GAO Highlights

Highlights of GAO-16-784, a report to congressional requesters

September 2016

PATIENT PROTECTION AND AFFORDABLE CARE ACT

Results of Undercover Enrollment Testing for the Federal Marketplace and a Selected State Marketplace for the 2016 Coverage Year

Why GAO Did This Study

PPACA provides for the establishment of health-insurance marketplaces where consumers can, among other things, select private health-insurance plans. States may operate their own health-care marketplace or rely on the federal Health Insurance Marketplace (Marketplace). The Congressional Budget Office estimates subsidies and related spending under PPACA at $56 billion for fiscal year 2017.

GAO was asked to review marketplace enrollment and verification controls for the act's third open-enrollment period ending in January 2016.This report provides results of GAO undercover testing of potential vulnerabilities to fraud in the application, enrollment, and eligibility-verification of the federal Marketplace and one selected state marketplace.

GAO submitted 15 fictitious applications for subsidized coverage through the federal Marketplace in Virginia and West Virginia and through the state marketplace in California. GAO's applications tested verifications related to (1) applicants' making required income-tax filings, and (2) applicants' identity or citizenship/immigration status. The results, while illustrative, cannot be generalized to the full population of enrollees. GAO discussed results with CMS, IRS, and state officials. Written comments from HHS and California are included in the report.

GAO currently has eight recommendations to CMS to strengthen its oversight of the federal Marketplace (see GAO-16-29). CMS concurred with the recommendations and implementation is pending.

View GAO-16-784. For more information, contact Seto J. Bagdoyan at (202) 512-6722 or bagdoyans@gao.gov.

What GAO Found

The Patient Protection and Affordable Care Act (PPACA) requires health-insurance marketplaces to verify application information to determine eligibility for enrollment and, if applicable, determine eligibility for income-based subsidies. Verification steps include validating the applicant's Social Security number, if one is provided; citizenship or immigration status; and household income. PPACA requires the marketplaces to grant eligibility while identified inconsistencies between the information provided by the applicant and by government sources are being resolved. The 2016 coverage year was the first year in which a key eligibility requirement—verification of whether applicants who previously received one type of federal subsidy under the act filed federal tax returns, as a requirement to retain that benefit—went into effect.

As previously reported for the 2014 and 2015 coverage years, GAO's undercover testing for the 2016 coverage year found that the health-care marketplaces' eligibility determination and enrollment processes remain vulnerable to fraud. The marketplaces initially approved coverage and subsidies for GAO's 15 fictitious applications. However, three 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 four applications, to obtain 2016 subsidized coverage, GAO used identities from its 2014 testing that had previously obtained subsidized coverage. Although none of the fictitious applicants filed a 2014 tax return, all were approved for 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 a time lag between when tax returns are filed and when they are reflected in IRS's systems. CMS officials said they are rechecking 2014 tax-filing status.
- For eight applications, GAO used new fictitious identities to test verifications related to identity or citizenship/immigration status and, in each case, successfully obtained subsidized coverage.

When marketplaces directed 11 of the 12 applicants to provide supporting documents, GAO submitted fictitious documents as follows:

- For five applications, GAO provided all documentation requested and the applicants were able to retain coverage.
- For three applications, GAO provided only partial documentation and the applicants were able to retain coverage. Two of these applicants were able to clear inconsistencies through conversations with marketplace phone representatives even though the information provided over the phone did not match the fictitious documentation that GAO previously provided.
- For three applications, GAO did not provide any of the requested documents, and the marketplaces terminated coverage for one applicant but did not terminate coverage for the other two applicants.

According to officials from the Department of Health and Human Services' (HHS) Centers for Medicaid & Medicare Services (CMS), some of GAO's application outcomes could be explained by decisions to extend document filing deadlines.