

# GAO Highlights

Highlights of [GAO-15-527](#), a report to congressional requesters

## Why GAO Did This Study

The Patient Protection and Affordable Care Act required the establishment of health insurance exchanges—or marketplaces—to allow consumers and small employers to compare, select, and purchase health insurance plans. States can elect to establish a state-based marketplace, or cede this authority to CMS to establish a federally facilitated marketplace. To assist states in establishing their marketplaces and supporting IT systems, federal funding was made available, including grants and Medicaid matching funds. CMS has responsibilities for overseeing states' use of these funds and the establishment of their marketplaces.

The objectives of this study were to (1) determine how states have used federal funds for IT projects to support their marketplaces and the status of the marketplaces, (2) determine CMS's and states' roles in overseeing these projects, and (3) describe IT challenges states have encountered and lessons learned. To do this, GAO surveyed the 50 states and the District of Columbia, reviewed relevant documentation from the states and CMS, and interviewed CMS officials.

## What GAO Recommends

GAO is recommending that CMS define and communicate its oversight roles and responsibilities, ensure senior executives are involved in funding decisions for state IT projects, and ensure that states complete testing of their systems before they are put into operation. HHS concurred with GAO's recommendations.

View [GAO-15-527](#). For more information, contact Valerie C. Melvin, (202) 512-6304 or [melvinv@gao.gov](mailto:melvinv@gao.gov).

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## STATE HEALTH INSURANCE MARKETPLACES

### CMS Should Improve Oversight of State Information Technology Projects

## What GAO Found

States reported to the Department of Health and Human Services' (HHS) Centers for Medicare & Medicaid Services (CMS) that they spent about \$1.45 billion in federal marketplace grant funding on information technology (IT) projects supporting health insurance marketplaces, as of March 2015. The majority of this spending was for state-based marketplaces (i.e., marketplaces established and operated by the states). These marketplaces reported spending nearly 89 percent of the funds on IT contracts, and CMS has ongoing efforts to track states' IT spending in more detailed categories. States also reported spending, as of December 2014, \$2.78 billion in combined federal and state funds designated for Medicaid eligibility and enrollment systems—a portion of which was used for marketplace IT projects. However, the specific amount spent on marketplace-related projects was uncertain, as only a selected number of states reported to GAO that they tracked or estimated this information. Regarding the status of states' marketplace IT projects, 14 states with state-based marketplaces had developed and were operating IT systems to support their marketplaces, but, as of February 2015, not all system functions were complete. In addition, as of November 2014, 7 of 37 states using the federal marketplace system could not transfer health insurance applications between their state Medicaid systems and a key component of the federal marketplace or had not completed testing or certification of these functions. According to CMS officials, states operating their own IT systems and states using the federal marketplace system were continuing to improve the development and operation of their marketplaces in the enrollment period that began in November 2014.

CMS tasked various offices with responsibilities for overseeing states' marketplace IT projects. However, the agency did not always clearly document, define, or communicate its oversight roles and responsibilities to states as called for by best practices for project management. According to some states, this resulted in instances of poor communication with CMS, which adversely affected states' deadlines, increased uncertainty, and required additional work. CMS also did not involve all relevant senior executives in decisions to approve federal funding for states' IT marketplace projects; such involvement, according to leading practices for investment management, can increase accountability for decision making. Further, while CMS established a process that required the testing of state marketplace systems to determine whether they were ready to be made operational, these systems were not always fully tested, increasing the risk that they would not operate as intended. For their part, states oversaw their IT projects through state agencies or quasi-governmental entities, depending on marketplace type, as well as using other oversight mechanisms.

States reported a number of challenges in establishing the systems supporting their marketplaces. These fell into several categories, including project management and oversight, system design and development, resource allocation and distribution, and marketplace implementation and operation. States also identified lessons learned from dealing with such challenges, including the need for strong project management and clear requirements development. CMS has taken various actions to respond to state challenges, identify lessons learned, and share best practices with states; continuing these efforts will be important as states work to complete their marketplace systems.