



Policy Brief

Health Insurance Exchange Pros and Cons

<p>If we don't build a health insurance exchange, the federal government will come in with its own exchange and operate it here in Alaska.</p>	<p>We don't know if that will happen. While Congress supplied funding for the states to set up health insurance exchanges, it did not provide the U.S. Department of Health and Human Services with resources to establish a federal exchange in each state that refuses to start its own program. Congress also did not anticipate state resistance to state insurance exchanges and, as a result, the federal government will likely not be ready to implement the systems by the deadlines.</p>
<p>A state exchange gives Alaska more flexibility in setting it up, and would allow Alaska to take control of its own future.</p>	<p>Make no mistake: a state exchange is a federal exchange. While a state-appointed board would have "oversight," the federal government would, through its rules, dictate virtually all aspects of how the exchange operates. If the state wants to modify how the exchange operates, it would need to seek permission. If the federal government wants to end participation of a certain provider, it would be able to do so, simply by amending its rules to achieve its goals. In short, a so-called "state" exchange is merely the vehicle to implement a national health care plan.</p>
<p>We must act this legislative session or we'll miss the deadlines to have an exchange up and running.</p>	<p>Recently, the federal government moved the deadline to apply for an exchange startup grant. The new deadline to apply for a grant is June 29, 2012. Clearly, the federal government believes it is possible to apply for a grant to start an exchange and still have the exchange operational by the real deadline of Oct. 1, 2013. Furthermore, some state legislatures are not even in session this year. Texas, for example, has a Legislature that won't convene until 2013.</p>
<p>The Supreme Court case only addresses the individual mandate, so the exchanges will move forward regardless of the court's ruling.</p>	<p>Other aspects of PPACA are facing court scrutiny as well. Additionally, the court is hearing three days of arguments in March, and on one of those days, the court will quiz lawyers on both sides on the issue of severability—whether the entire law can be struck down if the individual mandate is rejected. The entire law may be struck or individual portions. Additionally, should the court uphold the law, there will still be legal avenues available for individuals, businesses and states to challenge the exchanges.</p>

<p>By waiting for the supreme court ruling, states will jeopardize their opportunity to implement a state-based exchange.</p>	<p>PPACA and its companion rules by HHS allow states to choose to adopt a health insurance exchange at a later time. A state whose exchange is operated by the federal government can, at its discretion, choose to implement a state-run exchange. This can happen at any time in the future.</p>
<p>Without a state exchange, Alaskans won't be able to access tax credits and subsidies available through PPACA.</p>	<p>The PPACA subsidies and tax credits are the only means the federal government will have to impose penalties on Alaskan businesses, private health plans, churches and other organizations who don't comply with rules handed down from U.S. Health and Human Services and who have an employee participating in the Exchange. This includes rules private organizations find morally objectionable. If Alaska wants to encourage the uninsured to buy health insurance, it should focus on making health insurance more affordable by making its own regulations more flexible.</p>
<p>If Alaska doesn't set up an Exchange, the federal government will revoke Medicaid funding in Alaska.</p>	<p>This is not true. There is no statutory authority for Secretary Sebelius to revoke any funding from Alaska Medicaid if we don't set up a health insurance exchange.</p>
<p>PPACA aside, an exchange is still a good, free-market idea.</p>	<p>There is nothing free-market about a government creation. It's also important to note that there already exists private-sector websites that allow users to compare insurance policies. Alaska doesn't need to create a new bureaucracy for this activity. Insurance brokers already engage in this kind of activity.</p>
<p>If we don't set up the exchange there's a lot of subsidy revenue from the federal government that won't be going to Alaska health care businesses.</p>	<p>The health care economy in Alaska will not live or die based on whether Alaska maximizes the use of the federal subsidies in this law. But, an Exchange, because of the onerous rules that federal bureaucracies are willing to create, could severely damage or distort Alaska's health care economy, and turn a lot of the decisions and power over to the federal government. Alaska has a long history of attempting to work with federal bureaucracies under the belief that there will be an assumption of good will, and that the federal bureaucracy will protect the interests of Alaskans. Unfortunately Alaska's attempts have often yielded broken promises. If policymakers feel so strongly that the health care economy needs funding, then Alaska should provide it in a fiscally responsible way.</p>