

GAO Highlights

Highlights of [GAO-15-702T](#), a testimony before the Committee on Finance, U.S. Senate

Why GAO Did This Study

PPACA provides for the establishment of health-insurance exchanges, or marketplaces, where consumers can compare and select private health-insurance plans. The act also expands the availability of subsidized health-care coverage. The Congressional Budget Office estimates the cost of subsidies and related spending under the act at \$28 billion for fiscal year 2015. PPACA requires verification of applicant information to determine eligibility for enrollment or subsidies.

GAO was asked to examine controls for application and enrollment for coverage through the federal Marketplace. This testimony describes (1) the results of GAO's undercover testing of the Marketplace's eligibility and enrollment controls, including opportunities for potential enrollment fraud, for the act's first open-enrollment period; and (2) additional undercover testing in which GAO sought in-person application assistance.

This statement is based on GAO undercover testing of the Marketplace application, enrollment, and eligibility-verification controls using 18 fictitious identities. GAO submitted or attempted to submit applications through the Marketplace in several states by telephone, online, and in-person. Details of the target areas are not disclosed, to protect GAO's undercover identities. GAO's tests were intended to identify potential control issues and inform possible further work. The results, while illustrative, cannot be generalized to the full population of applicants or enrollees. GAO provided details to CMS for comment, and made technical changes as appropriate.

View [GAO-15-702T](#). For more information, contact Seto J. Bagdoyan at (202) 512-6722 or BagdoyanS@gao.gov.

July 2015

PATIENT PROTECTION AND AFFORDABLE CARE ACT

Observations on 18 Undercover Tests of Enrollment Controls for Health-Care Coverage and Consumer Subsidies Provided under the Act

What GAO Found

To assess the enrollment controls of the federal Health Insurance Marketplace (Marketplace), GAO performed 18 undercover tests, 12 of which focused on phone or online applications. During these tests, the Marketplace approved subsidized coverage under the Patient Protection and Affordable Care Act (PPACA) for 11 of the 12 fictitious GAO applicants for 2014. The GAO applicants obtained a total of about \$30,000 in annual advance premium tax credits, plus eligibility for lower costs due at time of service. For 7 of the 11 successful fictitious applicants, GAO intentionally did not submit all required verification documentation to the Marketplace, but the Marketplace did not cancel subsidized coverage for these applicants. While these subsidies, including those granted to GAO's fictitious applicants, are paid to health-care insurers, and not directly to enrolled consumers, they nevertheless represent a benefit to consumers and a cost to the government. GAO's undercover testing, while illustrative, cannot be generalized to the population of all applicants or enrollees. GAO shared details of its observations with the Centers for Medicare & Medicaid Services (CMS) during the course of its testing, to seek agency responses to the issues raised. Other observations included the following:

- The Marketplace did not accurately record all inconsistencies. Inconsistencies occur when applicant information does not match information available from Marketplace verification sources. Also, the Marketplace resolved inconsistencies from GAO's fictitious applications based on fictitious documentation that GAO submitted. Overall, according to CMS officials, the Marketplace did not terminate any coverage for several types of inconsistencies, including Social Security data or incarceration status.
- Under PPACA, filing a federal income-tax return is a key control element, designed to ensure that premium subsidies granted at time of application are appropriate based on reported applicant earnings during the coverage year. GAO, however, found errors in information reported by the Marketplace for tax filing purposes for 3 of its 11 fictitious enrollees, such as incorrect coverage periods and subsidy amounts.
- The Marketplace automatically reenrolled coverage for all 11 fictitious enrollees for 2015. Later, based on what it said were new applications GAO's fictional enrollees had filed—but which GAO did not itself make—the Marketplace terminated coverage for 6 of the 11 enrollees, saying the fictitious enrollees had not provided necessary documentation. However, for five of the six terminations, GAO subsequently obtained reinstatements, including increases in premium tax-credit subsidies.

For an additional six applicants, GAO sought to test the extent to which, if any, in-person assisters would encourage applicants to misstate income in order to qualify for income-based subsidies during coverage year 2014. However, GAO was unable to obtain in-person assistance in 5 of the 6 undercover attempts. For example, an assister told GAO that it only provided help for those applying for Medicaid and not health-care insurance applications. Representatives of these organizations acknowledged the issues GAO raised in handling of the inquiries. CMS officials said that their experience from the first open-enrollment period helped improve training for the 2015 enrollment period.