Opening Statement of the Honorable Tim Murphy
Subcommittee on Oversight and Investigations
Hearing on "An Overdue Checkup: Examining The ACA's State Insurance Marketplaces"
September 29, 2015

(As Prepared for Delivery)

The Subcommittee convenes this hearing today to examine the State health insurance marketplaces established under the Affordable Care Act. We seek to understand the sustainability challenges these State exchanges continue to face.

The Centers for Medicaid and Medicare Services has awarded $5.51 billion dollars to the States to help them establish their exchanges. Let me repeat that. The States received $5.51 billion in federal taxpayer dollars to set up their own exchanges. Yet, the ACA had no specific definition of what a state exchange was supposed to do, or more importantly, what it was not supposed to do.

Since the funding for these exchanges came from the entitlement side of the budget, there was no oversight through the appropriations process. There was no "budget" for state exchanges, rather grant money flowed freely and rewarded bureaucratic "innovation." Of course, no one bothered to ensure that more money and more "innovation" didn't wind up creating more government bloat.

In fact, the States represented on our panel today—California, Connecticut, Hawaii, Massachusetts, Minnesota, and Oregon—were awarded over $2 billion of federal grant dollars. Notably, Oregon has already pulled the plug on its State exchange and Hawaii is in the process of doing so.

The faucet of establishment grant money finally turned off at the end of 2014, when the States' exchanges were supposed to be self-sustaining. Despite this enormous taxpayer investment, State exchanges are still struggling. They continue to face IT problems, lower than expected enrollment numbers, and growing maintenance costs. Here are just a few more recent headlines from news articles on the state exchanges: "ObamaCare Exchanges Are a Model of Failure," "Nearly Half of ObamaCare Exchanges Face Financial Woes," and "ObamaCare's Failed State Exchanges."

The alarm bells are not only being sounded in the media. Earlier this year, the Department of Health and Human Services Office of Inspector General alerted CMS Acting Administrator Andy Slavitt that the state exchanges may be using federal establishment grant funds for operational expenses, which is prohibited by law. HHS OIG urged Administrator Slavitt to develop and issue clear guidance to the state exchanges on the appropriate use of establishment grant funds. The guidance that followed, however, was still vague, permissive and lacked real-world examples.

In fact, CMS has seemed more focused on doling out taxpayer dollars rather than overseeing how those dollars are spent. The U.S. Government Accountability Office just issued a report demanding CMS conduct more oversight over States' health insurance marketplace IT projects. GAO found that CMS did not clearly document, define, or communicate its oversight roles and responsibilities to the States. Further, CMS often did not involve relevant senior executives to approve federal funding for States" IT marketplace projects. And although CMS established a process for testing State marketplace systems, these systems were not always fully tested.

We have a panel of witnesses today representing State exchanges, each with its own set of challenges and circumstances. The State of Hawaii was awarded $205 million, but this past June, the Governor announced that its Hawaii Health Connector does not generate "sufficient revenues to sustain operations" and will shut down.

The Commonwealth of Massachusetts accepted $234 million for its Health Connector, but enrolled only 13% of its goal the first year, temporarily placed individuals in Medicaid because it couldn't determine eligibility, and cost Massachusetts an estimated $1 billion in additional funds.

The State of Minnesota initially received $155 million to launch its state exchange. Its exchange, received an additional $34 million from CMS, in part to fund ongoing fixes to the IT system. Despite this infusion of funds, Minnesota has announced that it would revert to an old system next year for MinnesotaCare premiums because of the continued exchange problems.

The State of California received over $1 billion in federal grant dollars to establish its exchange, Covered California, the most of any state. Despite call center and website woes, California had the highest enrollment in 2014, but only retained 65 percent of its 2014 enrollees. This year, California's enrollment numbers reached 1.4 million, falling 300,000 short of expectations.

CMS awarded the State of Connecticut approximately $176 million in federal establishment grants, and as of September 2015, approximately 96,000 individuals were enrolled in a plan. Only 50 percent of enrollees were previously uninsured.

The State of Oregon received $305 million in federal grant dollars exchange, Cover Oregon. Despite this heavy investment, Cover Oregon was dissolved early this year and transferred its responsibilities to the Department of Consumer and Business Services. The state is currently operating as a "Federally-supported State-based Marketplace" and relies on healthcare.gov.

We are here today to understand the challenges these State exchanges face. Why are they struggling to become self-sustaining, especially given the extraordinary taxpayer investment? Is it a lack of accountability or oversight? Where has CMS been during this whole process? Is CMS encouraging fiscal restraint, or instead, taking a hands-off approach, which has allowed money to be spent uncontrollably? And where an exchange has decided to shut down, has CMS tried to recoup any of the federal grant dollars? Lastly, are the exchanges doomed to fail? Hopefully, we will get answers to these important questions today.

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