



Written by [Michael Tennant](#) on December 11, 2012

ObamaCare's Crony Capitalism and Crooked Concealment

It was inevitable that a behemoth law such as ObamaCare, the result of much political wrangling and lobbying, would lead to crony capitalism. What was not inevitable, however, was that the cronyism — and a subsequent coverup — would occur so quickly; but that is the accusation leveled against the Obama administration and a major healthcare corporation by Jeffrey H. Anderson in the December 10 issue of the [Weekly Standard](#).



ObamaCare requires that each state set up an insurance exchange where individuals can choose from a variety of health plans by January 1, 2014. A state may opt out of creating its own exchange, at which point the federal government will step in and create one for it. As of now, 17 states plus the District of Columbia have indicated that they will establish their own exchanges, and about the same number have balked.

That has put the Department of Health and Human Services (HHS) in a bind. It now has to set up exchanges for each of the recalcitrant states (plus any that subsequently refuse to play ball), which it was clearly not anticipating; and it must do so by October 1, 2013, when open enrollment begins. HHS is, not surprisingly, behind schedule — one reason for the coverup Anderson alleges in a report based on previously published accounts and information from an anonymous “insurance industry insider.”

Anderson, a senior fellow at the Pacific Research Institute, begins his account thus:

In January, HHS awarded Quality Software Services, Inc. (QSSI) what the *Hill* describes as “a large contract to build a federal data services hub to help run the complex federal health insurance exchange.” At that time, the director of Obamacare’s newly established Center for Consumer Information and Insurance Oversight (CCIIO) — which the *Hill* describes as “the office tasked with crafting rules for the national exchange” — was Steve Larsen. Larsen had been the insurance commissioner for Maryland when Obama’s HHS secretary, Kathleen Sebelius, was the insurance commissioner for Kansas, and the two are reportedly close. The CCIIO awarded the Obamacare exchange contract to QSSI while Larsen was the CCIIO’s director, and he played a central role in planning the construction of the exchanges — although it’s not known whether he made the decision to award the contract to QSSI or not.

Under the contract that it signed with HHS, QSSI’s power would be substantial — as QSSI would shape, run, and affect companies’ ability to compete to sell insurance through Obamacare’s federal exchanges. The *Hill* writes, “A draft statement of work for the contract awarded to QSSI states the contractor should provide services necessary to acquire, certify and decertify health plans offered on a federal exchange.” Moreover, “It stipulates the contractor should monitor agreements with health plans, ensure compliance with federal standards and” — somewhat strikingly — “take corrective action when necessary.”

So far, everything appears to be above board, if a bit unsettling because of the power being granted to a private company. But here is where it really gets interesting.



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In a prime example of the revolving door between government and the businesses it regulates, Larsen jumped ship from the CCIIO to Optum, a subsidiary of UnitedHealth Group, in June. UnitedHealth Group subsequently purchased QSSI, an acquisition that was not reported to the Securities and Exchange Commission (SEC) at the time, a clear violation of federal law.

The purchase gave UnitedHealth Group two huge advantages over its competitors. First, says Anderson, "UnitedHealth Group, through QSSI, would be able to police the same field in which it would be a competitor." "In addition," he continues, "QSSI would have access to valuable data" — "massive flows of socio-economic and health information for populations around the country that an insurance company, if privy to, could use as valuable business intelligence to determine what markets to play in," according to *The Hill*. Or, as Anderson's source put it, "If you can capture this data, you're going to win."

Here is where the October 1 deadline comes in. Anderson writes:

Unwilling to void the contract, HHS instead went to work on setting up a firewall designed to block UnitedHealth Group from gaining access to QSSI's data, presumably out of a desire to keep UnitedHealth Group from gaining an unfair advantage. Then, likely in concert with the White House — and to the chagrin of many HHS employees — Sebelius and other senior HHS officials decided that word could too easily get out about the firewall project. If it did, it would alert people to UnitedHealth Group's having gained a potentially huge competitive advantage — a political concern for the White House on the cusp of the election, especially in light of the crony capitalism charges that have plagued this administration. Therefore, HHS, under Sebelius's leadership, suspended work on the firewall and told UnitedHealth Group not to alert the SEC to the purchase — as UnitedHealth Group was legally required to do within four days of the transaction — until after the election.

Although this apparent coverup has largely escaped the notice of the media, it has not been overlooked by congressional Republicans. In October, Sen. Orrin Hatch (R-Utah), the ranking member of the Senate Finance Committee, requested information from Sebelius on the exchange contract and the QSSI sale; his deadline was not met. The next month, Rep. Fred Upton (R-Mich.), chairman of the House Energy and Commerce Committee, made a similar [request](#) of Sebelius; and on December 10, Upton and Sen. Charles Grassley (R-Iowa), ranking member of the Senate Judiciary Committee, sent [letters](#) to UnitedHealth Group and QSSI concerning the potential conflicts of interest involved in the former's purchase of the latter.

While Republicans' public inquiries may be dismissed by the chattering classes as mere grandstanding for political gain, Americans of all political persuasions clearly have reason to be concerned about these allegations. Anderson observes:

The idea of funneling about \$1 trillion (according to the Congressional Budget Office) over Obamacare's real first dozen years (2014-25) from American taxpayers, through Washington, to private insurance companies was always problematic. But it's more problematic to hire a subsidiary of one of those insurance companies as an architect and policeman of the exchanges through which the Obama administration intends to have this abundant taxpayer money flow, more problematic still that Obama's first head of the CCIIO may have profited personally from the venture, and most problematic of all that HHS may have told a private company to violate federal securities law in order to aid Obama's reelection prospects.



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This is just the beginning. With all the power and pelf that ObamaCare offers, Americans can expect to witness many more such shenanigans in the years to come.

With repeal out of the question for at least four more years, the only way to put an end to this is for states to nullify the unconstitutional healthcare law. Refusing to establish exchanges — and, in the process, perhaps making the task too great for the federal government — is a good start.



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