

# AMERICANS FOR PROSPERITY<sup>®</sup>

## MONTANA

April 20, 2012

62<sup>nd</sup> Montana Legislature  
Economic Affairs Interim Committee

### **Testimony on Health Care Exchanges**

Mr. Chairman and Committee members:

Americans for Prosperity (AFP) is a free market non-profit organization that is committed to educating and engaging grassroots citizen activists across the country to advocate for smaller government, lower taxes, and economic freedom. We believe that the free market is and always has been the true path to prosperity. On behalf of our almost 9,000 activists in Montana, I am pleased to submit this testimony and deliver petitions signed by hundreds of Montanans opposing any attempt by the State of Montana to create a "Health Benefit Exchange" as dictated by the Patient Protection and Affordable Care Act (PPACA).

AFP previously submitted written testimony in August 2011 on this issue, but since then, the federal Department of Health and Human Services (HHS) released a final rule governing state exchange creation. This rule confirms AFP's previous position that these exchanges harm competition and increase premiums for consumers. According to one study authored by Jonathan Gruber, the chief economic architect of PPACA, for the state of Wisconsin, premiums would increase by 30% for individuals.

The 644-page rule released by HHS in March detailed complex procedures that provide no meaningful flexibility for the state of Montana. The lengthy rule contains the word "must" over 1,000 times and the word "require" more than 320 times. Any plan created by Montana must be approved by the Secretary of HHS where she alone has approval authority. Significant changes made afterward must also receive her approval. Even if Montana tries to create an exchange that meets the unique needs of her residents, true authority rests in Washington, D.C. Montana serves as nothing more than the bureaucratic arm of the federal government.

The federal regulations also dictate which insurers can enter in the market, "qualified health plans", and what products they must offer, "essential health benefits." In fact, the federal government is now providing funding to create new insurers including the Montana Health Cooperative that received \$58 million from HHS in February. HHS claims this non-profit insurer will protect consumers, but several of the largest insurers in Montana are all ready non-profits. Why waste federal tax dollars to create something that all ready exists?

Additionally, AFP calls attention to the extreme difficulties in creating an exchange by the January 1, 2013 deadline. In fact, the federal government has stated that it is concerned that it does not have enough time or money to accomplish the task at hand. Montana should not do the heavy-lifting just because the federal government can't.

Finally, this <sup>lifting</sup> exchange is nothing more than a hidden tax increase on Montana residents and businesses. Starting in 2015, the exchange must be self-funding though no one knows the true cost to operate the exchange. The cost is expected to be financed through user fees and taxes on insurance premiums further hurting families in Montana. More importantly, if Montana decides to create a state-based exchange, a glitch in the original law will subject Montana businesses to a new tax of up to \$3,000 per employee enrolled through the exchange. If the federal government comes in to set up their version of an exchange, AFP believes that this tax will not apply.

AFP opposes any attempt by Montana to create an exchange and instead urges the state to reject the federal government's attempt to make important decisions on behalf of Montana and her citizens.

Mr. Chairman and Committee members, I thank you for time.

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