

AMERICAN LEGISLATIVE EXCHANGE COUNCIL
ALEC

ISSUE ALERT

To: Indiana ALEC Members
From: ALEC's Health and Human Services Task Force
Re: Senate Concurrent Resolution 5
Date: February 14, 2012

It has come to our attention that tomorrow, the Indiana Senate Health and Provider Services Committee will consider Senate Concurrent Resolution 5. The resolution—which is modeled after ALEC's *Resolution Against PPACA Exchanges*—urges state officials to stop planning or establishing health insurance exchanges as prescribed in the federal health law, and urges Congress to defund exchange planning grants to states.

Twenty-two states have either refused to establish an exchange, or have had exchange legislation fail, die, or vetoed. Twenty states have either refused, returned, or not yet applied for federal exchange grants, and legislatures in another four states are trying to freeze exchange funds.

ALEC applauds these actions, and hopes that Indiana will follow this trend. ALEC also applauds the policy behind SCR 5, and urges all Indiana ALEC members to consider the following key points about state-based health insurance exchanges.

- **There's little difference between a federal exchange and a state-based exchange.** Every aspect of a state exchange must be approved by the U.S. Department of Health and Human Services (HHS), and states can't deviate from federal rules and standards. And much like Medicaid, a state-based exchange will be forever tethered to Washington through ongoing regulation. States should let the federal government spend its own time and money implementing its own programs.
- **There's no imminent threat of defaulting to a federal exchange.** The federal health law doesn't technically provide HHS any funding to set up an exchange, nor does it provide subsidies for people to buy insurance in a federal exchange. And HHS has announced it will extend exchange planning and grant deadlines to 2014. This means states can carefully deliberate, not rush to judgment on setting up a new bureaucracy.
- **State-based exchanges can entrench the federal health law.** In the multistate lawsuit challenging the federal health law, U.S. District Court Judge Roger Vinson

refused to stop the law's implementation because at least eight of the plaintiff states were already complying with it. And the federal government has argued that exchanges are essential to the federal health law because they will enforce the individual mandate.

- **State exchanges can be costly.** Federal exchange grants expire in 2014, and some states have said they'll pay for their exchanges with provider taxes, "user fees," and taxes on health insurance sold both inside and outside of the exchange. Indeed, the Mercatus Center recently found that, in general, every \$1 of temporary federal grants leads to 40 cents of state and local tax increases.
- **There are too many unanswered questions.** With the upcoming U.S. Supreme Court ruling and the 2012 elections, the federal health law might be struck down, repealed, or defunded. States also face "early adopter" risks (high costs, flawed technology) when implementing the exchange.

Thank you for your attention in this matter. If you have any questions, please contact ALEC HHS Task Force Director Christie Herrera at christie@alec.org.

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