

GAO Highlights

Highlights of [GAO-13-614](#), a report to the Chairman, Committee on Small Business, House of Representatives

Why GAO Did This Study

The Patient Protection and Affordable Care Act (PPACA) requires SHOPs—exchanges or marketplaces where small employers can shop for health coverage for their employees—to be established in all states. PPACA also requires similar exchanges to be established for individuals. CMS oversees the establishment of the SHOPs, approving states to operate one or establishing and operating one itself in states that will not do so. Enrollment is to begin October 2013, with coverage effective January 2014, although a key requirement related to employee choice was deferred for 1 year. GAO was asked to examine federal and state readiness to establish the SHOPs. In this report, GAO describes (1) the roles of the federal government and states in establishing SHOPs and (2) the status of actions taken and planned by the federal government and states in preparing to establish SHOPs.

GAO reviewed CMS regulations and guidance on the roles of CMS and states in establishing both SHOPs and individual exchanges, as progress establishing the two exchanges is related. GAO reviewed CMS planning documents used to track the progress of key activities to be conducted by CMS to establish FF-SHOPs and FFEs. GAO also reviewed target completion dates for key activities CMS established for states and obtained updates from CMS on state progress. GAO interviewed CMS officials and relied largely on documentation from CMS—including information CMS developed on the basis of its contacts with states—and did not interview states.

View [GAO-13-614](#). For more information, contact John Dicken at (202) 512-7114 or dickenj@gao.gov.

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PATIENT PROTECTION AND AFFORDABLE CARE ACT

Status of Federal and State Efforts to Establish Health Insurance Exchanges for Small Businesses

What GAO Found

For 2014, the Department of Health and Human Services' (HHS) Centers for Medicare & Medicaid Services (CMS) granted conditional approval to 18 states to establish state-based Small Business Health Options Programs, or SHOPs, and to 17 states to operate health insurance exchanges for individuals. CMS is required to operate a federally facilitated SHOP (FF-SHOP) and a federally facilitated exchange for individuals (FFE) in the remaining states. Of the 33 states with FF-SHOPs and 34 states with FFEs, 15 states are expected to assist CMS to carry out certain functions of the exchange. However, the activities that CMS plans to complete in these 15 exchanges have evolved, and CMS activities in these and other exchanges may continue to change. For example, CMS approved state roles in SHOPs and individual exchanges on the condition that they ultimately complete key activities for exchange establishment. CMS indicated that it would assume more responsibilities in these exchanges if any state did not adequately progress towards completion of all required activities.

CMS and states have made progress in establishing SHOPs, although many activities remain to be completed and some were behind schedule. CMS issued regulations and guidance necessary to establish SHOPs and took steps to establish processes and data systems necessary to operate the FF-SHOPs. Many activities remain to be completed in the core functional areas of eligibility and enrollment, plan management, and consumer assistance, and while the agency has established timelines for completion of these activities, some were behind schedule. For example, funding awards and development of a training curriculum for a key program that will provide outreach and enrollment assistance to small employers and employees have been delayed by about 2 months. Regarding states, CMS data showed that most had completed preliminary activities such as obtaining the necessary authority to operate an exchange, and many had made progress in each of the core functional areas. Many key activities remained to be completed—some scheduled for near the start of enrollment in October 2013—and, as of May 2013, states were behind schedule in completing some key activities. In particular, about 44 percent of the key activities CMS initially targeted for completion by March 31, 2013, were behind schedule, although CMS reported that it had revised many target dates and other delays were not expected to affect exchange operations.

Much progress has been made, but much remains to be accomplished by CMS and states within a relatively short amount of time. CMS's timelines for the remaining key activities provide a roadmap for completion; however, factors such as the still-evolving scope of CMS's required activities in each state and the many activities yet to be completed—some close to the start of enrollment—could suggest the potential for future challenges. And while missed interim deadlines may not affect implementation, additional missed deadlines could do so. CMS said it is working on strategies in each state to address contingencies. Whether CMS's contingency planning will assure the timely and smooth implementation of the exchanges by October 2013 cannot yet be determined.

In commenting on a draft of this report, HHS 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.