

# State Exchange Budget Management: Key Considerations

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS for MEDICARE & MEDICAID SERVICES  
Center for Consumer Information and Insurance Oversight

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# Overview

- The Affordable Care Act (ACA) requires that by January 1, 2015, Exchanges have sufficient funding to support their operations
- While some previously awarded 1311 monies may be obligated after this date for final establishment activities, the on-going 'run rate' of Exchange operations must be absorbed by the Exchanges themselves
- A clearly defined long-term operational and budget management plan is vital to the success of any Exchange

# Operational costs distribution (approximate estimate)

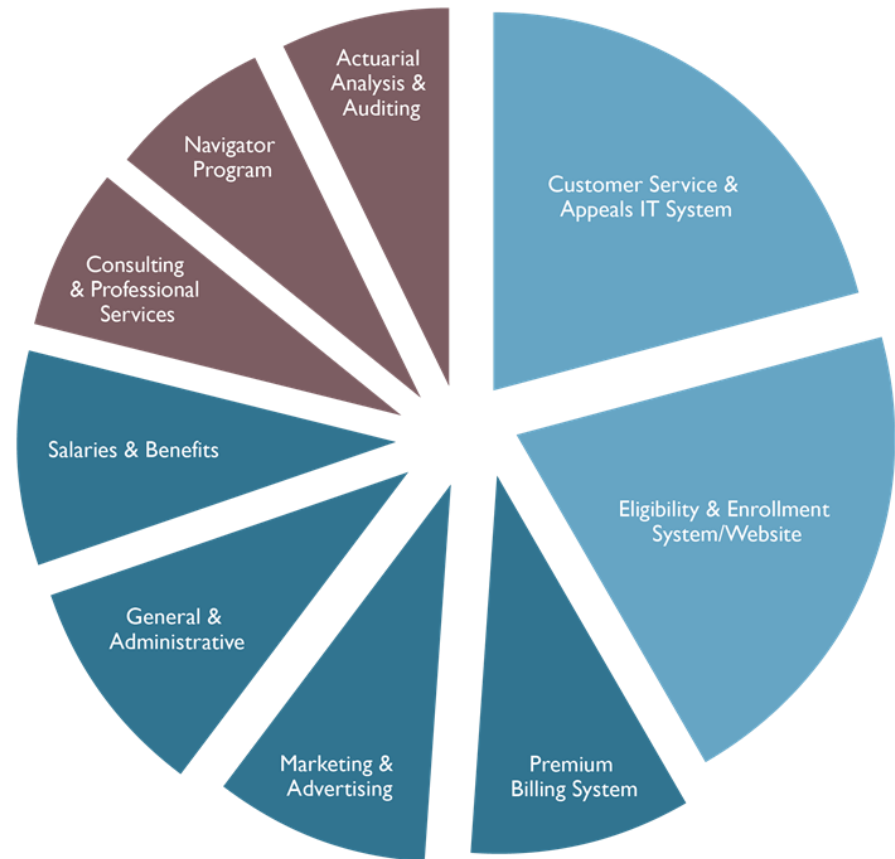
## Key Exchange Budget Cost Drivers

(relative impact of major cost drivers on total budget)

Relative Budget Impact:

- High
- Medium
- Low

Note: Components' relative budget impacts are based on a review of present State budgets. The categories included are major cost drivers only and may not represent 100% of a State's Exchange budget. The chart illustrates potential costs only.



# Medicaid and CHIP in a Federally-facilitated Exchange

- State Medicaid and Children's Health Insurance Program (CHIP) programs will:
  - **NOT** contribute to the costs associated with a Federally-facilitated Exchange
  - Contribute costs for establishing, testing and maintaining information transfer interfaces between the Medicaid and CHIP programs and the Federally-facilitated Exchange
  - Receive 90% Federal medical assistance percentage (FMAP) matching funds for IT builds
  - States will need to allocate the costs of their IT system proposals, considering OMB Circular A-87, between the Exchanges, Medicaid, and CHIP

# Questions?

If you have questions about long term cost management, please contact:

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