



April 14, 2017

Keith Hall
Director, Congressional Budget Office
D St. SW & 2nd St SW
Washington D.C., 20515

Director Hall,

As a follow-up to our recent letter on the budget impact of not funding Cost-Sharing Reduction (CSR) subsidies, Covered California would like to provide two additional analyses for your consideration. Attached please find:

- **Potential Impact to the Federal Budget of Not Directly Funding Cost Sharing Reduction Subsidies.** This analysis expands on our previous research, and examines the nationwide impact to the federal budget in the event that CSR subsidies are not funded directly. As a result of defunding CSRs, health plans would implement rate increases to pay for the CSR subsidies, which would increase federal spending for Advanced Premium Tax Credits (APTC). Our analysis finds that total federal spending would increase by approximately \$47 billion to \$80 billion in a ten-year period because the increased APTC spending would far exceed the cost of funding CSRs directly.
- **Supporting Risk Stabilization and Potential Positive Impact on Reducing Federal Spending for Advanced Premium Tax Credits by Funding Reinsurance.** This analysis examines the potential impact of funding a \$15 billion Stability Fund for 2018 and 2019 as introduced in the American Health Care Act. Our analysis shows that such a fund, if used to operate a national reinsurance program, would reduce 2018 premiums by about 15 percent for 2018. In addition, the cost to the federal government would be less than \$5 billion, as the fund would lead to a reduction of APTC payments.

Thank you for your consideration. If you have any questions, feel free to reach out to me at (916) 228-8699 or my staff.

Sincerely,

Peter V. Lee
Executive Director

cc: Jessica Banthin, Deputy Assistant Director, Congressional Budget Office

Attachments:

- [Supporting Risk Stabilization and Potential Positive Impact on Reducing Federal Spending for Advanced Premium Tax Credits by Funding Reinsurance](#); April 14, 2017
- [Potential Impact to the Federal Budget of Not Directly Funding Cost Sharing Reduction Subsidies](#); April 14, 2017