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## *Special Healthcare Advisory*

### **CBO Says Repeal of Exchange Grants Would Cut Deficit**

A bill that would repeal mandatory federal funding for states to set up health insurance exchanges is headed to the House floor next week, and the Congressional Budget Office reports that it would reduce deficits by nearly \$13 billion from 2012 through 2016.

A section of the health care overhaul law ([PL 111-148](#), [PL 111-152](#)) authorizes grants to states for \$1.9 billion between 2012 and 2015 for planning the exchanges that will serve as insurance marketplaces. If the government repeals that provision, the funding would be eliminated.

In addition, passage of the exchanges funding repeal measure ([HR 1213](#)) would likely lead to a delay in the establishment of exchanges. So fewer people would have health insurance and federal spending for subsidies would be reduced, CBO said. The exchanges would become operational more slowly and would enroll fewer people in their first years without federal funds, CBO also said.

The CBO report assumed that states would still move forward to create exchanges but that the federal government would be required to take responsibility for setting them up in more states than if the health care law remained intact. Under the health care overhaul, the federal government sets up exchanges if states decide not to do so. The secretary of Health and Human Services must approve each state's exchange plan by January 2014. If a state isn't ready to operate its own exchange, the federal government takes over. The exchanges are expected to ramp up enrollment over time and not reach full participation until 2016.

If the repeal bill is approved, there might be some efficiencies in having the federal government operate the exchanges in more states, CBO said. But the process might be slowed because of the need to coordinate with states' Medicaid agencies to establish enrollment rules. Communication and coordination with local health insurers would also have to be set up and would take time, the report said.

States that set up their own exchanges, without federal grants, would be so slowed in becoming fully operational that they might not have the capacity to process enrollment requests, CBO said. Ultimately, that would result in 5 percent to 10 percent lower enrollment than what's expected in current law between 2014 and 2016. CBO estimated that by 2015 there would be almost 2 million fewer people enrolled in exchanges than had been expected.