



The Not-So-Credible Threat of ObamaCare's Federally Run Exchanges

Peter Suderman | June 8, 2012

A *Washington Post* [story](#) about state progress toward building ObamaCare's health insurance exchanges states that "if a state does not have a framework in place by 2013, the Department of Health and Human Services will come in and do the job itself." This is the line being peddled by both HHS and various exchange consultants, and it's intended as a sort of threat to state officials who might otherwise not be interested in following through on ObamaCare's push to have states build exchanges.

But is it a credible threat? Maybe not.

As Michael Cannon, health policy director at The Cato Institute, notes in [response](#) to *The Post*, the idea that the federal government is certain to launch its own exchange is "highly questionable. Obamacare appropriates zero funds for federal exchanges and [the Department of Health and Human Services] has admitted it doesn't have the money."

HHS officials say they'll be able to create the exchanges despite the lack of funds, but won't say how they plan to pay for it. John Kingsdale, who helped found the Massachusetts health insurance exchange and serves as an exchange consultant with HHS, admitted [to Politico](#) last year that the law is "silent" about federal exchange funding and that if such an exchange is to be put in place, officials will have to "get creative about the financing." Which suggests that at minimum, building and funding a federal exchange will be a challenge, and state officials should not presume that the federal government will swiftly step in to run one.

In a video produced by the Cato Institute, Cannon argues that states are better off refusing to create any sort of exchange:
