions of dollars. In fact, both exchanges have increased health care costs. In Massachusetts the cost for small businesses rose by seven percent in the aggregate, and by 2009 Massachusetts had the highest health care costs in the nation.[9] Similarly, Utah's supposedly "free-market exchange" which was geared towards small businesses, and appears to be the model for LB838, has failed in its mission to provide small businesses easier access to health care. While 136 businesses signed up for Utah's exchange in August 2009, by December 2010, only 13 were still enrolled; and because many businesses participating in the exchange had dropped traditional small-group insurance, it is likely that the net increase of insured individuals was very small.[10] In the end, insurers inside the exchange had to be bailed out by raising taxes on those outside the exchange.[11] While this initial exchange was advertised as a "pilot," when Utah relaunched the exchange in 2011, only 43 of Utah's estimated 50,000 small businesses signed up.[12] Massachusetts and Utah are not the only examples of health exchanges failing; Texas and California both experimented in state-run health care exchanges, and both were forced to close their doors.[13]

State health care exchanges do not work. Implementing a state exchange-especially when not required too-is a waste of resources and will subject all Nebraskans to much higher insurance premiums. The Unicameral should wait to see what happens to the PPACA in court, and should not waste resources on a project doomed to failure as an extension of the bureaucracy of DHHS. Instead, Nebraska should focus on real reforms to make health care more affordable, like HB47 in Georgia, which allows Georgians to purchase health insurance plans offered in other states but not available in Georgia.[14] This policy model provides market competition and would give Nebraskans more choice in health care. Restricting the market with exchanges is not the answer; opening up the market will lower prices and give people choices without wasting taxpayer money.

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