



Treasury Inspector General for Tax Administration Office of Audit

AFFORDABLE CARE ACT: ASSESSMENT OF INTERNAL REVENUE SERVICE PREPARATION FOR PROCESSING PREMIUM TAX CREDIT CLAIMS

Issued on May 11, 2015

Highlights

Highlights of Report Number: 2015-43-043 to the Internal Revenue Service Director, Affordable Care Act Office.

IMPACT ON TAXPAYERS

The Patient Protection and Affordable Care Act created a refundable tax credit, referred to as the Premium Tax Credit (PTC), to assist individuals with the cost of their health insurance premiums. Individuals may elect to receive the PTC in advance as partial payment for their monthly premiums (referred to as the Advance Premium Tax Credit (APTC)) or receive the PTC as a lump sum credit on their annual Federal income tax return. Beginning in January 2015, individuals are required to reconcile the APTC and can claim additional PTC on their annual tax return beginning with Tax Year 2014.

WHY TIGTA DID THE AUDIT

This audit was initiated as part of TIGTA's continued coverage of the IRS's implementation of key Affordable Care Act tax provisions. The overall objective of this review was to assess the status of the IRS's preparations for verifying the accuracy of PTC claims during the 2015 Filing Season.

WHAT TIGTA FOUND

The IRS did not receive all required enrollment data from the Exchanges prior to the January 20, 2015, start of the 2015 Filing Season. For example, the Centers for Medicare and Medicaid Services indicated that it would not send approximately 1.7 million (40 percent) of the approximately 4.2 million Federal Exchange enrollment records to the IRS until mid-February. In addition, six of the 15 State Exchanges (including the District of Columbia) had not provided enrollment data to the IRS as of January 20, 2015. The IRS indicated that data from four of the six State Exchanges would be provided in mid-February but could not provide a time frame for when the remaining two State Exchanges would provide the required enrollment data.

In response to the delays in receiving required Exchange Periodic Data submissions, the IRS developed contingency plans in an effort to improve its ability to ensure the accuracy of PTC claims. However, without the required enrollment data from the Exchanges, the IRS will be unable to ensure that all taxpayers claiming the PTC bought insurance through an Exchange as required.

In addition, TIGTA's review of the Internal Revenue Code and the Department of Health and Human Services regulations found that the guidance does not fully address repayment of the APTC received during the months in which an enrollment inconsistency is being resolved if the individual is ultimately determined to not qualify for insurance through the Exchange. Such individuals are not entitled to the PTC. Furthermore, procedures have not been established for the Exchanges to notify the IRS when an individual is determined to be ineligible subsequent to enrollment.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS revise computer programming business requirements to use Forms 1095-A, *Health Insurance Marketplace Statement*, in conjunction with monthly data provided by the Exchanges to verify claims for the PTC. In addition, the IRS should work with the Exchanges to establish procedures to ensure that the IRS receives notification when an individual is determined to be ineligible subsequent to enrollment.

The IRS did not agree to revise computer programming to use Forms 1095 in conjunction with monthly data and partially agreed to work with the Exchanges to identify individuals who are found to be ineligible to use the Exchange. TIGTA's concerns with the IRS's responses to the recommendations are noted in the report.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to

<http://www.treas.gov/tigta/auditreports/2015reports/201543043fr.pdf>.