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Some Governors Face Fallout Over Health Law Ruling

Prospects of People Losing Tax Credits Could Prompt Backlash

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The prospect of millions of people losing federal tax credits they obtained under the health law places some governors and legislators in a tough spot in the run-up to this fall's elections.

Some 36 states turned over the task of running the health law's insurance exchanges to the federal government. If courts ultimately back Tuesday's decision by a federal appeals court in Washington, D.C., which held that Americans can obtain tax credits only if their state is operating its own exchange, then officials in these states may come under pressure to find ways to ensure residents keep subsidies.

Most of the 36 states are led by Republicans who oppose the Affordable Care Act. The flawed rollout of the health law gave fodder to Republicans to criticize Democrats. Now, some Democrats are using the court ruling to hit back at the GOP.

"In effect, the political consequences for all of these people losing their subsidies and their coverage would immediately shift to the Republicans who control these state governments," wrote Robert Laszewski, a health-insurance consultant in Alexandria, Va., in a blog post Tuesday. "Below the surface, lots of sensible Republicans must be sweating bullets," added Mr. Laszewski, who has been critical of the law's implementation.

Some of the few Democratic governors in affected states criticized the ruling and signaled they want their states to press ahead to operate exchanges.

In GOP-led Florida, Democratic challenger Charlie Crist was quick to highlight the potential loss of subsidies. "[Gov.] Rick Scott's refusal to bring Republicans and Democrats together on affordable health care now means that one million middle-class Floridians may find their affordable health insurance far more expensive," said Kevin Cate, a Crist campaign spokesman.

But Republicans said the decision was proof of bigger problems with the law and repeated their long-standing criticism of it. "This is a bad law, and somehow Charlie Crist is still saying it has been 'great,'" said Mr. Scott.

In Georgia, GOP Gov. Nathan Deal said that any problems stemming from the court's decision were for Washington to resolve. "It is a federal problem. It requires a federal fix," said Brian Robinson, a Deal spokesman.

Backers of the legal challenges to the tax credits noted that while consumers in some states might lose the credits, businesses in those states would no longer face some of the penalties for failing to offer coverage to workers. Under the health law, fines to employers who don't offer coverage are triggered by a worker receiving a federal tax credit.

"You would be asking every state to voluntarily sign up to impose the employer mandate on their employers," said Michael Cannon, director of health policy at the libertarian Cato Institute.

A handful of states in which the U.S. runs the insurance exchange are led by Democratic governors who back the health law. Officials in some of those states, such as Illinois, felt their states were unable to successfully run their own exchanges. The court decision could place new pressure on officials in those states to find a way forward.

Illinois Gov. Pat Quinn, who is up for re-election, supports "the concept of a state-based exchange," said spokesman Mike Claffey. Such efforts stalled in the Democratic-controlled legislature.

Other Democratic-headed states have GOP-controlled legislatures. New Hampshire Gov. Maggie Hassanwho is up for re-election, is bound by a state law barring the state from operating an exchange, said spokesman William Hinkle. "New Hampshire residents unfortunately face uncertainty about the availability of subsidies," he said.