

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

The Patient Protection and Affordable Care Act established health insurance marketplaces in all 50 States and the District of Columbia. The Centers for Medicare & Medicaid Services (CMS) operates the Federal marketplace and is responsible for generating advanced premium tax credits (APTCs) made to qualified health plans (QHPs). We previously audited CMS's interim process for approving financial assistance payments on an aggregate basis for the 2014 benefit year. We determined that CMS did not ensure that payments were made only for confirmed enrollees and in the correct amounts. This audit reviewed CMS's permanent process for authorizing APTCs to QHP issuers on a policy-level basis for the 2018 calendar year.

The objectives of this audit were to determine whether CMS: (1) ensured APTCs were allowable; and (2) reported accurate enrollment data to the Department of the Treasury's Internal Revenue Service (IRS) for the IRS to use when reconciling APTCs.

How OIG Did This Audit

Our audit covered 5,339,562 policies for individuals enrolled through the Federal marketplace with APTCs totaling \$42.5 billion from January 1 through December 31, 2018. We reviewed a stratified random sample of 155 policies and the associated APTC payments made to QHP issuers on behalf of the associated enrollees.

CMS Authorized Hundreds of Millions of Dollars in Advanced Premium Tax Credits on Behalf of Enrollees Who Did Not Make Their Required Premium Payments

What OIG Found

For 13 of the 155 sampled policies, APTCs totaling \$43,455 authorized by CMS were unallowable because they were made on behalf of enrollees who did not make their required premium payments. Specifically, for seven sampled policies enrollees were improperly confirmed (i.e., treated as if they had made their first premium payments) or provided coverage by their QHP issuers when their policies should have been terminated for nonpayment of premiums. In addition, for nine sampled policies CMS reported inaccurate enrollment data to the IRS, thereby preventing the IRS from recouping APTCs paid on behalf of enrollees who did not make their required premium payments. Three sampled policies contained both deficiencies.

On the basis of our sample results, we estimated that \$950 million out of \$42.5 billion in authorized APTCs during 2018 for 659,143 policies of 5.3 million policies were unallowable because they were made on behalf of enrollees who did not make their required premium payments.

What OIG Recommends and CMS Comments

We recommend that CMS work with the Department of the Treasury and QHP issuers to recover or take other remedial action for: (1) the \$43,455 in improper APTCs identified in our sample; and (2) the remaining improper APTCs, which we estimate to be \$950 million, for policies for which the payments were not allowable. We also made one procedural recommendation.

In written comments on our draft report, CMS did not concur with our monetary recommendations but concurred with our procedural recommendation. CMS noted that many of the findings we identified were related to data submission errors by QHP issuers. Additionally, CMS disputed the legal basis for recovering unallowable APTCs.

We maintain that our findings and recommendations are valid. Even if CMS appropriately authorized APTCs based on QHP issuers' data, these APTCs are still unallowable because enrollees did not pay their premiums on time as required. Since CMS and the IRS jointly administer the operations of the APTC program, CMS will need to work with the IRS and QHP issuers to determine whether the unallowable APTCs can be recovered or otherwise remedied.