

# A disastrous start for Obamacare health exchanges

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On October 1, the health insurance exchanges set up under the Obama administration's Patient Protection and Affordable Care Act (ACA) opened for business. The ensuing two weeks have seen myriad problems with the online marketplaces, with tens of thousands of potential customers staring at locked screens, unable to enroll, or find out whether they qualify for government subsidies to purchase insurance.

While these computer failures are technical in nature, they are bound up with the regressive nature of the entire Obamacare enterprise. The first two weeks of a program that President Obama promised would vastly expand the availability of affordable health care to the 49 million Americans without health insurance have proven to be an unmitigated disaster.

The federal web site is handling the traffic for the 36 states that have opted not to set up their own sites to enroll customers. Under the ACA, individuals and families are required to purchase coverage from private insurers on the exchanges or face a penalty. In the lead-up to the insurance exchange launch, the administration released information that made clear the cheaper plans on offer would not only carry high premiums, they would also limit choices in coverage and carry substantial out-of-pocket costs. (See "US health exchanges will impose high out-of-pocket costs, limit choices")

One of the chief sticking points appears to be a requirement that people create an account and enter detailed personal information before they can begin shopping for plans. Problems filling out this information online have created a massive bottleneck, as different databases accessing information from the Internal Revenue Service, the Department of Homeland Security, credit bureaus, and other entities verify whether an individual is eligible for government

subsidies to purchase coverage.

If the system breaks down anywhere along the way, the process is road-blocked. The government has largely attributed the web site problems to the huge scale of demand, claiming that it is overwhelming the Internet servers. But the bottleneck is, in fact, tied to programming flaws and inadequate planning and testing in advance of the launch. The logjam connected to the creation of individual accounts is an expression of this.

At the same time, there is no way for people to peruse the site to see what plans are available before it is determined whether costs will be offset by subsidies. This is likely motivated by the government's desire to delay the sticker shock many will experience when they discover that the Affordable Care Act is not so affordable.

The administration hopes that by first showing people the subsidies to which they are entitled they will be more likely to purchase coverage. However, many people have been unable to make it to this point in the enrollment process. Government officials report that [heathcare.gov](http://heathcare.gov) received 14.6 million unique visits in the first 10 days of operation, but neither the Department of Health and Human Services (HHS) nor the White House will divulge precisely how many people have actually registered and enrolled.

Typical was the experience of Carol Jameson of HealthWorks of Northern Virginia, which serves about 10,000 low-income patients. She told the *Washington Post* in an email: "We have gotten a few [[heathcare.gov](http://heathcare.gov) applications] in—by persevering." She added that last Wednesday a counselor was able to submit an application "but it took four hours because the system kept shutting down."

Community groups, insurers and government-hired

“navigators” trying to sign people up for coverage have been frustrated by an inability to access the system, or access it in a timely manner. In the face of failure in what was supposed to be a snappy online experience, some of these advocates as well as individuals looking for coverage are turning to paper applications. While filling out a paper form may give the appearance that the process is underway, the information must eventually be manually entered into the computerized system.

Paper applications from the 36 states covered by the federal exchanges will be reviewed by Virginia-based Serco, which received a \$1.2 billion contract to hire 1,500 workers to do so. Customers filing by paper will receive an eligibility determination, at which point they can log on to healthcare.gov, contact a government call center, or consult a consumer guide. If they choose to go online, however, they will need to establish an account and begin the application process over again from scratch.

The problems plaguing the insurance exchange rollout were not unexpected. It has been widely reported that in March, Henry Chao, the chief digital architect of the administration’s online insurance marketplace, warned insurance industry executives, “Let’s just make sure it’s not a Third World experience.” Despite such warnings, the White House was hell-bent on executing an on-time rollout, fearing that any delay would embolden Republican opponents of Obamacare and heighten suspicions about the program among an already wary public.

More than \$400 million was spent to design and implement the online exchanges, the majority of it going to private contractors. A report released last week by the Washington, DC-based nonprofit Sunlight Foundation Reporting Group reveals that these contractors were for the most part existing government contractors with “deep political pockets,” including Northrop Grumman, General Dynamics, Deloitte, and Booz Allen Hamilton.

According to the report: “All but one of the 47 contractors who won contracts to carry out work on the Affordable Care Act worked for the government prior to its passage.” The report noted that many played a major role in lobbying for the legislation, stating that “some 17 contract winners reported spending more than \$128 million on lobbying in 2011 and 2012.”

The two contractors receiving the most public attention for the debacle at healthcare.gov are GCI Federal, which won a \$93.7 million contract in 2011 to build the exchanges, and UnitedHealth subsidiary Quality Software Services, which won a \$69 million contract in 2012 to set up a data services hub to pull together information from different agencies in the enrollment and verification process.

CGI Federal claims that many problems on the site stem from a government decision to coordinate the project between subcontractors in-house, through personnel in the Centers for Medicare & Medicaid Services (CMS), rather than having a separate contractor do the coordination.

Another contractor for the insurance exchanges is Science Applications International Corp. (SAIC), a defense contractor with a checkered past, including the CityTime payroll software scandal that cost New York City hundreds of millions of dollars.

The close collaboration of the government with these private companies is emblematic of the health care overhaul itself, which has never been about improving medical care or access for ordinary Americans, but rather about funneling billions of dollars into the coffers of the private health insurers and slashing costs for the government and corporations.



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