Creating a Health Insurance Exchange is Right Choice for Louisiana
By Steve Spires

Contrary to the claims of one report making the rounds, Louisianans would see numerous benefits from the creation of a competitive marketplace for health insurance, often referred to as an “exchange.” It would make health insurance accessible and affordable for some 350,000 people at little cost to the state.

Earlier this week, the Pelican Institute for Public Policy released a highly misleading report, “Five Reasons Not to Create ObamaCare Exchange.” The report comes as the Senate Finance Committee prepares to debate Senate Bill 744 by Sen. Karen Carter Peterson, which would establish a Louisiana health insurance exchange.

All five reasons offered by the Pelican Institute are based on misinformation. The reality is that a state-run exchange will expand access to affordable, private health insurance and be an asset to families and small businesses in our state. Below, we separate the facts from the myths:

Fact #1. Setting up and operating a health insurance exchange doesn’t have to cost Louisiana a dime.
The Pelican Institute claims that a Louisiana exchange will cost $40 million a year, a number that Health and Hospitals Secretary Bruce Greenstein repeated to the Senate Insurance Committee. But this figure does not hold up to scrutiny. In reality, the federal government will cover the cost of setting up a health insurance exchange and pay for its first year of operation. After that, the exchange can sustain itself without any state general funds through strategies that all other states are considering—like a modest fee on the new insurance company revenue generated by the sale of plans in the exchange or selling advertising on the exchange website.

The Pelican Institute derived its flawed estimate from the budget of the Massachusetts Connector, an exchange-like entity set up in that state in 2006. But the Massachusetts model isn’t a valid comparison for Louisiana. First, Massachusetts didn’t get any of the help with set up and operating costs that Louisiana would receive from the federal government. Second, the Connector’s costs include administering tax subsidies to help people afford their health insurance premiums because Massachusetts paid those costs under its reform. But the federal government will pay the full cost of these subsidies for Louisiana residents. Unfortunately, Louisiana has declined all federal financial support so far—that’s the real bad budget decision.

Fact #2. Creating a health insurance exchange will give Louisiana more control over its health care system.
The Pelican Institute claims that creating a state-based health insurance exchange will increase federal control. The opposite is true. The federal health care law allows each state to set up its own exchange. States have broad flexibility to design and run their exchanges as they see fit. In fact, the exchange concept was originally developed by conservative think tanks, and for years enjoyed bipartisan support precisely because it provides a state-based solution and uses the private market to address the problem of unaffordable health insurance.

But if Louisiana chooses not to or is unable to get an exchange up and running in time, then the federal government will step in and do it. If it does not create an exchange, Louisiana would in effect turn that job over to the federal government.
Fact #3. A health insurance exchange will help small businesses cut costs and provide health insurance to their employees.
The Pelican Institute claims that a health insurance exchange would increase penalties and costs for businesses. Again, the opposite is true. The health insurance exchange will be a tremendous asset to small businesses by allowing them to pool their purchasing power—just as large employers already do—and thereby reduce the cost of providing health insurance to their employees. It also gives small businesses the chance to offer their employees a choice of several health plans, rather than locking them into one as often happens now. So the exchange means more savings and more choices for families and business, not fewer.

Furthermore, the Pelican Institute incorrectly claims that large employers will be required to provide health insurance to their employees or pay a penalty only if a state creates an exchange. In fact, the law’s employer responsibility requirements apply in all 50 states, whether there is a state exchange or a federal one. That includes the requirement that large employers provide coverage or pay a penalty if they do not.

Fact #4. Opponents of health reform are distorting its provisions.
The Pelican Institute’s claim that an exchange would make it easier for the federal government “to collect taxes that fund efforts to force religious employers to provide coverage for services they find immoral” is a canard. Churches are exempt from covering services like contraception and other employers with religious objections will not have to provide, pay for or refer an employee for such care. The establishment of an exchange in Louisiana would have no effect on these policies.

Here is what the exchange will really do: provide a marketplace where families and small businesses can comparison shop for private market health insurance. And for certain individuals and families who are on the lower end of the income scale, the exchange can link them to federally funded tax credits to ensure that premiums are affordable. The exchange is pro-business, pro-family and pro-private market. It will make coverage available to hundreds of thousands of hard-working Louisiana who can’t afford or find it today.

Fact #5. Louisiana should start building its exchange now.
The Pelican Institute argues, “there is no value in establishing an exchange that could soon be swept away by judicial or legislative action.”

That’s misguided. The Supreme Court will likely not rule on the constitutionality of health care reform until late June, and the next election is not until November. But the exchange will need to begin taking applications during an enrollment period starting in October 2013, in order for people to start getting health insurance coverage in January 2014.

States that have already done some planning are still scrambling to meet important milestones and deadlines; Louisiana is considerably further behind as a result of policymakers’ resistance to planning for the law’s implementation.

We need all the time we can get between now and then to ensure a high-quality exchange and a smooth transition for families and businesses. The prudent thing is to begin planning now, taking advantage of all the federal grant money available, and pass an exchange bill, so that Louisiana will be prepared—not needlessly waiting and then ineffectually scrambling in a vain attempt to catch up later.

Conclusion
A Louisiana health insurance exchange would be locally designed and run and financially self-sufficient. It will help an estimated 350,000 Louisiana get affordable health insurance and federal premium tax credits beginning in 2014, benefiting families and businesses alike. Louisiana’s policymakers need to cut through the misinformation and move forward to establish an exchange.

About the Louisiana Budget Project
The Louisiana Budget Project (LBP) provides independent, nonpartisan research and analysis of Louisiana fiscal issues and their impact on Louisiana families and businesses. We seek to bring wider prosperity to Louisiana though a deeper understanding of the state budget, broadening fiscal policy debates, and increasing public participation in decision-making. As part of the State Fiscal Analysis Initiative’s 42 state budget projects that are coordinated by the national Center on Budget and Policy Priorities, we uphold a commitment to issuing work that is credible, timely, and accessible.