



The Money Pit

For The ObamaCare Website, Lax Oversight Equals High Spending

Today, The GAO Will Testify In Congress On Ongoing Issues With The Implementation Of ObamaCare. “The GAO report is not due to be released until early Thursday, ahead of a House Energy and Commerce subcommittee hearing on implementation of Obama’s Affordable Care Act. GAO acquisition and sourcing management director William Woods is scheduled to testify.” (David Morgan, “Federal Obamacare Market Still Faces Cost Overruns, Delays: Watchdog,” [Reuters](#), 7/30/14)

- **GAO Officials Will Report ObamaCare’s Marketplace And Website Were “Over Budget And Behind Schedule.”** “The investigators, from the Government Accountability Office, an independent arm of Congress, said that the marketplace and its website, HealthCare.gov, were over budget and behind schedule because of ‘new and changing requirements’ imposed by administration officials.” (Robert Pear, “Problems With HealthCare.gov Could Force Delays In Fall,” [The New York Times](#), 7/30/14)

THE GOVERNMENT’S WATCHDOG FOUND THAT THE OBAMA ADMINISTRATION IS TO BLAME FOR OBAMACARE’S COSTLY OVERRUNS AND ROCKY ROLLOUT

The GAO’s Report Found That The “Obama Administration Set The Stage” For The ObamaCare Website’s Failures. “Management failures by the Obama administration set the stage for the computer woes that paralyzed the president’s new health care program last fall, nonpartisan investigators said in testimony released Wednesday. Behind the administration’s repeated assurances that consumers across the land would soon have seamless access to health care, a chaotic procurement process was about to deliver a stumbling start.” (“Probe Exposes Flaws Behind [HealthCare.Gov](#) Rollout,” [The Associated Press](#), 7/30/14)

The Obama Administration’s Inability To Hold Contractors Accountable Led To Costly Overruns At The Expense Of The American Taxpayer

According To The Latest GAO Estimates, The Cost Of ObamaCare’s Website Is Approaching \$1 Billion, At \$840 Million And Rising. “The budget to get the site ready for the next round of enrollments, starting in November, jumped to \$840 million as of March, according to the Government Accountability Office. That’s a \$163 million increase since December.” (Alex Wayne, “ObamaCare Web Cost Approaches \$1 Billion As Fixes Needed,” [Bloomberg](#), 7/30/14)

- **FLASHBACK: In December 2013, Then-HHS Secretary Kathleen Sebelius Testified That The Administration Had Spent \$319 Million And Obligated \$677 Million For The ObamaCare Website Through The End Of October.** KATHLEEN SEBELIUS: “Congresswoman, to date, through the end of October -- and I’m giving you the cleanest audited numbers that we have -- we have obligated \$677 million for the total IT costs, and have outlaid \$319 million of that \$677

million. Some of that includes work, clearly, in the month of October. We will give you regular updates as we have newly audited numbers. I have asked the I.G. to become involved because I think it's very appropriate to look at all aspects not only of not only the management practices but the contractor expenditures, the specs in the contract, the payment issues. ... Well, through the end -- yes, that's the obligated amount. We have spent \$319 million of that \$677 million through the end of October.” (Committee On Energy And Commerce, U.S. House, Hearing, 12/11/13)

The Government Accountability Office Found That The Obama Administration’s “Risky Contracting Practices” Led To The Costly Overruns. “GAO’s report, prepared for a House Energy and Commerce Committee hearing Thursday, details a long series of management, oversight, and contracting problems that plagued the entire process, from risky contracting practices in 2011 through the botched launch last October.” (Sam Baker, “ObamaCare Website Has Cost \$840 Million,” [National Journal](#), 7/30/14)

- **In One Instance, The GAO Found That The Cost Of Developing The ObamaCare Website “Nearly Quadrupled,” From \$56 Million To \$209 Million.** “The overall cost of developing the federal marketplace, which helps consumers in 36 states sign up for subsidized private health insurance, nearly quadrupled to \$209 million by last February from \$56 million in September 2011, GAO said. The cost of developing a related federal data hub jumped from \$30 million to \$85 million.” (David Morgan, “Federal ObamaCare Market Still Faces Cost Overruns, Delays: Watchdog,” [Reuters](#), 7/30/14)

After Taking Over Website Construction For CGI, Accenture Plc, Is Expected To Receive \$175 Million, An \$84 Million Increase From Original Estimates. “Accenture Plc (ACN), the company that took over building the site that failed at its introduction this past October, is expected to be paid \$175 million as of June, an \$84 million increase from the estimate in January when it signed a contract. The data are part of testimony for a congressional hearing tomorrow in the Republican-led House. The GAO places blame for the rising price on poor planning and supervision of contractors who built the website for the federal health exchange.” (Alex Wayne, “ObamaCare Web Cost Approaches \$1 Billion As Fixes Needed,” [Bloomberg](#), 7/30/14)

CGI Group, The Company Responsible For The Plagued ObamaCare Website “Wasn’t Severely Punished” And Was Only Docked \$267,000 For Not Meeting Its Contract. “The site was built primarily by CGI Group Inc. (GIB/A) of Montreal. While top Obama administration officials publicly blamed CGI for not meeting the terms of its contract, the company wasn’t severely punished, losing only about \$267,000 of their fees, Wood is scheduled to testify.” (Alex Wayne, “ObamaCare Web Cost Approaches \$1 Billion As Fixes Needed,” [Bloomberg](#), 7/30/14)

- **The Obama Administration “Paid Nearly All Of CGI’s \$12.5 Million In Fees.”** “CMS ultimately paid nearly all of CGI’s \$12.5 million in fees, withholding only \$267,000, the report said. The agency later ended its contract with CGI. Another contractor, Accenture, was brought in to make website fixes.” (“Probe Exposes Flaws Behind [HealthCare.Gov](#) Rollout,” [The Associated Press](#), 7/30/14)

“Inconsistent Oversight Had Led CMS Officials To Inappropriately Authorize More Than \$30 Million In Contractor Spending.” “But the GAO said inconsistent oversight had led CMS officials to inappropriately authorize more than \$30 million in contractor spending.” (David Morgan, “Federal ObamaCare Market Still Faces Cost Overruns, Delays: Watchdog,” [Reuters](#), 7/30/14)

The ObamaCare Website Remains Incomplete, With The Likelihood Of Future Problems

“Large Segment Of The Marketplace System Still Remain Unbuilt.” “Meanwhile, large segments of the marketplace system still remain unbuilt, including a financial management system to automate payments of federal subsidies to health insurers that is due to be completed in December.” (David Morgan, “Federal ObamaCare

Market Still Faces Cost Overruns, Delays: Watchdog," [Reuters](#), 7/30/14)

The GAO Has Warned That More ObamaCare Problems Could Be On The Horizon. "All the same, GAO says, similar problems could arise again without structural changes in the way the government manages its contracts and spending." (Same Baker, "ObamaCare Website Has Cost \$840 Million," [National Journal](#), 7/30/14)

- **"Significant Risks" Remain For The Next Open Enrollment Period, Which Begins On November 15.** "In testimony prepared for a House hearing on Thursday, William T. Woods, a senior official at the auditing agency, warned of 'significant risks' in the next open enrollment period, which begins Nov. 15. His comments were striking because the White House has said that the problems were mostly solved with the help of a new team of professionals led now by Sylvia Mathews Burwell, the secretary of Health and Human Services." (Robert Pear, "Problems With HealthCare.gov Could Force Delays In Fall," [The New York Times](#), 7/30/14)

IT'S NO WONDER THE WHITE HOUSE WASN'T ANXIOUS TO ANSWER QUESTIONS ABOUT THE COSTS OF FIXING OBAMACARE

In November, Then-White House Press Secretary Jay Carney Refused To Answer Questions About The Cost Of Fixing ObamaCare, Referring All Inquiries To HHS. QUESTION: "And we learned from GAO today at the hearing in the House that the website development costs, in the words of the GAO, north of \$600 million. Do you have any comment on that number? It seems like ..." CARNEY: "I didn't see that report. I can refer you to HHS and CMS for how the contracts work for the development of the website. I know that the teams now that have been brought in are working under existing contracts in an effort to fix the problems that the website has and to continue to work down the punch list, as I described earlier." ... QUESTION: "And finally, more than \$600 (sic) spent so far -- is there any sense of how much more is going to be need to spend -- to be spent here?" CARNEY: "I -- for those kinds of questions, I refer you to CMS and HHS." (White House Press Secretary Jay Carney, [Press Briefing](#), Washington, D.C., 11/13/13)

- **Carney, On Fixing ObamaCare In October: "The Budget For This Is Something That's Housed Over At HHS, And I Would Refer You To Them, Including The Expenses Related To The Website."** QUESTION: "OK, last one on that, then. What is your estimate on how much more money it's going to cost, then, to fix the website and implement the early stages? It's already hundreds of millions of dollars that has been laid out and has been disclosed. What's your new estimate?" CARNEY: "Well, I'd say a couple of things. One, the budget for this is something that's housed over at HHS, and I would refer you to them, including the expenses related to the website." (White House Press Secretary Jay Carney, [Press Briefing](#), Washington, D.C., 10/22/13)