

GAO Highlights

Highlights of [GAO-13-543](#), a report to congressional requesters

Why GAO Did This Study

PPACA required the establishment of health insurance exchanges and a process for the annual review of unreasonable increases in insurance premiums charged by issuers of health coverage in each state. To assist states in establishing exchanges and in enhancing their ability to review issuers' premium rate increases, the law established new grant programs under which HHS is authorized to award grants to states through 2014. The law appropriated an unspecified amount of funds for exchange grants, and appropriated \$250 million to HHS for rate review grants. GAO was asked to provide information on HHS's processes to award and oversee these grants. In this report, GAO describes (1) the process HHS uses to award exchange and rate review grants to states; (2) the amounts of grants and key activities states funded through the grants; and (3) HHS's process for overseeing states' use of the grants.

GAO reviewed laws, regulations, and HHS's procedures that established the processes for awarding the grants. GAO obtained and analyzed data on all exchange and rate review grants awarded from August 2010 through March 2013. GAO also reviewed HHS's procedures for overseeing the grants, and interviewed officials responsible for grants oversight. HHS provided technical comments on a draft of this report, which GAO incorporated as appropriate.

View [GAO-13-543](#). For more information, contact John E. Dicken at (202) 512-7114 or dickenj@gao.gov.

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PATIENT PROTECTION AND AFFORDABLE CARE ACT

HHS's Process for Awarding and Overseeing Exchange and Rate Review Grants to States

What GAO Found

The Department of Health and Human Services (HHS) has a structured process for awarding Patient Protection and Affordable Care Act (PPACA) exchange and rate review grants to states. These grants are designed to help states establish exchanges—new health insurance marketplaces through which individuals and small businesses can obtain insurance—and review issuers' proposed rate increases. The grant award process consists of a series of steps during which the agency solicits, screens, and evaluates grant applications, and then makes funding awards. Once HHS deems that applications meet program eligibility criteria, applications go through various reviews, including a review by independent experts and HHS officials. On the basis of these reviews, HHS determines whether states' proposed activities are allowable, and if so, whether the associated requests for grant funding are reasonable. Based on recommendations from the reviews, HHS determines whether to award grants to states, and if so, the amounts of any grants to be awarded.

As of March 27, 2013, HHS had awarded about \$3.8 billion in PPACA exchange and rate review grants that states have used or plan to use to develop exchanges and enhance rate review capabilities. This includes nearly \$3.7 billion in exchange grants awarded to 49 states and the District of Columbia. Among states that have received exchange grants, the amount of funding provided to states ranges from \$0.8 million (Wyoming) to about \$911 million (California). Approximately half the states were awarded under \$30 million in exchange grant funding, while 10 states were awarded over \$100 million. As of February 2013, states had drawn down approximately \$380 million of their exchange grant funds. GAO's review of a subset of exchange grantee financial reports indicated that nearly 80 percent of expenditures have been for contracts and consulting services, much of which states spent on key activities for developing exchange information technology systems. HHS also awarded about \$159 million in rate review grants to 46 states and the District of Columbia, much of which has funded five key activities, including expanding the scope of rate review programs and enhancing the transparency of the rate review process.

HHS's process for overseeing states' use of PPACA grant funds consists of several mechanisms. The agency regularly monitors states' grant activities through its review of program and financial information reported by states, as well as ongoing communication with grantees. HHS's process also includes mechanisms to periodically verify state-reported information, including its analysis of states' withdrawal of grant funds and site visits. To date, however, use of site visits has been limited. HHS has a number of mechanisms it can utilize, such as restricting a grantee's access to funds, if its monitoring identifies concerns or compliance issues, but agency officials indicated they have not identified any misuse of grant funds or compliance issues to date.