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States Are Rebelling Against The High Costs Of ObamaCare

By SALLY C. PIPES

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President Obama may have won the argument over his health reform law at the Supreme Court — but he's losing it in the states.

Since the Supreme Court upheld most of ObamaCare, six governors have said they will not abide by it. Four others have said that they will not set up the health insurance exchanges the law envisions, and 15 others are considering other options or waiting for the outcome of November's election.

That's half the states. More may follow — particularly as they discover how much they'll have to spend to comply with ObamaCare.

One of the law's more burdensome provisions is its requirement that states establish health insurance exchanges, where consumers and small businesses can shop for insurance policies. States are to receive grants from the feds in order to offset the cost of setting up the exchanges.

If a state declines to follow federal dictates, then the feds will step in, construct an exchange, and run it.

That, of course, is only if everything goes according to ObamaCare's plans.

And that outcome's far from assured.

First, the grants only fund start-up costs. The federal tap will be turned off in as little as a year — and at most, in five years. In other words, ObamaCare saddles the states with an unfunded mandate that will cost millions of dollars to run. States won't be responsible just for operating the exchanges.

They'll also have to police them in accordance with ObamaCare's other mandates. States will have to ensure that insurers offer a sufficient number of "qualified health plans" that meet federally dictated coverage standards.

They must provide for "essential community providers" to serve low-income people shopping in the exchanges. And states must establish and oversee a health plan "quality improvement" strategy imposed on them by the federal government.

Congressional Budget Office Director Douglas Elmendorf told then-House Speaker Nancy Pelosi in March 2010 that the costs of the exchanges and other mandates in the health care law "would greatly exceed" the $70-million annual threshold established in the Unfunded Mandates Reform Act of 1995 in each of the first five years the mandates are in effect.

In other words, state and local governments are looking at well over $70 million in new costs thanks to the exchanges and ObamaCare's other mandates each and every year.

Those additional costs come at a time when 29 states expect to run budget deficits totaling $47 billion in the current fiscal year. The exchanges will burden many individuals with new health care costs, too.

ObamaCare requires employers with 50 or more employees to offer health insurance. Those that don't will be fined $2,000 times their number of employees beyond the first 30 if at least one worker gets a subsidy through the exchanges. If an employer's coverage isn't generous enough for the government's tastes, then the fine hits $3,000 per subsidized worker.

But those fines pale in comparison to the money employers would save by ending their coverage and sending their employees into the exchanges.

The House Ways and Means Committee surveyed 71 Fortune 100 companies in April and found that their health insurance costs exceeded $5,000 per employee, on average.

The Committee estimates that the Fortune 100 companies could save $28.6 billion in 2014 alone by offloading their workers onto the exchanges.

That's good news for the companies — but not for the workers they drop.

An employee moving to a state exchange will see his premium costs increase by as much as 125%, even with any federal subsidies for which he qualifies under ObamaCare.

In states where the federal government intervenes to establish an exchange, individuals may not be eligible for subsidies at all.

As Cato Institute scholar Michael Cannon and Case Western Reserve University Professor Jonathan Adler explain in a new study, ObamaCare "authorizes tax credits and subsidies for certain households that purchase health insurance through an Exchange, but restricts those entitlements to Exchanges created by states."

With 10 states not planning to set up exchanges and 15 others on the fence, residents in half the country may end up losing their coverage — and have to pay even more to replace it.

The states can't afford ObamaCare's exchanges — and neither can the American people. Fortunately, the voters can do something about it at the ballot box this November.

• *Pipes is president, CEO and Taube Fellow in Health Care Studies at the Pacific Research Institute. Her latest book is "The Pipes Plan: The Top Ten Ways to Dismantle and Replace ObamaCare ."*