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'No' to exchanges, expansion

By: Michael F. Cannon – November 16th, 2012

President Barack Obama has won re-election, and his administration has asked Georgia officials to decide by today whether the state will create one of Obamacare's health insurance "exchanges." Georgia also has to decide whether to implement the law's massive expansion of Medicaid. The correct answer to both questions remains a resounding no.

State-created exchanges mean higher taxes, fewer jobs and less protection of religious freedom. States are better off defaulting to a federal exchange. The Medicaid expansion is likewise too costly and risky a proposition. Since the election, many state officials have stood by pledges to implement neither provision. Gov. Bob McDonnell, R-Va., who is chairman of the Republican Governors Association and who was on the fence prior to the election, has announced Virginia will implement neither.

There are many arguments against creating an exchange:

State officials are under no obligation to create one.

Operating an Obamacare exchange would be illegal in the 14 states that have enacted either statutes or constitutional amendments (or both) forbidding state employees to participate in an essential exchange function: implementing Obamacare's individual and employer mandates. Georgia is one of those states.

State officials would have to find an estimated \$10 million to \$100 million per year to run it, raising the prospect of tax increases.

Today's deadline is no more real than the deadlines for implementing the Real ID Act, which have been pushed back repeatedly since 2008. Georgia can always create an exchange later if officials choose.

A state-created exchange is not a state-controlled exchange. All exchanges will be controlled by Washington.

Congress authorized no funds for federal "fallback" exchanges. So Washington may not be able to impose an exchange on Georgia after all.

The Obama administration has yet to provide crucial information that Georgia officials need before they can make an informed decision.

Creating an exchange sets Georgia officials up to take the blame when Obamacare increases insurance premiums and denies care to the sick.

Creating an exchange would be assisting in the creation of a "public option" --- a federally chartered health plan that thus enjoys special perks and could drive Georgia's insurance carriers out of business through unfair competition.

Defaulting to a federal exchange exempts Georgia employers from the employer mandate (a tax of \$2,000 per worker per year), and exempts 625,000 Georgia residents from the individual mandate (a tax of \$2,085 per family of four). Avoiding those taxes will improve Georgia's prospects for job creation. It will also protect the conscience rights of Georgia employers and residents from the Obama administration's contraceptives mandate.

Finally, rejecting an exchange will reduce the federal deficit. Obamacare only offers its deficit-financed subsidies to private health insurance companies through state-created exchanges. If all states declined to create one, federal deficits would fall by roughly \$700 billion over 10 years.

The Supreme Court gave states the option of not implementing Obamacare's Medicaid expansion. Georgia should refuse to implement that new entitlement for similar reasons.

Medicaid is rife with waste and fraud. It increases the cost of private health care and insurance, crowds out private health insurance and long-term care insurance, and discourages enrollees from climbing the economic ladder. There is scant reliable evidence that Medicaid improves health outcomes, and no evidence that it is a cost-effective way of doing so.

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