

POLITICO | Lone Star reform hinges on Gov. Rick Perry

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Perry won't implement insurance exchanges, possibly making a larger federal role more likely. | AP Photo

By SARAH KLIFF | 4/5/11 4:41 AM EDT

AUSTIN, Texas — Everything is bigger in Texas — the challenges for implementing the federal health reform law included.

POLITICO interviews with Texas legislators and lobbyists indicate that Gov. Rick Perry is unlikely to take the steps necessary to implement the insurance exchange required under the federal health reform law, which means the task will probably be left to the Obama administration.

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To be sure, other Republican governors have also come out strongly against setting up the reform law. Citing their opposition to the law, Florida's Rick Scott and Louisiana's Bobby Jindal have sent health reform grants back to Washington.

A Texas decision not to build a health exchange, however, would have much more wide-ranging consequences in terms of both politics and policy.

As chairman of the Republican Governors Association, Perry has one of the party's most visible leadership positions. His state also has the highest rate of uninsured people in the nation. Twenty-six percent of the state population goes without coverage, according to the Kaiser Commission on Medicaid and the Uninsured. So if Perry does not set up a health exchange, the federal Department of Health and Human Services would become responsible for running the marketplace and adding 6 million Texans to the system, via both private and public programs.

But Perry is unlikely to volunteer Texas to take on the task, and he cites his opposition to the law as a reason not to implement it.

"Since the health care reform legislation came forward, we've been really clear that we oppose the bill and its mandates," Perry's spokeswoman Lucy Nashed told POLITICO. "Along that same trend, the governor has been pretty clear that we're skeptical about implementing anything that resembles Obamacare."

This position is a marked departure from other Republican governors, even presidential contenders such as Mississippi's Haley Barbour, who have grudgingly moved forward on implementation to preclude federal intervention.

Opposition to a Texas-run health exchange seems to have intensified since January, when federal Judge Roger Vinson ruled the health reform law unconstitutional and hinted that, if states continue to implement it, they would essentially undermine their case.

"[Perry] is adamant about no exchange until the court case is decided," said Arlene Wohlgemuth, director of health policy for the pro-free-market Texas Public Policy Foundation, which had supported a state-run exchange until the Florida ruling. "We've backed away from that proposal. Some say implementation wouldn't hurt our case, but the judge is the judge, so we're listening to him."

Wohlgemuth adds, however, that the governor would probably change his tune if the courts were to rule in the law's favor; then "he would very much favor a state-run exchange, I would speculate," she said.

But the timeline is a major hurdle for any changes of heart: If Texas were to wait to implement until after a Supreme Court decision — which isn't expected until mid-2012 at the earliest — the state would most likely be too late to act.

Health exchanges do not come online until 2014, but HHS Secretary Kathleen Sebelius has to certify that states have made significant progress at the beginning of 2013.

The Texas Legislature, which meets biennially, has a session scheduled to end May 31 and then will not reconvene until 2013 — past the exchange certification deadline.

That leaves the state with two possible paths, both very unlikely, that would allow an exchange to move forward: pass a bill this session or convene a special session.

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