



June 2013

PATIENT PROTECTION AND AFFORDABLE CARE ACT

Status of CMS Efforts to Establish Federally Facilitated Health Insurance Exchanges

GAO Highlights

Highlights of [GAO-13-601](#), a report to congressional requesters

Why GAO Did This Study

The Patient Protection and Affordable Care Act required the establishment in all states of exchanges—marketplaces where eligible individuals can compare and select health insurance plans. CMS must oversee the establishment of exchanges, including approving states to operate one or establishing and operating one itself in states that will not do so. CMS will approve states to assist it in carrying out certain FFE functions. CMS will also operate an electronic data hub to provide eligibility information to the exchanges and state agencies. Enrollment begins on October 1, 2013, with coverage effective January 1, 2014. GAO was asked to examine CMS's role and preparedness to establish FFEs and the data hub. In this report, GAO describes (1) the federal government's role in establishing FFEs for operation in 2014 and state participation in that effort; and (2) the status of federal and state actions taken and planned for FFEs and the data hub.

GAO reviewed regulations and guidance issued by CMS and documents indicating the activities that the federal government and states are expected to carry out for these exchanges. GAO 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. GAO also interviewed CMS officials responsible for establishment of the exchanges. GAO 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 or collect information directly from states.

View [GAO-13-601](#). For more information, contact John Dicken at (202) 512-7114 or dickenj@gao.gov.

June 2013

PATIENT PROTECTION AND AFFORDABLE CARE ACT

Status of CMS Efforts to Establish Federally Facilitated Health Insurance Exchanges

What GAO Found

The Centers for Medicare & Medicaid Services (CMS) will operate a health insurance exchange in the 34 states that will not operate a state-based exchange for 2014. Of these 34 federally facilitated exchanges (FFE), 15 are in states expected to assist CMS in carrying out certain FFE functions. However, the activities that CMS plans to carry out in these 15 exchanges, as well as in the state-based exchanges, have evolved and may continue to change. For example, CMS approved states' exchange arrangements on the condition that they ultimately complete activities necessary for exchange implementation. CMS indicated that it would carry out more exchange functions if any state did not adequately progress towards implementation of all required activities.

CMS completed many activities necessary to establish FFEs by October 1, 2013, although many remain 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 cross the core exchange functional areas of eligibility and enrollment, plan management, and consumer assistance. To support consumer-eligibility determinations, for example, 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. While CMS has met project schedules, several critical tasks, such as final testing with federal and state partners, remain to be completed. 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, remain to be completed. In the case of consumer assistance, for example, funding awards for Navigators—a key consumer assistance program—have been delayed by about 2 months, which has delayed training and other activities. CMS is also depending on the states to implement specific FFE exchange functions, and CMS data show that many state activities remained to be completed and some were behind schedule.

Much progress has been made, but much remains to be accomplished within a relatively short amount of time. CMS's timelines provide a roadmap to completion; however, factors such as the still-evolving scope of CMS's required activities in each state and the many activities yet to be performed—some close to the start of enrollment—suggest a potential for challenges going forward. And while the missed interim deadlines may not affect implementation, additional missed deadlines closer to the start of enrollment could do so. CMS recently completed risk assessments and plans for mitigating risks associated with the data hub, and is also working on strategies to address state preparedness contingencies. Whether these efforts will assure the timely and smooth implementation of the exchanges by October 2013 cannot yet be determined.

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

Contents

Letter		1
	Background	5
	CMS Expects to Operate an Exchange in Most States, but Planned CMS and State Exchange Activities Continue to Evolve	14
	CMS Completed Many Activities to Establish FFEs and the Data Hub by the Beginning of Open Enrollment, Although Completion of Some Activities Was Behind Schedule	19
	CMS Spent Almost \$394 Million through Contracts to Support Establishment of the FFEs and Data Hub and to Carry Out Certain Other Exchange-Related Activities as of March 2013	30
	Concluding Observations	33
	Agency Comments	34
Appendix I	Contractors Supporting the Federally Facilitated Exchanges and Data Hub and Amounts Obligated	35
Appendix II	Comments from the Department of Health and Human Services	45
Appendix III	GAO Contact and Staff Acknowledgments	47
Tables		
	Table 1: Examples of Activities Completed by CMS to Establish Federally Facilitated Exchanges (FFE), Including Partnership Exchanges	20
	Table 2: Other CMS and State Consumer Assistance and Outreach Activities to be Completed Prior to Initial Enrollment in the Federally Facilitated Exchanges (FFE), as of May 2013	29
	Table 3: CMS Obligations for Contracts That Support the Establishment of Federally Facilitated Exchanges (FFE) and the Data Hub by Largest Project Type, through March 31, 2013	32
	Table 4: CMS Obligations for Contracts That Support Federally Facilitated Exchanges (FFE) and Data Hub Establishment by Largest Contractor, through March 31, 2013	33

Table 5: Contractors Supporting Establishment of the Federally Facilitated Exchanges (FFE) and Data Hub and Amounts Obligated, Fiscal Year 2010 through March 31, 2013	35
--	----

Figures

Figure 1: Health Insurance Exchange Arrangements for 2014, as of May 10, 2013	15
Figure 2: Timeline for CMS Data Hub Activities to Be Completed Prior to Initial Enrollment, as of May 2013	24
Figure 3: Timeline for Plan Management Activities to Be Completed by CMS and States for Federally Facilitated Exchanges (FFE) Prior to Initial Enrollment, as of May 2013	26
Figure 4: Timeline for Navigator and In-Person Consumer Assistance Activities to Be Completed by CMS and States Prior to Initial Enrollment, as of May 2013	28
Figure 5: CMS Obligations for Contracts That Support the Establishment of Federally Facilitated Exchanges (FFE) and the Data Hub, by Appropriation Account, through March 31, 2013	31

Abbreviations

BSD	Business Service Definitions
CHIP	State Children's Health Insurance Program
CMS	Centers for Medicare & Medicaid Services
data hub	federal data services hub
DHS	Department of Homeland Security
DOD	Department of Defense
FFE	federally facilitated exchange
HCERA	Health Care and Education Reconciliation Act of 2010
HHS	Department of Health and Human Services
IRS	Internal Revenue Service
OPM	Office of Personnel Management
PPACA	Patient Protection and Affordable Care Act
QHP	qualified health plan
SHOP	Small Business Health Options Program
SLA	Service Level Agreements
SSA	Social Security Administration
VHA	Veterans Health Administration

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



June 19, 2013

The Honorable Orrin G. Hatch
Ranking Member
Committee on Finance
United States Senate

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
House of Representatives

The Honorable Darrell Issa
Chairman
Committee on Oversight and Government Reform
House of Representatives

The Patient Protection and Affordable Care Act (PPACA) requires the establishment in all states¹ of health insurance exchanges—marketplaces where eligible individuals can compare and select among insurance plans offered by participating private issuers of health coverage.² The Department of Health and Human Services' (HHS) Centers for Medicare & Medicaid Services (CMS) is responsible for overseeing the establishment of these exchanges. Enrollment in the exchanges is to begin on October 1, 2013, and the exchanges are to become operational and offer health coverage starting on January 1, 2014. The Congressional

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

²Pub. L. No. 111-148, §§ 1311(b), 1321(c), 124 Stat. 119, 173, 186 (Mar. 23, 2010) (hereafter, "PPACA"), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-52, 124 Stat. 1029 (Mar. 30, 2010) (hereafter, "HCERA"). In this report, references to PPACA include any amendments made by HCERA.

PPACA also requires the creation of similar exchanges, called Small Business Health Options Program (SHOP) exchanges, where small employers can shop for and purchase health coverage for their employees. We are separately reporting on the implementation of SHOP exchanges. See GAO, Patient Protection and Affordable Care Act: Status of Federal and State Efforts to Establish Health Insurance Exchanges for Small Businesses, [GAO-13-614](#) (Washington, D.C.: June 19, 2013).

Budget Office estimated that about 7 million individuals will enroll in exchanges by 2014, increasing to about 24 million by 2022.³

The exchanges are intended to provide a seamless, single point of access for individuals to enroll into private health plans, apply for income-based financial subsidies established under the law, and, as applicable, obtain an eligibility determination for other health coverage programs, such as Medicaid or the State Children's Health Insurance Program (CHIP).⁴ 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. To support exchanges' efforts to determine applicants' eligibility to enroll, CMS is building a tool called the federal data services hub (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, as well as provide access to state and other data sources needed to verify consumer exchange application information.⁵

PPACA directed states to establish state-based exchanges by January 1, 2014.⁶ In states electing not to establish and operate such an exchange, PPACA requires the federal government to establish and operate an exchange in the state, referred to as a federally facilitated exchange (FFE).⁷ As a result, the federal government's role with respect to an exchange for any given state—in particular, whether it will establish an exchange or oversee a state-based exchange in the state—is dependent

³Congressional Budget Office, *Effects on Health Insurance and the Federal Budget for the Insurance Coverage Provisions in the Affordable Care Act—May 2013 Baseline* (Washington, D.C.: May 14, 2013).

⁴Medicaid is a joint federal-state program that finances health care coverage for certain low-income individuals. CHIP is a federal-state program that provides health care coverage to children 18 years of age and younger living in low-income families whose incomes exceed the eligibility requirements for Medicaid.

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

⁶PPACA, § 1311(b)(1), 124 Stat. at 173. We recently reported on the preparatory actions of selected state-based exchanges. See GAO, *Health Insurance: Seven States' Actions to Establish Exchanges Under the Patient Protection and Affordable Care Act*, [GAO-13-486](#) (Washington, D.C.: Apr. 30, 2013).

⁷PPACA, § 1321(c), 124 Stat. at 186.

on state decisions. As directed by PPACA, FFEs must carry out the same functions as exchanges established and operated by a state. The federal government bears responsibility for establishing and operating FFEs; however, in establishing the framework within which an FFE in a particular state will be established and operated, CMS has provided states the option to assist with certain FFE operations. CMS refers to FFEs in these states as partnership exchanges. States seeking to operate a state-based exchange were required to submit an application to CMS containing attestations regarding when the state would complete specific required activities CMS deemed essential to operating an exchange. States electing not to establish a state-based exchange, but seeking to participate in a partnership exchange were required to complete an abbreviated version of that application tailored to the particular activities that the state would assist the FFE to carry out. On the basis of this documentation, CMS conditionally approved states to establish a state-based exchange or to participate in a partnership exchange on the basis that they complete the required activities by certain dates, among other steps necessary for the operation of an exchange. States electing not to establish a state-based exchange or participate in a partnership exchange were not required to submit an application to CMS.

As the required start of health plan enrollment draws near, an important question is whether CMS will have FFEs ready to begin accepting applications by October 1, 2013, and fully operational by January 1, 2014. You asked us to examine the federal government's role and preparedness to establish FFEs and the data hub, and the sources and amounts of funding used by the federal government to carry out preparatory activities. In this report, we describe

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.

To describe the federal government's role in establishing FFEs for operation in 2014 and state participation in that effort, we reviewed regulations and guidance issued by CMS in preparation for establishing the FFEs. We examined documentation from CMS indicating the activities that the federal government and states are expected to carry out for these exchanges. We also interviewed CMS officials to clarify these documents

and obtain updated information on the evolving decisions related to federal and state activities in specific areas.

To describe the status of federal and state actions taken and planned for FFEs and the data hub, we examined planning documents used by CMS to track the implementation of key activities to be conducted by the federal government to establish FFEs and the data hub. In particular, we reviewed a February 22, 2013, timeline used by CMS to track the activities that remained to be completed before the implementation of the exchanges. In addition, we developed a data collection instrument for CMS to complete about its key activities underway or planned for establishing the FFEs. The instrument asked CMS to provide information on the percent of each activity that it had completed, the expected or actual completion date, and a description of key activities completed and remaining to be completed. For those FFEs where states chose to participate in a partnership exchange, we examined the activities they agreed to perform as a requirement of their conditional approval from CMS. We examined those activities and targeted completion dates that were reported in the conditional approval letters issued from December 2012 through March 2013. CMS later provided us with an update on the status of certain of these activities as of April 24, 2013. We also interviewed CMS officials to understand CMS's plans for establishing FFEs and, in early May, obtained updated information on the status of key federal activities. We discussed with CMS other activities generally related to exchanges that the agency may have to perform if states planning to operate a state-based exchange or participate in a partnership exchange decide not to or are unable to perform as planned. To provide an overview of the status of CMS's development and implementation of the data hub, we reviewed project management documentation, such as plans, schedules, and technical documentation describing the data hub's functionality. We also assessed project management documents that described the extent to which CMS had completed steps towards implementing the data hub, such as evidence of test results and project milestone reviews. When examining the actions taken by the federal government and states, we relied largely on information and documents provided to us by CMS regarding the status of the exchanges—including information CMS developed based on its contacts and information exchanges with states—and did not interview or collect information directly from states.

To describe CMS spending to support establishment of FFEs and the data hub, we requested data from CMS on the sources of funding for activities conducted for the purpose of establishing the FFEs and the data

hub, including activities carried out by contractors, and the total amount of such funding obligated or expected to be obligated through fiscal year 2013. We received data from CMS on obligations 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.⁸ CMS provided the total amounts obligated, the appropriations account to which the obligations were charged, a brief description of the projects, and the contractors or other recipients of funds. CMS officials said the data do not include CMS staff salaries and other administrative expenses, which are not tracked specifically for the FFEs and the data hub. In addition, the data do not include obligations for grants CMS awarded to states to assist in the establishment of FFEs. We performed data reliability checks, such as checking the data for obvious errors and examining the actions taken by CMS to ensure its reliability. We determined that these data were sufficiently reliable for the purpose of this report.

We conducted this performance audit 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.

Background

Exchanges are intended to allow eligible individuals to obtain health insurance, and all exchanges, whether state-based or established and operated by the federal government, will be required to perform certain functions. The federal government's role with respect to an exchange for any given state is dependent on the decisions of that state.

Overview of Exchanges

PPACA required that exchanges be established in each state to allow consumers to compare health insurance options available in that state and enroll in coverage. Once exchanges are established, individual consumers will be able to access the exchange through a website, toll-

⁸CMS indicated that certain of these obligations supported activities, such as state oversight, financial management, and risk adjustment model development, in which CMS would have engaged in even if all states planned to operate their own exchange in 2014.

free call centers, or in person. The exchanges will present qualified health plans (QHP) approved by the exchange and offered in the state by the participating issuers of coverage.⁹ The benefits, cost-sharing features, and premiums of each QHP are to be presented in a manner that facilitates comparison shopping of plans by individuals. Once individuals wish to select a QHP, they will complete an application—through the exchange website, over the phone, in person, or by mailing a paper form—that collects the information necessary to determine their eligibility to enroll in a QHP.¹⁰ On the basis of the application, the exchange will determine individuals' eligibility for enrollment in a QHP, and also determine their eligibility for income-based financial subsidies—advance payment of premium tax credits and cost-sharing subsidies¹¹—to help pay for that coverage. Also at the time of the application, the exchange will determine individuals' eligibility for Medicaid and CHIP. After an individual has been determined to be eligible for enrollment in a QHP, the individual will be able to use tools on the exchange website to compare plans and make a selection. For individuals applying for enrollment in a QHP and for income-based financial subsidies, eligibility determinations and enrollment should generally occur on a near real-time basis, to be accomplished through the electronic transfer of eligibility information between the exchange and federal and state agencies, and through the electronic transfer of enrollment data between the exchange and QHP issuers. Assistance with the enrollment process will be provided to individuals either through the website, an established telephone call center, or in person.

To undertake these functions, all exchanges, including those established and operated by the federal government, will be required to perform

⁹The QHPs offered through the exchanges are required to meet certain benefit design, consumer protection, and other standards.

¹⁰To be eligible to enroll in a QHP through an exchange, an individual must be a U.S. citizen or a legal immigrant who is not incarcerated and must reside in the state in which the exchange operates.

¹¹Premium tax credits and cost-sharing subsidies were authorized by PPACA to help certain individuals and families with incomes between 100 percent and 400 percent of the federal poverty level pay for exchange coverage. To qualify for these income-based financial subsidies, individuals must also meet the criteria for eligibility for enrollment in a QHP and not be eligible for other health insurance coverage that meets certain standards. PPACA, § 1401(a), 124 Stat. at 213; 26 C.F.R. § 1.36(B)-2(a)(1).

certain activities, many of which fall within the core functions of eligibility and enrollment, plan management, and consumer assistance.

- **Eligibility and enrollment:** All exchanges will be required to determine an individual's eligibility for QHP enrollment, income-based financial subsidies, and enrollment in Medicaid and CHIP.¹² Exchanges will be required to enroll eligible individuals into the selected QHP or transmit information for individuals eligible for Medicaid or CHIP to the appropriate state agency to facilitate enrollment in those programs. The exchange is to use a single, streamlined enrollment eligibility system to collect information from an application and verify that information. CMS is building the data hub to support these efforts. The data hub is intended to provide data needed by the exchanges' enrollment eligibility systems to determine each applicant's eligibility. Specifically, the data hub will provide one electronic connection and near real-time access to the common federal data, as well as provide access to state and third party data sources needed to verify consumer application information. For example, the data hub is to verify an applicant's Social Security number with the Social Security Administration (SSA), and to access the data from the Internal Revenue Service (IRS) and the Department of Homeland Security (DHS) that are needed to assess the applicant's income, citizenship, and immigration status. The data hub is also expected to access information from the Veterans Health Administration (VHA), Department of Defense (DOD), Office of Personnel Management (OPM), and Peace Corps to enable exchanges to determine if an applicant is eligible for insurance coverage from other federal programs that would make them ineligible for income-based financial subsidies. In states in which an FFE will operate, the hub is also expected to access information from state Medicaid and CHIP agencies to identify whether FFE applicants are already enrolled in those programs.

¹²Rather than make an official eligibility determination for Medicaid and CHIP, an exchange may transmit the information to the appropriate state agency for a final eligibility determination and, if applicable, enrollment into Medicaid or CHIP. Exchanges are also required to redetermine the eligibility of an enrollee in a QHP on an annual basis. For example, the exchange is to reexamine information about income and family size for enrollees who apply for insurance affordability programs, such as Medicaid, CHIP, and income-based financial subsidies.

-
- **Plan management:** Exchanges will be required to develop and implement processes and standards to certify health plans for inclusion as QHPs and recertify or decertify them, as needed.¹³ As part of these processes, the exchange must develop an application for issuers of health coverage that seek to offer a QHP. The exchange must review a particular plan's data to ensure it meets certification standards for inclusion in the exchange as a QHP. The exchange must also conduct ongoing oversight and monitoring to ensure that the plans comply with all applicable regulations.
 - **Consumer assistance:** All exchanges will be required 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.¹⁴ Other consumer assistance function activities that exchanges must conduct are outreach and education to raise awareness of and promote enrollment in QHPs and income-based financial subsidies. One such form of consumer assistance required by PPACA is the establishment of Navigators—entities, such as community and consumer-focused nonprofit groups, to which exchanges award grants to provide fair and impartial public education regarding QHPs, facilitate selection of QHPs, and refer consumers as appropriate for further assistance.¹⁵

Federal and State Roles in Exchanges

The role of the federal government with respect to an exchange for a state is dependent on whether that state seeks to operate a state-based exchange. States can choose to establish exchanges as directed by PPACA and seek approval from CMS to do so. States electing to establish and operate a state-based exchange in 2014 were required to

¹³An exchange may initially certify a plan as a QHP if the plan meets the required minimum criteria and if the exchange determines that it is in the best interest of qualified individuals to have such a plan available. The annual recertification process, at a minimum, must include a review of the general certification criteria and must be completed on or before September 15 of the applicable calendar year. The exchange must also have the ability to decertify a plan at any time if the exchange determines that the QHP no longer meets the certification requirements.

¹⁴In general, exchanges are required to provide in-person assistance only for the purpose of assisting individuals to complete an application. However, exchanges operating as part of a partnership exchange will be required to offer more robust in-person assistance programs.

¹⁵PPACA, §1311(i), 124 Stat. at 180.

submit to CMS, by December 14, 2012, a declaration of intent and the “Blueprint for Approval of Affordable State-based and State Partnership Insurance Exchange.” Through this Blueprint, the state attests to how its exchange meets, or will meet, all legal and operational requirements associated with a state-based exchange. For example, the state must demonstrate that it will establish the necessary legal authority and governance, oversight, financial-management processes, and the core exchange functions of eligibility and enrollment, plan management, and consumer assistance.¹⁶ Although a state assumes responsibility for the exchange when it elects to operate a state-based exchange, it can choose to rely on the federal government for certain exchange-related activities, including determining individuals’ eligibility for income-based financial subsidies and activities related to reinsurance and risk adjustment.¹⁷ In addition, CMS will make financial subsidy payments to issuers on behalf of enrollees in all exchanges.

Under PPACA, if a state did not elect to establish a state-based exchange or is not approved by CMS to operate its own exchange, then CMS is required to establish and operate an FFE in that state. Although the federal government retains responsibility to establish and operate each FFE, CMS has identified possible ways that states may assist it in the day-to-day operation of these exchanges:

- CMS indicated that a state can choose to participate in an FFE through a partnership exchange by assisting CMS with the plan

¹⁶For each activity in the Blueprint, the state must attest to either the completion of the activity or its expected completion and provide a timeline and work plan. Depending on the activity, the state may also be required to provide supporting documentation.

¹⁷The regulations implementing PPACA allow state-based exchanges meeting certain requirements to rely on HHS’s determinations of eligibility for income-based subsidies. PPACA and implementing regulations provide for states, regardless of whether they are establishing an exchange, to create a transitional reinsurance program for 2014 through 2016 to help stabilize premiums for coverage in the individual market. HHS will establish a reinsurance program for any state that fails to establish this program. PPACA and implementing regulations also provide that, beginning with the 2014 benefit year, states electing to operate a state-based exchange may establish a permanent risk adjustment program for all nongrandfathered plans in the individual and small-group markets both inside and outside of the exchanges. HHS will establish this risk adjustment program for any state that will have an FFE, including a partnership exchange, or for states operating a state-based exchange but that do not elect to administer the risk adjustment program. These risk-spreading mechanisms are designed to mitigate the potential effect of adverse selection and provide stability for health insurance issuers in the individual and small-group markets.

management function, consumer assistance function, or both. According to CMS, the overall goal of a partnership exchange is to enable the FFE to benefit from efficiencies to the extent states have regulatory authority and capability to assist with these functions, help tailor the FFE to that state, and provide a seamless experience for consumers. The agency also noted that a partnership exchange can serve as a path for states toward future implementation of a state-based exchange.¹⁸ Although the states would assist in carrying out the plan management function, consumer assistance function, or both on a day-to-day basis, CMS would retain responsibility for these and all other FFE functions. For example, for plan management, states would recommend QHPs for certification, and CMS would decide whether to approve the states' recommendations and, if so, implement them. In the case of consumer assistance, states would manage an in-person assistance program and Navigators and may choose to conduct outreach and education activities. However, CMS would be responsible for awarding Navigator grants and training Navigators, and would operate the exchange's call center and website. By February 15, 2013, states seeking to participate in a partnership exchange had to submit a declaration letter and Blueprint to CMS regarding expected completion dates for key activities related to their participation.

- CMS indicated in guidance issued on February 20, 2013, that an FFE state choosing not to submit a Blueprint application for a partnership exchange by the February 15, 2013, deadline could still choose to assist it in carrying out the plan management function on a day-to-day basis.¹⁹ CMS officials said that, operationally, the plan management functions performed by these states will be no different than the functions performed by partnership exchange states. Instead of a Blueprint application, states interested in participating in this alternative type of arrangement had to submit letters attesting that the

¹⁸Through regulation, CMS has outlined a process for states, regardless of whether they participate in a partnership exchange, to seek approval to establish a state-based exchange after 2014. See 45 C.F.R. § 155-106.

¹⁹For the purposes of this report, we only refer to partnership states as those that have been conditionally approved to participate in partnership exchanges.

state would perform all plan management activities in the Blueprint application.²⁰

- Even in states in which CMS will operate an FFE without a state's assistance, CMS plans to rely on states for certain information. For example, it expects to rely on state licensure of health plans as one element of its certification of a QHP.²¹

After a state submits an application to operate a state-based exchange or participate in a partnership exchange, CMS may approve or conditionally approve the state for that status. Conditional approval indicates that the state had not yet completed all steps necessary to carry out its responsibilities in a state-based exchange or partnership exchange, but its exchange is expected to be ready to accept enrollment on October 1, 2013. To measure progress towards completing these steps, CMS officials indicated that the agency created a set of typical dates for when specific activities would need to be completed in order for the exchanges to be ready for the initial enrollment period. The agency then adapted those dates for each state establishing a state-based exchange or participating in a partnership exchange. The agency officials said that if the state indicated in its Blueprint that it planned to complete an activity earlier than CMS's typical targeted completion date, CMS accepted the state's earlier date. If the state proposed a date that was later than CMS's typical targeted completion date, the state had to explain the difference and CMS determined whether that date would allow the exchange to be ready for the initial enrollment period. The agency indicated that a state's conditional approval continues as long as it conducts the activities by the target dates agreed to with the individual state and demonstrates its ability to perform all required exchange activities.

²⁰CMS officials said that they considered whether to offer FFE states this type of arrangement for other functions. However, they noted that there are differences between plan management and consumer assistance that made the plan management function a better candidate for such an arrangement. In particular, they said that many elements of the plan management function are similar to those activities that states traditionally engage in as part of their role as an insurance regulator. Therefore, according to these officials, these states would not have to take many additional steps or incur large financial obligations to assist with an FFE's plan management function. They said that, in contrast, consumer assistance is more resource-intensive for the state.

²¹CMS indicated that it is coordinating with FFE states to ensure that CMS oversight efforts do not duplicate state efforts.

CMS's role in operating an exchange in a particular state may change for future years if states reassess and alter the roles they play in establishing and operating exchanges. For example, a state may be approved to participate in a partnership exchange in 2014 and then apply, and receive approval, to run a state-based exchange in 2015. Although the federal government would retain some oversight over the state-based exchange, the responsibility for operating the exchange would shift from the federal government to the state.

Funding for FFEs and the Data Hub

HHS indicated that it has drawn from several different appropriations to fund CMS activities to establish and operate FFEs and the data hub. These include the Health Insurance Reform Implementation Fund,²² HHS's General Departmental Management Account, and CMS's Program Management Account.²³ HHS also indicated that it plans to use funds from the Prevention and Public Health Fund and the agency's Nonrecurring Expenses Fund to pay for certain exchange activities in 2013.²⁴ Specifically, the agency plans to use these funds for activities that will assist with eligibility determinations and activities to make people

²²Congress established the \$1 billion Health Insurance Reform Implementation Fund for administrative expenses associated with carrying out PPACA. HCERA, § 1005, 124 Stat. at 1036.

²³The HHS General Departmental Management Account supports those activities associated with the Secretary's roles as chief policy officer and general manager of HHS in administering and overseeing the organization, programs, and activities of HHS. The CMS Program Management Account supports the agency's administration of programs under its management.

²⁴PPACA established the Prevention and Public Health Fund to fund programs authorized by the Public Health Service Act, for prevention, wellness, and public health activities including prevention research, health screenings, and initiatives, such as the Community Transformation grant program, the Education and Outreach Campaign Regarding Preventative Benefits, and immunization programs. PPACA, § 4002, 124 Stat. at 541. See GAO, *Prevention and Public Health Fund: Activities Funded in Fiscal Years 2010 and 2011*, [GAO-12-788](#) (Washington, D.C.: Sept. 13, 2012).

HHS's Nonrecurring Expenses Fund is a no-year account that captures expired unobligated balances from discretionary accounts prior to cancellation. HHS may use the fund for nonrecurring expenses such as facilities infrastructure, information technology infrastructure, or other department-wide secretarial priorities. Amounts in the fund may be obligated only after the Committees on Appropriations of the House of Representatives and the Senate are notified of the planned use of funds. Pub. L. No. 110-161, § 223, 121 Stat. 1844, 2188 (Dec. 26, 2007).

aware of insurance options and enrollment assistance available to them.²⁵ For fiscal year 2014, CMS has estimated that it will need almost \$2 billion to establish and operate the FFEs. Specifically, the President's fiscal year 2014 budget requests \$1.5 billion in appropriations for CMS's Program Management Account for the implementation and operation of the exchanges. In addition to this amount, it estimated that \$450 million in user fees will be collected from issuers of health coverage participating in the exchanges in fiscal year 2014 and credited to the Program Management Account.²⁶ According to the agency, these funds will be used for activities related to operation of the exchanges, including eligibility and enrollment, consumer outreach, plan oversight, SHOP and employer support, information-technology systems, and financial management.

In addition to these sources of funding, the agency also awarded grants with funds appropriated under section 1311 of PPACA to states in which an FFE will operate for activities related to the FFE. These include the plan management and consumer assistance activities that certain states will undertake on behalf of the FFE, as well as the development of state data systems to coordinate with the FFE.²⁷

²⁵This report does not discuss spending by other agencies to support the exchanges. For example, HHS announced on May 9, 2013, that the Health Resources and Services Administration would award approximately \$150 million to community health centers to provide in-person assistance to enroll uninsured individuals into health insurance coverage through an exchange, Medicaid, or CHIP. In addition, in June 2012, we reported that IRS planned to spend \$881 million through fiscal year 2013 to help implement the exchanges and other PPACA provisions, of which \$521 million was to come from HHS's Health Insurance Reform Implementation Fund. See GAO, *Patient Protection and Affordable Care Act: IRS Managing Implementation Risks, but Its Approach Could be Refined*, [GAO-12-690](#) (Washington, D.C.: June 13, 2012).

²⁶CMS indicated that it will collect user fees from issuers participating in FFE and partnership exchanges beginning in January 2014 to support exchange operations. PPACA requires that exchanges be self-sustaining by 2015, and allows exchanges to charge assessments, collect user fees, or to otherwise generate funding to support ongoing operations. PPACA, § 1311(d)(5), 124 Stat. at 177-78.

²⁷Section 1311 appropriates an amount necessary to enable HHS to make awards to states for activities related to establishing exchanges. For more information on the amounts awarded to each state and their use, see GAO, *Patient Protection and Affordable Care Act: HHS's Process for Awarding and Overseeing Exchange and Rate Review Grants to States*, [GAO-13-543](#) (Washington, D.C.: May 31, 2013).

CMS Expects to Operate an Exchange in Most States, but Planned CMS and State Exchange Activities Continue to Evolve

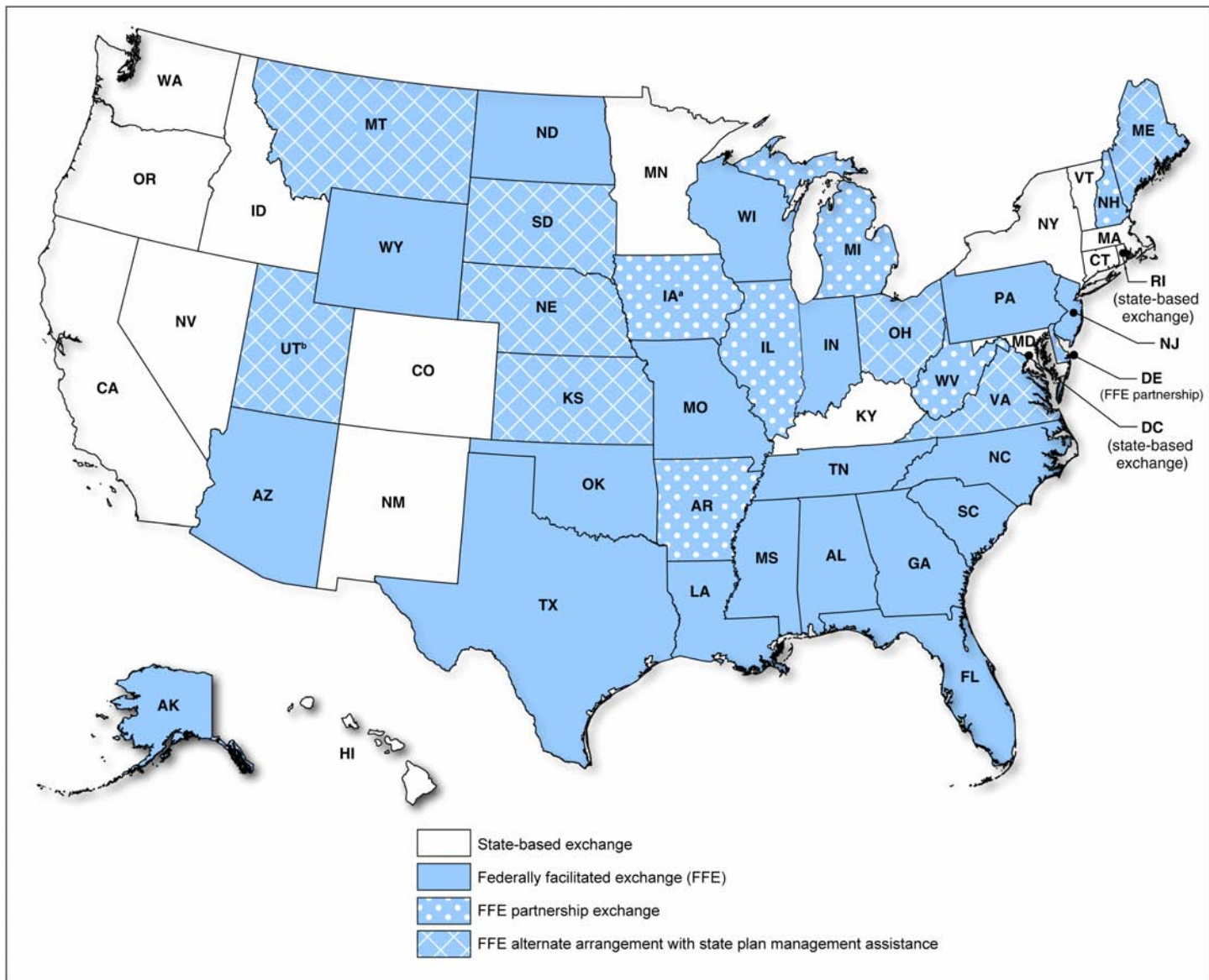
CMS expects to operate an FFE in 34 states in 2014. States are expected to assist with certain day-to-day functions in 15 of these FFEs. However, the precise activities that CMS and the states will perform have not been finalized and may continue to evolve.

CMS Expects to Operate FFEs, including Partnership Exchanges, in 34 States in 2014

For 2014, CMS will operate the exchange in 34 states, although it expects that states will assist in carrying out certain activities in almost half of those exchanges. As of May 2013, 17 states were conditionally approved by CMS to establish state-based exchanges. CMS granted conditional approval to these states in letters issued from December 2012 to January 2013. CMS is required to operate an FFE in the remaining 34 states. While CMS will retain full authority over each of these 34 FFEs, it plans to allow 15 of the states to assist it in carrying out certain exchange functions. Specifically, as of May 2013, CMS granted 7 FFE states conditional approval to participate in a partnership exchange. CMS issued these conditional approval letters from December 2012 to March 2013. Of the 7 partnership exchange states, 6 (Arkansas, Delaware, Illinois, Michigan, New Hampshire, and West Virginia) indicated that they planned to assist with both the plan management and consumer assistance functions of the exchange and 1 (Iowa) indicated that it would only assist with the plan management function. In an alternate arrangement, CMS plans to allow the other 8 of these 15 FFE states (Kansas, Maine, Montana, Nebraska, Ohio, South Dakota, Utah, and Virginia) to assist with the plan management function.²⁸ In the remaining 19 FFE states, CMS plans to operate all functions of an FFE without states' assistance for plan year 2014. (See fig. 1 for a map of exchange arrangements for 2014.)

²⁸CMS conditionally approved Utah to operate a state-based exchange in January 2013. However, on May 10, 2013, CMS indicated that, in response to Utah's request to operate only its SHOP as a state-based exchange and to have CMS operate its individual exchange, the agency would issue a proposed rule that, if finalized, would permit Utah to adopt this approach. On June 14, 2013, CMS released this proposed rule, which will be published in the Federal Register on June 19, 2013.

Figure 1: Health Insurance Exchange Arrangements for 2014, as of May 10, 2013



Source: GAO analysis of CMS information; Map Resources (map).

^aIowa planned to assist with the plan management function, and not the consumer assistance function.

^bOn May 10, 2013, CMS indicated that it intended that Utah would operate a state-based Small Business Health Options Program (SHOP) exchange, but the individual exchange would be an FFE, for which Utah would assist with plan management.

Some states also informed CMS of whether or not they chose to carry out certain other activities related to the exchanges.²⁹ First, CMS officials said that all states with an FFE are to notify CMS whether or not their relevant state agencies will determine the Medicaid/CHIP eligibility for individuals who submit applications to the FFE or if the states will delegate this function to the FFE.³⁰ As of May 2, 2013, CMS officials indicated that none of the 34 FFE states had notified CMS as to whether they would conduct Medicaid/CHIP eligibility determinations rather than delegate this responsibility to CMS. CMS officials indicated that states do not have a deadline for notifying CMS of their decisions on this area, but would have to do so before initial enrollment on October 1, 2013. Second, states notified CMS as to whether they would operate a transitional reinsurance program.³¹ CMS indicated that for plan year 2014, two state-based exchange states—Connecticut and Maryland—notified CMS that they would each operate a transitional reinsurance program, leaving CMS to operate programs in the remaining 49 states.

²⁹Although not specifically related to exchange operation, states are also informing CMS whether they are enforcing, or plan to enforce, new health insurance market reforms enacted under PPACA. Some of these reforms, including a provision prohibiting lifetime limits on the dollar value of benefits provided under a group or individual health plan, are already in effect; others, including a provision prohibiting issuers of group and individual health coverage from denying coverage or charging higher premiums because of preexisting conditions, do not take effect until 2014. These provisions apply whether a plan is offered on an exchange or outside of an exchange. States were asked to notify CMS whether they would enforce PPACA's health insurance market reforms. As required under a 1999 rule implementing the Health Insurance Portability and Accountability Act of 1996, CMS is required to enforce these and other health insurance market regulations under the Public Health Service Act in states that do not have authority to enforce them or otherwise fail to enforce them. CMS indicated that, as of April 8, 2013, 11 states notified CMS that they do not have the authority to enforce or are not otherwise enforcing PPACA insurance market provisions, leaving CMS to assume an enforcement role. CMS officials indicated that there is no deadline for this notification, but a notification is required of all states.

³⁰Even in those states in which the relevant state agencies will retain responsibility for determining QHP applicant eligibility for Medicaid and CHIP, the exchanges must have the capacity to screen QHP applicants for potential Medicaid and CHIP eligibility.

³¹PPACA and implementing regulations provide for states, regardless of whether they are establishing an exchange, to create a transitional reinsurance program for 2014 through 2016 to help stabilize premiums for coverage in the individual market. HHS will establish a reinsurance program for any state that fails to establish this program.

Planned CMS and State Activities to Establish Exchanges Have Evolved Recently and May Continue to Change

The activities that CMS and the states each plan to carry out to establish the exchanges have evolved recently. CMS was required to certify or conditionally approve any 2014 state-based exchanges by January 1, 2013.³² CMS extended application deadlines leading up to that date to provide states with additional time to determine whether they would operate a state-based exchange. On November 9, 2012, CMS indicated that in response to state requests for additional time, it would extend the deadline for submission of the Blueprint application for states that wished to operate state-based exchanges in 2014 by a month to December 14, 2012. The agency noted that this extension would provide states with additional time for technical support in completing the application. At the same time, the agency extended the application deadline for states interested in participating in a partnership exchange by about 3 months to February 15, 2013. In addition, the option for FFE states to participate in an alternative arrangement to provide plan management assistance to the FFE was made available to states by CMS in late February. CMS did not provide states with an explicit deadline for them to indicate their intent to participate in this arrangement, but CMS officials said April 1, 2013, was a natural deadline because issuers of health coverage had to know by then to which entity—CMS or the state—to submit health plan data for QHP certification.

The specific activities CMS will undertake in each of the state-based and partnership exchanges may continue to change if states do not make adequate progress toward completion of their required activities. When CMS granted conditional approval to states, it was contingent on states meeting several conditions, such as obtaining authority to undertake exchange activities and completing several required activities by specified target dates. For example, in April 2013, CMS officials indicated that Michigan—a state that had been conditionally approved by CMS in March to participate in a partnership exchange—had not been able to obtain passage of legislation allowing the state to use federal grant funds to pay for exchange activities, which had been a requirement of its conditional approval. As of May 2, 2013, CMS officials expected that Michigan would remain a partnership exchange state, but indicated that Michigan may not

³²There was no statutory deadline for approvals of partnership exchanges, as such exchanges were not specifically identified in PPACA.

be able to conduct consumer assistance without funding authority.³³ They noted, however, that a final decision about Michigan's responsibilities had not been determined. In addition, on May 10, 2013, CMS indicated that it intended to allow Utah's exchange, which was conditionally approved as a state-based exchange in January 2013, to now be an FFE.³⁴ Officials indicated that final approval for state-based and partnership exchanges will not be granted until the states have succeeded in completing required activities, and that some of these exchanges may still be under conditional approval when enrollment begins on October 1, 2013.

Agency officials indicated that they are 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 officials said that they are assessing the readiness of each state as interim deadlines approach. For example, issuers began submitting applications to exchanges for QHP certification on April 1, 2013. Therefore, CMS officials said that they began assessing state readiness for this activity in March 2013. They also indicated that CMS is doing this kind of assessment for each state as deadlines approach for other functions—such as eligibility and enrollment, and consumer assistance. If a state is not ready to carry out a specific responsibility, CMS officials said the agency will support them in this area. As of May 2, 2013, CMS had not granted final approval to any state to operate a state-based exchange or participate in a partnership exchange. If any state conditionally approved to operate a state-based exchange or to participate in a partnership exchange does not adequately progress towards implementation of all required activities, CMS has indicated that it would carry out more exchange functions in that state. CMS officials indicated that exchanges receiving this assistance would retain their status as a state-based or partnership exchange.

³³CMS officials noted that it is generally more resource intensive for states to implement consumer assistance activities than plan management activities, because, unlike plan management activities which are similar to traditional state insurance functions, consumer assistance is not a function in which states were previously engaged.

³⁴CMS indicated that Utah still intended to operate its SHOP exchange as a state-based exchange and that the agency would issue a proposed rule that, if finalized, would permit this arrangement. On June 14, 2013, CMS released this proposed rule, which will be published in the Federal Register on June 19, 2013.

CMS Completed Many Activities to Establish FFEs and the Data Hub by the Beginning of Open Enrollment, Although Completion of Some Activities Was Behind Schedule

CMS has completed many activities necessary to establish FFEs and the data hub. The agency established targeted completion dates for the many activities that remain to be completed by the beginning of initial enrollment on October 1, 2013, and certain activities were behind schedule.

CMS Issued Numerous Regulations and Guidance Necessary to Establish FFEs, and Made Progress in Each of the Core Exchange Functions and in Developing the Data Hub

CMS issued numerous regulations and guidance that it has said are necessary to set a framework within which the federal government, states, issuers of health coverage, and others can participate in the exchanges. For example, in March 2012, the agency issued a final rule regarding implementation of exchanges under PPACA, and in February 2013, it issued a final rule setting forth minimum standards that all health insurance issuers, including QHPs seeking certification on a state-based exchange or FFE, have to meet.³⁵ The March 2012 rule, among other things, sets forth the minimum federal standards that state-based exchanges and FFEs must meet and outlines the process a state must follow to transition between types of exchanges. The February 2013 rule specifies benefit design standards that QHPs must meet to obtain certification.³⁶ That rule also established a timeline for QHPs to be accredited in FFEs. CMS also issued a proposed rule related to the Navigator program on April 5, 2013.³⁷ This rule proposes conflict of interest, training, and certification standards that will apply to Navigators in FFEs.³⁸ CMS officials expected to issue this final rule prior to initial enrollment. CMS officials indicated that before initial enrollment begins in October 2013, they would propose an additional rule that would set forth exchange oversight and records retention requirements, among other

³⁵77 Fed. Reg. 18,310 (Mar. 27, 2012); 78 Fed. Reg. 12,834 (Feb. 25, 2013).

³⁶These standards also apply to health plans offered outside an exchange.

³⁷78 Fed. Reg. 20,581 (Apr. 5, 2013).

³⁸These conflict of interest, training, and certification standards also will apply to other in-person assistance personnel whose activities are funded with federal exchange grants.

things. On June 14, 2013, CMS released this proposed rule, which will be published in the Federal Register on June 19, 2013.

CMS also issued guidance specifically related to the establishment of FFEs and partnership exchanges to assist states seeking to participate in a partnership exchange and issuers seeking to offer QHPs in an FFE, including a partnership exchange. For example, the agency issued general guidance on FFEs and partnership exchanges in May 2012 and January 2013, respectively. On April 5, 2013, the agency issued guidance to issuers of health coverage seeking to offer QHPs through FFEs or partnership exchanges.

In addition to establishing the basic exchange framework for state-based exchanges and FFEs, including partnership exchanges, CMS also completed activities needed to establish the core FFE functions—eligibility and enrollment, including the data hub; plan management; and consumer assistance. (See table 1.)

Table 1: Examples of Activities Completed by CMS to Establish Federally Facilitated Exchanges (FFE), Including Partnership Exchanges

Core exchange function	Activities
Eligibility and enrollment	<ul style="list-style-type: none"> • In late January 2013, CMS released a draft of the online and paper applications that consumers will use to apply for health care coverage in the exchanges. Following a public comment period, the agency issued the final application on April 30, 2013, as planned. • CMS indicated that, since May 2012, it has consulted with, received feedback from, and provided training to issuers of health coverage on the eligibility and enrollment process standards for the exchanges. • According to agency officials, CMS has completed many of the activities required to support eligibility and enrollment data verification through the development and implementation of the data hub. These activities include, among other things, establishing connections with and access to data from federal and state systems, and testing of certain functionalities internal to CMS.
Plan management	<ul style="list-style-type: none"> • CMS indicated that it completed development of the information- technology systems necessary for it to carry out the plan management function, such as to collect plan data and certify qualified health plans (QHP). • CMS contracted with a vendor to help the agency certify QHPs that will be offered in FFEs, including partnership exchanges.^a Officials said that the contractor will review plan data, perform quality-assurance checks, and help CMS determine whether issuers applying for QHP certification are in full compliance with Patient Protection and Affordable Care Act (PPACA) requirements.

Core exchange function	Activities
Consumer assistance	<ul style="list-style-type: none"> <li data-bbox="427 464 1515 646">• In 2010, CMS awarded Consumer Assistance Program grants to 36 states and 4 territories,^b including 23 states with FFEs, in 2010. Although the grants were not for activities specific to the exchanges, CMS has indicated that grantees must collect data on consumer inquires and complaints to help the agency identify problems in the private insurance marketplace (both inside and outside the FFEs) and strengthen enforcement. Starting in 2014, programs must also help resolve problems with premium credits for exchange coverage and receive referrals from Navigators for QHP enrollees who have concerns about their coverage. <li data-bbox="427 657 1515 730">• CMS awarded a contract to a private vendor on February 28, 2013, for the development of training and quality-assurance metrics for the call center that will assist consumers who use the exchanges. <li data-bbox="427 741 1515 793">• CMS provided information to consumers about health care insurance and the operation of FFEs through its website, healthcare.gov.

Source: CMS.

Notes: Some of these activities also support the establishment of state-based exchanges. For example, Consumer Assistance Program grants were awarded to 13 states with state-based exchanges.

^aIn FFEs where the state will assist with the plan management function, the state will review plan data and make recommendations for certification to CMS.

^bPPACA appropriated \$30 million to the Secretary of Health and Human Services for the award of federal grants to states to establish, expand, or provide support for offices of health insurance consumer assistance or health insurance ombudsmen programs. PPACA, § 1002, 124 Stat. at 138. Consumer Assistance Program grants are to be used to assist consumers with filing health coverage complaints and appeals, assist consumers with enrollment into health coverage, and educate consumers on their rights and responsibilities with respect to such coverage. According to CMS, as of June 2013, there were Consumer Assistance Programs operating in 22 states and 1 territory.

CMS Established Timelines for Completing the Many Activities That Remain, Although Some Activities Were Behind Schedule

CMS established timelines to track its completion of the remaining activities necessary to establish FFEs. CMS has many key activities remaining to be completed across the core exchange functions—eligibility and enrollment, including development and implementation of the data hub; program management; and consumer assistance. In addition, the agency established targeted completion dates for the required activities that states must perform in order for CMS to establish partnership exchanges in those states. However, the completion of certain activities was behind schedule.

Eligibility and Enrollment

CMS expects to complete development and testing of the information technology systems necessary for FFEs to determine eligibility for enrollment into a QHP and to enroll individuals by October 1, 2013, when enrollment is scheduled to begin for the 2014 plan year. As of April 2013, CMS indicated that it still needed to complete some steps to enable FFEs to be ready to test development of key eligibility and enrollment functions, including calculation of advance payments of the premium tax credits and cost-sharing subsidies, verification of consumer income, and verification of citizenship or lawful presence. CMS indicated that these steps will be

completed in July 2013. For one activity—the capacity to process applications and updates from applications and enrollees through all channels, including in-person, online, mail, and phone—CMS estimated that the system will be ready by October 1, 2013. CMS officials said that redeterminations of consumer eligibility for coverage will not occur until the middle of 2014.

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. 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 hub for near real-time data verification services by October 1, 2013.

Agency officials stated that ongoing development and testing activities are 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. These include

- Business Service Definitions (BSDs), which describe the activities, data elements, message formats, and other technical requirements that must be met to develop, test, and implement capabilities for electronically sharing the data needed to provide various services, such as income and Social Security number verification.
- Computer Matching Agreements, which establish approval for data exchanges between various agencies' systems and define any personally identifiable information the connecting entity may access through its connection to the data hub; and
- Data Use Agreements, which establish the legal and program authority that governs the conditions, safeguards, and procedures under which federal or state agencies agree to use data.

For example, CMS officials stated that they established Data Use Agreements with OPM and the Peace Corps in April 2013 and completed

BSDs by mid-June.³⁹ Additionally, these officials plan to obtain final approval of Computer Matching Agreements with IRS, SSA, DHS, VHA, and DOD by July 2013.⁴⁰

CMS began conducting both internal and external testing for the data hub in October 2012, as planned. The internal testing includes software development and integration tests of the agency's systems, and the external testing begun in October included secured communication and functionality testing between CMS and IRS. These testing activities were scheduled to be completed in May 2013. CMS has also begun to test capabilities to establish connection and exchange data with other federal agencies and the state agencies that provide information needed to determine applicants' eligibility to enroll in a QHP or for income-based financial subsidies, such as advance premium tax credits and cost-sharing assistance, Medicaid, or CHIP. For example, CMS officials stated that testing with 11 states began on March 20, 2013, and with five more states in April. They also stated that, although originally scheduled to begin in April, testing with SSA, DHS, VHA and Peace Corps started early in May 2013 and that testing with OPM and DOD was scheduled to begin in July 2013. Additionally, CMS recently completed risk assessments and plans for mitigating identified risks that, if materialized, could negatively affect the successful development and implementation of the data hub.

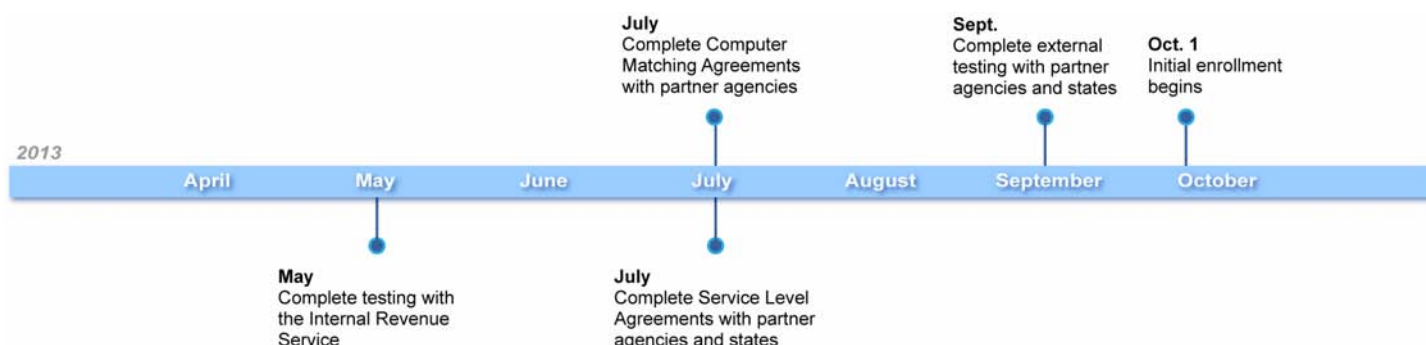
While CMS stated that the agency has thus far met project schedules and milestones for establishing agreements and developing the data hub, several critical tasks remain to be completed before the October 1, 2013, implementation milestone. (See fig. 2). According to CMS officials and the testing timeline:

³⁹According to CMS, the agency is required to establish Data Use Agreements only with OPM and the Peace Corps because these two entities provide batch files of data for processing data hub queries, which CMS stores in the data hub environment.

⁴⁰According to CMS, Computer Matching Agreements are required for data exchanges between CMS and IRS, SSA, DHS, VHA, and DOD because information is transmitted from the data hub and matched against the other agencies' records for use by the exchanges or Medicaid or CHIP agencies for use in eligibility determinations. The results of these matches are stored by the entity making the eligibility determination, but are not stored in the data hub environment.

- 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, are planned to be completed in July 2013;
- SLAs between CMS and its federal partner agencies that provide verification data are expected to be completed in July 2013; and
- Completion of external testing with all federal partner agencies and all states is to be completed by the beginning of September 2013.

Figure 2: Timeline for CMS Data Hub Activities to Be Completed Prior to Initial Enrollment, as of May 2013



Source: CMS.

Plan Management

The activities that remain for CMS to implement the plan management function primarily relate to the review and certification of the QHPs that will be offered in the FFEs. CMS has set time frames that it anticipates will allow it to certify and upload QHP information to the exchange website in time for initial enrollment. CMS indicated that its system for issuers of health coverage to submit applications for QHP certification was available by April 1, 2013, and issuers were to submit their applications by May 3, 2013.⁴¹ Once received, CMS, with the assistance of its contractor, expects to evaluate and certify health plans as QHPs by July 31, 2013. CMS will then allow issuers to preview and approve QHP information that will be presented on the exchange website by August 26,

⁴¹The deadline was originally April 30, 2013. CMS officials indicated that, on April 30, 2013, it pushed back the deadline for issuers to submit their applications to May 3, 2013.

2013. CMS then expects to finalize the QHP information and load it into the exchange website by September 15, 2013.

For those 15 FFEs for which states will assist with the plan management function, CMS will rely on the states to ensure the exchanges are ready by October 2013. In contrast to other FFE states in which CMS manages all aspects of the QHP application and certification process, these 15 states were to evaluate health issuer plan applications to offer a QHP in the exchange and submit recommendations to CMS regarding the plans to be certified as QHPs. CMS indicated that the states are expected to submit their recommendations by July 31, 2013, which is also when CMS expects to complete its evaluation of QHPs for the other FFE states.⁴² (See fig. 3.)

⁴²Seven of the 15 states submitted an application to CMS and were approved to assist with QHP certification and other plan management functions on the condition that they complete certain required activities by targeted completion dates. In contrast, an additional 7 states were not required to submit an application and CMS officials indicated that the agency has no formal monitoring relationship with the states. Instead, CMS conducted a 1-day review of these states in February and March to determine the states' operational plans and capacity to assist with the plan management functions. The last state, Utah, was originally conditionally approved to operate a state-based exchange. On May 10, 2013, CMS indicated that it intended to allow the exchange to instead operate as an FFE and the state attested that it would be able to assist with all aspects of the plan management function.

Figure 3: Timeline for Plan Management Activities to Be Completed by CMS and States for Federally Facilitated Exchanges (FFE) Prior to Initial Enrollment, as of May 2013



Source: CMS.

Note: The July 31, 2013, deadline for states to submit QHP certification recommendations to CMS applies to the 15 FFEs in which states agreed to assist with the plan management function. For the remaining 19 FFE states, issuers were to submit their QHP data to CMS by May 3, 2013.

Consumer Assistance

CMS has yet to complete many activities related to consumer assistance and outreach, and some initial steps were behind schedule. Specifically, several steps necessary for the implementation of the Navigator program in FFEs have been delayed by about 2 months. CMS had planned to issue the funding announcement for the Navigator program in February 2013 and have two rounds of awards, in June and September 2013. However, the announcement was delayed until April 9, 2013, and CMS officials indicated that there would be one round of awards, with an anticipated award date of August 15, 2013. CMS did not indicate the number of awards it expected to make, but noted that it expects that at least two types of applicants will receive awards in each of the 34 FFE states,⁴³ and at least one will be a community or consumer-focused nonprofit organization. CMS officials indicated that, despite these delays,

⁴³CMS indicated that it would award up to \$54 million to organizations and individuals in the 34 FFE states. It indicated that funds available for award would be allocated among states based on their numbers of uninsured, but at least \$600,000 would be available for award in each state. Texas was allocated the largest share of funding for award, \$8.2 million. CMS gave applicants until June 7, 2013, to submit their applications. Federal regulations require exchanges to award Navigator grants to at least two types of entities, including a community and consumer-focused nonprofit organization. 45 C.F.R. § 155.210(c)(2).

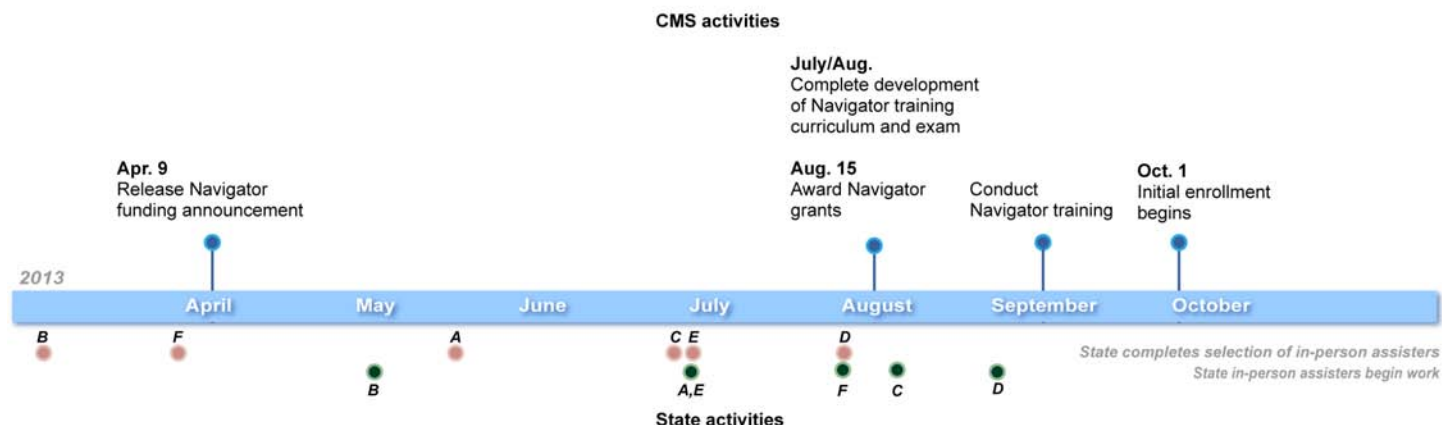
they planned to have Navigator programs operating in each FFE state by October 1, 2013.

Before any federally funded in-person assisters, including Navigators, can begin their activities, they will have to be trained and certified. For example, these individuals are required to complete an HHS-approved training program and receive a passing score on all HHS-approved certification exams before they are able to assist with enrollment activities.⁴⁴ CMS officials said that the required training for Navigators will be web-based, and it is under development. According to CMS, the Navigator training will be based on the training content that is being developed for agents and brokers in the FFEs and partnership exchanges, which CMS indicates is near completion. In addition, CMS is developing similar web-based training for the state partnership exchange in-person assistance programs. While CMS had planned to begin Navigator training in July 2013, under its current plan, the agency will not have awarded Navigator grants by this date. CMS indicated that it plans to complete development of the training curriculum and certification exam in July or August 2013. CMS officials expected that the training would begin in the summer of 2013, following completion of the curriculum and exam.

Each of the six partnership exchange states that CMS conditionally approved to assist with certain consumer assistance responsibilities plans to establish other in-person assistance programs that will operate in addition to Navigator programs in these states. The dates by which the states planned to release applications and select in-person assisters varied. (See fig. 4.) For example, according to the conditional approval letters, one partnership exchange state planned to select in-person assisters by March 1, 2013, to begin work by May 15, 2013, while another planned to make that selection by August 1, 2013, to begin work by September 1, 2013. Five of the states' required activities indicated that they planned to add state-specific modules to the required federal training for Navigators and in-person assisters.

⁴⁴CMS officials indicated that the agency is considering allowing Navigators to assist with outreach activities prior to completing their training. They expected this issue to be addressed in the final Navigator rule.

Figure 4: Timeline for Navigator and In-Person Consumer Assistance Activities to Be Completed by CMS and States Prior to Initial Enrollment, as of May 2013



Note: Under the state implementation activities, each letter denotes a different partnership exchange state. Six of the seven partnership exchange states indicated that they planned to assist with the consumer assistance function. The dates listed were identified in the conditional approval letters that CMS sent to the partnership exchange states between December 2012 and March 2013.

As of April 24, 2013, CMS indicated that these six partnership exchange states had made progress, but the completion of some activities was behind schedule.⁴⁵ For example, three states that had planned to release the applications to select in-person assisters by April 2013 had done so. While the deadline for most states to select in-person assisters had not passed as of April 24, 2013, there were delays for two states. One state that planned to select in-person assisters by March 15, 2013 delayed that deadline to May 30, 2013, while the other delayed it to June 15. CMS indicated that these delays are not expected to affect the implementation of these programs. However, the state now planning to complete selection by May 30, 2013, had originally planned to begin training assisters in March and begin work May 15, 2013. The second state had planned that in-person assisters would begin work August 1, 2013.

⁴⁵Michigan was conditionally approved by CMS to assist with the plan management and consumer assistance functions. However, CMS officials indicated that the state had not been able to obtain the legislative authority it needed to use federal grant funds to pay for exchange activities. Therefore, CMS officials indicated that Michigan may not be able to assist with the consumer assistance function. As of May 2, 2013, however, the state had not made a final determination about this responsibility.

CMS and states with partnership exchanges have also begun, and established time frames for, undertaking other outreach and consumer assistance activities that are necessary to implement FFEs. CMS recommended that in-person outreach activities begin in the summer of 2013 to educate consumers in advance of the open enrollment period. Examples of key activities that remain to be completed include the federal call center, healthcare.gov website, media outreach, and the consumer complaint tracking system for the FFEs. While states with partnership exchanges will utilize the federal call center and website, they have established plans for undertaking other outreach and consumer assistance activities. (See table 2.)

Table 2: Other CMS and State Consumer Assistance and Outreach Activities to be Completed Prior to Initial Enrollment in the Federally Facilitated Exchanges (FFE), as of May 2013

Activity	Implementation plans for CMS and partnership exchange states	
Call center	CMS	CMS awarded the contract for operation of the call center on April 15, 2013, with the call center to begin operations by June 2013.
	States	Partnership exchange states will use the federal call center.
Healthcare.gov website	CMS	CMS planned to relaunch the healthcare.gov website in June 2013 to provide a greater focus on exchange enrollment. For example, the updated website will include checklists to help consumers prepare for enrollment in October.
	States	Partnership exchange states will use the federal website.
Media outreach	CMS	CMS planned to award a contract for English-language media outreach targeting FFEs in April 2013, and planned to award a contract for Spanish-language outreach by June 2013. By August or September, the agency also planned to translate educational materials into 25 languages.
	States	Four partnership exchange states planned to begin their media and marketing campaigns by June or July 2013, and one planned to begin its campaign in December 2013.
Consumer complaint tracking system	CMS	CMS plans that the system used by the FFE in states not assisting with consumer assistance activities will be available by the October 2013 initial enrollment date.
	States	Six partnership states identified various dates between February and October 2013 for their systems to become operational. As of April 24, 2013, CMS indicated that the February 2013 targeted completion date for one state had been revised to June 15, 2013.

Source: CMS.

Notes: CMS conditionally approved six partnership exchange states to assist with certain consumer assistance responsibilities.

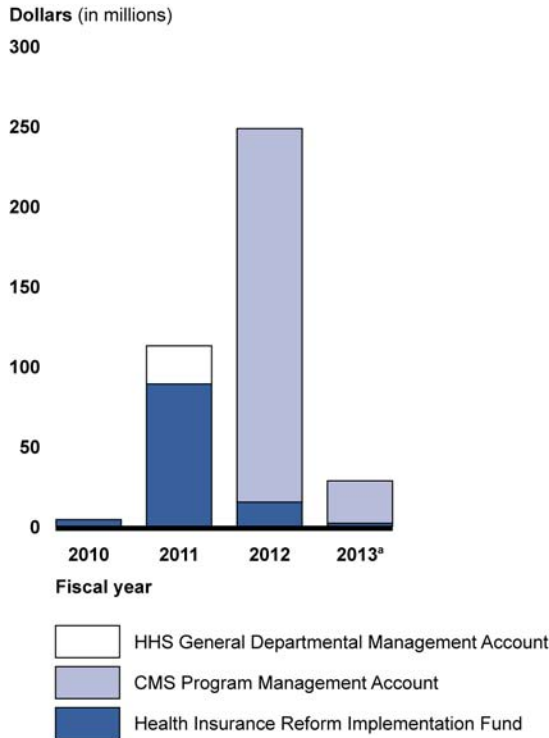
CMS Spent Almost \$394 Million through Contracts to Support Establishment of the FFEs and Data Hub and to Carry Out Certain Other Exchange-Related Activities as of March 2013

CMS data indicated that the agency spent almost \$394 million from fiscal year 2010 through March 31, 2013, through contracts⁴⁶ to complete activities to establish the FFEs and the data hub and carry out certain other exchange-related activities.⁴⁷ CMS officials said that these totals did not include CMS salaries and other administrative costs, but rather reflected the amounts obligated for contract activities. The majority of these obligations, about \$248 million (63 percent), were incurred in fiscal year 2012. The sources of the \$394 million in funding were three appropriation accounts: HHS's General Departmental Management Account, CMS's Program Management Account, and the Health Insurance Reform Implementation Fund. The majority of the funding came from the CMS Program Management Account (66 percent) followed by the Health Insurance Reform Implementation Fund (28 percent). (See fig. 5.)

⁴⁶In this report, we 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 HHS under contracts, task orders, and interagency agreements in fiscal years 2010 and 2011, before HHS 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.

⁴⁷CMS indicated that certain of these contracts supported activities, such as state oversight, financial management, and risk adjustment model and development, in which CMS would have engaged even if all states planned to operate their own exchanges in 2014.

Figure 5: CMS Obligations for Contracts That Support the Establishment of Federally Facilitated Exchanges (FFE) and the Data Hub, by Appropriation Account, through March 31, 2013



Source: CMS.

Note: These totals include amounts obligated for contracts, task orders, and interagency agreements to complete activities to establish the FFEs and the data hub and carry out certain other exchange-related activities. The totals also include some obligations incurred by HHS in fiscal years 2010 and 2011, before HHS transferred oversight of exchange implementation to CMS.

^aFor fiscal year 2013, the totals reflect amounts obligated only through March 31, 2013.

CMS reported that the almost \$394 million supported 64 different types of projects through March 31, 2013. The highest volume of obligations related to the development of information technology systems for the FFEs. The 10 largest project types in terms of obligations made through March 31, 2013, accounted for \$242.6 million, 62 percent of the total obligations. (See table 3.)

Table 3: CMS Obligations for Contracts That Support the Establishment of Federally Facilitated Exchanges (FFE) and the Data Hub by Largest Project Type, through March 31, 2013

CMS project type	Amount obligated (dollars)
Federally Facilitated Exchanges Information Technology	\$84,273,137
Federal Health Care Exchange Technical Assistance and Support	27,587,482
Federal Health Care Exchange Hub	24,732,087
Exchange Consumer Call Center	21,999,974
Small Business Health Options Program (SHOP) and Employer Support	17,112,098
Data Architectural Contract—Requirements Support, Enterprise Data & Design Support (Incorporated the Multidimensional Data Analytics System)	13,979,845
Exchanges State Grants, Technical Assistance, Oversight	13,910,068
Enterprise Project Management Operations	13,277,422
Federal Health Care Exchange Web Portal and Support	13,013,171
Exchange Plan Management, Support & Integration	12,716,744

Source: CMS.

Note: These totals include amounts obligated for contracts, task orders, and interagency agreements to complete activities to establish the FFEs and the data hub and carry out certain other exchange-related activities. The totals also include some obligations incurred by HHS in fiscal years 2010 and 2011, before HHS transferred oversight of exchange implementation to CMS.

These activities were carried out by 55 different contractors.⁴⁸ Of these, 10 contractors accounted for \$303.4 million (77 percent of total obligations) for activities to support establishment of FFEs and the data hub and carry out certain other exchange-related activities. (See table 4.) Their contracts were for projects related to information technology, the healthcare.gov website, call center, and technical assistance for the FFEs. For one contract, with CGI Federal, CMS obligated about \$88 million for activities to support establishment of the FFEs, such as information technology and technical assistance. For another contract, with Quality Software Services, Inc., CMS obligated about \$55 million for related activities, including to support development of the data hub. (See app. I for each contract by the contractor, the amount obligated, the fiscal year in which funds were obligated, and the source of funding.)

⁴⁸Other federal agencies, such as SSA and other HHS components, that conducted activities to support establishment of the FFEs and the data hub under interagency agreements, are included in the number of contractors. Through these interagency agreements, CMS obtained technical assistance and support to establish FFEs and support for administering the Navigator grants, among other activities.

Table 4: CMS Obligations for Contracts That Support Federally Facilitated Exchanges (FFE) and Data Hub Establishment by Largest Contractor, through March 31, 2013

Contractor	Examples of activities	Amount obligated (dollars)
CGI Federal Inc	FFE information technology and healthcare.gov	\$87,997,938
Quality Software Services Inc	Data hub	55,098,237
Booz Allen Hamilton	Enrollment and eligibility planning and state grant technical assistance	37,737,550
National Government Services Inc	Consumer call center and Small Business Health Options Program (SHOP) premium aggregations	31,590,846
The Mitre Corporation	Project management and Information technology security	22,028,672
Logistics Management Institute	Health plan management, rate analysis, and benefit package review	19,107,667
DEDE Inc DBA Genova Technology	Information technology	16,026,915
Terremark Federal Group	Cloud computing services	15,539,713
IDL Solutions	Enterprise data and design support	9,342,512
Navigant Consulting Inc	Outreach and collection activities	8,949,560

Source: CMS.

Note: These totals include amounts obligated for contracts, task orders, and interagency agreements to complete activities to establish the FFEs and the data hub and carry out certain other exchange-related activities. The totals also include some obligations incurred by HHS in fiscal years 2010 and 2011, before HHS transferred oversight of exchange implementation to CMS.

Concluding Observations

FFE along with the data services hub services 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 is currently 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. 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 the missed interim deadlines may not affect

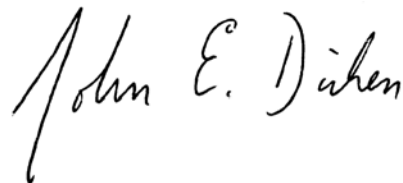
implementation, additional missed deadlines closer to the start of enrollment could do so. CMS recently completed risk assessments and plans for mitigating identified risks associated with the data hub, and is also working on strategies to address state preparedness contingencies. Whether CMS's contingency planning will assure the timely and smooth implementation of the exchanges by October 2013 cannot yet be determined.

Agency Comments

We received comments from HHS on a draft of this report (see app. II). HHS emphasized the progress it has made in establishing exchanges since PPACA became law, and expressed its confidence that on October 1, 2013, exchanges will be open and functioning in every state. HHS also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the Secretary of Health and Human Services and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have questions about this report, 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 report. GAO staff who made major contributions to this report are listed in appendix III.



John E. Dicken
Director, Health Care

Appendix I: Contractors Supporting the Federally Facilitated Exchanges and Data Hub and Amounts Obligated

Table 5 provides information on the amounts the Department of Health and Human Services' (HHS) Centers for Medicare & Medicaid Services (CMS) obligated for contract activities to support the establishment of the federally facilitated exchanges (FFE) and the data hub and carry out certain other exchange-related activities by individual contractors.¹ The funds were obligated from fiscal year 2010 through March 31, 2013. The information presented in this table was obtained from CMS. Due to the large number of contractors, we did not edit the information to correct typographical or grammatical errors, or clarify the information provided. We reprinted the abbreviations and acronyms provided by CMS.

Table 5: Contractors Supporting Establishment of the Federally Facilitated Exchanges (FFE) and Data Hub and Amounts Obligated, Fiscal Year 2010 through March 31, 2013

Contractor	Fiscal year	Project description	Amount obligated (dollars)	Funding source
A Reddix and Associates Inc	2012	Stake Holder Training, Program & Technical Assistance Support	\$5,551,242	CMS Program Management Account
Acumen LLC	2011	Exchanges Payment & Financial Management	1,698,054	HHS General Departmental Management Account
Acumen LLC	2012	Financial Management & Operational Analytics Contract	675,000	CMS Program Management Account
Acumen LLC	2013	Financial Management & Operational Analytics Contract	21,141	CMS Program Management Account
Acumen LLC	2013	Financial Management & Operational Analytics Contract	750,729	CMS Program Management Account
Acumen LLC	2013	Financial Management & Operational Analytics Contract	1,645,133	CMS Program Management Account

¹CMS indicated that certain of these obligations supported activities, such as state oversight, financial management, and risk adjustment model and development, in which CMS would have engaged even if all states planned to operate their own exchanges in 2014. In this report, we 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 HHS under contracts, task orders, and interagency agreements in fiscal years 2010 and 2011, before HHS 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.

**Appendix I: Contractors Supporting the
Federally Facilitated Exchanges and Data Hub
and Amounts Obligated**

Contractor	Fiscal year	Project description	Amount obligated (dollars)	Funding source
Aquilent	2012	Federal Health Care Exchange (HIX) Exchange Web Portal & Support	2,262,701	CMS Program Management Account
Aquilent	2012	Federal Health Care Exchange (HIX) Exchange Web Portal & Support	2,992,430	CMS Program Management Account
Blast Design Studio Inc	2012	Federal Health Care Exchange (HIX) Exchange Web Portal & Support	197,625	CMS Program Management Account
Booz Allen Hamilton	2011	Exchanges Enrollment & Eligibility	1,000,000	HHS General Departmental Management Account
Booz Allen Hamilton	2011	Exchanges Enrollment & Eligibility	1,217,735	HHS General Departmental Management Account
Booz Allen Hamilton	2011	Exchanges State Grants, TA, Oversight	885,396	HHS General Departmental Management Account
Booz Allen Hamilton	2011	Exchanges State Grants, TA, Oversight	13,024,672	HHS General Departmental Management Account
Booz Allen Hamilton	2011	SHOP & Employer	366,200	HHS General Departmental Management Account
Booz Allen Hamilton	2012	Eligibility & Enrollment Strategy	453,477	CMS Program Management Account
Booz Allen Hamilton	2012	Eligibility & Enrollment Strategy and Planning	1,452,350	CMS Program Management Account
Booz Allen Hamilton	2012	Eligibility Appeals Strategy & Research	1,027,313	CMS Program Management Account
Booz Allen Hamilton	2012	Exchange IT integration support for Enterprise Project Management Operations	6,129,727	CMS Program Management Account
Booz Allen Hamilton	2012	Exchange Plan Management, Support & Integration (including Coverage Appeals, Research Monitoring & Prescription Drug Formulary Review & Assessment)	8,579,473	CMS Program Management Account
Booz Allen Hamilton	2012	Exchange Quality Activities (Sec. 1311/1321/1343)	500,000	Health Insurance Reform Implementation Fund
Booz Allen Hamilton	2012	State Grants, Technical Assistance & Oversight	1,605,430	CMS Program Management Account
Booz Allen Hamilton	2013	Eligibility & Enrollment Strategy and Planning	883,102	CMS Program Management Account
Booz Allen Hamilton	2013	Eligibility Appeals Strategy & Research	612,675	CMS Program Management Account
Carasoft Technology Group	2012	IT Security - Security Oversight, Equipment, New Systems Testing, and Security Program Support	238,349	CMS Program Management Account

**Appendix I: Contractors Supporting the
Federally Facilitated Exchanges and Data Hub
and Amounts Obligated**

Contractor	Fiscal year	Project description	Amount obligated (dollars)	Funding source
CGI Federal Inc	2011	Federally-facilitated Exchanges IT	55,744,082	Health Insurance Reform Implementation Fund
CGI Federal Inc	2012	Federal Health Care Exchange (HIX) Exchange Web Portal & Support	580,000	CMS Program Management Account
CGI Federal Inc	2012	Federal Health Care Exchange (HIX) Exchange Web Portal & Support	1,999,832	CMS Program Management Account
CGI Federal Inc	2012	Federal Health Care Exchange (HIX) Exchange Web Portal & Support	2,979,030	CMS Program Management Account
CGI Federal Inc	2012	Federal Health Care Exchange (HIX) technical Assistance & Support	24,771,690	CMS Program Management Account
CGI Federal Inc	2013	Rate Benefit Information System (RBIS)	1,923,304	Health Insurance Reform Implementation Fund
Corporate Executive Board	2012	CEB Subscription, Enterprise Architecture Operational Support	186,738	CMS Program Management Account
Creative Computing Solutions	2012	IT Security - Security Oversight, Equipment, New Systems Testing, and Security Program Support	222,444	CMS Program Management Account
Creative Computing Solutions	2012	IT Security - Security Oversight, Equipment, New Systems Testing, and Security Program Support	5,082,411	CMS Program Management Account
DEDE Inc DBA Genova Technology	2011	Exchanges IT	2,828,148	HHS General Departmental Management Account
DEDE Inc DBA Genova Technology	2012	Business Requirements for PMO & Governance	1,110,327	CMS Program Management Account
DEDE Inc DBA Genova Technology	2012	Business Requirements for PMO & Governance	437,929	CMS Program Management Account
DEDE Inc DBA Genova Technology	2012	Business Requirements for PMO & Governance	1,799,851	CMS Program Management Account
DEDE Inc DBA Genova Technology	2012	Business Requirements for PMO & Governance	4,579,104	CMS Program Management Account
DEDE Inc DBA Genova Technology	2012	Data Architectural Contract -Requirements Support, Enterprise Data & Design Support (Incorporated the Multidimensional Data Analytics System (MIDAS))	4,195,450	CMS Program Management Account
DEDE Inc DBA Genova Technology	2013	Business Requirements for PMO & Governance	1,076,106	CMS Program Management Account
Deloitte Consulting	2012	Enterprise Project Management Operations	670,486	CMS Program Management Account
Deloitte Consulting	2012	Health Plan Bid Review, Management & Oversight (Sec. 1311/1321/1343)	750,000	Health Insurance Reform Implementation Fund
Deloitte Consulting	2012	SHOP & Employer	709,230	Health Insurance Reform Implementation Fund

**Appendix I: Contractors Supporting the
Federally Facilitated Exchanges and Data Hub
and Amounts Obligated**

Contractor	Fiscal year	Project description	Amount obligated (dollars)	Funding source
DHHS / Office of the Secretary	2012	Health Information Exchange	1,346,831	CMS Program Management Account
DHHS Program Support Center ^a	2010	Program Support Center Services Bill	94,582	Health Insurance Reform Implementation Fund
DHHS Program Support Center ^a	2011	IT Services for CAG Tool with Team Triple-i	42,999	Health Insurance Reform Implementation Fund
DHHS Program Support Center ^a	2011	Program Support Center Services Bill	25,000	Health Insurance Reform Implementation Fund
DHHS/ACF	2013	Navigator Grants Administration & Support	748,280	CMS Program Management Account
DHHS/NIH/NCI	2012	Enterprise Architecture Operational Support	53,460	CMS Program Management Account
DHHS/NIH/NCI	2012	Enterprise Data & Design Support (Incorporated the Multidimensional Data Analytics System (MIDAS))	301,583	CMS Program Management Account
DHHS/NIH/NCI	2012	Federal Health Care Exchange (HIX) technical Assistance & Support	1,528	CMS Program Management Account
DHHS/NIH/NCI	2013	Federal Health Care Exchange (HIX) technical Assistance & Support	1,452	CMS Program Management Account
DHHS/PSC	2013	CMS Analysis of Payment Notice Summaries	447,926	CMS Program Management Account
Duty First Consulting LLC	2012	Exchange Plan Management, Support & Integration (including Coverage Appeals, Research, Monitoring & Prescription Drug Formulary Review & Assessment)	141,836	CMS Program Management Account
Econometrica Inc	2012	Post-Reform Consumer Landscape Market Analytics and Implementation (Sec. 1311/1321/1343)	993,236	Health Insurance Reform Implementation Fund
Econometrica Inc	2013	Post-Reform Consumer Landscape Market Analytics	572,613	CMS Program Management Account
Fedresults Inc	2012	Federal Health Care Exchange (HIX) Exchange Web Portal & Support	901,476	CMS Program Management Account
Foresee	2012	Federal Health Care Exchange (HIX) Exchange Web Portal & Support	45,000	CMS Program Management Account
General Services Administration ^a	2010	Rent-Bethesda Office	244,230	Health Insurance Reform Implementation Fund
George Washington University (through Program Support Center)	2012	Commercial health insurance Research	262,574	CMS Program Management Account

**Appendix I: Contractors Supporting the
Federally Facilitated Exchanges and Data Hub
and Amounts Obligated**

Contractor	Fiscal year	Project description	Amount obligated (dollars)	Funding source
Global Tech Inc DBA EglobalTec	2012	Cloud Computing, Enterprise Architecture Operational Support	646,532	CMS Program Management Account
Government Acquisitions Inc	2012	Enterprise Architecture Operational Support	1,721,378	CMS Program Management Account
Government Printing Office ^a	2010	Federal Register Notice Charge	3,097	Health Insurance Reform Implementation Fund
Homeland Security/Federal Law Enforcement Training Center ^a	2010	Building Security	2,252	Health Insurance Reform Implementation Fund
IDL Solutions	2012	Enterprise Data & Design Support (Incorporated the Multidimensional Data Analytics System (MIDAS))	209,416	CMS Program Management Account
IDL Solutions	2012	Enterprise Data & Design Support (Incorporated the Multidimensional Data Analytics System (MIDAS))	9,133,096	CMS Program Management Account
Innosoft Corporation	2012	Enterprise Project Management Operations	1,000,532	CMS Program Management Account
ISOM Events	2012	Stake Holder Outreach	67,925	CMS Program Management Account
KPMG LLP	2012	Audit & Validation, Program Integrity and Financial Oversight	4,771,142	CMS Program Management Account
KPMG LLP	2012	SHOP & Employer Support	3,193,793	CMS Program Management Account
KPMG LLP	2013	Employer Database	162,476	CMS Program Management Account
L&M Policy Research	2012	Consumer Information & Outreach (Sec. 1311/1321/1343)	1,353,969	Health Insurance Reform Implementation Fund
L&M Policy Research	2012	Consumer Research Enhancing Web-based Tools on Health Insurance Exchanges Portal	1,353,720	CMS Program Management Account
Lockheed Martin	2012	Enterprise Architecture Operational Support	10,500	CMS Program Management Account
Lockheed Martin	2012	Enterprise Architecture Operational Support	69,007	CMS Program Management Account
Lockheed Martin	2012	Enterprise Architecture Operational Support	244,713	CMS Program Management Account
Lockheed Martin	2013	Enterprise Architecture Operational Support	396,000	CMS Program Management Account
Lockheed Martin Services Inc	2012	Enterprise Architecture Operational Support	1,523,600	CMS Program Management Account
Lockheed Martin Services Inc	2012	Exchange Consumer Call Center	4,327,433	CMS Program Management Account

**Appendix I: Contractors Supporting the
Federally Facilitated Exchanges and Data Hub
and Amounts Obligated**

Contractor	Fiscal year	Project description	Amount obligated (dollars)	Funding source
Lockheed Martin Services Inc	2012	Federal Health Care Exchange (HIX) Hub	10,013	CMS Program Management Account
Lockheed Martin Services Inc	2012	Federal Health Care Exchange (HIX) Hub	49,223	CMS Program Management Account
Lockheed Martin Services Inc	2012	Federal Health Care Exchange (HIX) Hub	168,811	CMS Program Management Account
Lockheed Martin Services Inc	2012	Federal Health Care Exchange (HIX) technical Assistance & Support	200,000	CMS Program Management Account
Lockheed Martin Services Inc	2013	Enterprise Architecture Operational Support	7,507	CMS Program Management Account
Lockheed Martin Services Inc	2013	Federal Health Care Exchange (HIX) Hub	12,062	CMS Program Management Account
Lockheed Martin Services Inc	2013	Federal Health Care Exchange (HIX) Hub	17,499	CMS Program Management Account
Lockheed Martin Services Inc	2013	Federal Health Care Exchange (HIX) Technical Assistance & Support	31,164	CMS Program Management Account
Logistics Management Institute	2012	Health Plan Bid Review, Management & Oversight (Sec. 1311/1321/1343)	449,765	Health Insurance Reform Implementation Fund
Logistics Management Institute	2012	Health Plan Bid Review, Management & Oversight (Sec. 1311/1321/1343)	2,675,507	Health Insurance Reform Implementation Fund
Logistics Management Institute	2012	Health Plan Bid Review, Management & Oversight (Sec. 1311/1321/1343)	2,964,739	Health Insurance Reform Implementation Fund
Logistics Management Institute	2012	SHOP & Employer -Exchange Operations & Health Plan Rate Benefit Package	336,686	Health Insurance Reform Implementation Fund
Logistics Management Institute	2012	SHOP & Employer-Exchange Operations & Health Plan Management	459,979	Health Insurance Reform Implementation Fund
Logistics Management Institute	2013	Health Plan Management, Rate Analysis & Benefit Package Review	2,624,342	CMS Program Management Account
Logistics Management Institute	2013	Health Plan Management, Rate Analysis & Benefit Package Review	9,596,649	CMS Program Management Account
National Government Services Inc	2012	Exchange Consumer Call Center	17,672,541	CMS Program Management Account
National Government Services Inc	2012	SHOP Premium Aggregations & Employer	13,918,305	CMS Program Management Account
National Opinion Research Center ^a	2011	Technical Assistance - Commercial Health Insurance and Public Sector Health Coverage	969,514	Health Insurance Reform Implementation Fund
Navigant Consulting Inc	2012	Outreach and Collection Activities Under the Affordable Care Act- Reinsurance Entity	8,949,560	CMS Program Management Account

**Appendix I: Contractors Supporting the
Federally Facilitated Exchanges and Data Hub
and Amounts Obligated**

Contractor	Fiscal year	Project description	Amount obligated (dollars)	Funding source
Noblis Inc	2013	Health Information Exchange	350,000	CMS Program Management Account
NORC (through Program Support Center)	2012	Commercial health insurance Research	96,792	CMS Program Management Account
NORC (through Program Support Center)	2012	Commercial health insurance Research	1,009,756	CMS Program Management Account
Northrop Grumman Information Technology	2012	Enterprise Eligibility Service (EES) - Integrated Care Data and Application - Federal Health Care Exchange (HIX) Hub	1,365,829	CMS Program Management Account
Northrop Grumman Information Technology	2012	Federal Health Care Exchange (HIX) technical Assistance & Support	549,058	CMS Program Management Account
Office of Personnel Management ^a	2011	Security Badges	2,772	Health Insurance Reform Implementation Fund
Onix Networking Corp	2012	Federal Health Care Exchange (HIX) Exchange Web Portal & Support	44,340	CMS Program Management Account
Opera Solutions, LLC	2012	Operational Analytics & Fraud Surveillance, Financial Management	3,999,260	CMS Program Management Account
Professional and Scientific Associates Inc ^a	2010	Meeting and Conference Support Contract	407,780	Health Insurance Reform Implementation Fund
Quality Software Services Inc	2011	Affordable Care Act System Testing Support for Data Services Hub	25,700,907	Health Insurance Reform Implementation Fund
Quality Software Services Inc	2012	Enterprise Architecture Operational Support	199,364	CMS Program Management Account
Quality Software Services Inc	2012	Enterprise Project Management Operations	4,516,369	CMS Program Management Account
Quality Software Services Inc	2012	Federal Health Care Exchange (HIX) Hub	23,017,077	CMS Program Management Account
Quality Software Services Inc ^a	2010	Exchange IT Support Contract	1,595,480	Health Insurance Reform Implementation Fund
Quality Software Services Inc ^a	2011	Base Year Modification - Exchange IT Support Contract	69,040	Health Insurance Reform Implementation Fund
Quality Technology Inc	2012	Operational Support Center Support Contractor	1,610,233	CMS Program Management Account
Quality Technology Inc	2013	Operational Support Center Support Contractor	5,436,471	CMS Program Management Account
Research Triangle Institute	2011	Exchanges Research and Support	2,427,141	HHS General Departmental Management Account

**Appendix I: Contractors Supporting the
Federally Facilitated Exchanges and Data Hub
and Amounts Obligated**

Contractor	Fiscal year	Project description	Amount obligated (dollars)	Funding source
Research Triangle Institute	2012	Part C, Part D, and State Exchange Risk Adjustment Model Research Development (previously funded out of Project #7194)	1,218,408	CMS Program Management Account
SAIC	2012	Enterprise Architecture Operational Support	109,406	CMS Program Management Account
SAIC	2012	Enterprise IT Operations	2,762,088	Health Insurance Reform Implementation Fund
Salter Mitchell Inc	2012	Consumer Information & Outreach for technical professional services to assist in research around the Exchanges (Sec. 1311/1321/1343)	2,141,588	Health Insurance Reform Implementation Fund
Salter Mitchell Inc	2012	Exchange Consumer Research	9,813	CMS Program Management Account
Salter Mitchell Inc	2012	Exchange Consumer Research	2,203,831	CMS Program Management Account
Spherecom Enterprises Inc	2012	Federal Health Care Exchange (HIX) technical Assistance & Support	708,417	CMS Program Management Account
Spherecom Enterprises Inc	2012	IT Security - Security Oversight, Equipment, New Systems Testing, and Security Program Support	1,282,431	CMS Program Management Account
SSA	2012	Eligibility & Enrollment Strategy	500,000	CMS Program Management Account
SSA	2012	Interagency Agreement with SSA	400,000	Health Insurance Reform Implementation Fund
Tantus Technologies Inc	2012	Health Care Exchange/HIGLAS	4,097,719	CMS Program Management Account
Terremark Federal Group	2012	Cloud Computing	11,587,701	CMS Program Management Account
Terremark Federal Group ^a	2011	Cloud Computing Services	3,952,012	Health Insurance Reform Implementation Fund
The George Washington University ^a	2010	Exchange Analytical Support Contract	695,007	Health Insurance Reform Implementation Fund
The Mitre Corporation	2012	CMS Modernization Support, Exchange Plan Management, Support & Integration (including Coverage Appeals, Research, Monitoring & Prescription Drug Formulary Review & Assessment)	3,995,435	CMS Program Management Account
The Mitre Corporation	2012	Enterprise Architecture Operational Support	156,781	CMS Program Management Account
The Mitre Corporation	2012	Enterprise Data & Design Support (Incorporated the Multidimensional Data Analytics System (MIDAS))	51,453	CMS Program Management Account

**Appendix I: Contractors Supporting the
Federally Facilitated Exchanges and Data Hub
and Amounts Obligated**

Contractor	Fiscal year	Project description	Amount obligated (dollars)	Funding source
The Mitre Corporation	2012	Enterprise Data & Design Support (Incorporated the Multidimensional Data Analytics System (MIDAS))	88,847	CMS Program Management Account
The Mitre Corporation	2012	Enterprise Project Management Operations	6,477,209	CMS Program Management Account
The Mitre Corporation	2012	Exchange Procurement & Acquisition Support	6,097,155	CMS Program Management Account
The Mitre Corporation	2012	Federal Health Care Exchange (HIX) Exchange Web Portal & Support	1,010,738	CMS Program Management Account
The Mitre Corporation	2012	Federal Health Care Exchange (HIX) technical Assistance & Support	550,000	CMS Program Management Account
The Mitre Corporation	2012	Health Insurance Assistance database (HIAD)	51,453	CMS Program Management Account
The Mitre Corporation	2012	IT Security - Security Oversight, Equipment, New Systems Testing, and Security Program Support	102,906	CMS Program Management Account
The Mitre Corporation	2013	CALT Security Testing & Evaluation (Now CALT Security Controls and Assessment (SCA)) and code reviews for Federal Health Care Exchange (HIX) Hub	91,573	CMS Program Management Account
The Mitre Corporation	2013	IT Security - Security Oversight, Equipment, New Systems Testing, and Security Program Support	91,573	CMS Program Management Account
The Mitre Corporation	2013	IT Security - Security Oversight, Equipment, New Systems Testing, and Security Program Support	110,968	CMS Program Management Account
The Mitre Corporation ^a	2010	OCIIO Modernization Support	750,036	Health Insurance Reform Implementation Fund
The Mitre Corporation ^a	2011	Option Period - OCIIO Modernization Support	2,402,545	Health Insurance Reform Implementation Fund
Truven Health Analytics Inc	2012	Financial Management & Operational Analytics	30,000	CMS Program Management Account
Truven Health Analytics Inc	2012	Training, Program & Technical Assistance Support	1,867	CMS Program Management Account
Truven Health Analytics Inc	2012	Training, Program & Technical Assistance Support	7,120	CMS Program Management Account
Truven Health Analytics Inc	2012	Training, Program & Technical Assistance Support	21,012	CMS Program Management Account
Turning Point Global Solutions	2012	Enterprise Project Management Operations	3,040,032	CMS Program Management Account
Urban Institute (through Program Support Center)	2011	Health Plan Bid Review, Management & Oversight (Sec. 1311/1321/1343)	300,000	HHS General Departmental Management Account
Verizon	2013	Federal Health Care Exchange (HIX) technical Assistance & Support	774,174	CMS Program Management Account

Appendix I: Contractors Supporting the Federally Facilitated Exchanges and Data Hub and Amounts Obligated

Contractor	Fiscal year	Project description	Amount obligated (dollars)	Funding source
Wakely Consulting Group ^a	2010	Exchange Consultant Contract	432,093	Health Insurance Reform Implementation Fund

Source: CMS.

Notes: These totals include amounts obligated for contracts, task orders, and interagency agreements to complete activities to establish the FFEs and the data hub and carry out certain other exchange-related activities.

^aThis total includes some obligations by HHS before it transferred oversight of exchange implementation to CMS.

Appendix II: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation
Washington, DC 20201

JUN 6 2013

John E. Dicken
Director, Health Care
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Dicken

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled, entitled, "PATIENT PROTECTION AND AFFORDABLE CARE ACT: Status of CMS Efforts to Establish Federally Facilitated Health Insurance Exchanges" (GAO-13-601).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

A handwritten signature in cursive script that reads "Jim R. Esquea".

Jim R. Esquea
Assistant Secretary for Legislation

Attachment

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "PATIENT PROTECTION AND AFFORDABLE CARE ACT: STATUS OF CMS EFFORTS TO ESTABLISH A FEDERALLY FACILITATED HEALTH INSURANCE EXCHANGES" (GAO-13-601)

The Department appreciates the opportunity to review and comment on this draft report.

On October 1, 2013 a Health Insurance Marketplace will be open and functioning in every state. In the more than three years since the law was passed we have made tremendous progress. Earlier this year we successfully administered the qualified health plan submission process for the federal facilitated Marketplace. We published the final single streamlined application and we have announced several grant and contract programs that provide consumer assistance functions. We are in the final stages of finalizing and testing the IT infrastructure that will support the application and enrollment process. HHS is extremely confident that on October 1 the Marketplace will open on schedule and millions of Americans will have access to affordable quality health insurance.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

John E. Dicken, (202) 512-7114 or dickenj@gao.gov

Staff Acknowledgments

In addition to the contact name above, Randy Dirosa and Teresa Tucker, Assistant Directors; Tonia Brown; Sandra George; Jawaria Gilani; William Hadley; Thomas Murphy; and Laurie Pachter made key contributions to this report.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

