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State health exchange pits ideology vs. pragmatism

Ideological objections to federal health care reform clashed Thursday with the more pragmatic interests of business as Gov. Butch Otter joined lawmakers, industry and the state's top insurance regulator in the debate over whether Idaho should establish its own insurance exchange.

Otter told more than three dozen reporters at The Associated Press' 2012 Legislative Preview that he would do his best to explain to lawmakers the consequences of spurning a \$20.3 million federal grant to set up the exchange.

The component in Congress' 2010 health care overhaul was envisioned to be a transparent, online marketplace for consumers to compare and buy insurance. Though Idaho has been promised the federal money, state legislators must approve spending it. And with many conservatives, particularly in the Idaho House, disdainful of reforms they dub "Obamacare," the discussion figures to be a chief issue of the 2012 Legislature, which begins Monday.

Otter told reporters he fears a federally designed exchange alternative - a consequence of lawmakers blocking efforts to establish an Idaho-specific exchange - would put domestic insurers at a disadvantage. He said he also feared it would leave Idaho customers at the mercy of federal bureaucrats rather than more-responsive local regulators. "This is a big deal," Otter said. "I'm obligated to explain to everybody exactly what happens if we do nothing."

Idaho isn't alone in this discussion. Missouri declined to spend federal money on computer systems for a state-run exchange after Republicans objected. New York's Democratic Gov. Andrew Cuomo called Thursday for establishing a health insurance exchange to help 2.7 million uninsured people in his state. And Oregon, Idaho's neighbor to the west, set up its own exchange last year and is now developing a business plan.

Rep. Vito Barbieri, R-Dalton Gardens, who last year championed unsuccessful efforts by conservatives to nullify Congress' 2010 health care overhaul, is helping lead Idaho's anti-exchange fight, saying it's destined to become another bloated government bureaucracy.

"This health care mandate is not good for the nation," Barbieri said. "It's socialism. A socialist America is a broken America."

Barbieri said at a minimum, Idaho should hold its fire until the U.S. Supreme Court has weighed in on a lawsuit filed by Idaho and 26 other states seeking to overturn President Obama's Patient Protection and Affordable Care Act. Justices will dedicate three days of arguments starting March 26 over whether the law - and its individual mandate requiring people to buy insurance or face fines - is constitutional. A ruling is expected by July.

If Idaho doesn't create an exchange that meets federal guidelines, both Otter and Department of Insurance Director Bill Deal said, it puts the state at risk of losing as much as \$300 million annually in federal money for the Medicaid insurance program for the poor, elderly and disabled. Deal said states must update their Medicaid eligibility systems to reflect new income rules in a way that meshes with the insurance exchanges. To put the

heat on states to comply, the federal government has warned it could cut Medicaid funding for those that fail, Deal said.

"We're kind of held hostage here," Deal said. "There certainly is great incentive...to become certified, to match the requirements."

And even if Supreme Court justices dump the overhaul, Deal contends an Idaho-designed exchange would benefit consumers by helping individuals and small businesses without the expertise or buying power of large employers to compare and buy coverage.

Alex LaBeau, president of the Idaho Association of Commerce and Industry, is pushing for Idaho to use the \$20.3 million federal grant for its exchange.

LaBeau told reporters he understands ideological arguments like Barbieri's, but contends businesses don't have the luxury of taking philosophical stands. Instead, he said, they want the certainty that would accompany Idaho taking control and creating an exchange, regardless of how the broader health care overhaul withstands constitutional scrutiny.

Businesses in Idaho want an exchange regulated locally, LaBeau added, comparing experiences of his member companies in navigating regulators like the Idaho Department of Environmental Quality and the federal Environmental Protection Agency.

"It's a lot easier to deal with the state's DEQ than it is the EPA," he said. "The same principle applies here. I'd rather deal with Director Deal than deal with" the federal government.

House Minority Leader John Rusche, a Lewiston Democrat and retired health insurance industry executive, called it a "no brainer" to use federal money for an exchange tailored to Idaho needs, rather than leaving the work to federal officials.

Doing that would rob Idaho of its ability to define its own "minimum essential benefit package," those services insurers must cover to participate, Rusche said.

"That will be to the detriment of our domestic insurance carriers," he said.