

# GAO Highlights

Highlights of [GAO-17-258](#), a report to congressional requesters

## Why GAO Did This Study

The Patient Protection and Affordable Care Act required the establishment of health insurance exchanges—or marketplaces—to allow consumers to compare, select, and purchase health insurance plans. States can elect to establish a state-based marketplace, or cede this authority to CMS to establish a federally facilitated marketplace. Some states had difficulties with the rollout and operation of their marketplaces, and some states that struggled with IT implementation are now using the federal marketplace IT platform.

GAO was requested to review CMS's and states' actions to implement the marketplaces. This report (1) describes CMS's actions to assist states that have chosen to transition to a different marketplace IT platform and identify costs and challenges those states incurred in making this transition; (2) assesses CMS's actions taken to assist selected states to ensure that the development and operations of marketplace IT systems can be financially self-sustained; and (3) assesses CMS's steps to monitor the performance of the states' marketplace IT systems. GAO reviewed documentation from CMS and four states selected based on different types of marketplaces, federal grants provided, and enrollment numbers, and interviewed CMS and the states' officials.

## What GAO Recommends

GAO recommends that CMS take six actions: ensure that states provide complete sustainability plans; complete financial audit reports; fully define its risk assessment process; complete updated performance measurement plans; align metrics with goals; and conduct operational analysis reviews. HHS concurred with two, partially concurred with two, and did not concur with two of GAO's recommendations, which GAO continues to believe are valid.

View [GAO-17-258](#). For more information, contact David A. Powner at (202) 512-9286 or [pownerd@gao.gov](mailto:pownerd@gao.gov).

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## HEALTH INSURANCE MARKETPLACES

# CMS Needs to Improve Its Oversight of State IT Systems' Sustainability and Performance

## What GAO Found

The Department of Health and Human Services' (HHS) Centers for Medicare & Medicaid Services (CMS) has offered assistance through providing periodic oversight and issuing regulation and guidance to states transitioning from state-based marketplaces to the federally based marketplace IT platform, including two states that GAO reviewed—Hawaii and Oregon—that had made that transition. While CMS provided these states with assistance, documented CMS transition guidance was not finalized until after the two states had completed their transition. The two states incurred costs of approximately \$84.3 million, collectively, to transition to the federal platform. The two states' transition efforts included making changes to their Medicaid systems, with these states mainly relying on Medicaid matching funds from CMS to do this. While the selected states successfully transitioned, they encountered challenges during their transitions, due to accelerated transition time frames, difficulties reassigning marketplace responsibilities, delays in receiving approvals from CMS, and trouble accessing historical consumer data in previous vendor-developed marketplace IT systems.

CMS took steps to assist Hawaii and Oregon, as well as two states that GAO selected for review that operated state-based marketplaces, Minnesota and New York, in developing plans for marketplace IT system sustainability. CMS assisted these four states by consulting with the states' officials and providing oversight of their sustainability plans, financial audit reports, and risk assessments. However, CMS did not fully ensure the states provided complete sustainability plans and financial audit reports. Further, CMS did not base its risk assessments on fully defined processes. These weaknesses limit CMS's oversight and assurance that it can be informed of the state marketplaces' sustainability efforts.

Although CMS established a process to monitor the performance of state-based marketplaces, CMS did not consistently follow its processes. For example, CMS did not ensure that the two selected states, Minnesota and New York, had developed, updated, and followed their performance measurement plans. Also, CMS did not conduct reviews to analyze the operational performance of these states' marketplace IT systems against an established set of parameters. Further, while CMS collected IT performance metrics from the two states, such as the number of electronic enrollments and website traffic volume, it did not link state metrics to goals or establish targets for performance. These weaknesses limit CMS's ability to determine if states' marketplace systems are performing efficiently, effectively, and to provide early warnings of potential problems (see table).

### GAO's Evaluation of CMS Sustainability and Performance Oversight For Selected State Health Insurance Marketplaces

Sustainability	CMS did not fully ensure complete sustainability plans and financial audit reports for Hawaii and Minnesota or fully define its risk assessment processes.
Performance	CMS did not ensure updated performance measurement plans and metrics were linked to goals for Minnesota or New York or conduct operational analysis reviews for these two states.

Source: GAO analysis of Centers for Medicare & Medicaid Services and state data. | [GAO-17-258](#)