

HHS Inspector General Reports on Healthcare.gov Spending

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Related Categories: Contract Awards, Health IT, Health and Human Services, Cloud Computing, Performance

In the wake of the troubled launch of the Federal Marketplace for health insurance, the Office of Inspector General (OIG) for Health and Human Services (HHS) is reviewing the planning, acquisition, management, and performance oversight of the contracts associated with the effort as well as aspects of Federal Marketplace Operations. The first in a series of reports on the findings of the review was released in August 2014.

On December 10, 2013, Kathleen Sebelius, Secretary of Health and Human Services from 2009 to 2014, issued [a letter](#) to the department's Inspector General. The letter requested review of several aspects of the contracting process including:

- the acquisition process for the contracts that supported the October 1st launch,
- contractor selection, contract administration, and project management of the development of Healthcare.gov,
- contractor performance, supervision of the development contracts, and payments to contractors throughout the process, and
- whether contract specification were met.

Between January 2009 and January 2014, some sixty different contracts started work on the development and operations for the Federal Marketplace. One third of the contracts started before 2012. Just over one third of the contracts started during 2012. Most of the remaining began in 2013, and a single contract started in 2014. These contracts covered a range of goods and services including health benefit data collection, consumer research, cloud computing, and website development.

OIG found that the development of the Federal Marketplace primarily leveraged two types of contracts: fixed-price and cost-reimbursement. In the former, the contractor assumes the risk of cost overruns. In the latter, the government carries the cost overrun risks (as far as prescribed in the contract). This is worth noting because combined obligations for the federal marketplace grew from \$86 million in September 2011 to over \$294 million in February 2014. This rise was related to cost increases, schedule delays, and lagging system functionality related to changing requirements. With contract values spanning from under \$700,000 to over \$200 million, the original value of these contract totaled \$1.7 billion. Through February 2014, one third of these contracts exceeded the estimated value of the awards. Over ten percent of those contracts surpassed the estimated value in excess of 100 percent.

Not long before HHS OIG released its first report on the review, the Government Accountability Office (GAO) issued [a study](#) on Healthcare.gov that had been requested by Congress. GAO's study assessed selected contracts from the Center for Medicare and Medicaid Services (CMS) for acquisition planning, oversight of cost and schedule, system capability changes, and actions to regarding contractor performance. Among other things, GAO recommended that CMS take immediate actions to assess ballooning contract costs and that required oversight tools be used.

This [first report](#) from HHS's Inspector General offers an overview of the contracts such as basic financial information. HHS OIG reports from additional, ongoing reviews related to contract procurement and oversight are expected in 2014 and 2015. These reports will offer more detailed analysis, findings, and recommendations.

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