VIEWPOINT
ON PUBLIC ISSUES
Feb. 7, 2011 No. 2011-6 ISSN 1093-2240

Health Insurance Exchanges in Michigan a Losing Bet

By John R. Graham

Summary

Diverse voices are calling for health insurance exchanges in Michigan. Legislators should resist being party to the expansion of Obamacare and the adverse effects it would have on the state's already fragile economy.

Main Text Word Count: 652

One of Gov. Rick Snyder's 10 points to "reinvent" Michigan is to move the state to a more "patient-centered model" of delivering health care. But Michigan cannot achieve this goal unless the Patient Protection and Affordability Act is undone. The federal health care law is unpopular, unwieldy, expensive, unconstitutional, and soon to be under attack by a congressional majority committed to repeal.

The good news is that Michigan can play an important role in defeating this top-heavy federal takeover of its residents' access to health care. The Obama administration expects states to do much of the law's dirty work, presuming that states will establish "exchanges" to limit the health insurance choices of many of their residents.

The letter of the law prescribes states' "flexibility" in structuring exchanges, and some believe that it is possible to design an exchange that increases consumer choice. Two states, Massachusetts and Utah, already have exchanges. Pre-Obamacare, exchanges were suggested as a way to get around the major government failure in American health care: Congress's granting monopoly control of our pre-tax health dollars to our employers, which limits our choices.

Some claim that the Utah Health Exchange is a consumer-friendly model that can blunt the most harmful consequences of nationalized health care. Utah's exchange, however, has been a disappointment. Although 20 businesses enrolled on the first day of operations in August 2009, only 13 remained enrolled by the end of 2009. As a result, the exchange is being re-launched with new rules in 2011.

Knowing that many states, including Michigan, will be under Republican single-party rule in 2011, certain business interests are making unlikely arguments in favor of Obamacare exchanges. These interests include information technology vendors and consultants, health insurers who believe that they can dominate an exchange to the detriment of smaller competitors, and brokers who hope to get paid by government to serve as "navigators" in the exchanges.

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Some lobbyists claim that states can drop out of Medicaid and drive all of their former dependents into exchanges, where they will enjoy budget-busting federal tax credits. Even if this were possible, simply exploiting

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Obamacare to transfer liabilities to the federal level hardly solves the national challenge of out-of-control health care spending. However, the perverse incentives resulting from such a "reform" would surely dissipate Michigan politicians' will to undo Obamacare.

Appealing to conservative sentiments, lobbyists also warn that if states don't establish their own exchanges by January 2013, the federal government will do it for them. This is highly unlikely. Kathleen Sebelius, the U.S. Secretary of Health & Human Services, has already missed many deadlines demanded by the legislation. In January, the new Congress will take away her checkbook, further diminishing her ability to roll out Obamacare.

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The greater risk is that Michigan would establish an exchange that it believes blunts the worst effects of the federal takeover. Given its unpopularity, Secretary Sebelius is likely to approve exchanges for the short term, making Obamacare appear less harmful than it really is. However, if advocates of repeal fail over the next two years, Sebelius will surely sweep away any "consumer-friendly" accommodations with a vengeance. President Obama and Sebelius want to eliminate all private choice of health care in favor of a government monopoly. Once the exchanges are up and running, the administration will be able to impose whatever arbitrary regulations it wants.

Michigan would also find that an exchange is very expensive to operate. Massachusetts' Commonwealth Connector spent more than $26 million on vendors and contractors in 2009, and $3.4 million on employee compensation. This comprises fully 3.5 percent of the money that businesses and enrollees paid into the exchange.

Any state establishing an exchange is making a one-way, lose-lose bet. If Obamacare persists, exchanges will become bloated administrative nightmares. If it is defeated, states will have wasted time and energy that should have been directed toward that effort. Obamacare is the president's problem. Don't make it Michigan's, too.

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John R. Graham is director of Health Care Studies at the Pacific Research Institute and an adjunct scholar with the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Mich. Permission to reprint in whole or in part is hereby granted, provided that the author and the Center are properly cited.

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Please contact:
MICHAEL D. JAHR
Senior Director of Communications
140 West Main Street
P.O. Box 568
Midland, Mich. 48640

Phone: 989-631-0900
Fax: 989-631-0964
Jahr@mackinac.org

www.mackinac.org