
+ health policy **bulletin**

Inspector General: Running Obamacare's Exchanges Is The "Top Management Challenge" for HHS In 2014

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Yesterday the Office of Inspector General (OIG) at the U.S. Department of Health and Human Services (HHS) said that overseeing health insurance exchanges under the Patient Protection and Affordable Care Act ("Obamacare") is the biggest challenge that HHS faces in 2014. The OIG made the announcement in their [updated annual report](#) of the ten "top management & performance challenges" the Department faces in the year ahead.

Each year the OIG outlines the key "continuing vulnerabilities" HHS faces in efforts to reduce waste, fraud, and abuse and ensure program integrity. The OIG said that overseeing health exchanges under Obamacare was the top performance challenge because the creation of the exchanges added "a substantial new dimension to the Department's program landscape." Exchanges must meet a "complex set of program requirements" which have to be successfully implemented for the first time in federal policy—regardless of whether or not the exchange is federally-facilitated or state-run.

The report amplified HHS Secretary Kathleen Sebelius's recent focus on the contractors who are implementing the health care law. The Secretary made news recently when she announced she asked the OIG to examine the role of contractors in the failed October launch of the health website.

Contractors have played, and will continue to play, a "vital role in building, maintaining, and fixing the systems" that underpin the health care exchanges, the OIG report explained. But the report suggested that it is ultimately the Department—not contractors alone—which is responsible, since contractors are performing tasks prescribed by the Administration. "The Department must ensure, to the greatest extent possible, that the Government obtains specified products and services from its various contractors on time and within budget" the report said pointedly.

Many observers, including Jeff Zients, who was brought in to assist with coordinating the rollout of the health law, have suggested that one factor in the creation of the website problems was the fact that no single individual was totally in charge of all the individual pieces of a complex implementation. The OIG report lent credence to this conclusion, saying the management headache was increased by "the large number of contracts and the need to coordinate work across multiple contractors." The report listed challenges associated with successful contract administration elsewhere in its top ten list.

While the functionality of the health website has notably improved compared to the initially rocky rollout of HealthCare.gov—a rollout that damaged voters’ perception of the President’s credibility and trustworthiness on his signature domestic initiative—the OIG report provided little solace for federal health officials who think the worst may be over. The OIG said HHS still faces “significant, well-publicized challenges in ensuring that healthcare.gov operates successfully” for consumers. As weeks of media coverage has highlighted, the problems run deep. As the report explains, the challenges include “both the front-facing consumer functions, as well as the back-end administrative and financial management functions.”

Congressional critics find the report confirms their warnings of further “glitches” with the health law’s rollout. Republicans have been critical of the Administration’s waffling on how they would verify individual consumers’ eligibility or of HHS’s efforts to share massive amounts of data with other federal agencies—two areas the report stressed the need for continued careful oversight.

But even supporters of the health law are likely to worry about additional challenges, as the tasks outlined for the Department are rather daunting. On top of making the website work, OIG offered a laundry list of items Secretary Sebelius and her leadership must focus on in weeks and months ahead. The OIG said HHS must keep its eye on overseeing “eligibility systems, payment accuracy, contractor oversight, and data security and consumer protection.”

If those tasks were not intimidating enough, the report also warned federal officials who likely already behind schedule that coordination between federal and state programs, private health plans, and an array of federal contractors is “necessary to achieve program objectives and poses an additional challenge.” The Department must still work to “ensure that healthcare.gov verifies consumers’ personal information; accurately determines eligibility for Marketplace insurance, tax credits, and cost-sharing subsidies; operates effectively and easily for consumers; and transmits complete, accurate, and timely information to insurers regarding enrollees,” the report said.

Fixing the data sharing may be a tall order, since even very recently there have been problems with the website successfully transmitting 834 forms to insurers and Medicaid enrollment data to states. This is why “vigilant monitoring and testing of the Marketplaces and rapid mitigation of identified vulnerabilities are essential” to preventing further problems, the report explained.

Some early reports of consumer enrollment suggest that fewer young consumers may have enrolled in plans compared to prior projections, though HHS has yet to release any detailed data. Echoing a worry of many health policy experts outside the Administration, the report underscored younger, healthy Americans have to enroll in Obamacare for the policy experiment to succeed. “Sufficient enrollment, deemed as including enrollment of relatively healthy individuals, is essential for producing a stable and effective insurance market,” the report noted.

One issue the report focused on has received less media attention to date, but will be increasingly important in the weeks ahead: payment accuracy. A dizzying array of new and complex federal payments—advance premium tax credits, cost-sharing subsidies, and premium stabilization payments—must be made to a range of entities. These payments involve “complex calculations and offsets, adjustments, and reconciliations, which pose challenges for making accurate payments,” the report cautioned. The OIG said it was imperative HHS “work closely with insurers to ensure that information is timely, complete, and accurate” and also “develop error rates to measure the integrity of program payments.”

Surprisingly, the report cautioned that HHS still has to complete the “development and implementation of financial management and payment systems and ensure that payments to insurers, which are scheduled to begin in January 2014, are accurate.” If systems are incomplete at this point and are in fact still being “developed” within a few weeks of going live, bumps and errors may be inevitable. So the OIG report stresses that federal officials will need to be proactive and nimble to react in such an environment in which “the Department will face continuing challenges as the program evolves over time.”

A number of consumers and privacy groups have worried if fraudsters and crooks can scam the new system, since the OIG is on the record as saying the new program is a ripe target for fraud. “As with other new programs,” the report counseled “the Department must monitor for known fraud, waste, and abuse risks and detect emerging new risks” and “respond quickly and effectively.” Because these exchange’s data systems handle consumers’ sensitive personal information, “security of data and systems is paramount” the OIG stressed.

To maximize security, consumers also need to be educated about potential fraud schemes, the report suggested. Scams include a range of gimmicks, the OIG outlined, including “identity thieves posing as legitimate assisters offering to help individuals purchase insurance in exchange for money or personal identifying information; imposters misleading Medicare beneficiaries into falsely believing they need to purchase new insurance; and sham websites that appear to be legitimate.”

Moving forward, the report said the OIG will monitor the implementation and functioning of the exchanges and focus oversight on key risk areas, such as eligibility systems, payment accuracy, information technology security, and contracting. The OIG also announced it will audit program safeguards to prevent the submission of fraudulent or inaccurate information.

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