

Why GAO Did This Study

A central provision of PPACA requires the establishment of exchanges in each state—online marketplaces through which eligible individuals and small business employers can compare and select health insurance coverage from participating health plans. Exchanges are to begin enrollment by October 1, 2013, with coverage to commence January 1, 2014. States have some flexibility with respect to exchanges by choosing to establish and operate an exchange themselves (i.e., state-based), or by ceding this authority to HHS (i.e., federally facilitated). States may also choose to enter into a partnership with HHS whereby HHS establishes the exchange and the state assists with operating various functions. According to HHS, 18 states will establish a state-based exchange, while 26 will have a federally facilitated exchange. Seven states will partner with HHS.

GAO was asked to report on (1) states' responsibilities for establishing exchanges, and (2) actions selected states have taken to establish exchanges and challenges they have encountered. To do this work, GAO reviewed PPACA provisions and HHS implementing regulations and guidance. GAO also conducted semistructured interviews with state officials in the District of Columbia, Iowa, Minnesota, Nevada, New York, Oregon, and Rhode Island. For this review, GAO refers to the District of Columbia as a state. GAO selected these states based on several criteria, such as a 3-year average of states' uninsured population and geographic dispersion. HHS and the seven states in our review provided technical comments on this report, which GAO incorporated as appropriate.

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HEALTH INSURANCE

Seven States' Actions to Establish Exchanges under the Patient Protection and Affordable Care Act

What GAO Found

The Patient Protection and Affordable Care Act (PPACA) and the Department of Health and Human Services (HHS) regulations, supplemented by HHS guidance, require states and American Health Benefit Exchanges (exchanges) to carry out a number of key functions, for which state responsibilities vary by exchange type. A state that chooses to operate its exchange is responsible for: (1) establishing an operating and governance structure, (2) ensuring exchanges are capable of certifying qualified health plans and making them available to qualified individuals, (3) developing electronic, streamlined, and coordinated eligibility and enrollment systems, (4) conducting consumer outreach and assistance, and (5) ensuring the financial sustainability of the exchange. A state that partners with HHS may assist HHS with certain functions, such as making qualified health plan recommendations and conducting aspects of consumer outreach and assistance.

Despite some challenges, the seven selected states in GAO's review reported they have taken actions to create exchanges, which they expect will be ready for enrollment by the deadline of October 1, 2013. For example:

- Six states will operate as a state-based exchange, with most choosing this option as a way to maintain control of their insurance markets and better meet the needs of their state's residents. The seventh state—Iowa—will partner with HHS.
- All seven states have taken steps toward deciding which qualified health plans would be included in the exchange. Two states have decided that their exchanges will have the authority to actively select which qualified health plans may participate in the exchange, while the remaining five states will allow all qualified health plans to participate in the exchange.
- All states are in various stages of developing an information technology (IT) infrastructure, including redesigning, upgrading, or replacing their outdated Medicaid and Children's Health Insurance Program eligibility and enrollment systems. Six states are also building the exchange IT infrastructure needed to integrate systems and allow consumers to navigate among health programs, but identified challenges with the complexity and magnitude of the IT projects, time constraints, and guidance for developing their systems.
- Six of the seven states included in our review are in various stages of developing a consumer outreach and assistance program to reach out to and help enroll potential consumers. As a partnership state, Iowa has not yet decided whether and to what extent it will assume responsibility for aspects of this function.
- Officials in the six state-based exchanges reported they are considering revenue options for financially sustaining their exchange. For example, three states plan to charge fees to insurance carriers participating in the exchange. However, some states reported challenges with developing these options, given uncertainties related to exchange enrollment, on which the fees are based.