

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NOT ALL OF THE FEDERALLY
FACILITATED MARKETPLACE'S
INTERNAL CONTROLS WERE
EFFECTIVE IN ENSURING THAT
INDIVIDUALS WERE PROPERLY
DETERMINED ELIGIBLE FOR
QUALIFIED HEALTH PLANS AND
INSURANCE AFFORDABILITY
PROGRAMS**

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EXECUTIVE SUMMARY

Not all of the federally facilitated marketplace's internal controls were effective in ensuring that individuals were determined eligible for enrollment in qualified health plans and eligible for insurance affordability programs according to Federal requirements.

WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA) requires the establishment of a health insurance exchange (marketplace) in each State and the District of Columbia. A marketplace is designed to serve as a “one-stop shop” at which individuals get information about their health insurance options; are evaluated for eligibility for a qualified health plan (QHP) and, when applicable, eligibility for insurance affordability programs; and enroll in the QHP of their choice. Within the U.S. Department of Health and Human Services (HHS), the Centers for Medicare & Medicaid Services (CMS) operates the federally facilitated marketplace (Federal marketplace) in States that did not establish their own marketplaces. Individuals in these States enroll in QHPs through the Federal marketplace.

A previous Office of Inspector General review, conducted in response to a congressional mandate, found that not all internal controls implemented by the Federal marketplace and the State-based marketplaces (State marketplaces) in California and Connecticut were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements. That review covered the first 3 months of the open enrollment period (October to December 2013). For the previous review, we did not assess whether the Federal marketplace properly determined eligibility for insurance affordability programs because we did not have authorization from the Internal Revenue Service (IRS) to access Federal tax information. This review of the Federal marketplace is a continuation of our previous review and includes a review of eligibility verification requirements for insurance affordability programs because we obtained authorization from the IRS to access necessary information to do so.

In addition to this review of the Federal marketplace, we are conducting a series of reviews of eligibility determinations at additional State marketplaces. These reviews are part of a larger body of ACA work, which also includes audits of how costs incurred to create State marketplaces were allocated to establishment grants.

OBJECTIVE

Our objective was to determine whether the Federal marketplace's internal controls were effective in ensuring that individuals were determined eligible for enrollment in QHPs and eligible for insurance affordability programs according to Federal requirements.

BACKGROUND

Qualified Health Plans and Insurance Affordability Programs

QHPs are private health insurance plans that each marketplace recognizes and certifies as meeting certain participation standards and covering a core set of benefits. To lower individuals' insurance premiums or out-of-pocket costs for QHPs, the ACA provides for two types of insurance affordability programs: the premium tax credit and cost-sharing reductions. The premium tax credit reduces the cost of a plan's premium and is available at tax filing time or in advance. When paid in advance, the credit is referred to as the "advance premium tax credit" (APTC). Cost-sharing reductions help individuals with out-of-pocket costs, such as deductibles, coinsurance, and copayments. Depending on an individual's income, he or she may be eligible for either or both types of insurance affordability programs.

To be eligible to enroll in a QHP, an individual must be a U.S. citizen, a U.S. national, or lawfully present in the United States; not be incarcerated; and meet applicable residency standards. To be eligible for insurance affordability programs, the individual must meet additional requirements for annual household income. Additionally, an individual is not eligible for these programs if he or she is eligible for minimum essential coverage that is not offered through a marketplace. Minimum essential coverage consists of employer-sponsored insurance (ESI) and non-employer-sponsored insurance (non-ESI). Non-ESI includes Government programs (such as Medicare and Medicaid), grandfathered plans, and other plans.

Application and Enrollment Process for Qualified Health Plans and Insurance Affordability Programs for All Marketplaces

An applicant may submit an application to enroll in a QHP during an open enrollment period. An applicant may also enroll in a QHP during a special enrollment period outside of the open enrollment period if the applicant experiences certain life changes, such as marriage or the birth of a child.

To enroll in a QHP, an applicant must complete an application and meet eligibility requirements defined by the ACA. An applicant can enroll in a QHP through the Federal or a State marketplace, depending on the applicant's State of residence. Applicants can enroll through a Web site, by phone, by mail, in person, or directly with a broker or an agent of a health insurance company. For online and phone applications, the marketplace verifies the applicant's identity through an identity-proofing process. For paper applications, the marketplace requires the applicant's signature before the marketplace processes the application. When an applicant completes any type of application, the applicant attests that answers to all questions are true and that the applicant is subject to the penalty of perjury.

After reviewing the applicant's information, the marketplace determines whether the applicant is eligible for a QHP and, when applicable, eligible for insurance affordability programs. To verify the information submitted by the applicant, the marketplace uses multiple electronic data sources, including sources available through the Federal Data Services Hub (Data Hub). The data sources available through the Data Hub are HHS, the Social Security Administration (SSA),

the U.S. Department of Homeland Security, and the IRS, among others. If the marketplace determines that the applicant is eligible to enroll in a QHP, the applicant selects a QHP, and the marketplace transmits the enrollment information to the insurance company, i.e., the QHP issuer.

Generally, when a marketplace cannot verify information that the applicant submitted or the information is inconsistent with information available through the Data Hub or other sources, the marketplace must attempt to resolve the inconsistency. If the marketplace is unable to resolve an inconsistency through reasonable efforts, it must generally provide the applicant 90 days to submit satisfactory documentation or otherwise resolve the inconsistency. (This 90-day period is referred to as “the inconsistency period.”) The marketplace may extend the inconsistency period if the applicant demonstrates that a good-faith effort has been made to obtain required documentation. During the inconsistency period, the applicant may still enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions.

After the inconsistency period, if the marketplace is unable to resolve the inconsistency, it determines the applicant’s eligibility on the basis of available data sources and, in certain circumstances, the applicant’s attestation. On the basis of those data sources, the marketplace should determine that the applicant is eligible or ineligible for a QHP and, when applicable, for insurance affordability programs. (For the Federal marketplace, CMS refers to this procedure as “expiring the inconsistency.”) If, for example, the marketplace is unable to resolve an inconsistency related to an applicant’s citizenship using available data sources, it should determine the applicant ineligible for a QHP and terminate the applicant’s enrollment from the QHP if the applicant is already enrolled. And if, for example, the marketplace is unable to resolve an inconsistency related to annual household income, it should determine the applicant’s eligibility for insurance affordability programs on the basis of data available from the IRS and SSA and adjust the amounts of the APTC and cost-sharing reductions.

HOW WE CONDUCTED THIS REVIEW

We reviewed the internal controls that were in place at the Federal marketplace from January 1 through April 19, 2014 (the last 3 months of the open enrollment period—January 1 through March 31—plus the special enrollment periods of April 1 through April 15, 2014, and April 16 through April 19, 2014), for insurance coverage effective in calendar year (CY) 2014. We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Federal marketplace’s operations and compliance with applicable Federal requirements.

We limited this review to those internal controls related to (1) verifying applicants’ identities, (2) determining applicants’ eligibility for enrollment in QHPs and eligibility for insurance affordability programs (which included evaluating how the marketplace verifies eligibility and resolves and expires inconsistencies), and (3) maintaining eligibility and enrollment data. To determine the effectiveness of the internal controls, we tested them by both reviewing two different samples and performing other audit procedures:

- We reviewed a sample of 45 applicants randomly selected from applicants who (1) were determined eligible for enrollment in QHPs and for insurance affordability programs and (2) selected health or dental plans or reported life changes from January 1 through April 19, 2014 (a total of approximately 3.7 million applicants). We reviewed supporting documentation for the sample applicants to evaluate whether the Federal marketplace determined their eligibility in accordance with Federal requirements. We also reviewed the marketplace's determinations of applicants' eligibility that resulted from changes in applicant information reported by applicants after April 19, 2014, when applicable.
- We reviewed a sample of 45 applicants from our previous review of the Federal marketplace (prior sample applicants), which covered the open enrollment period from October to December 2013 (a total of approximately 1.1 million applicants). During our previous review, we were not able to test certain controls related to resolving and expiring inconsistencies because the marketplace did not resolve inconsistencies related to some of the eligibility requirements, such as citizenship and annual household income. Therefore, to test these controls, we included in this review the 45 prior sample applicants. Of these 45, 20 had inconsistencies in eligibility data. We reviewed supporting documentation for these 20 prior sample applicants to evaluate only whether the marketplace properly resolved and expired inconsistencies when (1) determining applicants' eligibility for enrollment in a QHP, for the APTC, and for cost-sharing reductions and (2) adjusting or discontinuing the amounts of the APTC and cost-sharing reductions, if applicable.
- We performed other audit procedures, which included conducting interviews with marketplace management, staff, and contractors; observing staff performing tasks related to eligibility determinations; and reviewing supporting documentation and enrollment records.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

WHAT WE FOUND

Not all of the Federal marketplace's internal controls were effective in ensuring that individuals were determined eligible for enrollment in QHPs and eligible for insurance affordability programs according to Federal requirements.

On the basis of our review of 45 sample applicants and 45 prior sample applicants, we determined that certain controls were effective, such as the controls for verifying applicants' incarceration status. However, on the basis of our sample reviews and performing other audit procedures, such as interviewing marketplace officials and reviewing supporting documentation, we determined that other controls were not effective. Specifically, the marketplace had the following deficiencies related to verifying applicants' eligibility and resolving and expiring inconsistencies:

- Deficiencies Related to Verifying Applicants' Eligibility:
 - Social Security numbers were not always validated through SSA.
 - Citizenship was not always verified properly.
 - Annual household income was not always verified properly.
 - Family size was not always determined correctly.

- Deficiencies Related to Resolving and Expiring Inconsistencies:
 - Inconsistencies related to certain eligibility requirements were not always resolved properly.
 - Inconsistencies related to certain eligibility requirements were not always expired properly.
 - Applicant data and documentation related to resolving inconsistencies were not always maintained properly.

Without properly verifying an applicant's eligibility and properly resolving and expiring inconsistencies, the Federal marketplace cannot ensure that the applicant meets eligibility requirements for enrollment in a QHP and for insurance affordability programs and that the amounts of the APTC and cost-sharing reductions are determined correctly. However, the presence of an internal control deficiency does not necessarily mean that the marketplace improperly enrolled an applicant in a QHP or improperly determined eligibility for insurance affordability programs. Other mechanisms exist that may remedy the internal control deficiency, such as the resolution process during the inconsistency period. For example, if a marketplace did not have a control in place to verify an applicant's citizenship through SSA, as required, the marketplace may still have been able to verify citizenship with satisfactory documentation provided by the applicant during the inconsistency period.

The deficiencies related to verifying applicants' eligibility occurred because, for example, the Federal marketplace's eligibility and enrollment system was not designed to always validate Social Security numbers through SSA. The deficiencies related to resolving and expiring inconsistencies occurred because (1) the marketplace's contractor did not resolve all inconsistencies in accordance with CMS's guidance and (2) the marketplace's eligibility and enrollment system was not designed to properly resolve and expire inconsistencies related to various eligibility requirements and to properly maintain applicant data and documentation supporting resolution of inconsistencies.

In addition, we identified several weaknesses in the Federal marketplace's procedures for resolving inconsistencies. Although these weaknesses did not result in noncompliance with Federal requirements, we found that the procedures could be improved to ensure that applicants meet eligibility requirements for enrollment in QHPs and for insurance affordability programs

and that the amounts of the APTC and cost-sharing reductions are determined correctly. Specifically, the Federal marketplace (1) resolved inconsistencies related to annual household income on the basis of applicants' responses to income discrepancy questions and using a higher threshold than the threshold used to initially verify income and (2) extended inconsistency periods indefinitely for the CY 2014 coverage period on the basis of applicants' good-faith efforts to obtain required documentation.

WHAT WE RECOMMEND

We recommend that CMS:

- take action to improve the Federal marketplace's internal controls related to verifying applicants' eligibility and resolving and expiring inconsistencies to address the specific deficiencies we identified;
- redetermine, if necessary, the eligibility of the sample applicants for whom we determined that verifications of eligibility and resolutions and expirations of inconsistencies were not performed according to Federal requirements; and
- improve procedures related to resolving inconsistencies.

The "Recommendations" section in the body of the report lists our specific recommendations.

CMS COMMENTS

In written comments on our draft report, CMS concurred with all three of our recommendations and provided information on actions that it had taken or planned to take to address our recommendations. For example, CMS stated that it had rectified system issues we identified that related to verifying applicant's eligibility and resolving and expiring inconsistencies. CMS also provided technical comments on our draft report, which we addressed as appropriate.

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INTRODUCTION

WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA)¹ requires the establishment of a health insurance exchange (marketplace) in each State and the District of Columbia. A marketplace is designed to serve as a “one-stop shop” at which individuals get information about their health insurance options; are evaluated for eligibility for a qualified health plan (QHP) and, when applicable, eligibility for insurance affordability programs; and enroll in the QHP of their choice.² Within the U.S. Department of Health and Human Services (HHS), the Centers for Medicare & Medicaid Services (CMS) operates the federally facilitated marketplace (Federal marketplace) in States that did not establish their own marketplaces.

A previous Office of Inspector General (OIG) review, conducted in response to a congressional mandate,³ found that not all internal controls implemented by the Federal marketplace and the State-based marketplaces (State marketplaces) in California and Connecticut were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements (A-09-14-01000, issued June 30, 2014).⁴ For the previous review, we did not assess whether the Federal marketplace properly determined eligibility for insurance affordability programs because we did not have authorization from the Internal Revenue Service (IRS) to access Federal tax information. This review of the Federal marketplace is a continuation of our previous review and includes a review of eligibility verification requirements for insurance affordability programs because we obtained authorization from the IRS to access necessary information to do so.

We also received a congressional request dated June 17, 2014, that we audit how marketplaces use the IRS household income data and self-reported, third-party, and other income data in combination with IRS data to determine eligibility for one of the ACA’s insurance affordability programs, the premium tax credit. This report includes information on how the Federal marketplace used those data in eligibility determinations.

In addition to this review of the Federal marketplace, we are conducting a series of reviews of eligibility determinations at additional State marketplaces. These reviews are part of a larger

¹ P.L. No. 111-148 (Mar. 23, 2010), as amended by the Health Care and Education Reconciliation Act of 2010, P.L. No. 111-152 (Mar. 30, 2010).

² An individual is considered to be enrolled in a QHP when he or she has been determined eligible and has paid the first monthly insurance premium. An individual may also obtain information from a marketplace about Medicaid and the Children’s Health Insurance Program (CHIP) (ACA § 1413 and 45 CFR § 155.405).

³ The Continuing Appropriations Act, 2014, mandated that HHS OIG submit to Congress no later than July 1, 2014, a report regarding the effectiveness of the procedures and safeguards provided under the ACA for preventing submission of inaccurate or fraudulent information by applicants for enrollment in QHPs offered through a marketplace (P.L. No. 113-46, § 1001(c) (Oct. 17, 2013)).

⁴ Our previous review covered the internal controls in place during the first 3 months of the open enrollment period for applicants enrolling in QHPs (October to December 2013).

body of ACA work, which also includes audits of how costs incurred to create State marketplaces were allocated to establishment grants. See “Affordable Care Act Reviews” on the OIG Web site for a list of related OIG reports on marketplace operations.⁵

OBJECTIVE

Our objective was to determine whether the Federal marketplace’s internal controls were effective in ensuring that individuals were determined eligible for enrollment in QHPs and eligible for insurance affordability programs according to Federal requirements.

BACKGROUND

Patient Protection and Affordable Care Act

The ACA established marketplaces to allow individuals and small businesses to shop for health insurance in all 50 States and the District of Columbia.⁶ A goal of the ACA is to provide more Americans with access to affordable health care by, for example, providing financial assistance through insurance affordability programs for people who cannot afford insurance without it.

Health Insurance Marketplaces

The three types of marketplaces operational as of October 1, 2013, were the Federal, State, and State-partnership marketplaces:

- **Federal marketplace:** HHS operates the Federal marketplace in States that did not establish their own marketplaces. Individuals in these States enroll in QHPs through the Federal marketplace.
- **State marketplace:** A State may establish and operate its own marketplace. A State marketplace may use Federal services (e.g., the system that provides Federal data) to assist with certain functions, such as eligibility determinations for insurance affordability programs.
- **State-partnership marketplace:** A State may establish a State-partnership marketplace, in which HHS and a State share responsibilities for core functions. For example, HHS may perform certain functions, such as eligibility determinations, and the State may perform other functions, such as insurance plan management and consumer outreach. A key distinction between a State-partnership and State marketplace is that the former uses the Federal marketplace Web site (HealthCare.gov) to enroll individuals in QHPs, and the latter uses its own Web site for that purpose.

⁵ <http://oig.hhs.gov/reports-and-publications/aca/>.

⁶ Each State can have an individual marketplace and a Small Business Health Options Program (SHOP) marketplace, which enables small businesses to access health coverage for their employees. This report does not cover SHOP marketplaces.

As of October 1, 2013, 36 States, including 7 State-partnership marketplaces, used the Federal marketplace, and 15 States, including the District of Columbia, had established State marketplaces. During our audit period, these were the types of marketplaces approved by CMS.

Qualified Health Plans and Insurance Affordability Programs

Qualified Health Plans

QHPs are private health insurance plans that each marketplace recognizes and certifies as meeting certain participation standards. QHPs are required to cover a core set of benefits (known as essential health benefits). QHPs are classified into “metal” levels: bronze, silver, gold, and platinum.⁷ These levels are determined by the percentage that each QHP expects to pay, on average, for the total allowable costs of providing essential health benefits.

Insurance Affordability Programs: Premium Tax Credit and Cost-Sharing Reductions

The ACA provides for two types of insurance affordability programs to lower individuals’ insurance premiums or out-of-pocket costs for QHPs: the premium tax credit and cost-sharing reductions.⁸

- **Premium tax credit:** The premium tax credit reduces the cost of a QHP’s premium and is available at tax filing time or in advance. Generally, the premium tax credit is available on a sliding scale to an individual or a family with annual household income from 100 percent through 400 percent of the Federal poverty level. When paid in advance, the credit is referred to as the “advance premium tax credit” (APTC).⁹ The Federal Government pays the APTC amount monthly to the QHP issuer on behalf of the taxpayer to offset a portion of the cost of the premium of any metal-level plan. For example, if an individual who selects a QHP with a \$500 monthly insurance premium qualifies for a \$400 monthly APTC (and chooses to use it all), the individual pays only \$100 to the QHP issuer. The Federal Government pays the remaining \$400 to the QHP issuer. Starting in January 2015, taxpayers were required to include on their calendar year (CY) 2014 tax returns (and subsequent years’ tax returns) the amount of any APTC made on their behalf. The IRS reconciles the APTC payments with the maximum allowable amount of the credit.

⁷ An individual who is under 30 years old or qualifies for a hardship exemption may also choose a catastrophic plan, which requires the individual to pay all of his or her medical expenses until the deductible amount is met (ACA § 1302(e) and 45 CFR §§ 156.155 and 156.440).

⁸ We did not review other types of insurance affordability programs, such as Medicaid and CHIP. An individual or a family with income below 100 percent of the Federal poverty level may be eligible for Medicaid under the State’s Medicaid rules but would not qualify for the premium tax credit or cost-sharing reductions.

⁹ ACA § 1401 and 45 CFR § 155.20.

- Cost-sharing reductions:** Cost-sharing reductions help qualifying individuals with out-of-pocket costs, such as deductibles, coinsurance, and copayments.¹⁰ For example, an individual who visits a physician may be responsible for a \$30 copayment. If the individual qualifies for a cost-sharing reduction of \$20 for the copayment, the individual pays only \$10. In most cases, an individual must select a silver-level QHP to qualify for cost-sharing reductions. Generally, cost-sharing reductions are available to an individual or a family with annual household income from 100 percent through 250 percent of the Federal poverty level. The Federal Government makes monthly payments to QHP issuers to cover estimated costs of cost-sharing reductions provided to individuals. At the end of each year, HHS plans to reconcile the total amount of estimated payments of cost-sharing reductions made to QHP issuers with the actual costs of cost-sharing reductions incurred.¹¹

An individual may be eligible for either or both types of insurance affordability programs if he or she meets specified Federal requirements.

Federal Eligibility Requirements for Qualified Health Plans and Insurance Affordability Programs

To be eligible to enroll in a QHP, an individual must be a U.S. citizen, a U.S. national, or lawfully present in the United States;¹² not be incarcerated;¹³ and meet applicable residency standards.¹⁴ To be eligible for insurance affordability programs, an individual must meet additional requirements for annual household income.¹⁵ Additionally, an individual is not eligible for these programs if he or she is eligible for minimum essential coverage that is not offered through a marketplace.¹⁶

To determine an individual's eligibility for enrollment in a QHP and for insurance affordability programs, the marketplaces verify the information submitted by the applicant using available electronic data sources. Through this verification process, the marketplaces can determine

¹⁰ ACA § 1402 and 45 CFR § 155.20.

¹¹ CMS issued guidance to delay reconciliation of cost-sharing reductions provided in CY 2014 and will reconcile 2014 cost-sharing reductions for all issuers beginning in April 2016 (*Timing of Reconciliation of Cost-Sharing Reductions for the 2014 Benefit Year* (Feb. 13, 2015)).

¹² An individual may be considered "lawfully present" if his or her immigration status meets any of the categories defined in 45 CFR § 152.2.

¹³ An individual must not be incarcerated, other than incarceration pending the disposition of charges (45 CFR § 155.305(a)(2)).

¹⁴ ACA §§ 1312(f) and 1411(b) and 45 CFR § 155.305(a)(3).

¹⁵ ACA §§ 1401 and 1402 and 45 CFR §§ 155.305(f) and (g).

¹⁶ 45 CFR § 155.20 and 26 U.S.C. § 5000A(f). Minimum essential coverage consists of employer-sponsored and non-employer-sponsored coverage.

whether the applicant’s information matches the information from available electronic data sources in accordance with certain Federal requirements.

Marketplaces must verify the following, as appropriate, when determining eligibility for QHPs and insurance affordability programs:

- Social Security number,
- citizenship,
- status as a national,¹⁷
- lawful presence,
- incarceration status (e.g., whether an individual is serving a term in prison or jail),
- residency,
- whether an individual is an Indian,¹⁸
- family size,
- annual household income,
- eligibility for minimum essential coverage through employer-sponsored insurance (ESI), and
- eligibility for minimum essential coverage through non-employer-sponsored insurance (non-ESI).¹⁹

¹⁷ The term “national” may refer to a person who, though not a citizen of the United States, owes permanent allegiance to the United States. All U.S. citizens are U.S. nationals, but only a relatively small number of people acquire U.S. nationality without becoming U.S. citizens (8 U.S.C. § 1101(a)).

¹⁸ “Indian” is defined as an individual who meets the definition in section 4(d) of the Indian Self-Determination and Education Assistance Act (ISDEAA), P.L. No. 93-638. Under section 4(d), “Indian” is a person who is a member of an Indian tribe. The ISDEAA defines “Indian tribes” as “any Indian tribe, Band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians” (25 U.S.C. § 450b(e)).

¹⁹ 45 CFR §§ 155.315 and 155.320. For the purpose of this report, we use the term “non-ESI” to include Government-sponsored programs (e.g., Medicare, Medicaid, TRICARE, and Peace Corps), grandfathered plans, and other plans.

Application and Enrollment Process for Qualified Health Plans and Insurance Affordability Programs for All Marketplaces

An applicant²⁰ may submit an application to enroll in a QHP during an open enrollment period. An applicant may also enroll in a QHP during a special enrollment period outside of the open enrollment period if the applicant experiences certain life changes, such as marriage or the birth of a child.²¹ For insurance coverage effective in CY 2014, the Federal marketplace's open enrollment period was October 1, 2013, through March 31, 2014.²²

To enroll in a QHP, an applicant must complete an application and meet eligibility requirements defined by the ACA. An applicant can enroll in a QHP through the Federal or a State marketplace, depending on the applicant's State of residence. Applicants can enroll through a Web site, by phone, by mail, in person, or directly with a QHP issuer's broker or agent.

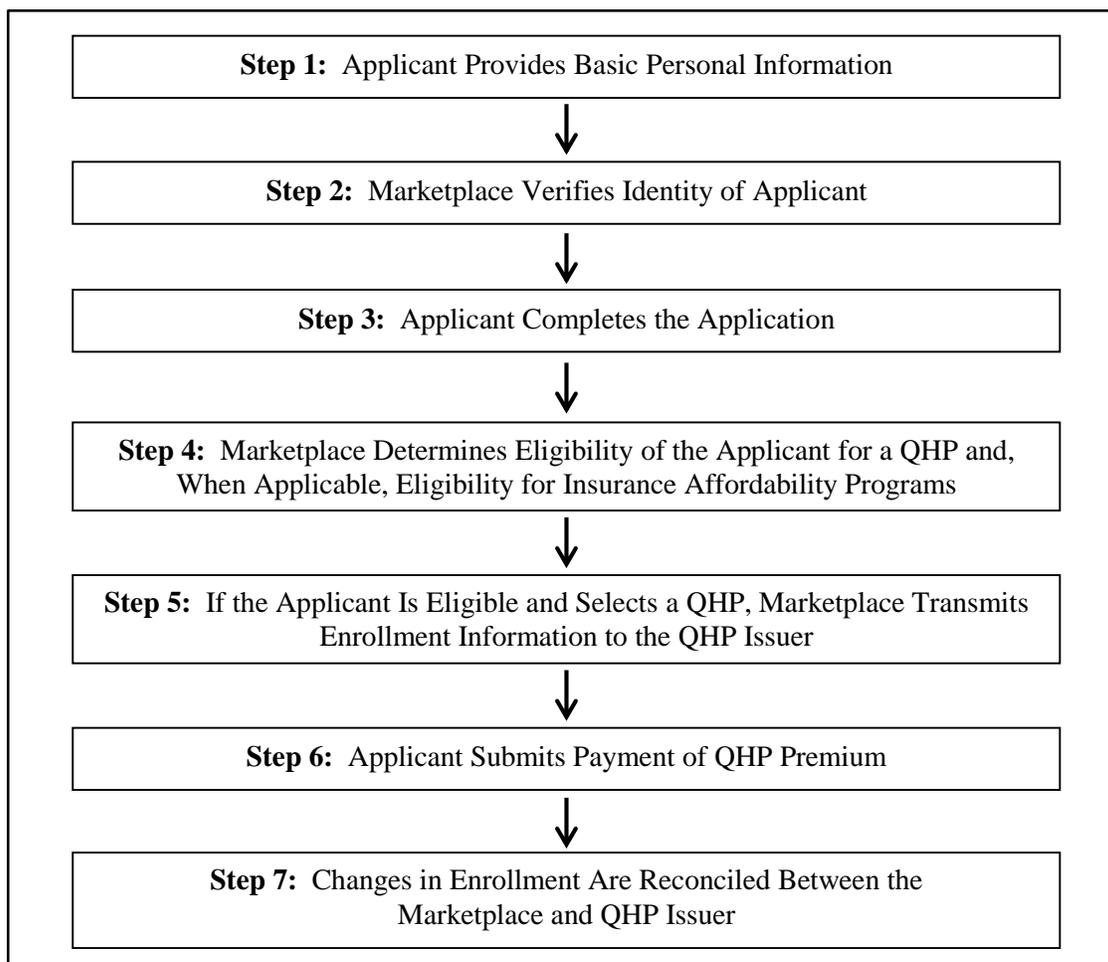
Figure 1 shows a summary of the steps in the application and enrollment process, and the sections that follow describe in more detail the key steps in the process.

²⁰ For the purpose of this report, the term "applicant" refers to both the person who completes the application (application filer) and the person who seeks coverage in a QHP. The application filer may or may not be an applicant seeking coverage in a QHP (45 CFR § 155.20). For example, an application filer may be a parent seeking coverage for a child, who is the applicant.

²¹ ACA § 1311(c)(6)(C) and 45 CFR § 155.420.

²² The Federal marketplace created a special enrollment period to allow an applicant to finish the application and enrollment process by April 15, 2014. This special enrollment period was open to applicants who started their applications by March 31, 2014, but did not complete them by that date. Our review also included a special enrollment period through April 19, 2014, for applicants who experienced certain life changes.

Figure 1: Seven Steps in the Application and Enrollment Process for a Qualified Health Plan



Verification of Applicant's Identity (Figure 1: Steps 1 Through 3)

An applicant begins the enrollment process in a QHP by providing basic personal information, such as name, birth date, and Social Security number.²³ Before an applicant can submit an online or phone application, the marketplace must verify the applicant's identity through identity proofing. The purpose of identity proofing is to (1) prevent an unauthorized individual from creating a marketplace account for another individual and applying for health coverage without the individual's knowledge and (2) safeguard personally identifiable information created, collected, and used by the marketplace. For paper applications, the marketplace requires the applicant's signature before the marketplace processes the application.²⁴ When an applicant

²³ For the Federal marketplace, an applicant who submits an online application has the option to provide a Social Security number at the end of the application process.

²⁴ CMS, *Guidance Regarding Identity Proofing for the Marketplace, Medicaid, and CHIP, and the Disclosure of Certain Data Obtained through the Data Services Hub*, June 11, 2013.

completes any type of application, the applicant attests that answers to all questions are true and that the applicant is subject to the penalty of perjury.²⁵

Verification of Applicant's Eligibility (Figure 1: Step 4)

After reviewing the applicant's information, the marketplace determines whether the applicant is eligible for a QHP and, when applicable, eligible for insurance affordability programs.²⁶ To verify the information submitted by the applicant, the marketplace uses multiple electronic data sources, including sources available through the Federal Data Services Hub (Data Hub). The Data Hub is a single conduit for marketplaces to send electronic data to and receive electronic data from multiple Federal agencies; it does not store data. Federal agencies connected to the Data Hub are HHS, the Social Security Administration (SSA), the U.S. Department of Homeland Security (DHS), and the IRS, among others (ACA § 1411(c)).²⁷

Resolution of Inconsistencies in Applicant Information (Figure 1: Step 4)

Generally, when a marketplace cannot verify information that the applicant submitted or the information is inconsistent with information available through the Data Hub or other sources, the marketplace must attempt to resolve the inconsistencies. For these purposes, applicant information is considered to be consistent with information from other sources if the information is reasonably compatible.²⁸ Information is considered reasonably compatible if any difference between the applicant information and other sources does not affect the eligibility of the applicant. Inconsistencies do not necessarily indicate that an applicant provided inaccurate information or is enrolled in a QHP or receiving financial assistance through insurance affordability programs inappropriately.

A marketplace must make a reasonable effort to identify and address the causes of an inconsistency by contacting the applicant to confirm the accuracy of the information on the application. If the marketplace is unable to resolve the inconsistency through reasonable efforts, it must generally provide the applicant 90 days to submit satisfactory documentation or otherwise resolve the inconsistency.²⁹ (This 90-day period is referred to as "the inconsistency

²⁵ Any person who fails to provide correct information may be subject to a civil monetary penalty (ACA § 1411(h)).

²⁶ An applicant can apply for enrollment in a QHP without applying for insurance affordability programs.

²⁷ See Appendix A for information on the Federal marketplace's process for verifying annual household income and eligibility for minimum essential coverage through ESI and non-ESI. We have provided this information in response to the June 17, 2014, congressional request.

²⁸ 45 CFR § 155.300(d). For purposes of determining reasonable compatibility, "other sources" include information obtained through electronic data sources, other information provided by the applicant, or other information in the records of the marketplace.

²⁹ 45 CFR § 155.315(f).

period.”) The marketplace may extend the inconsistency period if the applicant demonstrates that a good-faith effort has been made to obtain required documentation.³⁰

During the inconsistency period, the applicant may still enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions.³¹ An applicant may choose to enroll during this period only if the applicant is otherwise eligible to enroll in a QHP and may receive the APTC and cost-sharing reductions if (1) the applicant meets other eligibility requirements and (2) the tax filer³² attests that he or she understands that the APTC is subject to reconciliation.³³

Expiration of Inconsistencies (Figure 1: Step 4)

After the inconsistency period, if the marketplace is unable to resolve the inconsistency, it determines the applicant’s eligibility on the basis of available data sources and, in certain circumstances, the applicant’s attestation.³⁴ On the basis of those data sources, the marketplace should determine that the applicant is eligible or ineligible for a QHP and, when applicable, for insurance affordability programs. For the Federal marketplace, CMS refers to this procedure as “expiring the inconsistency.”³⁵ If, for example, a marketplace is unable to resolve an inconsistency related to an applicant’s citizenship using available data sources, it should determine the applicant ineligible for a QHP and terminate the applicant’s enrollment from the QHP if the applicant is already enrolled. And if, for example, a marketplace is unable to resolve an inconsistency related to annual household income, it should determine the applicant’s eligibility for insurance affordability programs on the basis of data available from the IRS and SSA and adjust the amounts of the APTC and cost-sharing reductions.

For more information on how marketplaces may resolve inconsistencies, see Appendix B. For specific information on the Federal marketplace’s process for resolving and expiring inconsistencies, see Appendix C.

³⁰ 45 CFR § 155.315(f)(3).

³¹ 45 CFR § 155.315(f)(4).

³² Generally, a “tax filer” is an individual or a married couple who indicate that they are filing an income tax return for the benefit year (45 CFR § 155.300(a)).

³³ 45 CFR § 155.315(f)(4).

³⁴ 45 CFR §§ 155.315(f)(5), (f)(6), and (g).

³⁵ CMS guidance entitled *Eligibility and Enrollment (E&E) Increment 4B—Inconsistency Processing Functional Design Document* explains the procedures for expiring inconsistencies related to citizenship, immigration status, and annual household income. Inconsistencies related to citizenship and immigration status are expired by terminating an applicant’s enrollment in a QHP and inconsistencies related to annual household income are expired by adjusting the amounts of an applicant’s APTC and cost-sharing reductions.

*Transmission of Applicant's Enrollment Information to the Qualified Health Plan Issuer
(Figure 1: Steps 5 Through 7)*

If an applicant is determined to be eligible to enroll in a QHP and selects a QHP, a marketplace transmits enrollment information to the QHP issuer (45 CFR § 155.400). Generally, an applicant must pay the first month's QHP premium for the insurance coverage to be effective. If a change to the enrollee's³⁶ coverage occurs after the coverage becomes effective, the marketplace and the QHP issuer must reconcile the revised enrollment records (45 CFR § 155.400).

Oversight and Administration of the Federal Marketplace

CMS established the Federal marketplace and is responsible for implementing many ACA provisions governing all marketplaces.³⁷ CMS operates HealthCare.gov, the official Web site for the Federal marketplace. The Federal marketplace verifies applicant information using its eligibility and enrollment system to determine eligibility for enrollment in QHPs and for insurance affordability programs.

CMS contracted with Serco Inc. to provide support services in determining applicants' eligibility for enrollment in QHPs and for insurance affordability programs at the Federal marketplace. The services included processing paper applications and reviewing documentation provided by applicants to resolve inconsistencies.

HOW WE CONDUCTED THIS REVIEW

We reviewed the internal controls that were in place at the Federal marketplace from January 1 through April 19, 2014 (the last 3 months of the open enrollment period—January 1 through March 31—plus the special enrollment periods of April 1 through April 15, 2014, and April 16 through April 19, 2014), for insurance coverage effective in CY 2014.³⁸ Although the first open enrollment period for applicants to enroll in QHPs ended on March 31, 2014, an applicant could also have enrolled in a QHP during the special enrollment period if the applicant experienced certain life changes, such as marriage or the birth of a child.

We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Federal marketplace's operations and compliance with applicable Federal requirements. Appendix D provides general information on internal controls.

³⁶ For the purpose of this report, the term "enrollee" refers to an applicant who completed an application, was determined eligible, and selected a QHP and whose enrollment information was sent to a QHP issuer.

³⁷ The Center for Consumer Information and Insurance Oversight, within CMS, oversees implementation of the ACA with respect to marketplaces.

³⁸ We reviewed the period through April 19, 2014, because we relied on the report issued on May 1, 2014, by the HHS Office of the Assistant Secretary for Planning and Evaluation to ensure that the eligibility and enrollment data provided by the Federal marketplace were complete. That report included the enrollment statistics through April 19, 2014.

We limited this review to those internal controls related to (1) verifying applicants' identities, (2) determining applicants' eligibility for enrollment in QHPs and eligibility for insurance affordability programs (which included evaluating how the marketplace verifies eligibility and resolves and expires inconsistencies), and (3) maintaining eligibility and enrollment data.

To determine the effectiveness of the internal controls, we tested them by both reviewing two different samples and performing other audit procedures:

- We reviewed a sample of 45 applicants randomly selected from applicants who (1) were determined eligible for enrollment in QHPs and for insurance affordability programs and (2) selected health or dental plans or reported life changes from January 1 through April 19, 2014 (a total of approximately 3.7 million applicants).³⁹ We reviewed supporting documentation for the sample applicants to evaluate whether the Federal marketplace determined their eligibility in accordance with Federal requirements. We also reviewed the marketplace's determinations of applicants' eligibility that resulted from changes in applicant information reported by applicants after April 19, 2014, when applicable.⁴⁰
- We reviewed a sample of 45 applicants from our previous review of the Federal marketplace (prior sample applicants), which covered the open enrollment period from October to December 2013 (a total of approximately 1.1 million applicants). During our previous review, we were not able to test certain controls related to resolving and expiring inconsistencies because the Federal marketplace did not resolve inconsistencies related to some of the eligibility requirements, such as citizenship and annual household income. Therefore, to test these controls, we included in this review the 45 prior sample applicants. Of these 45, 20 had inconsistencies in eligibility data. We reviewed supporting documentation for these 20 prior sample applicants to evaluate only whether the marketplace properly resolved and expired inconsistencies when (1) determining applicants' eligibility for enrollment in a QHP, for the APTC, and for cost-sharing reductions and (2) adjusting or discontinuing the amounts of the APTC and cost-sharing reductions, if applicable.
- We performed other audit procedures, which included conducting interviews with marketplace management, staff, and contractors; observing staff performing tasks related to eligibility determinations; and reviewing supporting documentation and enrollment records.

³⁹ For each sample applicant, we reviewed only those eligibility verification requirements that applied to the applicant. For example, in our review of citizenship, 42 of the 45 sample applicants attested that they were U.S. citizens; consequently, we reviewed whether the Federal marketplace verified citizenship for the 42 applicants. In our report, we showed the total number of sample applicants we reviewed as 42, not 45.

⁴⁰ The Federal marketplace provided the most recent eligibility verification data for the 45 sample applicants. For 5 of these applicants, the eligibility determination dates were within the period April 20 through November 14, 2014. According to CMS, the internal controls that were in place from April 20 through November 14, 2014, were the same as those in place during our audit period.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

Our attribute sampling approach is commonly used to test the effectiveness of internal controls for compliance with laws, regulations, and policies. According to the Government Accountability Office and the President's Council on Integrity and Efficiency's *Financial Audit Manual* (July 2008), section 450, auditors may use a randomly selected sample of 45 items when testing internal controls. If all sample items are determined to be in compliance with requirements, a conclusion that the controls are effective can be made. If one or more sample items are determined not to be in compliance with requirements, a conclusion that the controls are ineffective can be made. Because our objective was limited to forming an opinion about whether the Federal marketplace's internal controls were effective, our sampling methodology was not designed to estimate the percentage of applicants for whom the marketplace did not perform the required eligibility verifications.

We performed fieldwork from September 2014 to March 2015 at the Federal marketplace's offices in Bethesda and Baltimore, Maryland. We also performed fieldwork at Serco offices in various locations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix E contains the details of our audit scope and methodology.

FINDINGS

Not all of the Federal marketplace's internal controls were effective in ensuring that individuals were determined eligible for enrollment in QHPs and eligible for insurance affordability programs according to Federal requirements.

On the basis of our review of 45 sample applicants and 45 prior sample applicants, we determined that certain controls were effective, such as the controls for verifying applicants' incarceration status. However, on the basis of our sample reviews and performing other audit procedures, such as interviewing marketplace officials and reviewing supporting documentation, we determined that other controls were not effective. Specifically, the marketplace had the following deficiencies related to verifying applicants' eligibility and resolving and expiring inconsistencies:

- Deficiencies Related to Verifying Applicants' Eligibility:
 - Social Security numbers were not always validated through SSA.

- Citizenship was not always verified properly.
- Annual household income was not always verified properly.
- Family size was not always determined correctly.
- Deficiencies Related to Resolving and Expiring Inconsistencies:
 - Inconsistencies related to certain eligibility requirements were not always resolved properly.
 - Inconsistencies related to certain eligibility requirements were not always expired properly.
 - Applicant data and documentation related to resolving inconsistencies were not always maintained properly.

Without properly verifying an applicant's eligibility and properly resolving and expiring inconsistencies, the Federal marketplace cannot ensure that the applicant meets eligibility requirements for enrollment in a QHP and for insurance affordability programs and that the amounts of the APTC and cost-sharing reductions are determined correctly. However, the presence of an internal control deficiency does not necessarily mean that the marketplace improperly enrolled an applicant in a QHP or improperly determined eligibility for insurance affordability programs. Other mechanisms exist that may remedy the internal control deficiency, such as the resolution process during the inconsistency period. For example, if a marketplace did not have a control in place to verify an applicant's citizenship through SSA, as required, the marketplace may still have been able to verify citizenship with satisfactory documentation provided by the applicant during the inconsistency period.

The deficiencies related to verifying applicants' eligibility occurred because, for example, the Federal marketplace's eligibility and enrollment system was not designed to always validate Social Security numbers through SSA. The deficiencies related to resolving and expiring inconsistencies occurred because (1) the marketplace's contractor did not resolve all inconsistencies in accordance with CMS's guidance and (2) the marketplace's eligibility and enrollment system was not designed to properly resolve and expire inconsistencies related to various eligibility requirements and to properly maintain applicant data and documentation supporting resolution of inconsistencies.

In addition, we identified several weaknesses in the Federal marketplace's procedures for resolving inconsistencies. Although these weaknesses did not result in noncompliance with Federal requirements, we found that the procedures could be improved to ensure that applicants meet eligibility requirements for enrollment in QHPs and for insurance affordability programs and that the amounts of the APTC and cost-sharing reductions are determined correctly. Specifically, the Federal marketplace (1) resolved inconsistencies related to annual household income on the basis of applicants' responses to income discrepancy questions and using a higher threshold than the threshold used to initially verify income and (2) extended inconsistency

periods indefinitely for the CY 2014 coverage period on the basis of applicants' good-faith efforts to obtain required documentation.⁴¹

DEFICIENCIES RELATED TO VERIFYING APPLICANTS' ELIGIBILITY

Social Security Numbers Were Not Always Validated Through the Social Security Administration

A marketplace must validate an applicant's Social Security number through SSA if the applicant provides the Social Security number (ACA § 1411(c)(2) and 45 CFR § 155.315(b)).

The Federal marketplace did not always validate applicants' Social Security numbers through SSA.⁴² Specifically, for 4 of 44 sample applicants who submitted Social Security numbers, the marketplace's data showed that each applicant included a Social Security number on the application but did not show that the marketplace validated the number through SSA.

According to CMS, the Federal marketplace did not validate the Social Security numbers of three of the four sample applicants because its eligibility and enrollment system was not designed to validate Social Security numbers when applicants provided them at the end of, rather than at the beginning of, the application process.

For the remaining sample applicant, the marketplace did not validate the Social Security number because the system had a defect that prevented validation of Social Security numbers each time an applicant updated information in the application or reported life changes. CMS officials stated that this defect was corrected in August 2014.

Citizenship Was Not Always Verified Properly

A marketplace must verify an applicant's citizenship through SSA. If a marketplace cannot verify citizenship through SSA and the applicant provides documentation that can be verified through DHS, the marketplace must verify citizenship through DHS. If a marketplace cannot verify citizenship through DHS, the marketplace must make a reasonable effort to identify and address the causes of the inconsistency (ACA § 1411(c)(2) and 45 CFR § 155.315(c)). If it is unable to resolve the inconsistency, the marketplace must notify the applicant and generally must provide the applicant with a period of 95 days⁴³ to present satisfactory documentary evidence of citizenship (ACA § 1411(e)(3) and 45 CFR § 155.315(c)(3)). During the inconsistency period,

⁴¹ On May 18, 2015, CMS informed us that inconsistency periods for the CY 2014 coverage period had been extended until February 2015. However, as of June 2, 2015, CMS had not provided documentation to support this information.

⁴² During our previous review, we also found that the Federal marketplace did not always validate Social Security numbers through SSA.

⁴³ A marketplace must provide 5 days for an applicant to receive the notice of an inconsistency related to citizenship and 90 days to provide satisfactory documentation to resolve the inconsistency.

the applicant may choose to enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions (45 CFR § 155.315(f)(4)).

The Federal marketplace did not always verify applicants' citizenship through SSA and DHS, as required. Specifically, for 1 of 42 sample applicants who attested that they were U.S. citizens, (1) the marketplace did not verify citizenship because it had not validated the applicant's Social Security number, which is used for citizenship verification through SSA,⁴⁴ and (2) there was no evidence that the marketplace verified the applicant's citizenship through DHS. Because the marketplace was unable to verify the applicant's citizenship through SSA or DHS, it should have placed the applicant in an inconsistency period for citizenship and requested satisfactory documentary evidence of citizenship from the applicant, but it did not do so. Instead, the marketplace determined that the applicant was eligible for the APTC and cost-sharing reductions without verifying citizenship.

According to CMS, the Federal marketplace did not verify the applicant's citizenship through SSA because its eligibility and enrollment system did not transmit the applicant's Social Security number to SSA. (See our previous finding.) However, CMS officials did not explain why the applicant was not placed in an inconsistency period for citizenship.

Annual Household Income Was Not Always Verified Properly

If electronic data are unavailable or an applicant's attestation of projected annual household income⁴⁵ is more than 10 percent below the annual household income as computed using available data sources,⁴⁶ a marketplace must follow inconsistency resolution procedures⁴⁷ (45 CFR § 155.320(c)(3)(vi)(D)).

The Federal marketplace did not always verify annual household income properly. Specifically, for 1 of 45 sample applicants, the marketplace improperly determined that annual household income was verified when the applicant's attested annual household income was more than 10 percent below the annual household income as computed from available electronic data sources. The marketplace should have placed the applicant in an inconsistency period, as required.

The applicant included herself, her husband, and a child on the application and attested to having about \$29,000 in annual household income from her husband. However, according to available electronic data sources, the annual household income was about \$36,000 (\$29,000 from the applicant's husband and \$7,000 from her child), which was approximately 25 percent greater than the applicant's attested annual household income. Because the applicant's attested annual

⁴⁴ This applicant was one of the four applicants whose Social Security numbers were not validated through SSA (from our previous finding on validation of Social Security numbers).

⁴⁵ As described in paragraph (c)(3)(ii)(B) of 45 CFR § 155.320.

⁴⁶ As described in paragraph (c)(3)(vi)(A) of 45 CFR § 155.320.

⁴⁷ As specified in §§ 155.315(f)(1) through (4).

household income was more than 10 percent below the income from available electronic data sources, the marketplace should have placed the applicant in an inconsistency period for annual household income and requested satisfactory documentary evidence to resolve the inconsistency. Instead, the marketplace determined that annual household income was verified and also determined that the applicant was eligible for the APTC and cost-sharing reductions.

As of April 22, 2015, CMS had not provided an explanation of why the Federal marketplace determined that the annual household income for this applicant was verified and why it did not place her in an inconsistency period.

Family Size Was Not Always Determined Correctly

A taxpayer's family means the individuals for whom a taxpayer properly claims a deduction for a personal exemption under section 151 of the Internal Revenue Code for the taxable year. Family size means the number of individuals in a family.

The Federal marketplace did not always determine applicants' family size correctly. Specifically, for 1 of 45 sample applicants, the marketplace determined the family size to be 4 instead of 1 when determining eligibility for and calculating the amounts of the APTC and cost-sharing reductions. The applicant included himself and three children on the application and indicated that he would not be claiming any dependents on his Federal tax return. The marketplace's data showed that the applicant was determined eligible for the APTC and cost-sharing reductions on the basis of a family size of four. Because the applicant attested that he would not be claiming any of his three children as dependents on his tax return, the marketplace should have used a family size of one. If the marketplace had used a family size of one, the amount of the applicant's APTC would have been lower and the applicant would not have been eligible for cost-sharing reductions.

On June 1, 2015, CMS provided documentation to support its determination of family size; however, the documentation provided did not support that the Federal marketplace determined the applicant's family size correctly.

DEFICIENCIES RELATED TO RESOLVING AND EXPIRING INCONSISTENCIES

Inconsistencies Related to Certain Eligibility Requirements Were Not Always Resolved Properly

The Federal marketplace did not always properly resolve inconsistencies related to citizenship and annual household income (a total of three sample applicants, including two prior sample applicants). By performing other audit procedures, we determined that the marketplace did not always properly resolve inconsistencies related to eligibility for minimum essential coverage through ESI.⁴⁸

⁴⁸ During our previous review, we found that the Federal marketplace did not fully develop system functionality to resolve inconsistencies. In this review, we found that the marketplace improved system functionality to resolve inconsistencies; however, we found other deficiencies related to resolving inconsistencies.

Federal Requirements

Generally, when a marketplace cannot verify information submitted by the applicant or the information is inconsistent with information available through the Data Hub or other sources available to the marketplace, the marketplace must attempt to resolve the inconsistencies in eligibility data. A marketplace must make a reasonable effort to identify and address the causes of inconsistencies. If a marketplace is unable to resolve an inconsistency, it must notify the applicant of the inconsistency and generally must provide the applicant with a period of 90 days from the date on which the notice was sent to either present satisfactory documentary evidence or otherwise resolve the inconsistency (45 CFR § 155.315(f)).

CMS issued guidance for resolving inconsistencies related to citizenship, annual household income, and eligibility for minimum essential coverage through ESI:

- According to *Acceptable Docs and Variances Quick Reference Guide* (reference guide),⁴⁹ there are two categories of satisfactory documentary evidence that an applicant can submit to resolve a citizenship inconsistency. For proof of U.S. citizenship, one category requires the submission of only one document, and the other category requires submission of two documents. For example, an applicant can submit a U.S. passport or certificate of naturalization without submitting a secondary document. However, if an applicant submits a birth certificate, he or she must also submit a secondary document (such as a driver's license or a school identification card).
- According to *Annual Income Inconsistency Processing Quick Reference Guide* (inconsistency resolution guide),⁴⁹ a marketplace should resolve an inconsistency related to annual household income when the income from supporting documentation is below an applicant's attested annual household income but equal to or more than 100 percent of the Federal poverty level. Further, the marketplace should resolve an inconsistency when the income from supporting documentation is not more than 20 percent above an applicant's attested annual household income. This guide includes specific instructions to Serco to use the income from supporting documentation when resolving an inconsistency related to annual household income.
- According to *Employer-sponsored Coverage Background and FAQs for the Health Insurance Marketplace*,⁵⁰ if an individual is either enrolled in ESI or eligible for ESI that is affordable and meets the minimum value standard, the individual is not eligible for the APTC or cost-sharing reductions (45 CFR §§ 155.305(f)(1)(ii)(B) and (g)(1)(i)(B)).

⁴⁹ This guide is not available publicly and is for internal use only. CMS provided Serco these instructions on how to resolve inconsistencies.

⁵⁰ CMS, available at <https://marketplace.cms.gov/technical-assistance-resources/training-materials/background-and-faqs-on-employer-sponsored-coverage.pdf>. Accessed on January 16, 2015.

An Inconsistency Related to Citizenship Was Resolved Without Obtaining a Required Secondary Document

The Federal marketplace did not always resolve citizenship inconsistencies in accordance with CMS's reference guide. Specifically, for one of six sample applicants who had inconsistencies related to citizenship, the marketplace accepted the applicant's U.S. birth certificate without obtaining a secondary document. CMS officials stated that Serco staff did not follow CMS's reference guide and made an error when resolving the inconsistency.

Inconsistencies Related to Annual Household Income Were Not Resolved Properly

The Federal marketplace did not always resolve inconsistencies related to annual household income in accordance with CMS's inconsistency resolution guide. Specifically, for 2 of 14 prior sample applicants who had income inconsistencies, the marketplace resolved the inconsistencies when the applicants provided documentation showing that annual household income was either below 100 percent of the Federal poverty level (which may make an individual eligible for Medicaid) or more than 20 percent above the applicants' attested annual household income (which may make an individual eligible for higher amounts of the APTC and cost-sharing reductions).

For example, an applicant attested to having an annual household income of \$21,000 for himself and his wife. The applicant provided his 2014 unemployment benefits statement, which showed an annual household income of \$9,500. According to HHS, the Federal poverty level for a family size of two for CY 2013 was \$15,510. The Federal marketplace resolved the inconsistency when the applicant's annual household income was approximately 60 percent of the Federal poverty level. Because the applicant's annual household income was below 100 percent of the Federal poverty level, the marketplace should not have resolved the applicant's annual household income inconsistency. Further, the applicant may have been eligible for Medicaid and not eligible for the APTC and cost-sharing reductions.

As of June 2, 2015, CMS had not provided an explanation of why the Federal marketplace did not resolve the inconsistencies in accordance with CMS's inconsistency resolution guide.

Inconsistencies Related to Eligibility for Minimum Essential Coverage Through Employer-Sponsored Insurance Were Not Resolved

The Federal marketplace did not resolve inconsistencies related to verifying applicants' eligibility for minimum essential coverage through ESI. These inconsistencies occurred when the applicants attested to not having minimum essential coverage through ESI but the available data sources showed that the applicants had such coverage.⁵¹ The marketplace's eligibility and enrollment system was not designed to resolve these inconsistencies. CMS officials stated that they had focused on resolving other types of inconsistencies that affected a larger number of applicants and that they aimed to implement a system design during CY 2015 to resolve the inconsistencies related to verifying applicants' eligibility for minimum essential coverage

⁵¹ We identified this deficiency by performing other audit procedures, not by reviewing sample applicants.

through ESI.⁵² The officials had previously reported to us that an interim manual process was in place.⁵³

During our site visit at Serco, we confirmed that CMS had not implemented the interim manual process. Serco officials stated that they were still waiting for procedural guidance from CMS to implement a process for resolving the inconsistencies.

Inconsistencies Related to Certain Eligibility Requirements Were Not Always Expired Properly

The Federal marketplace did not always properly expire inconsistencies related to annual household income (a total of two sample applicants, including one prior sample applicant).⁵⁴ On the basis of performing other audit procedures, we determined that the marketplace did not properly expire inconsistencies related to verifying whether an applicant was an Indian and verifying eligibility for minimum essential coverage through non-ESI. The marketplace did not adjust the amounts of the APTC and cost-sharing reductions on the basis of information from available data sources, as required.

Federal Requirements

If, after the inconsistency period, a marketplace remains unable to verify an applicant's attestation, the marketplace must generally determine the applicant's eligibility on the basis of information from available data sources and notify the applicant of that determination, including notice that the marketplace is unable to verify the attestation (45 CFR § 155.315(f)(5)).

For inconsistencies related to annual household income, if a marketplace remains unable to verify the applicant's attestation after the inconsistency period, the marketplace must determine the applicant's eligibility for the APTC and cost-sharing reductions on the basis of available income data from electronic sources (45 CFR § 155.320(c)(3)(vi)(F)). If the income data are unavailable, a marketplace must determine the tax filer ineligible for the APTC and cost-sharing reductions, notify the applicant of the determination in accordance with the notice requirements specified in 45 CFR § 155.310(g), and discontinue any APTC and cost-sharing reductions in accordance with the effective dates specified in 45 CFR § 155.330(f) (45 CFR § 155.320(c)(3)(vi)(G)).

⁵² CMS stated that the eligibility and enrollment system generated 899 inconsistencies related to eligibility for minimum essential coverage through ESI for insurance coverage effective in CY 2014.

⁵³ In response to our previous report (A-09-14-01000), CMS stated that the Federal marketplace had in place an interim manual process that allowed it to reconcile inconsistencies related to eligibility for minimum essential coverage through ESI.

⁵⁴ The Federal marketplace's process for determining an applicant's eligibility for enrollment in a QHP and for insurance affordability programs when the applicant has failed to submit satisfactory documentation by a date provided by CMS is referred to as "expiring the inconsistency."

Inconsistencies Related to Annual Household Income Were Not Always Expired Properly

The Federal marketplace did not always expire inconsistencies related to annual household income properly (i.e., did not adjust the amounts of the APTC and cost-sharing reductions as required) when the applicants did not provide any acceptable documentation to resolve the inconsistencies. Specifically, for 1 of 16 sample applicants and 1 of 14 prior sample applicants who had inconsistencies related to annual household income, the marketplace was not able to expire the inconsistencies because of a design error in the eligibility and enrollment system.⁵⁵ According to CMS, the error prevented Serco from completing the expiration process for some applicants when the application did not contain all required information. When we visited Serco on December 3, 2014, these applicants were eligible for insurance affordability programs.⁵⁶

Inconsistencies Related to Verifying Whether an Applicant Was an Indian and Verifying Eligibility for Minimum Essential Coverage Through Non-Employer-Sponsored Insurance Were Not Expired

The Federal marketplace did not expire inconsistencies (i.e., did not adjust the amount of APTC or cost-sharing reductions as required) related to verifying whether an applicant was an Indian and verifying eligibility for minimum essential coverage through non-ESI.⁵⁷ The marketplace's eligibility and enrollment system was not designed to expire these types of inconsistencies. According to CMS, the marketplace focused on expiring inconsistencies related to citizenship or lawful presence and annual household income because a larger number of applicants had these types of inconsistencies. CMS stated that designing its system to expire inconsistencies related to whether the applicant was an Indian and eligibility for minimum essential coverage through non-ESI is one of its top priorities. CMS also stated that it had awarded a contract to implement the system design to expire the latter type of inconsistency.

Applicant Data and Documentation Related to Resolving Inconsistencies Were Not Always Maintained Properly

The Federal marketplace did not always maintain applicant data that were complete, accurate, and up to date in the eligibility and enrollment system and did not always maintain documentation supporting resolution of inconsistencies (a total of two sample applicants, including one prior sample applicant).

⁵⁵ On May 1, 2015, CMS provided documentation showing that the inconsistency for the prior sample applicant was expired.

⁵⁶ CMS officials informed us that as of May 15, 2015, the sample applicant was no longer enrolled in a QHP. This information had no impact on our finding because we reviewed internal controls that were in place at the Federal marketplace from January 1 through April 19, 2014, for insurance coverage effective in CY 2014. Therefore, we did not confirm this information with CMS. CMS did not provide any information on the prior sample applicant's enrollment status.

⁵⁷ We identified this deficiency by performing other audit procedures, not by reviewing sample applicants.

Federal Requirements

A marketplace should take reasonable steps to ensure that personally identifiable information is complete, accurate, and up to date to the extent necessary for the marketplace's intended purposes and has not been altered or destroyed in an unauthorized manner (45 CFR § 155.260(a)(3)(vi)). Further, a marketplace must maintain and ensure that its contractors, subcontractors, and agents maintain for 10 years documents and records that are sufficient to enable HHS or its designees to evaluate the marketplace's compliance with Federal requirements (45 CFR § 155.1210(a)). The records must include data and records related to the marketplace's eligibility verifications and determinations and enrollment transactions (45 CFR § 155.1210(b)(4)).

Applicant Data in the Eligibility and Enrollment System Were Not Always Complete, Accurate, and Up to Date

The Federal marketplace did not always maintain applicant data that were complete, accurate, and up to date in the eligibility and enrollment system to allow inconsistencies to be resolved. Specifically, for 1 of 20 prior sample applicants who had inconsistencies in eligibility data, the applicant was placed in an inconsistency period for lawful presence. Although the applicant provided a copy of a U.S. permanent resident card, the inconsistency had not been resolved as of the date of our visit to Serco on December 3, 2014, because Serco staff could not locate the applicant's data in the system to resolve the inconsistency.⁵⁸ According to CMS, the marketplace's eligibility and enrollment system had a design error that made some applicants' information no longer accessible to Serco once the applicants updated their information.

Documentation Supporting Resolution of Inconsistencies Was Not Always Maintained Properly

The Federal marketplace did not always maintain documentation to support the resolution of inconsistencies. Specifically, for 1 of 20 sample applicants who had inconsistencies in eligibility data, the marketplace's eligibility and enrollment system indicated that, as of March 10, 2014, the applicant had inconsistencies related to incarceration status and annual household income. The system also indicated that the incarceration status inconsistency was resolved on August 20, 2014, and that the income inconsistency was resolved on August 28, 2014. However, the marketplace could not provide copies of documentation used to resolve these inconsistencies.

According to Serco officials, the sample applicant reported a life-changing event, and her eligibility was redetermined on December 1, 2014. At that time, the previous documentation submitted by the applicant and the notices sent to the applicant became unavailable in the system. The officials also stated that the system was designed to display and maintain supporting documentation for only new inconsistencies related to the same applicant. According to CMS officials, the Federal marketplace maintains documentation supporting the resolution of all inconsistencies. However, as of June 2, 2015, the marketplace had not provided the

⁵⁸ On April 1, 2015, CMS provided documentation showing that the inconsistency for the prior sample applicant had been resolved.

documentation. As a result, we were unable to verify whether the Federal marketplace resolved the inconsistencies for this applicant according to Federal requirements.

PROCEDURES RELATED TO RESOLVING INCONSISTENCIES COULD BE IMPROVED

We identified several weaknesses in the Federal marketplace’s procedures for resolving inconsistencies. Although these weaknesses did not result in noncompliance with Federal requirements, we found that the procedures could be improved to ensure that applicants meet eligibility requirements for enrollment in QHPs and for insurance affordability programs and that the amounts of the APTC and cost-sharing reductions are determined correctly.

Inconsistencies Related to Annual Household Income Were Resolved on the Basis of Applicants’ Responses to Income Discrepancy Questions

Generally, when a marketplace cannot verify information submitted by the applicant or the information is inconsistent with information available through the Data Hub or other sources available to the marketplace, the marketplace must attempt to resolve the inconsistencies in eligibility data. A marketplace must make a reasonable effort to identify and address the causes of inconsistencies (45 CFR § 155.315(f)).

The Federal marketplace resolved inconsistencies related to annual household income on the basis of applicants’ responses to income discrepancy questions. Specifically, for 4 of 16 sample applicants who had inconsistencies related to annual household income, the marketplace resolved the inconsistencies by using their responses to a series of questions about the discrepancy between the applicant’s attested annual household income and income from available electronic data sources. According to CMS officials, an applicant’s inconsistency is resolved and the annual household income is considered verified if the applicant provides a reason for why there is an income discrepancy. Although the Federal marketplace has discretion on how to resolve inconsistencies, relying solely on an applicant’s responses to resolve inconsistencies related to annual household income increases the possibility that the marketplace will incorrectly determine the applicant’s eligibility for insurance affordability programs and the amounts of the APTC and cost-sharing reductions.⁵⁹

Inconsistencies Related to Annual Household Income Were Resolved Using a Higher Threshold Than the Threshold Used To Verify Attested Income

A marketplace must consider information obtained through electronic data sources, other information provided by the applicant, or other information in the records of the marketplace to be “reasonably compatible” with an applicant’s attestation if the difference or discrepancy does not affect the eligibility of the applicant, including the amount of the APTC or the category of cost-sharing reductions (45 CFR § 155.300(d)). CMS has specifically interpreted “reasonable compatibility” to mean that, when a marketplace initially attempts to verify eligibility, an

⁵⁹ The applicant may have to refund the difference between the APTC amount that the applicant received and the amount that the applicant was eligible to receive on the basis of the information shown in the Federal tax return.

applicant's attested annual household income is within a 10-percent threshold of the annual household income verified with Federal tax data.⁶⁰

The Federal marketplace used a higher threshold (i.e., 20 percent) to resolve inconsistencies related to annual household income than the threshold (i.e., 10 percent) used to initially determine whether applicants' attested annual household income was reasonably compatible with income from electronic data sources.⁶¹ Figure 2 illustrates a hypothetical example of the effect of the marketplace's use of the 20-percent threshold instead of the 10-percent threshold to resolve an inconsistency.

**Figure 2: Example of the Effect of Using a Higher Threshold
To Resolve an Inconsistency Related to Annual Household Income**

Step 1:

An applicant attests to an annual household income of \$10,000, and available electronic data sources (e.g., Federal tax data) show an annual household income of \$12,000. The marketplace uses the 10-percent threshold and places this applicant in an inconsistency period for annual household income because the attested income is approximately 16.7 percent (more than 10 percent) below the income from available electronic data sources.

Step 2:

The applicant provides satisfactory documentary evidence showing \$12,000 of annual household income. The marketplace uses the 20-percent threshold and resolves the inconsistency because the attested income is within 20 percent of the income stated in satisfactory documentary evidence. The marketplace determines that the attested income of \$10,000 is verified and uses \$10,000 to determine the applicant's eligibility for insurance affordability programs and determines the amounts of the APTC and cost-sharing reductions.

Effect:

If the marketplace had used the 10-percent threshold to resolve the inconsistency, it would not have resolved the inconsistency and would not have determined that the attested income of \$10,000 was verified. If the inconsistency is not resolved within the specified timeframe, the marketplace must use \$12,000 (from the Federal tax data) to determine the amounts of the APTC and cost-sharing reductions, which may be lower than the amounts determined by using \$10,000. Therefore, the marketplace's use of the 20-percent threshold to resolve the inconsistency may result in the applicant receiving higher amounts of the APTC and cost-sharing reductions.⁶²

According to CMS, the Federal marketplace resolved inconsistencies related to annual household income using a higher threshold because it considered the 20-percent threshold to be reasonable. CMS also stated that it planned to conduct data analysis on the effectiveness of both thresholds

⁶⁰ 77 Fed. Reg. 18310, 18365 (Mar. 27, 2012). The 10-percent threshold applies only to decreases, not increases, in attested annual household income when measured against Federal tax data (45 CFR § 155.320(c)(3)(iii)).

⁶¹ We identified this weakness by performing other audit procedures, not by reviewing sample applicants.

⁶² The applicant may have to refund the difference between the APTC amount that the applicant received and the amount that the applicant was eligible to receive on the basis of the information shown in the Federal tax return.

when reconciling the amounts of the APTC and cost-sharing reductions for the CY 2014 tax year and to adjust the 20-percent threshold in the future, if necessary. Although the Federal marketplace has discretion on how to resolve inconsistencies, using a higher threshold to resolve inconsistencies related to annual household income increases the possibility that the marketplace will incorrectly determine an applicant's eligibility for insurance affordability programs and the amounts of the APTC and cost-sharing reductions.

Inconsistency Periods Were Extended Indefinitely on the Basis of Applicants' Good-Faith Efforts To Obtain Required Documentation

A marketplace must make a reasonable effort to identify and address the causes of inconsistencies. If a marketplace is unable to resolve an inconsistency, it must notify the applicant of the inconsistency and generally must provide the applicant with a period of 90 days from the date on which the notice was sent to either present satisfactory documentary evidence or otherwise resolve the inconsistency (45 CFR § 155.315(f)(2)(ii)).

During the inconsistency period, an applicant who is otherwise qualified is provided eligibility to enroll in a QHP and eligibility for insurance affordability programs (45 CFR § 155.315(f)(4)). A marketplace may extend the inconsistency period for an applicant if the applicant demonstrates that a good-faith effort has been made to obtain the required documentation during the period (45 CFR § 155.315(f)(3)).

For the CY 2014 coverage period, the Federal marketplace extended inconsistency periods indefinitely when it determined that applicants had made good-faith efforts to obtain required documentation.⁶³

- For 2 of 20 sample applicants and 3 of 20 prior sample applicants who had inconsistencies in eligibility data, the marketplace accepted documentation that was not relevant to those inconsistencies but listed as acceptable documentation for other inconsistencies in CMS's reference guide and determined that the applicants had made good-faith efforts to obtain required documentation. For example, the marketplace placed one sample applicant in an inconsistency period for an inconsistency related to annual household income. When the applicant provided a copy of a naturalization certificate, the marketplace determined that the applicant had made a good-faith effort to resolve the inconsistency even though a naturalization certificate does not provide evidence of annual household income. The marketplace extended this applicant's inconsistency period indefinitely for the CY 2014 coverage period. When we visited Serco on December 3, 2014, the applicant continued to be eligible for the APTC and cost-sharing reductions.

⁶³ On January 29, 2015, CMS stated that the Federal marketplace had extended inconsistency periods on the basis of good-faith efforts by 78,591 individuals with citizenship inconsistencies and 179,809 households with annual household income inconsistencies. On May 18, 2015, CMS informed us that inconsistency periods for the CY 2014 coverage period had been extended until February 2015. However, as of June 2, 2015, CMS had not provided documentation to support this information.

- For 3 of 20 sample applicants and 1 of 20 prior sample applicants who had inconsistencies in eligibility data, the marketplace determined that the applicants had made good-faith efforts when they provided acceptable documentation showing that their annual household incomes were below 100 percent of the Federal poverty level. The marketplace placed these applicants in “on hold” status without resolving the inconsistencies and extended the inconsistency periods indefinitely for the CY 2014 coverage period. The marketplace should have resolved the inconsistency and determined or assessed whether these applicants were eligible for Medicaid if their annual household incomes were determined to be below 100 percent of the Federal poverty level.⁶⁴ When we visited Serco on December 3, 2014, these applicants continued to be eligible for the APTC or cost-sharing reductions or both.

According to CMS officials, the Federal marketplace considered that an applicant had made a good-faith effort when he or she submitted any type of acceptable documentation, regardless of the type of inconsistency. CMS’s reference guide did not specify acceptable documentation for a type of inconsistency when considering whether the applicant made a good-faith effort. Although the marketplace may extend an inconsistency period on the basis of an applicant’s good-faith effort, extending the period indefinitely increases the possibility that an applicant will continue to be eligible for enrollment in a QHP and for the APTC and cost-sharing reductions when the applicant may not be eligible.⁶⁵

RECOMMENDATIONS

We are making three recommendations to CMS, which are detailed in the following sections.

RECOMMENDATION 1

To address the specific deficiencies that we identified, we recommend that CMS take action to improve the Federal marketplace’s internal controls related to verifying applicants’ eligibility and resolving and expiring inconsistencies. Specific recommendations are listed below.

Verifying Applicants’ Eligibility

To improve internal controls related to verifying applicants’ eligibility, we recommend that the Federal marketplace:

- enhance the design of its eligibility and enrollment system to ensure that Social Security numbers are validated through SSA when provided by applicants at the end of the application process,

⁶⁴ Depending on each State’s election, the Federal marketplace either determines or assesses an applicant’s eligibility for Medicaid. If the marketplace assesses that the applicant may be eligible for Medicaid, it refers the applicant to a State Medicaid agency to make a final determination on the applicant’s Medicaid eligibility.

⁶⁵ The applicant may have to refund the entire amount of the APTC the applicant received on the basis of the information shown in the Federal tax return if the applicant was not eligible for the APTC.

- place applicants in an inconsistency period when citizenship cannot be verified through SSA or DHS,
- place applicants in an inconsistency period when attested annual household income is more than 10 percent below the income from available electronic data sources, and
- ensure that applicants' family size is determined correctly.

Resolving and Expiring Inconsistencies

To improve internal controls related to resolving and expiring inconsistencies, we recommend that the Federal marketplace:

- instruct Serco to resolve all inconsistencies related to citizenship in accordance with CMS's reference guide;
- resolve all inconsistencies related to annual household income in accordance with CMS's inconsistency resolution guide;
- enhance the design of its eligibility and enrollment system to resolve inconsistencies related to verifying applicants' eligibility for minimum essential coverage through ESI;
- correct the design error in its eligibility and enrollment system to expire all inconsistencies related to annual household income;
- enhance the design of its eligibility and enrollment system to expire inconsistencies related to verifying whether an applicant is an Indian and verifying eligibility for minimum essential coverage through non-ESI;
- correct the design error in its eligibility and enrollment system to ensure that it maintains applicant data that are complete, accurate, and up to date; and
- enhance the design of its eligibility and enrollment system to ensure that it properly maintains documentation supporting resolution of inconsistencies.

RECOMMENDATION 2

We recommend that CMS redetermine, if necessary, the eligibility of the sample applicants for whom we determined that verifications of eligibility and resolutions and expirations of inconsistencies were not performed according to Federal requirements.

RECOMMENDATION 3

We recommend that CMS take action to improve procedures related to resolving inconsistencies. Specifically, we recommend that the Federal marketplace:

- obtain supporting documentation to resolve inconsistencies related to annual household income instead of relying on applicants' responses to income discrepancy questions,
- resolve inconsistencies related to annual household income by using the same 10-percent threshold used to verify applicants' attested annual household income, and
- ensure that inconsistency periods are not extended indefinitely for future insurance coverage periods and revise CMS's reference guide to specify the acceptable documentation for each type of inconsistency when considering good-faith efforts of applicants.

CMS COMMENTS

In written comments on our draft report, CMS concurred with all three of our recommendations. CMS also provided information on actions that it had taken or planned to take to address our recommendations:

- Regarding our first recommendation, CMS stated that it has an extensive resolution process in place to resolve "data matching issues" and is continuously improving and refining the process. CMS also stated that it had rectified system issues we identified in our report.
- Regarding our second recommendation, CMS stated that it had resolved and provided documentation to OIG for five sample applicants regarding annual household income data-matching issues and confirmed that their eligibility was appropriately determined. CMS also stated that it would review the remaining sample applicants to confirm that their eligibility was determined appropriately.
- Regarding our third recommendation, CMS stated that it "may review alternative options" to those specific recommendations discussed in our report related to improving procedures for resolving inconsistencies. After issuing our draft report, we clarified the last recommendation by specifying an action that CMS should take (i.e., revise its reference guide as it relates to considering good-faith efforts of applicants so that inconsistency periods are not extended indefinitely for future insurance coverage periods).

CMS's comments are included in their entirety as Appendix F. CMS also provided technical comments on our draft report, which we addressed as appropriate.

APPENDIX A: THE FEDERAL MARKETPLACE’S PROCESS FOR VERIFYING ANNUAL HOUSEHOLD INCOME AND ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH EMPLOYER-SPONSORED AND NON-EMPLOYER-SPONSORED INSURANCE

We included this appendix in response to the congressional request dated June 17, 2014, that we audit how marketplaces use IRS household income data and self-reported, third-party, and other income data in combination with IRS data to determine eligibility for the premium tax credit. The following describes how the Federal marketplace used data on annual household income and eligibility for minimum essential coverage through ESI and non-ESI to determine eligibility for the APTC and cost-sharing reductions for insurance coverage effective in CY 2014.

ANNUAL HOUSEHOLD INCOME

1. An applicant applies for the APTC and cost-sharing reductions.
2. The applicant enters his or her projected annual household income on an application for the benefit year for which coverage is requested (attested income).
3. The attested income is compared with data available from the IRS and SSA.⁶⁶ If the attested income is lower than the income reflected in IRS and SSA data but is within 10 percent of the amount from those sources, the attested income is considered verified. If the attested income is higher than the income reflected in IRS and SSA data, the attested income is compared with current wage data from Equifax Workforce Solutions (Equifax). If the attested income is not significantly lower than the income reflected in Equifax data,⁶⁷ the attested income is considered verified.⁶⁸
4. If the attested income cannot be verified using IRS and SSA data or these data are not available, the attested income is compared with current wage data from Equifax. If the attested income is lower than the income reflected in Equifax data but is within 10 percent of the amount from Equifax, the attested income is considered verified. If the attested income is higher than the income reflected in Equifax data, the attested income is considered verified.
5. If the attested income is not reasonably compatible with the income data from the IRS, SSA, or Equifax, the marketplace may ask the applicant questions regarding

⁶⁶ The marketplace can request data from the IRS and SSA only after SSA successfully validates the applicant’s Social Security number.

⁶⁷ Equifax Workforce Solutions is a subsidiary of Equifax Inc. It provides human resource data, analytic services, and verifications of income and employment to both the public and private sectors.

⁶⁸ According to CMS, “not significantly lower” means that income reflected in current wage data from Equifax is not more than 100 percent greater than the attested income.

discrepancies between the attested income and income from data sources.⁶⁹ If the applicant's responses to these questions indicate that there will be a change in the projected annual household income for CY 2014, the attested income is considered verified.

6. If the applicant's responses to these questions indicate that there will not be a change in projected annual household income for CY 2014 or there are no data with which to verify the attested income, the marketplace places the applicant in an inconsistency period and sends an eligibility determination notice to the applicant requesting documentation to substantiate the attested income.
7. During the inconsistency period, the applicant is eligible for the APTC and cost-sharing reductions on the basis of the attested income.
8. If the applicant submits satisfactory documentary evidence (e.g., copies of Form W-2) reflecting that annual household income is within 20 percent⁷⁰ of the attested income, the marketplace determines that the attested income is verified.
9. If the applicant does not submit the requested documentation within the specified timeframe, the marketplace determines the applicant's eligibility for the APTC and cost-sharing reductions on the basis of data available from the IRS and SSA. If the data are unavailable from these sources, the marketplace discontinues any APTC and cost-sharing reductions.

ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH EMPLOYER-SPONSORED INSURANCE

1. An applicant applies for the APTC and cost-sharing reductions.
2. The applicant attests to whether he or she is currently eligible (or will be eligible during the coverage year) for health coverage through a job, even if it is from another person's job, such as a spouse's. The applicant states "Yes" or "No" on the application.

⁶⁹ CMS has specifically interpreted "reasonable compatibility" to mean that, when a marketplace initially attempts to verify eligibility, an applicant's attested annual household income is within a 10-percent threshold of the annual household income verified with Federal tax data (77 Fed. Reg. 18310, 18365 (Mar. 27, 2012)). The 10-percent threshold applies only to decreases, not increases, in attested annual household income when measured against Federal tax data (45 CFR § 155.320(c)(3)(iii)).

⁷⁰ As of September 2, 2014, CMS considers an applicant's attested income verified when the annual household income shown on documentation provided by the individual is lower than the attested annual household income by more than 20 percent but is above the Federal poverty level.

3. If the applicant’s response is “Yes,” the applicant attests to the premium amount that the employee would pay for health coverage that meets the minimum value standard.⁷¹
4. Regardless of the applicant’s response, the marketplace uses the Data Hub to verify that the applicant is eligible for minimum essential coverage through ESI.⁷² The Data Hub checks data available from the U.S. Office of Personnel Management (OPM). OPM is the only data source that the marketplace uses to verify that an applicant is eligible for minimum essential coverage through ESI.
5. If the applicant’s response is “No” and the applicant’s Social Security number is included in the OPM data, the marketplace places the applicant in an inconsistency period and sends a letter to the applicant requesting an explanation or additional documentation to substantiate the applicant’s attestation of “No.”
6. During the inconsistency period, the applicant is considered eligible for the APTC and cost-sharing reductions on the basis of the applicant’s attestation that he or she is not eligible for minimum essential coverage through ESI.⁷³

ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH NON-EMPLOYER-SPONSORED INSURANCE

1. An applicant applies for the APTC and cost-sharing reductions.
2. The applicant attests to whether he or she is currently eligible for minimum essential coverage through non-ESI.
3. If the applicant attests that he or she is eligible for minimum essential coverage through non-ESI, such as Medicare or Medicaid, the marketplace accepts the attestation and determines the applicant ineligible for the APTC and cost-sharing reductions.
4. If the applicant attests that he or she is not eligible for minimum essential coverage through non-ESI, the marketplace uses the Data Hub to verify whether the applicant is eligible for such coverage. The Data Hub checks data from Medicare, Medicaid, CHIP,

⁷¹ An employer-sponsored health plan meets the minimum value standard if the plan’s share of the total allowed benefit cost covered by the plan is no less than 60 percent of such costs (§ 36B(c)(2)(C)(ii) of the Internal Revenue Code of 1986).

⁷² According to CMS, if the applicant’s Social Security number is not provided, the marketplace cannot use the Data Hub to verify that the applicant is eligible for minimum essential coverage through ESI. The marketplace may accept the applicant’s attestation without further verification.

⁷³ The Federal marketplace did not resolve inconsistencies related to applicants’ eligibility for minimum essential coverage through ESI, as noted in the “Findings” section of this report.

the Peace Corps, TRICARE, the Basic Health Program, and the Veterans Health Administration.^{74, 75}

5. If the Data Hub sources return a record indicating that the applicant is eligible for minimum essential coverage through non-ESI, the marketplace places the applicant in an inconsistency period and sends a letter to the applicant requesting an explanation or additional documentation to substantiate either that the applicant is not eligible for these coverage types or that the coverage has ended.
6. During the inconsistency period, the applicant is considered eligible for the APTC and cost-sharing reductions on the basis of the applicant's attestation that he or she is not eligible for minimum essential coverage through non-ESI.

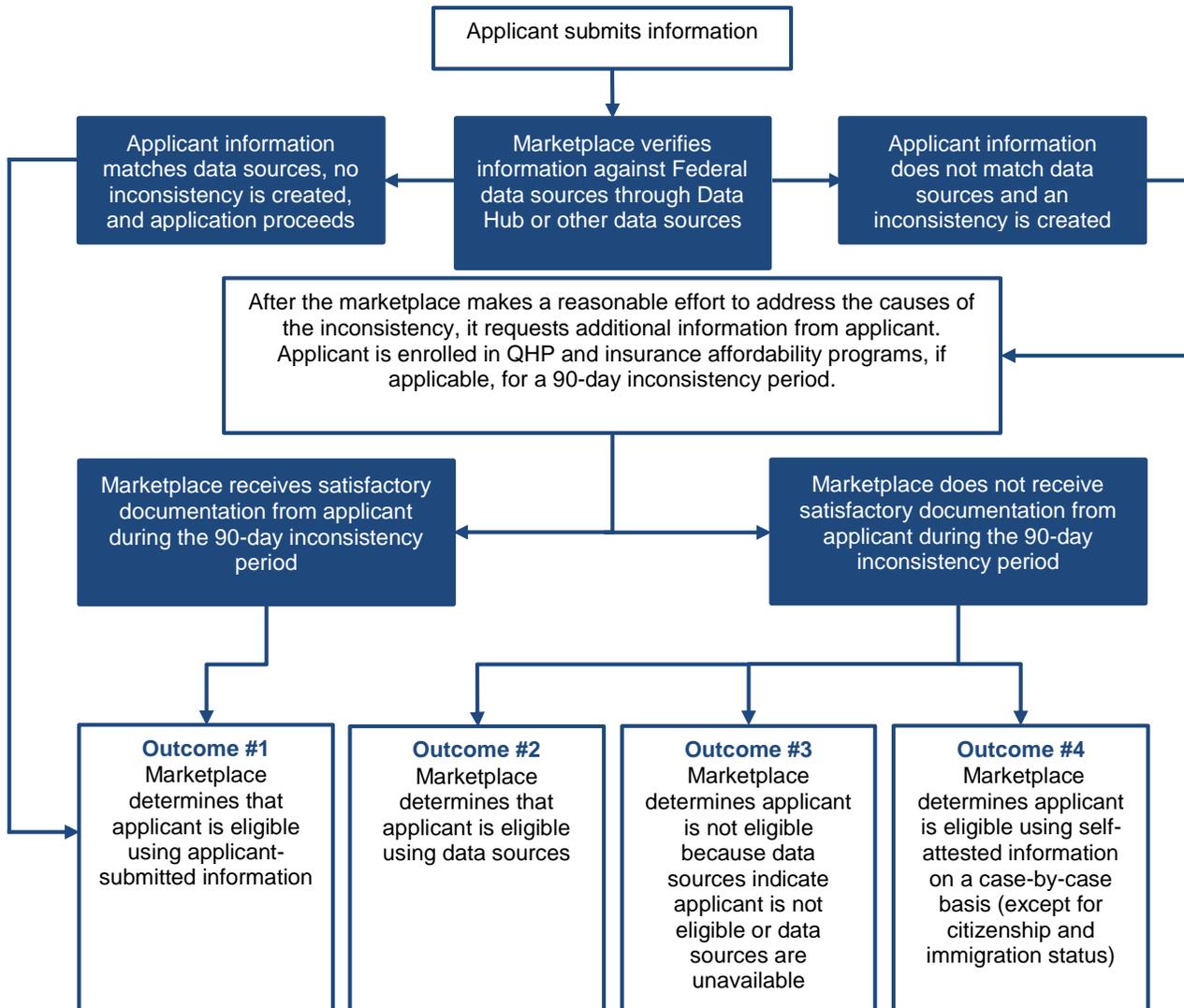
If the applicant submits satisfactory documentary evidence to show that the applicant is not eligible for minimum essential coverage through non-ESI and if the applicant meets the other requirements, as applicable, the marketplace determines the applicant to be eligible for the APTC and cost-sharing reductions.⁷⁶

⁷⁴ According to CMS, if the applicant's Social Security number is not provided or validated, the marketplace cannot use the Data Hub to verify that the applicant is eligible for minimum essential coverage through non-ESI, and the applicant's attestation is accepted.

⁷⁵ Insurance coverage provided under the Peace Corps and TRICARE are non-ESI in accordance with 26 U.S.C. § 5000A(f).

⁷⁶ The Federal marketplace did not expire inconsistencies related to eligibility for minimum essential coverage through non-ESI for applicants who did not obtain required documentation to resolve inconsistencies, as noted in the "Findings" section of this report.

APPENDIX B: STEPS AND OUTCOMES FOR RESOLVING INCONSISTENCIES



APPENDIX C: THE FEDERAL MARKETPLACE'S PROCESS FOR RESOLVING AND EXPIRING INCONSISTENCIES

Inconsistencies are generated when an applicant's attested information cannot be verified through electronic data sources. For attested information related to residency and family size, the Federal marketplace accepts the applicant's attestation without further verification. Further, the marketplace does not resolve inconsistencies related to eligibility for minimum essential coverage through ESI and does not expire inconsistencies related to verification of whether the applicant was an Indian and whether the applicant was eligible for minimum essential coverage through non-ESI. The following describes the steps in the marketplace's process for resolving and expiring inconsistencies:

1. If the applicant's attested information cannot be verified through electronic data sources, the Federal marketplace sends an eligibility letter to the applicant requesting an explanation or supporting documentation to resolve the inconsistency. The applicant is generally given 90 days from the date shown in the letter to provide the requested documentation. During the inconsistency period, the applicant may still enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions. An applicant can provide the explanation or documentation by mail or upload the documentation through the Federal marketplace Web site.
2. If the applicant provides satisfactory documentary evidence to support the attested information, the inconsistency is resolved.
3. If the applicant cannot provide documentation that is sufficient to support the attested information, the inconsistency is considered unresolved. The marketplace sends a letter to the applicant indicating that the documentation was insufficient and requesting that the applicant provide satisfactory documentary evidence. If the applicant provides satisfactory documentary evidence, the inconsistency is resolved.
4. If the applicant does not provide acceptable documentation by the deadline given, the marketplace expires the inconsistency and determines the applicant's eligibility on the basis of data available from electronic data sources. If no data are available from electronic sources, the applicant's enrollment may be terminated or the applicant may be determined ineligible for the APTC and cost-sharing reductions, as appropriate.⁷⁷

⁷⁷ The Federal marketplace began using the inconsistency expiration process for citizenship and lawful presence on September 12, 2014, and for annual household income on November 3, 2014. If the marketplace was unable to resolve an inconsistency related to citizenship or lawful presence, it determined that the applicant was ineligible for a QHP and terminated the applicant's enrollment from the QHP. Further, if the marketplace was unable to resolve an inconsistency related to annual household income, it determined the applicant's eligibility for the APTC and cost-sharing reductions on the basis of data available from the IRS and SSA.

The table illustrates hypothetical examples of the possible outcomes from expiring inconsistencies related to citizenship and annual household income. This table does not illustrate all possible outcomes. The table is limited to the two types of eligibility elements because CMS to date has expired inconsistencies related to only these eligibility elements.

Table: Examples of Possible Outcomes From Expiring Inconsistencies

Eligibility Requirement	Applicant Attestation	Information From Available Data Sources	Outcome From Expiring Inconsistency
Citizenship	Yes, a citizen	No, not a citizen	The marketplace relies on information from available data sources and terminates the applicant's enrollment in a QHP.
Citizenship	Yes, a citizen	No data available	Because there is no information from available data sources, the marketplace terminates the applicant's enrollment in a QHP.
Annual household income	\$30,000	\$40,000 ⁷⁸	The marketplace relies on information from available data sources and reduces the amount of the APTC.
Annual household income	\$30,000	\$70,000 ⁷⁹	The marketplace relies on information from available data sources and discontinues the APTC.
Annual household income	\$30,000	No data available	Because there is no information from available data sources, the marketplace discontinues the APTC.

⁷⁸ This amount is higher than the applicant's attested annual household income and is from 100 percent through 400 percent of the 2013 Federal poverty level for a family size of two.

⁷⁹ This amount is higher than the applicant's attested annual household income and is above 400 percent of the 2013 Federal poverty level for a family size of two.

APPENDIX D: OVERVIEW OF INTERNAL CONTROLS

INTERNAL CONTROLS IN THE GOVERNMENT⁸⁰

Internal controls are an integral component of an organization's management that provides reasonable, not absolute, assurance that the following objectives of an agency are being achieved: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

Internal controls are composed of the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. They include the processes and procedures for planning, organizing, directing, and controlling program operations and management's system for measuring, reporting, and monitoring program performance.

A deficiency in an internal control exists when the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to achieve control objectives and address related risks.

FIVE COMPONENTS OF INTERNAL CONTROL⁸¹

Internal control consists of five interrelated components:

- **Control Environment:** The set of standards and processes that provide the foundation for carrying out internal control across the organization. The control environment includes factors such as the organizational structure, assignment of authority and responsibilities, and ethical values.
- **Risk Assessment:** The process for identifying and evaluating risks to achieve objectives.
- **Control Activities:** The actions established through policies and procedures that help to ensure that management's directives to reduce risks are carried out. These activities include authorizations and approvals, verifications, and reconciliations.
- **Information and Communication:** Use of relevant and quality information to support the functioning of other internal control components. Communication is the process of management providing, sharing, and obtaining necessary information to staff.
- **Monitoring:** Ongoing or separate evaluations or both to ascertain whether the components are present and functioning.

⁸⁰ Government Accountability Office's *Standards for Internal Control in the Federal Government: 1999* (known as the Green Book) and *Government Auditing Standards: 2011 Revision*. The Green Book was revised in September 2014, which was after our audit period.

⁸¹ Committee of Sponsoring Organizations of the Treadway Commission: *Internal Control—Integrated Framework*, Executive Summary (May 2013).

APPENDIX E: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the internal controls that were in place at the Federal marketplace from January 1 through April 19, 2014 (the last 3 months of the open enrollment period—January 1 through March 31—plus the special enrollment periods of April 1 through April 15, 2014, and April 16 through April 19, 2014), for insurance coverage effective in CY 2014.⁸² Although the first open enrollment period for applicants to enroll in QHPs ended on March 31, 2014, an applicant could also have enrolled in a QHP during a special enrollment period if the applicant experienced certain life changes, such as marriage or the birth of a child.

Internal controls are intended to provide reasonable assurance that an organization's objectives are being achieved, including effectiveness and efficiency of operations and compliance with applicable laws and regulations. We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Federal marketplace's operations and compliance with applicable Federal requirements.

We limited this review to those internal controls related to (1) verifying applicants' identities, (2) determining applicants' eligibility for enrollment in QHPs and eligibility for insurance affordability programs (which included evaluating how the marketplace verifies eligibility and resolves and expires inconsistencies), and (3) maintaining eligibility and enrollment data. In our review, we focused on control activities, which is one of the five components of internal controls as described in Appendix D.

To determine the effectiveness of the internal controls, we tested them by both reviewing two different samples and performing other audit procedures:

- We reviewed a sample of 45 applicants randomly selected from applicants who (1) were determined eligible for enrollment in QHPs and for insurance affordability programs and (2) selected health or dental plans or reported life changes from January 1 through April 19, 2014 (a total of approximately 3.7 million applicants).⁸³ We reviewed supporting documentation for the sample applicants to evaluate whether the marketplace determined their eligibility in accordance with Federal requirements. We also reviewed the Federal marketplace's determinations of applicants' eligibility that resulted from

⁸² We reviewed the period through April 19, 2014, because we relied on the report issued on May 1, 2014, by the HHS Office of the Assistant Secretary for Planning and Evaluation to ensure that the eligibility and enrollment data provided by the marketplace were complete. That report included the enrollment statistics through April 19, 2014.

⁸³ For each sample applicant, we reviewed only those eligibility verification requirements that applied to the applicant. For example, in our review of citizenship, 42 of the 45 sample applicants attested that they were U.S. citizens; consequently, we reviewed whether the Federal marketplace verified citizenship for the 42 applicants. In our report, we showed the total number of sample applicants we reviewed as 42, not 45.

changes in applicant information reported by applicants after April 19, 2014, when applicable.⁸⁴

- We reviewed a sample of 45 applicants from our previous review of the Federal marketplace, which covered the open enrollment period from October to December 2013 (a total of approximately 1.1 million applicants). During our previous review, we were not able to test certain controls related to resolving and expiring inconsistencies because the Federal marketplace did not resolve inconsistencies related to some of the eligibility requirements, such as citizenship and annual household income. Therefore, to test these controls, we included in this review the 45 prior sample applicants. Of these 45, 20 had inconsistencies in eligibility data. We reviewed supporting documentation for these 20 prior sample applicants to evaluate only whether the marketplace properly resolved and expired inconsistencies when (1) determining applicants' eligibility for enrollment in a QHP, for the APTC, and for cost-sharing reductions and (2) adjusting or discontinuing the amounts of the APTC and cost-sharing reductions, if applicable.
- We performed other audit procedures, which included conducting interviews with marketplace management, staff, and contractors; observing staff performing tasks related to eligibility determinations; and reviewing supporting documentation and enrollment records.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

Our attribute sampling approach is commonly used to test the effectiveness of internal controls for compliance with laws, regulations, and policies. According to the Government Accountability Office and the President's Council on Integrity and Efficiency's⁸⁵ *Financial Audit Manual* (July 2008), section 450, auditors may use a randomly selected sample of 45 items when testing internal controls. If all sample items are determined to be in compliance with requirements, a conclusion that the controls are effective can be made. If one or more sample items are determined not to be in compliance with requirements, a conclusion that the controls are ineffective can be made. Because our objective was limited to forming an opinion about whether the Federal marketplace's internal controls were effective, our sampling methodology was not designed to estimate the percentage of applicants for whom the marketplace did not perform the required eligibility verifications.

⁸⁴ The Federal marketplace provided the most recent eligibility verification data for the 45 sample applicants. For 5 of these applicants, the eligibility determination dates were within the period April 20 through November 14, 2014. According to CMS, the internal controls that were in place from April 20 through November 14, 2014, were the same as those in place during our audit period.

⁸⁵ The President's Council on Integrity and Efficiency is now called the Council of the Inspectors General on Integrity and Efficiency (Inspector General Act § 11).

We performed fieldwork from September 2014 to March 2015 at the Federal marketplace's offices in Bethesda and Baltimore, Maryland. We also performed fieldwork at Serco offices in various locations.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- reviewed the Secretary of HHS's report on the eligibility verifications for the APTC and cost-sharing reductions (submitted to Congress on December 31, 2013);
- assessed internal controls by:
 - interviewing officials from the Federal marketplace and its contractors and reviewing documentation provided by them to understand how the marketplace (1) verifies the identities of applicants, (2) verifies information submitted on enrollment applications and makes eligibility determinations, and (3) maintains eligibility and enrollment data;
 - observing marketplace staff performing tasks related to eligibility determinations; and
 - reviewing documents and records;
- obtained enrollment records from the Federal marketplace for 3,693,884 applicants who (1) were determined eligible for enrollment in QHPs and for insurance affordability programs and (2) selected health or dental plans or reported life changes from January 1 through April 19, 2014;
- analyzed the enrollment records to obtain an understanding of information that was sent to QHP issuers;
- determined whether eligibility and enrollment data were reliable by:
 - matching records to the marketplace's eligibility and enrollment system and

- requesting that the U.S. Treasury Inspector General for Tax Administration (TIGTA) confirm whether the Federal tax information maintained by the marketplace matched the data that the IRS had likely provided to the marketplace;⁸⁶
- performed testing of the Federal marketplace’s internal controls for eligibility determinations by:
 - using the OIG, Office of Audit Services, statistical software to randomly select 45 applicants who (1) were determined eligible for enrollment in QHPs and for insurance affordability programs and (2) selected health or dental plans or reported life changes from January 1 through April 19, 2014;
 - obtaining and reviewing eligibility data for each sample applicant to determine whether the marketplace performed the required eligibility verification and determination according to Federal requirements; and
 - reviewing the 45 prior sample applicants to determine whether the marketplace resolved and expired inconsistencies according to Federal requirements; and
- discussed the results of our review with CMS officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁸⁶ The data that TIGTA used for this confirmation procedure was the IRS’s 2012 tax data extracted in September 2013. These data may have been updated after the extraction. Also, according to TIGTA, although the IRS may have had tax data for applicants, the data for some applicants may not always have been available to the Federal marketplace through the Data Hub. The data may not have been available because, for example, the spouse information from the marketplace may not have matched the information in the IRS data transmitted to the Federal marketplace through the Data Hub.

APPENDIX F: CMS COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

200 Independence Avenue SW
Washington, DC 20201

DATE: MAY 20 2015

TO: Daniel R. Levinson, Inspector General
Office of the Inspector General

FROM: Andrew M. Slavitt, Acting Administrator
Centers for Medicare & Medicaid Services 

SUBJECT: OIG Draft Report "Not All of the Federally Facilitated Marketplace's Internal Controls Were Effective in Ensuring That Individuals Were Properly Determined Eligible for Qualified Health Plans and Insurance Affordability Programs" (A-09-14-01011)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of the Inspector General's (OIG) draft report. CMS is committed to verifying the eligibility of consumers who apply for enrollment in qualified health plans (QHPs) through the Marketplace or for insurance affordability programs.

As part of that effort, CMS works continuously to provide accurate eligibility determinations for enrollment in QHPs and insurance affordability programs. As with any technology project, part of CMS's continuous effort involves making regular updates to the system to resolve issues that are identified. This is especially important as the Federally Facilitated Marketplaces (FFM) also support state-specific Medicaid and CHIP eligibility determinations.

Key applicant information is first verified through trusted data sources via the Federal Data Services Hub (Hub). The Hub provides an electronic connection between the eligibility systems of the Marketplaces and existing secure Federal and state databases. These include the Social Security Administration, the Internal Revenue Service (IRS), the Department of Homeland Security, the Department of Veterans Affairs, Medicare, TRICARE, the Peace Corps, and the Office of Personnel Management. Data transmitted through the Hub helps the Federally-facilitated and State-based Marketplaces' eligibility systems determine an applicant's eligibility for health insurance coverage through a Marketplace, and their eligibility for insurance affordability programs, including advance payments of the premium tax credit and cost-sharing reductions. The Hub increases efficiency and security by eliminating the need for each Marketplace to set up separate data connections to each database and helps validate applicant information from various trusted government databases through secure networks.

In addition, CMS has an extensive resolution process in place to resolve data matching issues for applicants for coverage through the FFMs whose information could not be verified through trusted data sources. To start, consumers completing the application attest under penalty of

perjury that the information provided is correct. If the attested information cannot be immediately verified, then the applicant is placed into a data matching period and is required to provide further documentation as requested by the FFM to resolve the data matching issue(s). CMS has provided clear guidance on the types of documents that may be submitted by consumers to resolve data matching issues, what the documents look like and the data elements they should contain. CMS has also provided specific examples of what the different types of documentation look like, as well as, which documents should be used to resolve a data matching issue. If a consumer does not provide the required document(s) or the documents do not contain the correct information to resolve their data matching issue, the FFMs determine the applicant's eligibility based on the information contained in trusted data sources. In some cases, such as where the applicant cannot be verified to be a U.S. citizen or national or lawfully present immigrant, this results in termination of the applicant's coverage through the Marketplace. As part of our commitment to continuous process improvement, CMS is currently reviewing the data matching process to determine further ways to streamline the resolution process.

According to the eligibility process created by the law at the end of the tax year, every tax filer on whose behalf advance payments of the premium tax credit (APTC) were paid must file a federal income tax return to reconcile the premium tax credit. The IRS, through the tax filing process, reconciles the difference between the APTC paid to the QHP issuer on the tax filer's behalf and the actual amount of the premium tax credit that the tax filer was entitled to claim for the enrollee. This process is an additional, back-end control for the eligibility functions of Marketplaces.

OIG made three recommendations in this draft report. CMS concurs with the recommendations in this draft report to further improve the internal control process and recognizes the importance of continuous testing to identify issues. Additionally, as noted in the OIG's draft report, the presence of an internal control deficiency does not necessarily mean that the Marketplace improperly enrolled an applicant in a QHP or improperly determined eligibility for insurance affordability programs.

OIG Recommendation 1

CMS should take action to improve the Federal marketplace's internal controls related to verifying applicants' eligibility and resolving and expiring inconsistencies to address the specific deficiencies we identified.

CMS Response

CMS concurs with OIG's recommendation. CMS has an extensive resolution process in place to resolve data matching issues and is continuously improving and refining those processes. For example, even when a consumer is not legally required to provide a Social Security number (SSN), CMS highly recommends to consumers that they provide a SSN for everyone on the application who has one as part of the application process, since providing a SSN enables the FFM to use more efficient electronic verification processes. To further encourage consumers to input a SSN, the Healthcare.gov application now features a new "pop-up" reminder message. This should decrease the number of data matching issues.

CMS has also addressed system issues that contributed to the items identified in the OIG's draft report. Some of these system issues occurred during the first open enrollment period and have since been rectified. CMS appreciates OIG's attention to these issues and is committed to continuing our work with OIG to improve our system.

As part of our commitment to continuous process improvement, CMS is currently reviewing the data matching process to determine further ways to streamline the resolution process. In the meantime, CMS, in partnership with our contractor, provides extensive training to all employees responsible for reviewing documents for eligibility verification in the data matching process. The training program consists of webinars and on-site interactive learning sessions. CMS also provides refresher training activities and has an expeditious process to develop and deploy up-to-date tools and guidance as needed. One of these key tools developed is the Electronic Performance Support System (EPSS), a desktop system/tool used for on-demand support by field staff. This system houses required guidance documents, i.e., Standard Operating Procedures (SOPs) and Quick Reference Guides (QRGs). The EPSS tool helps ensure that staff has access to all process and procedures.

OIG Recommendation 2

CMS should redetermine, if necessary, the eligibility of the sample applicants for whom we determined that verifications of eligibility and resolutions and expirations of inconsistencies were not performed according to Federal requirements.

CMS Response

CMS concurs with OIG's recommendation. CMS has resolved and provided documentation to OIG for five sample applicants regarding annual household income data matching issues and confirmed that their eligibility was appropriately determined. CMS will review the remaining sample applicants to confirm that the consumers' eligibility was determined appropriately.

OIG Recommendation 3

CMS should improve procedures related to resolving inconsistencies.

CMS Response

CMS concurs that improvements can be made to the procedures related to resolving data matching issues but may review alternative options to making those improvements than discussed in the OIG's draft report.

For consumers who enrolled in coverage for 2015, the FFMs are expiring data matching periods for consumers who fail to provide sufficient documentation to clear their citizenship or immigration status data matching issue and for whom the data matching issue cannot otherwise be resolved by utilization of trusted data sources after the 95-day period. In addition, consumers with household income data matching issues, who do not submit sufficient documentation and for whom the data matching issue cannot otherwise be resolved, will have their financial assistance adjusted to reflect eligibility consistent with the information in the trusted data sources the Marketplace uses for verification.

In 2014, the law allowed flexibility to extend the timeframe for consumers with a data matching issue to submit documentation to verify their attested applicant information. Since 2014 was the first year of Marketplace coverage and understanding this was a new process that could lead to consumer confusion, CMS made a considerable effort to help consumers with understanding the eligibility and enrollment process and help them with providing the supporting documentation required to keep them enrolled.

Generally, both the Affordable Care Act and its implementing regulations require that the Marketplaces provide a 90-day period for applicants to submit satisfactory documentary evidence to resolve a data matching issue. Under federal regulations, for citizenship and immigration data matching issues, the Marketplaces are required to give consumers an additional five days to the 90-day period to account for the time to mail a notice.

In order to minimize the burden on consumers of collecting and submitting income documentation and to recognize the inherent variability of income from year-to-year, CMS created income discrepancy questions in the Marketplace application. Income discrepancy questions are an important tool for the Marketplace to get up-to-date information from the consumer.

As part of our commitment to continuous process improvement, CMS is currently reviewing the process for resolving data matching issues. A consumer enters the alternative verification process if the applicant's attestation to projected annual household income is greater than ten percent below the annual household income available from trusted data sources. As part of that alternative verification process, consumers are required to send in documentation to resolve their data matching issue. For those consumers, the Marketplace must determine whether the applicant's documented income is reasonably compatible with their attestation.

Annual household income may fluctuate throughout the year, particularly for lower income families and furnishing such documentation that provides an exact match to an attestation provided on an application can be challenging for consumers. As a result, CMS established a twenty percent variance as a reasonable standard to validate attested annual income from income related documentation. This standard allowed for flexibility in income changes and reduced the burden on consumers.

CMS continues to learn from our first year of implementation and from our customers' ways to improve both the customer experience and the efficiency of our operations. We appreciate opportunities to work with the OIG and other stakeholders to enhance our effectiveness.