



A good explanation of state health-care exchanges and why we shouldn't implement one

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By [Paul Mulshine/The Star Ledger](#)

In this brief video, Michael Cannon does a good job of explaining how Obamacare relies on those state health exchanges and why Republicans should oppose their creation.

Chris Christie recently vetoed a bill that would have set up an exchange here in New Jersey.

As I noted [here](#), these exchanges were set up to fail.

I interviewed Cannon back in March and he described in detail the dynamic at work. The exchanges would invariably take over the private system of health insurance. Costs would then rise so high that the Democrats would demand what they've wanted all along, a single-payer system.

Of course we already have a single-payer system in Medicare. Many people make the argument that the Democrats want to destroy Medicare.

These people are either really stupid - or they're real smart and think you're really stupid.

What the Dems really want to do is expand Medicare to cover everyone.

Here's an excerpt from the piece:

The real threat is not that Obamacare will take over Medicare. It's the other way around, says Mike Cannon, a health-care expert with the free-market Cato Institute in Washington.

"These exchanges are built to fail," said Cannon. "They'll drive private insurance companies out of the market. When they do, the whole thing will collapse."

Once an exchange is set up, it will offer insurance that's much cheaper than private insurance because of those subsidies. Soon businesses will opt just to pay the annual \$2,000 penalty and tell their employees to sign up for subsidized coverage. As for

individuals, they can pay a \$900 annual penalty and then wait till they get sick to sign up. This phenomenon, known as "adverse selection," will cause costs to skyrocket.

At that point, some sort of single-payer system would be needed to cover the people the private insurers don't want. Those who've been arguing Medicare should be extended to everyone would probably win at the polls.

What happens next will depend on how the Supreme Court decides that case challenging the individual mandate.

But as Cannon notes, no matter what the court does New Jersey would be wise to stay out of the exchange.

The video takes a few minutes to watch but it's well worth it if you want a good basic knowledge of what's at stake.