

GAO Highlights

Highlights of [GAO-14-694](#), a report to congressional requesters

Why GAO Did This Study

In March 2010, the Patient Protection and Affordable Care Act required the establishment of health insurance marketplaces by January 1, 2014. Marketplaces permit individuals to compare and select insurance plans offered by private insurers. For states that elected not to establish a marketplace, CMS was responsible for developing a federal marketplace. In September 2011, CMS contracted for the development of the FFM, which is accessed through Healthcare.gov.

When initial enrollment began on October 1, 2013, many users encountered challenges accessing and using the website. GAO was asked to examine various issues surrounding the launch of the Healthcare.gov website. Several GAO reviews are ongoing.

This report assesses, for selected contracts, (1) CMS acquisition planning activities; (2) CMS oversight of cost, schedule, and system capability changes; and (3) CMS actions to address contractor performance. GAO selected two task orders and one contract that accounted for 40 percent of CMS spending and were central to the website. For each, GAO reviewed contract documents and interviewed CMS program and contract officials as well as contractors.

What GAO Recommends

GAO recommends that CMS take immediate actions to assess increasing contract costs and ensure that acquisition strategies are completed and oversight tools are used as required, among other actions. CMS concurred with four recommendations and partially concurred with one.

View [GAO-14-694](#). For more information, contact William T. Woods at (202) 512-4841 or woodsw@gao.gov.

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HEALTHCARE.GOV

Ineffective Planning and Oversight Practices Underscore the Need for Improved Contract Management

What GAO Found

The Centers for Medicare & Medicaid Services (CMS) undertook the development of Healthcare.gov and its related systems without effective planning or oversight practices, despite facing a number of challenges that increased both the level of risk and the need for effective oversight. CMS officials explained that the task of developing a first-of-its-kind federal marketplace was a complex effort with compressed time frames. To be expedient, CMS issued task orders to develop the federally facilitated marketplace (FFM) and federal data services hub (data hub) systems when key technical requirements were unknown, including the number and composition of states to be supported and, importantly, the number of potential enrollees. CMS used cost-reimbursement contracts, which created additional risk because CMS is required to pay the contractor's allowable costs regardless of whether the system is completed. CMS program staff also adopted an incremental information technology development approach that was new to CMS. Further, CMS did not develop a required acquisition strategy to identify risks and document mitigation strategies and did not use available information, such as quality assurance plans, to monitor performance and inform oversight.

CMS incurred significant cost increases, schedule slips, and delayed system functionality for the FFM and data hub systems due primarily to changing requirements that were exacerbated by oversight gaps. From September 2011 to February 2014, FFM obligations increased from \$56 million to more than \$209 million. Similarly, data hub obligations increased from \$30 million to nearly \$85 million. Because of unclear guidance and inconsistent oversight, there was confusion about who had the authority to approve contractor requests to expend funds for additional work. New requirements and changing CMS decisions also led to delays and wasted contractor efforts. Moreover, CMS delayed key governance reviews, moving an assessment of FFM readiness from March to September 2013—just weeks before the launch—and did not receive required approvals. As a result, CMS launched Healthcare.gov without verification that it met performance requirements.

Late in the development process, CMS identified major performance issues with the FFM contractor but took only limited steps to hold the contractor accountable. In April and November 2013, CMS provided written concerns to the contractor about product quality and responsiveness to CMS direction. In September 2013, CMS program officials became so concerned about the contractor's performance that they moved operations to the FFM contractor's offices to provide on-site direction. At the time, CMS chose to forego actions, such as withholding the payment of fee, in order to focus on meeting the website launch date. Ultimately, CMS declined to pay about \$267,000 in requested fee. This represents about 2 percent of the \$12.5 million in fees paid to the FFM contractor. CMS awarded a new contract to another firm for \$91 million in January 2014 to continue FFM development. As of June 2014, costs on the contract had increased to over \$175 million due to changes such as new requirements and other enhancements, while key FFM capabilities remained unavailable. CMS needs a mitigation plan to address these issues. Unless CMS improves contract management and adheres to a structured governance process, significant risks remain that upcoming open enrollment periods could encounter challenges.