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Oversight Hearing Advises States to Proceed with Caution on Health Care Exchanges

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WASHINGTON, Aug. 2 --Rep. Raul Labrador, R-Idaho (1st CD), issued the following news release:

Idaho First District Congressman Raul Labrador today participated in a House Oversight and Government Reform Committee hearing addressing the creation of health insurance exchanges and their treatment by the IRS. The testimony heard outlined clear differences between an exchange willingly created by a state and one created under the president's health care mandate.

"My concern has been with what Obamacare erroneously calls a state exchange," Labrador said. "Our witness today gave clear answers to my questions and truly validated my concerns with the implementation of a state health exchange under the president's health care mandate. In a true state health care exchange, the state can tailor insurance options to the needs of that state's population and is not subject to federal regulations on the type of insurance residents can access. There will be hundreds of billions of federal dollars flowing through these exchanges--when the feds control the money, they control the product."

Labrador first asked if an exchange created under the Obamacare mandate is a true state exchange.

Michael Cannon, Director of Health Policy Studies at the non-partisan Cato Institute, answered Labrador's questions.

"No, the statute requires that every state-created exchange...get approval from the [Health and Human Services] secretary," Cannon said. "The statue gives the secretary the authority to heap whatever regulations the secretary wants onto the state created exchanges. So it really is a myth...that states would retain some sovereignty, retain some control over their health insurance markets if they create their own exchanges, because whatever the secretary could impose on a state through an exchange the federal government created, the secretary could also impose on an exchange created through [Obamacare]."

To follow up Labrador asked why a state might choose to forego the state exchange and allow for a federal exchange.

"Well if what you want is a federally run health insurance exchange in your state--a government agency controlling the private health insurance market--if what you want is the federal government to control your state, the best thing you can do is establish an exchange," Cannon answered. "If the state does not establish an exchange then there might not be an exchange at all because we all know there is no funding to create these exchanges, and it's not likely that Congress is going to approve [any]."

Cannon concluded: "But the choice is not between a state controlled exchange and a federally controlled exchange, it's between a federally controlled exchange and maybe none."

Referring to the $2,000 per employee penalty that will be levied on employers in states that create their own exchanges under Obamacare, Labrador asked if those tax liabilities would be imposed on employers for states that refuse to set up exchanges under the mandate.

Cannon answered that "The penalties against employers...would not apply in a state that does not create its own exchanges."

Following the hearing Labrador commented on Idaho's options.

"The ultimate decision to establish a state exchange under the president's mandate is up to Governor Otter and the Idaho Legislature. What I hope all Idahoans understand is that doing so leaves the ultimate power with the federal government. Today's committee hearing confirmed my initial concerns with a federally mandated and federally regulated 'state' exchange. This is exactly why I am asking

Governor Otter and the Legislature to be cautious when considering the introduction of a state exchange in Idaho."