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The Apothecary, With Avik Roy

INSIGHTS INTO HEALTH CARE AND ENTITLEMENT REFORM.

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Obamacare's Website Is Crashing Because It Doesn't Want You To Know How Costly Its Plan

Avik Roy, Contributor

1,603 comments, 1,558 called-out

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A growing consensus of IT experts, outside and inside the government, have figured out a principal reason why the website for Obamacare's federally-sponsored insurance exchange is crashing. Healthcare.gov forces you to create an account and enter detailed personal information before you can start shopping. This, in turn, creates a massive traffic bottleneck, as the government verifies your information and decides whether or not you're eligible for subsidies. HHS bureaucrats knew this would make the website run more slowly. But they were more afraid that letting people see the underlying cost of Obamacare's insurance plans would scare people away.

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The Healthcare.gov website requires that individuals looking for coverage enter personal information before comparing plans. IT experts believe that this requirement is causing the website to crash.

HHS didn't want users to see Obamacare's true costs

"Healthcare.gov was initially going to include an option to browse before registering," [report](#) Christopher Weaver and Louise Radnofsky in the *Wall Street Journal*. "But that tool was delayed, people familiar with the situation said." Why was it delayed? "An HHS spokeswoman said the agency wanted to ensure that users were aware of their eligibility for subsidies that could help pay for coverage, *before they started seeing the prices of policies.*" (Emphasis added.)

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The Apothecary, With Avik Roy

Insights into health care and entitlement reform.

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The Apothecary, a blog about health care and entitlement reform, is edited by Avik Roy, a Senior Fellow at the Manhattan Institute for Policy Research and a former health-care policy adviser to Mitt Romney. Avik also writes a

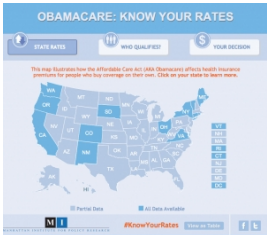
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Avik Roy
Contributor



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CMS on Obamacare's Health Insurance Exchanges: 'Let's Just Make Sure It's Not a Third-World Experience'

Avik Roy
Contributor

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As you know if you've been following this space, Obamacare's bevy of mandates, regulations, taxes, and fees drives up the cost of the insurance plans that are offered under the law's public exchanges. A [Manhattan Institute analysis](#) I helped conduct found that, on average, the cheapest plan offered in a given state, under Obamacare, will be 99 percent more expensive for men, and 62 percent more expensive for women, than the cheapest plan offered under the old system. And those disparities are even wider for healthy people.

That raises an obvious question. If 50 million people are uninsured today, mainly because insurance is too expensive, why is it better to make coverage even costlier?

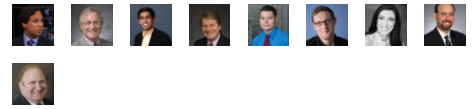
Political objectives trumped operational objectives

The answer is that Obamacare wasn't designed to help healthy people with average incomes get health insurance. It was designed to force those people to pay *more* for coverage, in order to subsidize insurance for people with incomes near the poverty line, and those with chronic or costly medical conditions.



But the laws' supporters and enforcers don't want you to know that, because it would violate the President's incessantly repeated promise that nothing would change for the people that Obamacare doesn't directly help. If you shop for Obamacare-based coverage without knowing if you qualify for subsidies, you might be discouraged by the law's steep costs.

So, by analyzing your income first, if you qualify for heavy subsidies, the website can advertise those subsidies to you instead of just hitting you with Obamacare's steep premiums. For example, the site



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Enrollment In Obamacare's Federal Exchange, So Far, May Only Be In 'Single Digits'

 **Avik Roy**
Contributor

could advertise plans that cost “\$0” or “\$30” instead of explaining that the plan really costs \$200, and that you’re getting a subsidy of \$200 or \$170. But you’ll have to be at or near the poverty line to gain subsidies of that size; most people will either not qualify for a subsidy, or qualify for a small one that, net-net, doesn’t make up for the law’s cost hikes.

This political objective—masking the true underlying cost of Obamacare’s insurance plans—far outweighed the operational objective of making the federal website work properly. Think about it the other way around. If the “Affordable Care Act” truly did make health insurance more affordable, there would be no need to hide these prices from the public.

Subsidy verification created a traffic bottleneck

Comparable private-sector e-commerce sites, like eHealthInsurance.com, allow you to shop for plans and compare prices simply by entering your age and your ZIP code. After you’ve selected a plan you like, you fill out an on-line application. That substantially winnows down the number of people who rely on the site for network-intensive tasks.

The federal government’s decision to force people to apply before shopping, Weaver and Radnofsky write, “proved crucial because, before users can begin shopping for coverage, they must cross a busy digital junction in which data are swapped among separate computer systems built or run by contractors including CGI Group Inc., the healthcare.gov developer, Quality Software Services Inc., a UnitedHealth Group Inc. unit; and credit-checker Experian PLC. If any part of the web of systems fails to work properly, it could lead to a traffic jam blocking most users from the marketplace.”

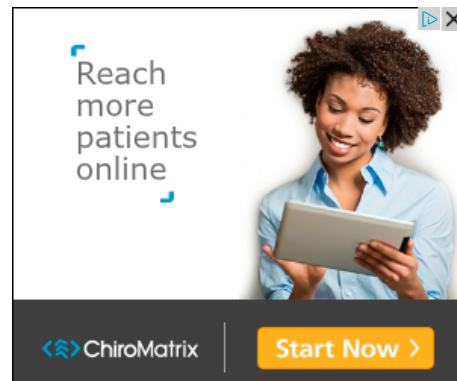
Jay Angoff, a former federal official at the agency that oversees the exchange, told the *Journal* that he was surprised by the decision. “People should be able to get quotes” without entering all of that information upfront.

Weaver and Radnofsky say that the core problem stems from “the slate of registration systems [that] intersect with Oracle Identity Manager, a software component embedded in a government identity-checking system.” The main Healthcare.gov web page collects information using the CGI Group technology. Then that data is transferred to a system built by Quality Software Services. QSS then sends data to Experian, the credit-history firm. But the key “identity management system” employed by QSS was designed by Oracle, and according to the *Journal*’s sources, the Oracle software isn’t playing nicely with the other information systems.

Oracle hotly denies these claims. “Our software is the identical product deployed in most of the world’s most complex systems...our software is running properly,” said an Oracle spokeswoman in a statement.

‘It’s awful, just awful’

Robert Pear and colleagues at the *New York Times* have a [piece up today](#) detailing the serious problems with the federal exchange, problems that may get worse, not better. They confirm what [we already knew](#): that the Obama administration refused to delay the implementation of the exchanges, despite



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the well-known problems, because they were afraid of the political blowback. “Former government officials say the White House, which was calling the shots, feared that any backtracking would further embolden Republican critics who were trying to repeal the health care law.”

As I [documented last week](#), IT and insurance experts have been saying for at least eight months that implementation of the exchanges was going badly, that as early as February officials were warning of a “third world experience.” The *Times*’ sources are just as blunt. “These are not glitches,” said one insurance executive. “The extent of the problems is pretty enormous. At the end of our [conference calls with the administration], people say, ‘It’s awful, just awful.’”

“We foresee a train wreck,” said another executive in a February interview with the *Times*. “We don’t have the IT specifications. The level of angst in health plans is growing by leaps and bounds. The political people in the administration do not understand how far behind they are.” Richard Foster, the former chief actuary at the Centers for Medicare and Medicaid Services, said last week that “so much testing of the new system was so far behind schedule, I was not confident it would work well.”

Henry Chao, the deputy chief information officer at CMS who made the [“third world experience” comment](#), was told by his superiors that failure to meet the October 1 launch deadline “was not an option,” according to the *Times*.

White House knowingly chose to court disaster

Think about it. It’s quite possible that much of this disaster could have been avoided if the Obama administration had been willing to be open with the public about the degree to which Obamacare escalates the cost of health insurance. If they had, then a number of the problems with the exchange’s software architecture would never have arisen. But that would require admitting that the “Affordable Care Act” was not accurately named.

The White House knew that its people on the front lines, people like Henry Chao, were worried that the exchanges would get botched. They saw the Congressional Research Service memorandum detailing that the administration has [missed half of the statutory deadlines](#) assigned by the law. But they were more afraid of the P.R. disaster of disclosing Obamacare’s high premiums than they were of the P.R. disaster of crashing websites. What you see is the result.

* * *

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* * *

UPDATE: Ezra Klein [interviews Bob Laszewski](#), a consultant to the insurance industry. Bob tells Ezra that “the Obama administration has been really paranoid about...rate shock,” and that the problems could take “three or four or five months” to fix:

“ They were paranoid because Obamacare was under siege. I understand that. If they were open with their partners there would’ve been criticism, but it would’ve been constructive criticism. None of us had any idea that the government Web site would require security

sign-ins before browsing. Why did that have to be a secret? No one will read a newspaper article about that. If it had been transparent I think most of this would've been caught upfront. That really hurt them.


One thing the Obama administration has been really paranoid about is rate shock. When someone like me says there'll be rate shock they say you have to net out the subsidies. That is a fair point. But I think what happened was when they designed their system they were so paranoid about that that they wanted to make sure people browsing got the lowest price. That required signing in so you could see subsidies. And my theory is that's why they went to the architecture they did even though the IT systems people wanted to go another way...

The problem with the Obama administration keeping this open is its five times harder to fix something like this on the run. If it would've taken a month to fix it during the shutdown, it'll take three or four or five months to fix it while it was running.

INVESTORS' NOTE: The biggest publicly-traded players in Obamacare's health insurance exchanges are Aetna (NYSE:[AET](#)), Humana (NYSE:[HUM](#)), Cigna (NYSE:[CI](#)), Molina (NYSE:[MOH](#)), WellPoint (NYSE:[WLP](#)), and Centene (NYSE:[CNC](#)), in order of the percentage of uninsured, exchange-eligible Americans for whom their plans are available.

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Introduction

Thanks to the U.S. federal government facing off over spending, we're in the midst of a government

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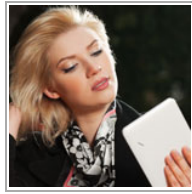
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Dave Ryan 1 week ago

Endless hyperbole without one specific example. No wonder people lose trust. I am a 55 year old male in Arizona paying \$406 in AFTERTAX \$ for my individual plan through a broker. Can you cite examples where people similar to me are signing up for ACA coverage costs for comparable plans that are greater than what they pay currently?

Called-out comment

[Reply](#)



Avik Roy, Contributor 1 week ago

Author

Your rates are acceptable because the law forces young people to pay far more to subsidize you. Congrats!

<http://www.forbes.com/sites/theapothecary/2012/03/22/how-obamacare-dramatically-increases-the-cost-of-insurance-for-young-workers/>

Called-out comment

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Charles Chambers 6 days ago

Yes, you are correct. The premiums being paid by those healthy and younger (and both) are going to lower the average per-policyholder premium. That's how insurance works.

Called-out comment

[Reply](#)

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jeffwtux 6 days ago

And since older people by and large have greater incomes, the older the people will be subsidizing the young people's subsidies. Yes, I'm sure there are a few wealthy, successful young people who will be the ultimate loses. If the problems of rich young people were the USAs only problem, we would be an amazing shape.

Called-out comment

[Reply](#)



Dave Noland 6 days ago

So I guess the young people who are getting sick, then going to the emergency room, passing those costs on to me, are physically responsible? Quit crying and trying to pretend that we don't know this is political.

Called-out comment

[Reply](#)



James Annaccone 6 days ago

How about all the years that our rates had to subsidize all you young brats that don't want Ins but go to the hospital when their sick, on our dollar. Grow up son, just because you have a gift to write does not mean there is any brains behind your words. Oh I forgot, its not about truthfulness, it's about making a Buck and doing or saying anything to get it.

Called-out comment

[Reply](#)



Terry Calk 6 days ago

Were you not able to answer his specific question or merely proving his point that you could not provide a single specific instance to support your hypothesis?

Called-out comment

[Reply](#)



Yao Jin 6 days ago

@Jeffwtux, wrong. Older people have greater “wealth.” Income may be correlated with seniority, but not age. While age and seniority are correlated, the degree is only moderate. Further, younger people tend to participate in more lucrative industries while older people tend to suffer from career maladies due to skill erosion and age discrimination.

Called-out comment

[Reply](#)



User_ahc 6 days ago

Oh Avik, calm down. Aren't you getting tired from all your “outrage” over ACA. It's the law. Deal with it.

Called-out comment

[Reply](#)



James Annaccone 6 days ago

Thank you Eugene McCarthy!

Called-out comment

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