Teaching Case
Healthcare.gov: Opportunity out of Disaster

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ABSTRACT

The launch of HealthCare.gov, the website of the Affordable Care Act (AKA Obamacare), was a major public relations disaster for the Obama administration. This case examines some of the factors that contributed to the failure of the launch and then details how Optum, an information technology service provider, considered the opportunity provided by the failure. The case provides examples of both good and bad IT management processes and poses questions for discussion related to the evaluation of risk associated with high profile projects.

Keywords: Teaching case, Health care, Project management, Outsourcing

1. INTRODUCTION

Andrew Slavitt, group executive vice president of Optum, had just hung-up the phone with Marilyn Tavenner. Marilyn was the US Centers for Medicare and Medicaid Services (CMS) administrator. He had called Marilyn to offer his company's assistance in repairing the healthcare.gov, which had continued to unravel weeks after its disastrous rollout.

The troubled launch of the U.S. federal government's healthcare information exchange was a high-profile example of a failed outsourced IT project. The $400 million dollar endeavor was intended to be a one-stop, online shop for Americans seeking health insurance. It made headlines for its bugs and glitches. Even Jay Leno quipped: "I tried to log on to healthcare.gov today. I don't think I'm doing it right. I lost 300 bucks playing Texas Hold 'Em."

Aside from the launch being the brunt of late-night talk show hosts opening lines it was endorsed by the highest executive in the world, President Barak Obama, and was a key driver of his performance ratings. The project was afforded plenty of lead time and a relatively straightforward mandate, but deadline after deadline was missed on the multi-contractor project. From government agencies slow response times to address specification questions to last minute changes to the Healthcare.gov's primary features. The project was problematic to say the least.

As he sat in his office, Andrew wondered if he had made the best decision. He also knew his parent company; UnitedHealth Group (UHG) had been wary from the beginning of embracing the Healthcare.gov rollout which meant Optum might not be able to rely on any of UHG's resources to assist should they need it. Or his efforts may even hinder UHG plans of expanding with the new reform around the Affordable Care Act. Additionally, there were concerns regarding public conflicts of interest related to Steve Larsen. Steve had been a former top regulator with CMS. He was now working for OptumInsight, the UHG subsidiary that had purchased QSSI, a small company that had responsibility for one of the few components of the website that worked on the October 1 rollout. If Optum were granted the healthcare.gov contract opportunity, QSSI would be a critical executor of the work given its exchange experience.

Andrew was confident in his company's capabilities; however, if granted the contract to fix healthcare.gov there would be a lot of visibility and added pressure. There was a lot at stake, but there was also a lot of potential upside too. This could open the door for Optum to receive large federal or even international contracts in the future. It would also open the door to other government contract opportunities working with individual states agencies on mimicking the federal healthcare exchange rollouts. If successful this relationship with Optum and the U.S. Government would also allow for future service opportunities for UHG administering healthcare benefits for government employees, a market of which UHG had minimal penetration.

The downside was also significant. Should Optum fail, they could seriously damage their reputation and the reputation of UHG which has consistently been ranked at the top of the industry. Given the amount of press on the website launch there was a lot at stake for Slavitt and his team.

2. HEALTHCARE.GOV BACKGROUND

In March 2010, President Barack Obama signed the Patient Protection and Affordable Care Act (ACA). It was the culmination of a protracted, partisan political battle so affiliated with the President himself that it was more commonly referred to as Obamacare by both supporters and opponents. The ACA included provisions on healthcare exchanges, subsidies, and insurance mandates for individuals and businesses. States could create their own exchanges; if they did not, their citizens could find insurance through the federal ACA system (in the end, 36 states relied on the federal system). The consumer-facing website, HealthCare.gov, was seen as critical to the successful implementation of the program.

HealthCare.gov was to be a clearinghouse of individual health insurance plans. The site would allow citizens to “comparison shop” for plans. All individuals were required to have health insurance by February 2014. HealthCare.gov would also assess whether individuals were eligible for healthcare subsidies (people earning less than four times the poverty level) and provide details for any available Medicaid options.

The government outsourced the front-end interface to a young company, Development Seed. The back-end bid was primarily granted to CGI Federal, a subsidiary of the Montreal-based CGI Group (CGI further subcontracted work on the website). Experian and Quality Software Services, Inc. were charged with authenticating the identity of the users. The project would be managed by the Centers for Medicare and Medicaid Services (CMS), whom many thought ill-suited for the task. People associated with the project predicted issues early. Henry Chao, chief information officer of CMS, said, “Let’s just make sure it's not a third-world experience.”

The website creators had hoped it would withstand 50,000-60,000 simultaneous users, but testing by an independent auditor just before the October 1, 2013, launch showed the website slowed with just 1,100 concurrent users.

3. THE PROBLEMATIC LAUNCH

On October 1, the worst case came true. At launch, the site saw 250,000 simultaneous users, with 8.1 million visitors in its first four days. An estimated 1% of visitors were able to actually enroll with a health insurance plan. Further, some of the applications that were submitted were missing information.

HealthCare.gov was initially built by 55 contracted agencies and was one of the most complex pieces of software ever created for the U.S. federal government which had a poor track record for implementing programs related to health services. The site was intended to communicate in real time with at least 112 different computer systems across the country. Allowing consumers to price shop for health coverage while validating demographic and financial information with one click.

One of many problems began when the Obama administration decided a month prior to launch to exclude a feature that would let people shop for insurance without creating an account. This created one of the major bottlenecks due to the fact that the basic registration information was needed in order to purchase a health plan. Consumers were required to enter duplicate information into various screens causing increased frustration with the system. This faulty communication between applications within the site made the shopping experience a nightmare.

Stories of HealthCare.gov’s technical failures dominated the news. One woman recounted being told to "please be patient" by customer support 40 times. Computer experts found ways to confound the system causing data loss. The site and implementation were battered in the news by independent journalists, as well as partisans and politicians from both parties.

Three weeks after the website launch, President Obama apologized for the botched operation and promised a fix:

“But the problem has been that the website that's supposed to make it easy to apply for and purchase the insurance is not working the way it should for everybody. There's no sugarcoating it. The website has been too slow. People are getting stuck during the application process.”

By the end of 2013, over $500 million had been spent on a website that only worked for a small percentage of users, despite repeated efforts. Deemed critical to the success of the legislation itself, the rollout was eroding public support for the program. The program which the New York Times called “the most expansive social legislation enacted in decades.”

Paul Ford, writing for Bloomberg BusinessWeek on the shortcomings of HealthCare.org:

“Fixing what ails healthcare.gov will be costly and politically contentious. But it’s also an opportunity to learn why things went wrong and make sure these problems don’t repeat.”

4. SLAVITT’S VISION

Dating back to his ascension to Group Executive Vice President in 2007, Slavitt believed building customer relationships was essential for Optum to remain a thriving force within the healthcare industry. As a means to favorably position the organization, Slavitt held that Optum should focus on servicing opportunities presented by ample sized clients.

“We won’t be a company that does lots and lots of work for lots and lots of companies,” Andrew contended. “We’ll become increasingly a company that does more work for fewer, bigger clients that are increasingly important to us; and we in turn will become increasingly important to them.”

Slavitt knew that big-time opportunities would not just fall into his lap. In order to successfully implement Andrew's strategy Optum would need to seek out, identify, and create opportunities with vast potential. Simply obtaining the opportunity would not be enough. Andrew knew that proper action and execution was the lifeblood to success.

"We need to mobilize troops," Slavitt explained. "We need to figure out how to problem solve, and we need to land on the on the ground."

When CMS began to experience well publicized issues with the implementation of healthcare.gov and the Affordable Health Care Act, Slavitt saw the type of opportunity he coveted. Herein was a chance for Optum to work with a large client on a task which Andrew firmly believed his company was exceptionally positioned to address. Conversely, Slavitt knew he had his work cut out for him in order to build unanimous support for undertaking such a daunting task. The unusual publicity of the situation was something relatively foreign to Optum. This would be one of the first times the firm decided to undertake work entrenched so greatly under the public microscope and more importantly with the U.S. Government.

"It's a situation where first of all I think not everyone would have raised their hand and run towards the problem," Slavitt explained. "Ultimately, lots of people in the organization decided it was the right thing to do because it needed to be done and we were in a position to help."

5. OPTUM BACKGROUND

Optum was created in 2011 as a result of the consolidation of a number of health services business held by UnitedHealth Group. The company has over 65,000 employees and provides services in nearly 150 countries. Optum's primary focus was on improving the health care system itself through more efficient customer engagement, streamlining care delivery, and modernizing the health care information infrastructure. To achieve its goals Optum separated into three divisions with different focus areas: OptumHealth, OptumRx, and OptumInsight. OptumHealth works with employer groups, government agencies, and directly with individuals to manage and coordinate health care through a variety of health improvement programs. OptumRx provides pharmacy benefit management services, including processing drug prescriptions and improving the level of quality and safety within pharmacy related programs. Finally, OptumInsight provides consulting services, business process outsourcing, and software and information systems solutions to a variety of companies and groups within the healthcare industry.

QSSI was purchased by UnitedHealth Group in September 2012. QSSI was a privately held Columbia, Maryland based software and information services company that specialized in security and privacy, software engineering and health IT. QSSI was founded in 1997 and made a name for itself by providing high quality solutions to a variety of customers, including the U.S. Centers for Medicare and Medicaid Services (CMS).

When Health and Human Services (HHS) announced that CMS would be responsible for building out the new health insurance exchange under the Affordable Care Act, QSSI placed a bid to serve as the principal contractor. QSSI lost the bid, but won a smaller contract worth $84.5 million to build the "data hub" that would allow information to flow between the exchanges and other U.S. agencies. The other two primary pieces of the healthcare.gov project were building the front-end for use by the public and performing extensive testing of the entire system.

The purchase of QSSI by UnitedHealth Group came just months after QSSI was chosen by Health and Human Services (HHS) to help set up the new government sponsored health care insurance website. This acquisition aligned QSSI with OptumInsight providing for even more robust information and technology enabled health services under UnitedHealth Group.

Shortly before the acquisition a top regulator at CMS, Steve Larson, left and began to work for OptumInsight. This led to a number of questions from regulators related to QSSI working on the new healthcare exchange as to whether it posed a conflict of interest as QSSI was now part of UHG which owned OptumInsight.

6. THE FIX

On October 25, 2013, Optum/QSSI was named general contractor for HealthCare.gov. In that role, the company helped identify, prioritize, and manage the key steps necessary to improve the site's performance. At that time, error rates on HealthCare.gov were as high as six percent, and the site's response time exceeded eight seconds. Optum/QSSI, in the wake of its successful short-term assignment as general contractor for the federal public healthcare exchange, had agreed to a new contract with U.S. Government as senior advisor on HealthCare.gov.

They discovered that not only was it poor planning of the launch and lack of employee engagement and buy-in that hindered the success of the initial launch, but a severe lack of coordination among the contractors. They needed to get the contractors working with the speed and urgency of a high-tech company rather than a normal government operation and they needed to enhance the coordination, collaboration, and communication of the various contractors involved. They implemented daily progress reports to ensure that work status was current and keeping up with schedule. At least 50 bug fixes were made weekly, bringing the number of fixes up to more than 400. More importantly they were able to stabilize the site to handle the estimated capacity.

After hardware updates and bug fixes, the federal health exchange site now has the capacity to serve 50,000 people at a time, for a total of 800,000 people a day, according to a report issued by the Department of Health and Human Services.

In its advisory capacity for the overall federal marketplace, Optum/QSSI would assist with project oversight, technical integration, code review, and other project tasks. QSSI would continue its work as contractor for the registration function of the website. Optum/QSSI would also develop and implement a data services hub, the central function of the federal exchange which connects and routs information among trusted data sources.

"Having helped lead the interim effort to deliver a site and system through which a majority of Americans who wanted insurance could obtain it, we are pleased to continue to support CMS in an advisory capacity as the next phase of this work begins," said Andy Slavitt.

"Optum/QSSI, which stepped up in October to serve as our general contractor, had been integral in fixing HealthCare.gov," said Kathleen Sebelius, U.S. Secretary of Health and Human Services. "We are pleased Optum/QSSI will remain a key part of our leadership team and will continue to advise us as we work together to help millions of Americans sign up for quality, affordable health insurance."

"Optum/QSSI has been a central part of our team in delivering a positive consumer experience through HealthCare.gov and we are pleased they will continue to provide integration and technical advice to us as we move into our next phase of work – making sure that the site continues to serve consumers well for the duration of open enrollment and is further enhanced to meet future needs," said Marilyn Tavenner, Administrator, Centers for Medicare and Medicaid Services.

By the end of December, error rates were consistently less than one-half percent and the site was consistently performing with response times of less than one second. The troubled launch of the U.S. federal government's healthcare information exchange was a high-profile example of outsourced IT gone wrong. The $400 million project, which was supposed to be a one-stop online shop for Americans seeking health insurance, made headlines for its many glitches.

The initiative was endorsed by the highest executive in the world, initially had plenty of lead time, and had a relatively straightforward mandate. With deadline after deadline being missed on the multi-contractor project for a variety of reasons -- from government agencies slow to issue their specifications to last minute changes to the HealthCare.gov's primary features.

Slavitt and his team had pulled it off, healthcare.gov was up and running. It was able to enroll 80% of users completing applications within minutes. As Slavitts' drafted his year end closing statement to the organization he reflected on the project and if the resources needed to complete this task was worth the risk. Had Optum gained the notoriety to truly separate itself from UHG's shadow? More importantly how could Optum help CMS prevent such a catastrophe in the future?

AUTHOR BIOGRAPHIES

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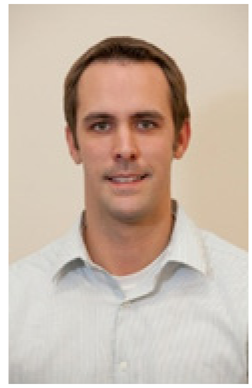

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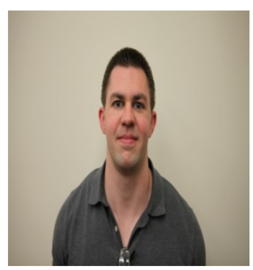

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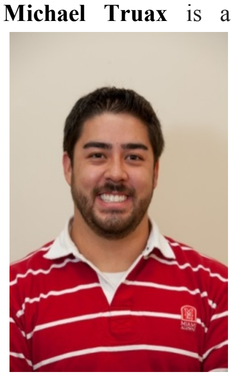

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