

Report in Brief

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Report No. A-02-15-02013

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



Why OIG Did This Review

The Patient Protection and Affordable Care Act (ACA) established marketplaces to allow individuals and small businesses to shop for health insurance in all 50 States and the District of Columbia. The Centers for Medicare & Medicaid Services (CMS) operates the Federal marketplace and is responsible for reviewing, approving, and generating financial assistance payments (i.e., advance premium tax credits and advance cost-sharing reductions) for the Federal and State-based marketplaces. During the 2014 benefit year, CMS used an interim process for approving financial assistance payments. We previously reviewed CMS's internal controls under its interim process to ensure the accuracy of aggregate financial assistance payments and determined that the controls were not effective.

The objective of this review was to determine whether CMS accurately authorized financial assistance payments in accordance with Federal requirements for policies associated with individuals enrolled in qualified health plans (QHPs) operating through the Federal marketplace.

How OIG Did This Review

We reviewed a stratified random sample of 140 policies for individuals who enrolled through the Federal marketplace and for whom financial assistance payments were made to QHP issuers during the 2014 benefit year. We obtained documentation from CMS and QHP issuers supporting these payments.

CMS Did Not Always Accurately Authorize Financial Assistance Payments to Qualified Health Plan Issuers in Accordance With Federal Requirements During the 2014 Benefit Year

What OIG Found

We found that of the 140 policies in our sample, CMS accurately authorized financial assistance payments for 109 policies; however, financial assistance payments for 26 policies were not accurately authorized in accordance with Federal requirements. For the remaining five policies, CMS authorized potentially improper financial assistance payments to QHP issuers that did not provide documentation to support that enrollees had paid their premiums, a requirement for receiving these payments.

On the basis of our sample results, we estimated that CMS authorized improper financial assistance payments totaling almost \$434.4 million for 461,127 policies that were not in accordance with Federal requirements and authorized potentially improper financial assistance payments totaling almost \$504.9 million for 183,983 policies during the 2014 benefit year. In 2016, CMS fully transitioned QHP issuers operating through the Federal marketplace to an automated payment system that makes financial assistance payments on an individual policy-level basis.

What OIG Recommends and CMS's Comments

We recommend that CMS (1) work with the U.S. Department of the Treasury (Treasury) and QHP issuers to collect improper financial assistance payments, which we estimate to be almost \$434.4 million, for policies for which the payments were not authorized in accordance with Federal requirements; (2) work with Treasury and QHP issuers to resolve the potentially improper financial assistance payments, which we estimate to be almost \$504.9 million, for policies for which there was no documentation provided to verify enrollees had paid their premiums; and (3) clarify guidance with QHP issuers on Federal requirements for terminating an enrollee's coverage when the enrollee fails to pay his or her monthly premium.

CMS partially concurred with our first and second recommendations and concurred with our third recommendation. CMS stated that it will not require QHP issuers to return improper financial assistance payments for policies on which issuers acted in good faith, nor will it resolve potentially improper financial assistance payments for issuers that are out of business. CMS also provided documentation to support some payments to QHP issuers that we identified as improper in our draft report. After reviewing the documentation, we revised some findings but maintain that our recommendations are valid.