

# GAO Highlights

Highlights of [GAO-15-447](#), a report to congressional requesters

## Why GAO Did This Study

PPACA resulted in significant changes to the private individual and small group health insurance markets in 2014 that expanded the availability and affordability of coverage. However, some of these provisions reduced issuers' ability to mitigate the risk of high-cost enrollees by limiting their ability to deny coverage or charge higher premiums based on individuals' health risks and other factors. Issuers also faced increased risk starting in 2014 because these provisions were expected to result in the enrollment of many previously uninsured individuals, who have unknown and potentially higher medical costs than the broader population. To limit these risks, PPACA required the establishment of three risk mitigation programs.

GAO was asked to provide information on the design and development of these three programs and on issuer perspectives on them. In this report, GAO describes: (1) the factors that guided CMS's design of these programs, (2) the data collection systems CMS developed for these programs, (3) CMS's plans to monitor and evaluate the programs, and (4) issuer experiences with the programs. GAO reviewed regulations, guidance, and documentation about design and implementation activities and interviewed CMS officials. GAO also interviewed officials from a non-representative sample of 12 issuers that offered individual market coverage in 2014 and were selected based on variation in enrollment, location, and market experience.

View [GAO-15-447](#). For more information, contact John Dicken at (202) 512-7114 or [dickenj@gao.gov](mailto:dickenj@gao.gov).

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## PATIENT PROTECTION AND AFFORDABLE CARE ACT

### Despite Some Delays, CMS Has Made Progress Implementing Programs to Limit Health Insurer Risk

## What GAO Found

The Centers for Medicare & Medicaid Services (CMS) considered market characteristics and program duration in designing the three programs mandated by the Patient Protection and Affordable Care Act (PPACA) to mitigate the risks issuers of health insurance faced starting in 2014. Each of the three programs—risk adjustment, reinsurance, and risk corridors—was intended to account for a different source of issuer risk, such as enrollee health status or high-cost medical claims. CMS considered a range of market characteristics—including demographics and the availability of data—in making decisions about how to design each of the programs. CMS's design decisions also reflected the temporary status of the reinsurance and risk corridors programs, which are set to expire after 3 years. While CMS considered similar Medicare risk mitigation programs during the design process, key differences in the markets served by Medicare and the PPACA programs resulted in different approaches to their design.

CMS considered privacy and security concerns in developing systems for collecting issuer data for the risk mitigation programs and experienced multiple implementation delays. For example, for the risk adjustment and reinsurance programs, CMS elected to use a system that allows sensitive enrollee claims data to remain with issuers while providing CMS with only summary data. However, CMS delayed implementation of data collection systems for these programs by nearly a year as it revised its plans to reduce administrative burden and accommodate issuer preferences. Therefore, CMS was unable to provide issuers with most of the periodic, interim reports it had originally planned to generate throughout 2014.

CMS developed or had plans to develop data verification or audit procedures for all three programs. CMS had also initiated efforts to evaluate the permanent risk adjustment program but had not finalized the details of the evaluation. In November 2014, CMS issued a request for contractors to submit bids to conduct a range of services, including research and development tasks for the risk adjustment program such as: analyze the impact of market and enrollee factors on the model; evaluate the accuracy of the program; and conduct research to support adaptation of the model. As of April 2015, CMS officials expected to award the contract in the spring of 2015, although the agency had not finalized a date for completing that evaluation. CMS's continued effort to carry out this evaluation will be important to assessing the program's success.

Most of the 12 issuers GAO interviewed said that the three risk mitigation programs encouraged their participation in the individual health insurance market, and two of the programs allowed them to lower their premiums. Issuers identified design concerns specific to each PPACA risk mitigation program and provided mixed responses regarding the effect of CMS's implementation delays and technical assistance.

In commenting on a draft of this report, the Department of Health and Human Services described CMS's data collection strategy for these programs and its efforts to ensure the appropriate level of technical support for issuers.