

# GAO Highlights

Highlights of [GAO-16-882T](#), a testimony before the Subcommittees on Health and Oversight and Investigations, Committee on Energy and Commerce, House of Representatives.

## Why GAO Did This Study

PPACA provides for the establishment of health-insurance marketplaces through which private issuers can sell qualifying health-care coverage, and makes subsidies available to enrollees who meet certain income and other requirements. According to the Congressional Budget Office, the estimated cost of subsidies and related spending under the act is \$56 billion for fiscal year 2017, and totaling \$866 billion for fiscal years 2017–2026.

GAO issued three reports in September 2016 that examined (1) enrollment controls for health-care coverage obtained through the health-insurance marketplaces, and (2) private health-insurance market concentration. This testimony summarizes those reports' findings .

For its undercover testing of the 2015 coverage year, GAO submitted fictitious applications for subsidized coverage through the federal Marketplace in New Jersey and North Dakota, and through state-based marketplaces in Kentucky and California. For the 2016 coverage year, GAO submitted fictitious applications through the federal Marketplace in Virginia and West Virginia, and through the state-based marketplace in California. The results of these undercover tests, while illustrative, cannot be generalized to the full population of enrollees. To review market concentration, GAO examined data reported by issuers to CMS for fiscal years 2011 through 2014, the latest data available.

In response to GAO's findings, the Department of Health and Human Services stated that it continues to strengthen marketplace controls.

View [GAO-16-882T](#). For more information, contact Seto Bagdoyan at (202) 512-6722 or [bagdoyans@gao.gov](mailto:bagdoyans@gao.gov).

## HEALTH CARE

# Results of Recent Undercover Testing for Patient Protection and Affordable Care Act Coverage, and Review of Market Concentration in the Private Insurance Markets

## What GAO Found

The Patient Protection and Affordable Care Act (PPACA) requires health-insurance marketplaces to verify application information, such as citizenship or immigration status and household income, to determine eligibility for enrollment and, if applicable, eligibility for income-based subsidies. While inconsistencies between the information provided by the applicant and by government sources are being resolved, marketplaces must determine eligibility using an applicant's attestations and ensure subsidies are provided, if the applicant is qualified to receive them. GAO's undercover testing for the 2015 and 2016 coverage years found that the federal and selected state health-care marketplace's eligibility determination and enrollment process were vulnerable to fraud.

- For the 2015 coverage year, for example, the federal and selected state marketplaces approved each of 10 fictitious applications GAO made for subsidized health-plans. Although 8 of these 10 fictitious applications failed the initial online identity-checking process, all 10 were subsequently approved. Four applications used Social Security numbers that, according to the Social Security Administration, have never been issued. Other applicants obtained duplicate enrollment or obtained coverage by claiming that their employer did not provide insurance that met minimum essential coverage.
- For the 2016 coverage year, the federal and selected state marketplaces initially approved subsidies for 15 fictitious applications. However, three fictitious applicants were unable to put their policies in force because their initial payments were not successfully processed. GAO focused its testing on the remaining 12 applications. For 4 of the 12 applications, GAO used identities from its 2014 testing that had previously obtained subsidized coverage. The 2016 coverage year was the first year in which verification was required to ensure that applicants who previously received a specific type of federal subsidy under the act had filed a federal tax return. This was a condition for these applicants to retain this benefit in 2016. None of the four fictitious applicants had filed a 2014 tax return, but all for were approved for the 2016 subsidies. Marketplace officials told GAO that they allowed applicants to attest to filing taxes if information from the Internal Revenue Service (IRS) indicated that the applicant did not file tax returns. Marketplace officials said one reason they allow attestations is the time lag between when tax returns are filed and when they are reflected in IRS's systems. Centers for Medicare & Medicaid Services (CMS) officials said they are rechecking 2014 tax-filing status and will remove subsidies for applicants that have not filed a 2014 tax return.

GAO's review of concentration in the private health-insurance market found that enrollment was concentrated among a small number of health insurance companies (issuers) in most states in 2014, including in the newly established exchanges. On average, in each state and the District of Columbia, 11 or more issuers participated in each of three types of markets—individual, small-group, and large-group—from 2011 through 2014. However, in most states, the 3 largest issuers in each market had at least an 80 percent share of the market during the period. Enrollment through the exchanges was generally more concentrated among a few issuers than was true for the overall markets.