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The Next Step on Health Care by Jordan Cash

In the wake of the Supreme Court's decision on the constitutionality of President Obama's health care law, the Patient Protection and Affordable Care Act (PPACA), pundits and politicians will debate the merits of the Court's reasoning, the political implications, and various other issues related to the case. At the state level, however, the most important question is not about constitutional or political interpretation, but what Nebraska policymakers should do in response.

Specifically, are two issues that must be decided: should Nebraska expand Medicaid coverage and should it construct a state-based health care exchange?

The answer to both questions is no.

Although much of the focus of the Supreme Court's ruling was the individual mandate, part of the ruling dictated that the federal government cannot punish states for not expanding Medicaid in accordance with the PPACA.^[1] This means Nebraska can opt out of expanding its Medicaid program without fear of losing the federal Medicaid matching funds it currently receives.

This allows Nebraska to avoid being saddled with an enormous unfunded mandate. Expanding Medicaid as prescribed by the PPACA would add 110,820 Nebraskans to the Medicaid rolls, an increase of 47.8 percent,^[2] costing the state between \$526 and \$766 million by 2020.^[3] This increase would wreak havoc on the state budget, and would be funded by either increasing taxes or cutting other government programs such as education and infrastructure. Nebraska must resist drastically expanding Medicaid in order to remain fiscally responsible to taxpayers and those who rely on other existing government programs.

On health care exchanges, many have argued state-based exchanges are the only way for states to retain control of their health care systems; this, however, represents a misunderstanding of the PPACA. Section 1311(K) of the PPACA clearly states that state-run exchanges "may not establish rules that conflict with or prevent the application of regulations promulgated by the [Health and Human Services] Secretary under this subtitle."^[4] Essentially, while states may administer the exchange, federal regulations will control them.

Creating a state-based exchange would only put the financial burden of funding the exchange squarely on the backs of the Nebraska taxpayers. Constructing the exchange is expected to cost between \$61 million and \$87 million, and administration of the exchange is expected to cost \$17.5 million a year after 2016, when the federal government stops awarding federal grants.[\[5\]](#)

Not only would Nebraskans achieve fiscal savings by refusing to set up an exchange, but employers may also receive benefits as well. In accordance with the PPACA, the IRS has set up regulations to tax employers \$3,000 for every employee that does not receive health insurance, which applies only if the employer receives tax credits or subsidies to purchase a health plan through a state-run exchange. However, due to an oversight in the law, these credits and subsidies are only available in states that create their own exchanges and are not available through federal exchanges.[\[6\]](#) Therefore, if the federal government is forced to construct their own exchange, employers could not receive subsidies or credits, and there would be nothing to trigger the IRS' "employment tax." By not creating an exchange, Nebraska policymakers would effectively save Nebraska employers from the employer mandate and its tax.

Furthermore, although the Supreme Court has ruled on PPACA's constitutionality, its ultimate fate remains unclear. PPACA has become an election issue, and if the White House and Senate change hands in November the law could be repealed or amended. As such, it would be unwise for Nebraska to act when the law's future remains in doubt.

Supporters of state exchanges will undoubtedly point out that there are certain deadlines set out by the federal Department of Health and Human Services for the construction of state exchanges, and will use the Supreme Court ruling to push for immediate action. However, policymakers must resist this pressure, as these deadlines have already been extended three times in the past year and would likely be extended again if states continue to be recalcitrant in setting up exchanges.[\[7\]](#)

Apart from reactively opposing the federal law, there are several proactive steps Nebraska's elected officials can take to help make health insurance cheaper and more affordable. One way would be to decrease the number of mandates Nebraska places on the health insurance industry. Nebraska currently has 47 mandates on types of benefits that insurance plans have to offer, slightly more than the national average.[\[8\]](#) These mandates collectively raise the cost of health insurance, with data suggesting premium increases between 30-50 percent depending on the state and number of mandates.[\[9\]](#) Repealing these mandates and allowing each individual to take responsibility for their own insurance would be an easy way to decrease costs.

Another step is to open up the market to more competition by allowing Nebraskans to buy insurance across state lines, a tactic which has already been implemented in Georgia.[\[10\]](#) Opening the market in such a way would increase competition and lower prices, giving individual Nebraskans more choices and control over their own health care.

There is no doubt that the PPACA changes how health care operates in this country. Yet

the states still have important choices to make, and Nebraska must look out for its citizens and be fiscally responsible by refusing to expand Medicaid and resist setting up a state-based exchange. The best way to make health care accessible is to make it affordable, and that can only be achieved through market-based reforms of competition and little government intervention.

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[2] John Holahan and Irene Headen, "Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL" Kaiser Family Foundation, May 2010. Available at <http://www.kff.org/healthreform/upload/medicaid-coverage-and-spending-in-health-reform-national-and-state-by-state-results-for-adults-at-or-below-133-fpl.pdf>, accessed July 2, 2012.

[3] Governor Dave Heineman, "Federal Health Care Medicaid Expansion to Cost Nebraska \$526 to \$766 Million," August 18, 2010. Available at http://www.governor.nebraska.gov/news/2010/08/18_medicaid_expansion.html, accessed July 2, 2012.

[4] Patient Protection and Affordable Care Act of 2010 qtd. In Brian Schwartz, "SB 11-200: Colo. Insurance Exchange weakens repeal efforts, feds will control it," Patient Power Now, April 22, 2011. Available at <http://www.patientpowernow.org/2011/04/colorado-sb-11-200-health-exchange-stephens/>, accessed July 2, 2012.

[5] Diane Cohen, "Ten Reasons Why Arizona Must Reject Health Insurance Exchanges," Goldwater Institute, November 4, 2011. Available at <http://www.goldwaterinstitute.org/sites/default/files/11-4-11%20Health%20exchange%20policy%20memo%20%282%29.pdf>, accessed July 2, 2012; JoAnne young, "Officials: Nebraska health insurance exchange could serve 120,000 by 2016," *Lincoln Journal Star*, October 28, 2011. Available at http://journalstar.com/news/local/article_a05549d0-f350-579f-98b2-c5e2aae0ff31.html, accessed July 2, 2012.

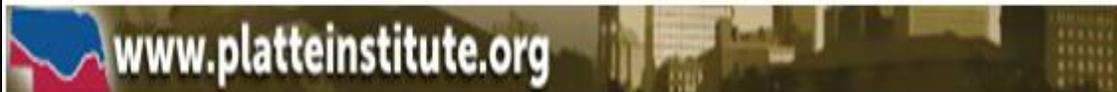
[6] Jonathan Adler and Michael Cannon, "Column: If ObamaCare survives, legal battle has just begun," *USA Today*, June 25, 2012. Available at <http://www.usatoday.com/news/opinion/forum/story/2012-06-24/obamacare-healthcare-supreme-court-unconstitutional/55796730/1>, accessed July 2, 2012.

[7] Robert Joiner, "Proposed Regulations extend deadline state health exchanges," *St. Louis Beacon*, July 13, 2011. Available at <http://www.stlbeacon.org/health-science/health/111604-proposed-regulations-extend-deadline-for-state-health-exchanges>, accessed July 2, 2012; Mike Shields, "Feds extend grant deadline for health insurance exchanges," Kansas Health Institute, December 1, 2011. Available at <http://www.khi.org/news/2011/dec/01/feds-extend-grant-deadline-health-insurance-exchan/>, accessed July 2, 2012; Cathy Hope. "HHS Gives States an Extension on Exchange Establishment Funding Requests," Georgetown University Center for Children and Families, March 1, 2012. Available at <http://theccfblog.org/2012/03/hhs-gives-states-an-extension-on-exchange-establishment-funding-requests.html>, accessed July 2, 2012.

[8] Victoria Craig Bunce, "Health Insurance Mandates in the States 2011-Executive Summary," The Council for Affordable Health Insurance, 2012. Available at http://www.cahi.org/cahi_contents/resources/pdf/MandatesintheStates2011ExecSumm.pdf, accessed July 2, 2012.

[9] Avik Roy, "Will Buying Health Insurance Across State Lines Reduce Costs?" *Forbes*, May 11, 2012. Available at <http://www.forbes.com/sites/aroy/2012/05/11/will-buying-health-insurance-across-state-lines-reduce-costs/>, accessed July 2, 2012; Peter Suderman, "Selling Health Insurance Across State Lines: A Race to the Bottom?" May 26, 2011, *Reason Magazine*. Available at <http://reason.com/blog/2011/05/26/selling-health-insurance-acros>, accessed July 6, 2012.

[10] Avik Roy, "Will Buying Health Insurance Across State Lines Reduce Costs?" *Forbes*, May 11, 2012. Available at <http://www.forbes.com/sites/aroy/2012/05/11/will-buying-health-insurance-across-state-lines-reduce-costs/>, accessed July 2, 2012.



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