



Testimony

Before the Subcommittee on Cybersecurity, Infrastructure Protection, and Security Technologies, Committee on Homeland Security, and the Subcommittee on Energy Policy, Health Care, and Entitlements, Committee on Oversight and Government Reform, House of Representatives

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PATIENT PROTECTION AND AFFORDABLE CARE ACT

Status of CMS Efforts to Establish Federally Facilitated Health Care Exchanges and the Federal Data Services Hub

Statement of John E. Dicken
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Chairmen Meehan and Lankford, Ranking Members Clarke and Speier, and Members of the Subcommittees:

I am pleased to be here today to discuss the efforts of the Centers for Medicare & Medicaid Services (CMS) to establish federally facilitated exchanges (FFE) and the federal data services hub (data hub). The Patient Protection and Affordable Care Act (PPACA) required the establishment in all states of exchanges,¹ which are marketplaces where eligible individuals can compare and select health insurance plans. CMS must oversee the establishment of exchanges, including approving states to operate a state-based exchange or establishing and operating one itself in states that will not do so, referred to as an FFE. In establishing the framework within which an FFE in a particular state will be established and operated, CMS has provided states with the option to assist with certain FFE functions.

All exchanges, whether state-based or FFE, will be required to perform certain activities, many of which fall into the core functions of eligibility and enrollment,² plan management,³ and consumer assistance.⁴ To support the exchanges' efforts to determine exchange applicants' eligibility to enroll, CMS is building a tool called the data hub. According to CMS officials, the data hub is to provide one electronic connection to federal sources for near real-time access to data,⁵ as well as provide

¹In this statement, the term "state" includes the District of Columbia.

²The eligibility and enrollment function includes the requirement that the exchange determine an individual's eligibility for enrollment into a health insurance plan and for income-based financial subsidies. In order to enroll in health insurance coverage offered through an exchange, individuals must complete an application and meet certain eligibility requirements defined by PPACA; for example, they must be U.S. citizens or legal immigrants.

³The plan management function includes the development and implementation of processes and standards by the exchange to certify qualified health plans (QHP) for inclusion in the exchange, or to decertify them, as needed.

⁴The consumer assistance function includes the requirement for each exchange to provide a call center, website, and in-person assistance to support consumers in filing an application, obtaining an eligibility determination, comparing coverage options, and enrolling in a QHP. Other consumer assistance function activities include outreach and awareness activities.

⁵Near real-time refers to a system capability to deliver data in response to transactions one at a time, as they occur.

access to state and other data sources needed to verify consumer exchange application information. Enrollment in the exchanges begins on October 1, 2013, with coverage effective January 1, 2014.

This statement highlights key findings from our June 2013 report that describes the status of CMS efforts to establish FFEs and the data hub.⁶ In that report, we described (1) the federal government's role in establishing FFEs for operation in 2014 and state participation in that effort; (2) the status of federal and state actions taken and planned for FFEs and the data hub; and (3) CMS spending to support establishment of FFEs and the data hub.

For that report, we reviewed regulations and guidance issued by CMS in preparation for establishing the FFEs, and documents indicating the activities that the federal government and states are expected to carry out for these exchanges. We also reviewed planning documents CMS used to track the implementation of federal and state activities, including documents describing the development and implementation of the data hub. We interviewed CMS officials responsible for establishment of the exchanges. We relied largely on documentation provided by CMS—including information CMS developed based on its contacts with the states—regarding the status of the exchanges and did not interview state officials or collect information directly from states. We also reviewed data received from CMS on funding obligated for contracts and interagency agreements from fiscal year 2010 through March 31, 2013, to assist in the development and operation of the FFEs and the data hub and carry out certain other exchange-related activities. Our work was performed from February 2013 through June 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In brief, our work found that CMS will operate a health insurance exchange in the 34 states that will not operate a state-based exchange for 2014. While CMS will retain full authority over each of these 34 FFEs,

⁶GAO, *Patient Protection and Affordable Care Act: Status of CMS Efforts to Establish Federally Facilitated Health Insurance Exchanges*, [GAO-13-601](#) (Washington, D.C.: June 19, 2013).

it planned to allow 15 of these states to assist it in carrying out certain FFE functions.⁷ However, the activities that CMS plans to carry out in these 15 exchanges, as well as in the 17 state-based exchanges, have evolved and may continue to change. For example, CMS approved states' exchange arrangements on the condition that states ultimately complete activities necessary for exchange implementation. Agency officials indicated that they were working with each state to develop mitigation strategies to ensure that all applicable exchange functions are operating in each state on October 1, 2013. CMS indicated that it would carry out more exchange functions if any state did not adequately progress towards implementation of all required activities.

CMS has completed many activities necessary to establish FFEs by October 1, 2013, although many remained to be completed and some were behind schedule. CMS issued numerous regulations and guidance and took steps to establish processes and data systems necessary to operate the exchanges. The activities remaining crossed the core exchange functional areas of eligibility and enrollment, plan management, and consumer assistance. For eligibility and enrollment, CMS expected to complete development and testing of the necessary information technology systems by October 1, 2013.

To support consumer-eligibility determinations, CMS is developing a data hub that will provide electronic, near real-time access to federal data, as well as provide access to state and third-party data sources needed to verify consumer-eligibility information. Effective use of the FFEs' eligibility and enrollment systems is dependent upon CMS's ability to provide the data needed to carry out eligibility determination and enrollment activities through the implementation of the data hub. CMS began conducting both internal and external testing for the data hub in October 2012, as planned.

According to program officials, CMS established milestones for completing the development of required data hub functionality by July 2013, and for full implementation and operational readiness by September 2013. Project schedules reflect the agency's plans to provide users access to the data hub for near real-time data verification services by October 1, 2013. In our June 2013 report, we noted that agency

⁷Specifically, CMS indicated that a state in which an FFE will operate can choose to assist with certain FFE functions, including the plan management function, consumer assistance function, or both.

officials stated that ongoing development and testing activities were expected to be completed to meet the October 1, 2013 milestone. Additionally, CMS has begun to establish technical, security, and data sharing agreements with federal partner agencies and states, as required by department-level system development processes.

While CMS stated that the agency had thus far met its project schedules and milestones for establishing agreements and developing the data hub, several critical tasks remained to be completed before the October 1, 2013, implementation milestone. According to CMS officials and the agency's testing timeline:

- Service Level Agreements (SLA) between CMS and the states, which define characteristics of the system once it is operational, such as transaction response time and days and hours of availability, were planned to be completed in July 2013;
- SLAs between CMS and its federal partner agencies that provide verification data were expected to be completed in July 2013; and
- completion of external testing with all federal partner agencies and all states was to be completed by the beginning of September 2013.

For plan management, CMS must review and certify the qualified health plans (QHP) that will be offered in the FFEs. Though the system used to submit applications for QHP certification was operational during the anticipated time frame, several key tasks regarding plan management, including certification of QHPs and inclusion of QHP information on the exchange websites, remained to be completed. In the case of consumer assistance, CMS had yet to complete many activities and some initial steps were behind. For example, funding awards for Navigators—a key consumer assistance program—had been delayed by about 2 months, which delayed training and other activities. CMS is also depending on the 15 states that will assist it in carrying out certain FFE functions to undertake activities to implement those functions, and CMS data show that many activities in these states remained to be completed and some were behind schedule. For example, two states had delayed the date by which they planned to select individuals who would provide in-person consumer assistance to those seeking to enroll in a QHP.

CMS data indicated that the agency spent almost \$394 million from fiscal year 2010 through March 31, 2013 through contracts⁸ to complete activities to establish the FFEs and the data hub and carry out certain other exchange-related activities.⁹ CMS officials said that these totals did not include CMS salaries and other administrative costs, but rather reflected the amounts obligated for contract activities. Ten contractors accounted for \$303.4 million (77 percent of total obligations) for activities to support establishment of FFEs and the data hub and to carry out certain other exchange-related activities. Specifically, their contracts were for projects related to information technology, the healthcare.gov website, call center, and technical assistance for the FFEs.

In conclusion, FFEs along with the data hub are central to the goal under PPACA of having health insurance exchanges operating in each state by 2014, and of providing a single point of access to the health insurance market for individuals. Their development has been a complex undertaking, involving the coordinated actions of multiple federal, state, and private stakeholders, and the creation of an information system to support connectivity and near real-time data sharing between health insurance exchanges and multiple federal and state agencies. Much progress has been made in establishing the regulatory framework and guidance required for this undertaking, and CMS has been taking steps to implement key activities of the FFEs, and developing, testing, and implementing the data hub. Nevertheless, much remains to be accomplished within a relatively short amount of time.

⁸We use the term “contract” to include contracts with private entities to carry out activities to establish the FFEs and the data hub, as well as certain other exchange-related activities, task orders for such activities under contracts with private entities that may encompass a broader range of activities, and interagency agreements for such activities. References to CMS “spending” are to the amounts obligated under these contracts, task orders, and interagency agreements. This total also includes amounts obligated by the Department of Health and Human Services under contracts, task orders, and interagency agreements in fiscal years 2010 and 2011, before the department transferred oversight of exchange implementation to CMS. An obligation is a definite legal commitment that will give rise to payment at some point in the future. An agency incurs an obligation, for example, when it awards a contract.

⁹CMS indicated that certain of these contracts supported activities, such as state oversight, financial management, and risk-adjustment model development, in which CMS would have engaged even if all states planned to operate their own exchanges in 2014.

CMS's timelines and targeted completion dates provide a roadmap to completion of the required activities by the start of enrollment on October 1, 2013. However, certain factors, such as the still-unknown and evolving scope of the exchange activities CMS will be required to perform in each state, and the large numbers of activities remaining to be performed—some close to the start of enrollment—suggest a potential for implementation challenges going forward. And while missed interim deadlines may not affect implementation, additional missed deadlines closer to the start of enrollment could do so. At the time of our report, CMS had recently completed risk assessments and plans for mitigating identified risks associated with the data hub, and was also working on strategies in each state to address state preparedness contingencies. Whether CMS's contingency planning will assure the timely and smooth implementation of the exchanges by October 2013 cannot yet be determined.

In commenting on a draft of the June 2013 report on which this statement is based, the Department of Health and Human Services emphasized the progress it has made in establishing the exchanges, and expressed its confidence that exchanges will be open and functioning in every state by October 1, 2013.

Chairmen Meehan and Lankford, Ranking Members Clarke and Speier, and Members of the Subcommittees, this concludes my statement. I would be pleased to respond to any questions you or other members of the subcommittees have.

GAO Contacts and Staff Acknowledgments

For questions about this statement, please contact John E. Dicken at (202) 512-7114 or dickenj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this statement include Randy Dirosa and Teresa Tucker, Assistant Directors; Sandra George; William Hadley; Thomas Murphy; and Laurie Pachter.

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