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NY, NJ: JXVW hold off

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With the fate of the Patient Protection and Affordable Care Act, a k a ObamaCare, looking increasingly tenuous after yesterday's Supreme Court session, officials in New York and New Jersey should rethink their rush to set up state insurance exchanges under the law.
ObamaCare orders every state to establish a health-insurance exchange, which is supposed to make it easier for consumers to shop for insurance, while providing a mechanism through which Washington can funnel subsidies. If a state fails to establish such an exchange, the feds will theoretically step in and set up their own exchange in that state.

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They'd be wise to be wary: Govs. Christie and Cuomo should delay setting up the Obama law's expensive and politically risky health exchanges.

In New York, the Republican-run Senate has balked at setting up a state exchange, but Gov. Cuomo reportedly plans to do so by executive order, in part as a show of support for President Obama's signature initiative. New Jersey's Legislature has passed a law to do the job, but Gov. Chris Christie has significant discretion on how fast to proceed.
Most observers now feel that there's a real possibility that the high court may strike down at least the law's individual mandate; if it does, there's an excellent chance it will strike down the entire ObamaCare law, exchanges and all. Why rush to establish a costly bureaucracy to

implement a law that may no longer exist after the court's decision in June?

But even if ObamaCare is upheld, states have good reasons to avoid setting up an exchange.

First, there's the expense. The few studies done on this suggest exchanges won't be cheap. For example, one study suggests it will take a 5 percent tax on insurance premiums to pay to operate Oregon's exchange.

New York and New Jersey taxpayers will love that.

Every dollar spent to run an exchange is a dollar that can't go for education, roads or police — or to lower taxes. If the feds set up an exchange in New York or New Jersey, the feds will be responsible for the cost of running it. If a state establishes the exchange, that state will have to pay for it.

Given the budget problems facing New York and New Jersey, it seems unwise for either state to take on costs that it can ill afford.

A state exchange will also leave state lawmakers to be blamed for some very ugly likely problems. For example, ObamaCare creates incentives for employers to dump their sickest and costliest patients into the exchanges — which (even with the subsidies) is likely to leave the exchange underfunded, and insurers fleeing the market. People trying to get insurance through the exchange will face high costs and problems getting care. Why should state officials share in the responsibility and justified voter anger?

Nor does setting up an exchange preserve state control over the local insurance market. Under Section 1311(K) of the ObamaCare law, the federal government essentially has veto power over the design of state exchanges. In fact, an Obama administration directive says that the law authorizes the federal government to "ensure that states with exchanges are enforcing federal standards." In reality, a state that establishes an exchange may actually be surrendering its control over state insurance law.

Nor is it guaranteed that the feds will set up an exchange if the state doesn't. More than half of states are unlikely to have exchanges in operation by the required 2014 deadline, and the federal government doesn't seem to be ready — or have the resources — to set up and operate 25 or more exchanges.

State insurance exchanges are a bad idea. Now more than ever, they are a bad idea whose time has not yet come.

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