



Say No to Health Care Exchange

By Jordan Cash

When it takes effect on January 1, 2014, the Patient Protection and Affordable Care Act of 2010 (PPACA) will completely change health care. Every individual in the United States will be required to purchase health insurance whether they want to or not; the care provided will be regulated by government bureaucrats, and subsidization mechanisms will effectively place price controls on the health care industry.^[1] The nonpartisan Congressional Budget Office is already estimating the PPACA will kill 800,000 jobs by 2021.^[2]

Nebraska and other states should not simply accept these new realities. The PPACA insists that states set up their own health care exchanges and be certified by 2013 to allow for easier administration of the program in 2014. To fight back against a law that is of questionable constitutionality and will have dire economic consequences, Nebraska should refuse to implement a health care exchange.

One reason Nebraska should refuse to implement an exchange is because the host of regulations and requirements forced upon the states do not allow for local control. In the words of Edmund Haislmaier of the Heritage Foundation, "[t]he combined effect of these regulations and grant requirements [is] that a state would have to agree to surrender any last vestiges of meaningful control over how Obamacare is implemented. Thus, a state would now have no more real control over an exchange it set up than over one HHS established."^[3]

While the federal government claims states will be able to construct these exchanges as they see fit, the mandates imposed will make them largely uniform. Utah's exchange-which is considered the free-market foil to Massachusetts' mandate-driven system^[4]-will most likely not survive because it does not enforce an individual mandate, a key provision that will be enforced upon all state exchanges.^[5] At the same time, if any exchanges fall short of federal standards-and with all the complicated mandates and extreme cost this is a distinct possibility-then the federal government could take over the state exchange anyway, effectively making local control a "mirage."^[6] While PPACA offers grants to set up exchanges, nowhere in the PPACA are states actually required to set up an exchange.^[7]

Establishment of an exchange could also undermine Nebraska's lawsuit over the PPACA and lend the law a measure of legitimacy. Nebraska is one of twenty-eight states suing the federal government over the PPACA's constitutionality and has already seen some success in proving the law's unconstitutionality.^[8] The case against PPACA would be helped far more by not setting up

an exchange, as the exchange would essentially become what Michael Cannon of the Cato Institute termed a "taxpayer-funded lobbying group dedicated to fighting repeal;" additionally, Congress and the courts are more likely to dispose of theoretical bureaucracies than they are to eliminate established, operating agencies.[\[9\]](#)

Governor Dave Heineman has already taken the position that he and other state officials will wait to consider an exchange until after the Supreme Court rules on the law in June 2012.[\[10\]](#) But rather than wait, Nebraska should follow the examples of Florida, Louisiana, Texas, and Alaska, and return federal money given to facilitate exchanges, decline further grants, and refuse to set up any costly bureaucracies associated with the PPACA.[\[11\]](#)

Beyond the issue of an exchange endorsing the PPACA's constitutionality, the regulatory requirements of these exchanges are unclear, a fact noted by Nebraska Insurance Director Bruce Ramage.[\[12\]](#) The cost to set up an exchange is projected to be between \$61 million and \$87 million, so it would simply be bad policy to set up the exchange until these regulatory requirements are clarified. Furthermore, exchanges will cost an estimated \$17.5 million annually beginning in 2015 and the federal government will no longer offer grants for the exchanges beginning in 2014, so the state would likely have to raise taxes or cut spending from another area like education, law enforcement, or roads in order to pay for the hundreds of federal mandates.[\[13\]](#)

Then there is the issue of Medicaid costs, which currently make up 18 percent of the state's budget. With the implementation of the PPACA, these costs are expected to skyrocket 31.3 percent, from \$526 million to \$766 million, stretching the state budget to the brink. Such increases in costs could force the state to drastically cut Medicaid benefits, even though these services have already been reduced by \$28 million.[\[14\]](#)

Exchanges are also expected to raise regular health care costs dramatically. The two insurance exchanges that currently exist in Massachusetts and Utah have both seen health care costs rise at a faster rates than in states without exchanges. Massachusetts' plan forced private insurance premiums to increase between two to eight percent faster than the regional average in the past two years.[\[15\]](#) Similarly, Utah's supposed "market" exchange also forced insurance to become more expensive than it was in the unrestricted market, which was exacerbated when politicians tried to tax consumers outside of the exchange to help those inside the exchange.[\[16\]](#)

These exchanges also distort the free market, as the federal government will control what providers are allowed in the exchange as well as the plans and benefits and that would be offered.[\[17\]](#) This means that the exchanges could exclude insurance providers and plans that do not meet federal standards, effectively eliminating competition, allowing prices to rise, and entrenching established providers as the only ones available to consumers. This puts private insurers and companies in a precarious position, for if they refuse to enter the exchanges the law will not work; on the other hand, if they enter and lose so much money they have to increase premiums or close down, it severely hurts customers. Increased premiums that result from the PPACA may even force employers who provide health care to cut or eliminate benefits for employees.[\[18\]](#)

Creating a state-run exchange has no benefits for Nebraska. The requirements are unclear, it is

costly, and it will be controlled by federal bureaucrats and regulations no matter what Nebraskans do. To put an exchange into place will simply undermine Nebraska's lawsuit and give the PPACA legitimacy as a constitutional law. To fight back against federal overreach, Nebraska must resist instituting a health care exchange.

[1] Michael F. Cannon, "Obamacare Can't Be Fixed, and Now Is the Time to Dismantle It," March 21, 2011. Cato Institute. Accessed September 9, 2011: http://www.cato.org/pub_display.php?pub_id=12858.

[2] J. Lester Feder and Kate Nocera, "CBO: Health law to shrink workforce by 800,000," February 10, 2011. Accessed September 7, 2011: <http://www.politico.com/news/stories/0211/49273.html>.

[3] Edmund Haislmaier, "State Should Return Obamacare Grants, Pursue Own Health Care Reforms," September 28, 2011. Heritage Foundation. Accessed December 6, 2011: <http://blog.heritage.org/2011/09/28/states-must-return-obamacare-grants-pursue-own-health-care-reforms/>.

[4] Juan E. Gastelum, "Utah Health Exchange Is Geared To Small Business Employees-The KHN Interview," July 6, 2011. Accessed September 9, 2011: <http://www.kaiserhealthnews.org/Stories/2011/July/07/Connor-q-and-a-health-law-exchange-small-business.aspx>.

[5] Peter Suderman, "Health Care: Washington's Way or the Highway," October 11, 2010. Accessed September 9, 2011: <http://reason.com/blog/2010/10/11/health-care-washingtons-way-or>; Diane Cohen, "Ten Reasons Why Arizona Must Reject Health Insurance Exchange," November 4, 2011. Goldwater Institute. Accessed December 5, 2011: <http://www.goldwaterinstitute.org/article/6398>.

[6] Michael Cannon, "Should Missouri Create a Health Insurance Exchange?" Testimony before the Missouri Senate Interim Committee on Health Insurance Exchanges, September 15, 2011. Accessed December 5, 2011: http://www.cato.org/pub_display.php?pub_id=13692; Brett Narloch, "Guest Post: State-Run Exchanges Don't Mean Local Control," November 10, 2011. North Dakota Policy Council. Accessed December 6, 2011: <http://sayanythingblog.com/entry/guest-post-state-run-exchanges-dont-mean-local-control/>.

[7] Grant Schulte, "Nebraska weighing choices for health care exchange," in *Lincoln Journal Star*, August 15, 2011. Accessed September 9, 2011: http://journalstar.com/news/state-and-regional/nebraska/article_ad91420e-046f-5f05-9bc3-495a75b3c061.html; Michael Cannon, "Should Michigan Create a Health Insurance Exchange?" Testimony given before the Virginia Legislature's Joint Commission on Health Care, June 14, 2011, adapted by Jack McHugh of the Mackinac Center for Public Policy, June 17, 2011. Accessed December 5, 2011: <http://www.mackinac.org/15237>.

[8] AP Wire Service, "26 states in lawsuit against health reform," January 19, 2011. Accessed September 9, 2011:

http://www.tulsaworld.com/news/article.aspx?subjectid=338&articleid=20110119_13_A3_CUTL_IN37238&archive=yes. This article says only 26 states are suing, that is because only 26 states are in a single class-action lawsuit; Oklahoma and Virginia have filed separate suits, but they also challenge the law's constitutionality:

http://www.tulsaworld.com/news/article.aspx?subjectid=17&articleid=20110121_17_0_OKLAH_O850421; Greg Bluestein, "Health Care Law Individual Mandate Ruled Unconstitutional By Appeals Court," August 12, 2011. Accessed September 9, 2011:
http://www.huffingtonpost.com/2011/08/12/health-care-law-individual-mandate-ruling_n_925507.html.

[9] Michael Cannon, Missouri testimony, September 15, 2011.

[10] Grant Schulte, "Heineman: Neb. will wait for health care ruling," October 3, 2011. Bloomberg Businessweek. Accessed October 21, 2011:
<http://www.businessweek.com/ap/financialnews/D9Q52MF00.htm>; Bill Mears, "Supreme Court takes up challenge to health care reform law," in *CNN*. November 14, 2011. Accessed December 5, 2011: http://articles.cnn.com/2011-11-14/politics/politics_health-care_1_oral-arguments-health-care-reform-law-affordable-care-act?_s=PM:POLITICS.

[11] Michael F. Cannon, March 21, 2011; Health Insurance Resource Center, "Louisiana state health insurance exchange: Governor Jindal says Louisiana won't have state-run exchange, returns \$1 million federal planning grant." October 27, 2011. Accessed November 22, 2011: <http://www.healthinsurance.org/louisiana-state-health-insurance-exchange>; Jan Greene, "State of the states: Insurance exchanges," Accessed November 22, 2011: <http://www.healthinsurance.org/state-health-insurance-exchanges/get-involved.lasso>. Doug Trapp, "Texas refuses to launch health insurance exchange," July 15, 2011. Accessed December 5, 2011: <http://www.ama-assn.org/amednews/2011/07/11/gvse0715.htm>. Kansas, Oklahoma, and South Carolina have also sent back grant money from the federal government over the exchanges. Jason Millman and Kate Nocera, "Kansas returns \$31.5M exchange grant," in *Politico*, August 9, 2011. Accessed November 28, 2011: <http://www.politico.com/news/stories/0811/60967.html>; Alina Selyukh, "South Carolina passes on U.S. health exchange grants," September 6, 2011. Accessed November 28, 2011: <http://eba.benefitnews.com/news/south-carolina-health-care-overhaul-exchange-funds-2717251-1.html>.

[12] Grant Schulte, "Nebraska Insurance Director Needs More Data on Exchange Cost," October 17, 2011. Accessed October 21, 2011:
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http://journalstar.com/news/local/article_a05549d0-f350-579f-98b2-c5e2aae0ff31.html; Diane Cohen, "Ten Reasons Why Arizona Must Reject Health Insurance Exchanges," November 4, 2011. Goldwater Institute. Accessed December 5, 2011:
<http://www.goldwaterinstitute.org/sites/default/files/11-4-11%20Health%20exchange%20policy%20memo%20282%29.pdf>.

[14] Schulte, August 15, 2011, *Lincoln Journal Star*; Martha Stoddard "Insurance exchanges face

unknowns," August 16, 2011. Accessed September 9, 2011:

<http://www.omaha.com/article/20110816/LIVEWELL03/708169902/1161>; Brian Blasé and C.L. Gray, "The Need for Medicaid Reform Grows Larger After Obamacare," (Omaha, Nebraska, Platte Institute for Economic Research, Policy Study August 2011), 4. Accessed December 7, 2011: [http://www.platteinstitute.org/docLib/20110817_Medicaid_policy_report_\(2\).pdf](http://www.platteinstitute.org/docLib/20110817_Medicaid_policy_report_(2).pdf); Martha Stoddard, "Plan cuts \$28 million in Medicaid services," in *Omaha World Herald*, December 6, 2011. Accessed December 7, 2011: <http://www.omaha.com/article/20111206/LIVEWELL03/712069921>.

[15] Peter Suderman, "Health Insurance Premiums Continue to Rise Under RomneyCare, May 27, 2011. Accessed December 6, 2011: <http://reason.com/blog/2011/05/27/health-insurance-premiums-cont>.

[16] Michael F. Cannon, "Just Say No to Implementing Obamacare," June 14, 2011. Cato Institute. Accessed December 6, 2011: http://www.cato.org/pub_display.php?pub_id=13193.

[17] Diane Cohen, November 4, 2011, "Ten Reasons," Goldwater Institute.

[18] Steve Jordon, "Health benefits to cost more in 2012," in *Omaha World Herald*, November 17, 2011. Accessed November 17, 2011: <http://www.omaha.com/article/20111117/MONEY/711179914#health-benefits-to-cost-more-in-2012>.



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