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Road to repeal starts with states

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States that have refused to implement the Obama health law have already blocked \$80 billion of its new deficit spending. If more states follow suit, they can block the other \$1.6 trillion and force Congress to repeal the law.

The law relies on states to implement two of its most essential pieces: health-insurance "exchanges" and a vast expansion of Medicaid. Exchanges are government agencies through which the law channels \$800 billion to private health-insurance companies.

The Medicaid expansion adds another \$900 billion to the federal debt, with private insurers again taking a slice. States are under no obligation either to implement either. Responsible state officials will say no to both.

It is a myth that creating an exchange gives states more control over their insurance markets. Yes, the law directs the federal government to create one in states that do not. But every exchange must be approved by federal bureaucrats, empowering them to impose whatever oppressive rules on "state-run" exchanges they would impose through a federal exchange. A critical mass of states could literally force Congress to repeal the Obama health law.

In contrast, by refusing to create an exchange states can block the law's debt-financed subsidies to private insurance companies and avoid new taxes on their employers and consumers.

The law imposes a \$2,000 per-worker tax on employers, but only in states that create an exchange. (If Virginia creates one, there will be a giant sucking sound as employers flee to Louisiana, Texas, South Carolina and Florida, which have said they will not.) States creating exchanges will have to increase taxes another \$10 million to \$100 million per year to cover their operating costs.

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The Supreme Court further empowered states when it overturned the law's Medicaid mandate. That mandate required states to expand their Medicaid rolls dramatically on pain of losing all federal Medicaid funds, which comprise 12 percent of state revenues. Twenty-six states challenged that mandate as unconstitutionally coercive.

They won. The court held the federal government cannot withhold existing Medicaid grants from states that fail to expand their programs. States may now refuse to expand their programs without fear.

And they should. My Cato Institute colleague Jagadeesh Gokhale estimates this expansion would cost Florida, Kansas, Illinois and Texas roughly \$20 billion each in its first 10 years. New Jersey and New York would pay \$35 billion and \$53 billion,

respectively. So you know we're not cooking the books, Gokhale projects California would save money.

But not for long. President Obama is already trying to shift even more Medicaid costs to the states. It's called "predatory federalism": Washington uses a low introductory rate as bait, then once states are hooked it changes the terms. In the end, even California will take it on the chin.

This is money states don't have. Nor can Washington, with its trillion-dollar deficits, afford the \$900 billion the Congressional Budget Office estimates this Medicaid expansion would cost the federal government.

In total, state officials can block \$1.6 trillion of deficit spending simply by sitting on their hands. According to CBO estimates, the handful of states that have already refused to expand Medicaid are saving taxpayers \$80 billion.

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Blocking these provisions will expose the full costs of the law, instead of allowing the federal government to shift those costs to taxpayers. The resulting backlash will push members of Congress to switch their votes and support repeal, just as two House Democrats did during the latest repeal vote. A critical mass of states could literally force Congress to repeal the Obama health law.

Opposition to these individual provisions, like opposition to the Obama health law, is bipartisan.

Among the governors refusing to create an exchange is New Hampshire's Democratic Gov. John Lynch, who signed a law forbidding one. Montana's Democratic Gov. Brian Schweitzer is among the dozen or more governors who are balking at the Medicaid expansion. Not that it takes a governor — a solid bloc of state legislators, or even just one committee chairman, is enough.

The Obama health law is weaker, and the path to repeal is clearer, than it has ever been.

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