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Pricing Glitch Afflicts Rollout of Online Health Exchanges



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Margot Lee, left, and Claude Cesard, right, volunteers with Get Covered America, canvas a neighborhood in Englewood, N.J., in July to inform people about new insurance possibilities under the federal health-care law.

Less than two weeks before the launch of insurance marketplaces created by the federal health overhaul, the government's software can't reliably determine how much people need to pay for coverage, according to insurance executives and people familiar with the program.

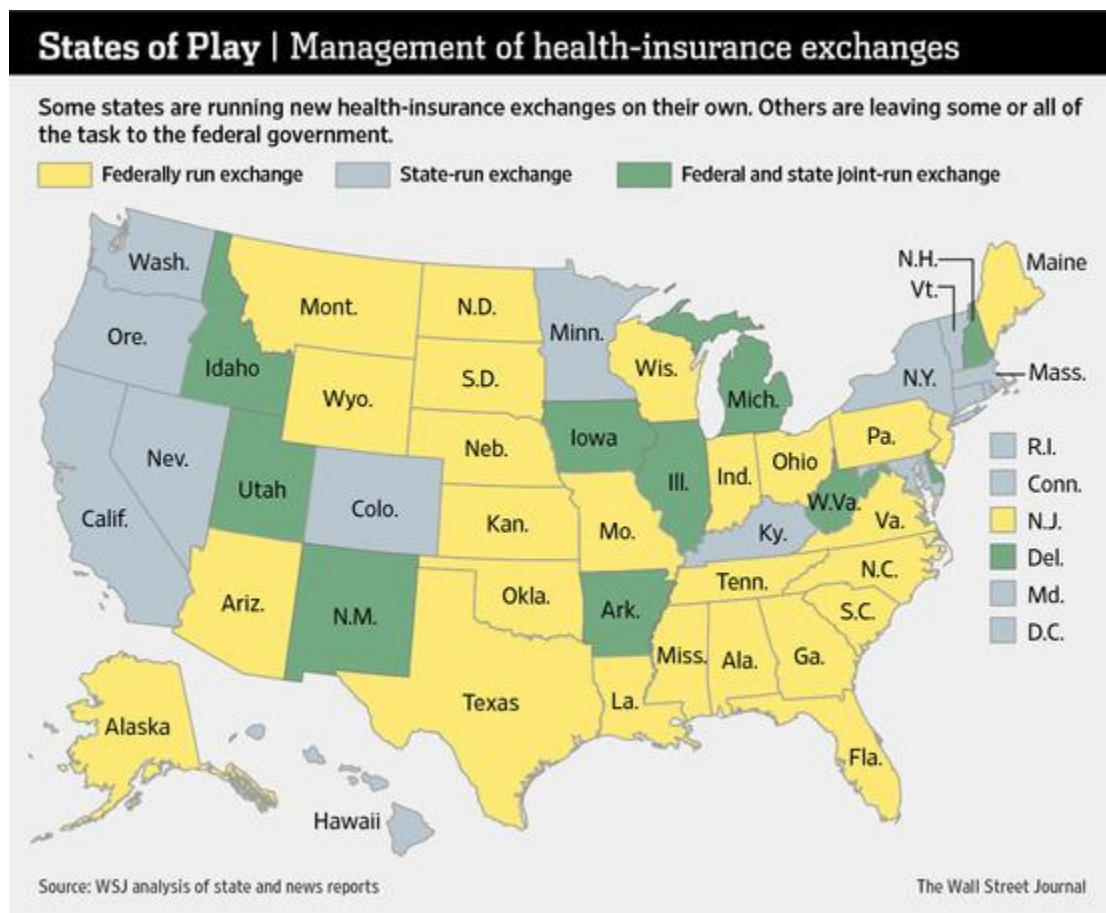
Government officials and insurers were scrambling to iron out the pricing quirks quickly, according to the people, to avoid alienating the initial wave of consumers.

A failure by consumers to sign up online in the hotly anticipated early days of the "exchanges" is worrisome to insurers, which are counting on enrollees for growth, and to

the Obama administration, which made the exchanges a centerpiece of its sweeping health-care legislation.

If not resolved by the Oct. 1 launch date, the problems could affect consumers in 36 states where the federal government is running all or part of the exchanges. About 32 million uninsured people live in those states, but only a fraction of them are expected to sign up in the next year.

The remaining 14 states are running separate marketplaces with their own software. One of those states, Oregon, has already announced that it would delay some features to fix software bugs, though consumers will be able to enroll offline.



Four people familiar with the development of the software that determines how much people would pay for subsidized coverage on the federally run exchanges said it was still miscalculating prices. Tests on the calculator initially scheduled to begin months ago only

started this week at some insurers, according to insurance executives and two people familiar with development efforts.

"There's a blanket acknowledgment that rates are being calculated incorrectly," said one senior health-insurance executive who asked not to be named. "Our tech and operations people are very concerned about the problems they're seeing and the potential of them to stick around."

Still, the long-term consequences of any malfunctions in registering and pricing may be limited. People may still be able to sign up offline, even if the online exchanges aren't fully functional at first, several insurers said. And consumers have until mid-December to sign up for policies that start on Jan. 1.

The enrollment period continues through next March, and many analysts expect consumers to wait until they can use the coverage before they enroll.

The Obama administration says open enrollment will begin Oct. 1 on schedule. "We may encounter some bumps when open enrollment begins but we'll solve them," said Gary Cohen, director of the Center for Consumer Information and Insurance Oversight, one of the main offices within Medicare charged with developing the exchanges, in congressional testimony on Thursday.

Federal officials also said ongoing testing is meant to get ahead of such problems. "We continue working with [insurers] and we are confident that on Oct. 1, consumers will see accurate premium costs, including tax credits," said Brian Cook, a Medicare spokesman.

Even short-lived problems with the exchanges could be a setback for the Obama administration and supporters of the law. Already, some requirements in the law, such as a mandate that large employers offer workers insurance and limits on consumers' annual out-of-pocket spending, have been delayed, with officials citing administrative and technological hurdles.

Insurers are preparing to enroll potential customers through a variety of methods—online and offline—starting Oct. 1. "While there will no doubt be technical challenges, there are a number of pathways for a consumer to enroll, including through agents or brokers, and directly through health plans," said a WellPoint Inc. spokeswoman.

Georgia Watch, a consumer advocacy group involved in health-law outreach, will tell people who log on in early October to the state's federally run exchanges: "Don't panic. There probably will be a few glitches," said Bill Rencher, the group's health-access program director. He expects any lingering issues to be resolved quickly.

At their front end, the exchanges are essentially websites that consumers use to compare health plans and enroll in coverage. These websites link to data from other parts of the government, such as the Internal Revenue Service, and from health plans to verify eligibility and deliver subsidies for coverage.

Individuals earning up to about \$46,000 a year and couples making up to \$62,000 are eligible for subsidies to buy insurance. In some cases, the subsidies could cover the full cost of plans. Higher-earning customers can also buy insurance on exchanges but will pay the full price of premiums. Most people who choose not to carry insurance will face penalties for the 2014 tax year.

The administration's readiness has been in doubt for months. A Government Accountability Office report in June noted that, despite progress, "much remains to be accomplished within a relatively short amount of time."

Glitches in technology projects of this scale are "totally to be expected," said Michael Krigsman, an information-technology consultant who advises companies on IT projects. "On the surface, you'd think this is pretty easy for a website to give you a price, but behind the scenes, the number of variables is very high," he said.

The calculator application is being developed by the government contractor CGI Group Inc. CGI has won more than \$88 million in government contracts to build the exchanges through next March, the largest amount of any contractor, according to the GAO report. Donald Meyer, a public-relations executive representing CGI, declined to comment on behalf of his client.

Some health plans said an earlier set of problems involving incorrect plan details, such as the amount of copays for certain services, had been largely resolved following testing of the software. Molina Health Care Inc., which is planning to offer commercial health plans in seven states with federally run exchanges, "experienced a variety of challenges completing that testing, but we worked closely [with the federal health agency] to resolve the issues," said Laura Hart, a spokeswoman.

Ms. Hart said testing of the calculator feature hasn't yet been completed in six states where the U.S. will run exchanges, but went well in one.

Martin Hickey, chief executive of New Mexico Health Connections, a consumer-operated health plan created by the health law, said that when his staff got its first look at the system that displays plan details about a month ago, there were a lot of errors, but he said they have since been fixed.