



*Affordable Care Act: Analysis of
Tax Year 2014 Nonfilers Who Received
Advance Premium Tax Credit Payments*

February 28, 2017

Reference Number: 2017-43-021

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Redaction Legend:

1 = Tax Return/Return Information

Phone Number / 202-622-6500

E-mail Address / TIGTACommunications@tigta.treas.gov

Website / <http://www.treasury.gov/tigta>



To report fraud, waste, or abuse, call our toll-free hotline at:

1-800-366-4484

By Web:

www.treasury.gov/tigta/

Or Write:

Treasury Inspector General for Tax Administration
P.O. Box 589
Ben Franklin Station
Washington, D.C. 20044-0589

Information you provide is confidential and you may remain anonymous.



HIGHLIGHTS

AFFORDABLE CARE ACT: ANALYSIS OF TAX YEAR 2014 NONFILERS WHO RECEIVED ADVANCE PREMIUM TAX CREDIT PAYMENTS

Highlights

Final Report issued on February 28, 2017

Highlights of Reference Number: 2017-43-021 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The Affordable Care Act created the refundable Premium Tax Credit (PTC) to help offset the cost of health care insurance for those with low or moderate income. Individuals who received the PTC in advance are required to reconcile the amount paid on their behalf to the allowable amount of the PTC on their tax return.

WHY TIGTA DID THE AUDIT

This audit was conducted at the request of the Chairman of the U.S. Senate Committee on Finance. The Committee asked TIGTA to examine the application, correspondence, and other documentation regarding the integrity checks conducted of individuals who received Advance Premium Tax Credit (APTC) payments during Calendar Year 2014 and who have not yet filed their required Tax Year 2014 return to ensure that these individuals claimed eligibility under their true identities and qualified for the APTC.

Our review was performed using Calendar Year 2014 application and enrollment data obtained directly from the Federal Exchange and the California, New York, and Vermont State Exchanges. These four Exchanges account for 261,872 (92 percent) of the 283,738 nonfilers TIGTA identified as of December 31, 2015. The results included in our assessment are solely based on the identity verification and application data provided by the Exchanges.

WHAT TIGTA FOUND

The Exchanges did not verify the identity of all Calendar Year 2014 APTC nonfilers. TIGTA's

analysis of the enrollment and application data for the 261,872 nonfilers found that the Exchanges did not successfully verify the identity of 35,276 (13.5 percent) individuals. These individuals had more than \$112 million in APTC paid to insurers on their behalf during Calendar Year 2014.

In addition, the Exchanges did not verify all nonfilers' eligibility to receive the APTC. Our review of 178,083 nonfilers (whose identities were successfully verified) determined that 11,388 (6 percent) received \$21.8 million in the APTCs even though data provided by the Exchange indicated that one or more of the APTC eligibility requirements were not met. Finally, the Exchanges did not verify one or more of the eligibility requirements or the data TIGTA was provided were blank for 2,498 (1 percent) of the 178,083 nonfilers. These nonfilers had \$6.9 million in the APTC paid on their behalf.

The results included in our assessment are based solely on the identity verification and application data provided by the Exchanges. Concerns have been raised by both the Government Accountability Office and the Department of Health and Human Services Office of Inspector General regarding the effectiveness of the Exchange verification processes.

WHAT TIGTA RECOMMENDED

No recommendations were made in the report. This report was provided to the IRS, the Department of Health and Human Services, and the Centers for Medicare and Medicaid Services for their review and comments. Comments provided by the Centers for Medicare and Medicaid Services management are provided in Appendix IX. IRS management did not provide comments to this report.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 28, 2017

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments
(Audit # 201540332)

This report presents the results of our review to determine whether individuals who received Advance Premium Tax Credit (APTC) payments during Calendar Year 2014 and who did not file a Tax Year 2014 return applied to the Exchange using their true identity and were qualified for the APTC. This audit was conducted at the request of the Chairman of the U.S. Senate Committee on Finance. The audit was part of our Fiscal Year 2016 discretionary audit coverage and addresses the major management challenge of Implementing the Affordable Care Act and Other Tax Law Changes.

This report was prepared to provide information only. Therefore, we made no recommendations in the report. However, the report was provided to the Internal Revenue Service, the Department of Health and Human Services, and the Centers for Medicare and Medicaid Services for their review and comments.

The Centers for Medicare and Medicaid Services' complete response to the draft report is included as Appendix IX. Internal Revenue Service management did not provide comments to this report.

If you have any questions, please contact me or Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services).

*



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Table of Contents

Background	Page 1
Results of Review	Page 7
The Exchanges Did Not Verify the Identity of All Nonfilers	Page 8
The Exchanges Did Not Verify All Nonfilers' Eligibility to Receive Advance Premium Tax Credit Payments	Page 10
 Appendices	
Appendix I – Detailed Objective, Scope, and Methodology	Page 15
Appendix II – Major Contributors to This Report	Page 18
Appendix III – Report Distribution List	Page 19
Appendix IV – Calendar Year 2014 Nonfilers by Exchange	Page 20
Appendix V – Analysis of the Federal Exchange	Page 21
Appendix VI – Analysis of the California Exchange	Page 28
Appendix VII – Analysis of the New York Exchange	Page 34
Appendix VIII – Analysis of the Vermont Exchange	Page 39
Appendix IX – Centers for Medicare and Medicaid Services’ Response to the Draft Report	Page 44



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Abbreviations

ACA	Affordable Care Act
APTC	Advance Premium Tax Credit
CMS	Centers for Medicare and Medicaid Services
IRS	Internal Revenue Service
PTC	Premium Tax Credit
RIDP	Remote Identity Proofing
TIGTA	Treasury Inspector General for Tax Administration



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Background

This audit was initiated in response to a July 2015 request from the Chairman, U.S. Senate Committee on Finance. The Committee asked the Treasury Inspector General for Tax Administration (TIGTA) to examine the application, correspondence, and other documentation regarding the integrity checks conducted of individuals who had Advance Premium Tax Credit (APTC)¹ paid to an insurer on their behalf during Calendar Year 2014 and who have not yet filed their required Tax Year² 2014 return to ensure that these individuals:

- Claimed eligibility under their true identities.
- Qualified for the APTC amount.³

The Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) is responsible for overseeing Federal and State Exchanges

The Affordable Care Act (ACA)⁴ created the Health Insurance Marketplace, also known as the Exchange. The Exchange is where individuals find information about health insurance options, purchase qualified health plans, and, if eligible, obtain help paying premiums and out-of-pocket costs. The CMS operates the Federally-facilitated Exchange and works with States who choose to establish State-Based Exchanges. The CMS is also responsible for overseeing Federal and State Exchange operations.

On October 1, 2013, individuals could begin to purchase health insurance for coverage year 2014, *i.e.*, Calendar Year 2014. The District of Columbia and 14 States operated their own Exchanges, while the remaining 36 States partnered with the Federal Exchange during Calendar Year 2014. Figure 1 shows the Federally-facilitated and State-Based Exchanges during Calendar Year 2014.

¹ The Affordable Care Act created a new refundable tax credit, the Premium Tax Credit, to help offset the cost of health care insurance for those with low or moderate income.

² A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.

³ Our assessment included those requirements (citizen or lawfully present, resident in the State where the Exchange was located, and not incarcerated) that must be met to enroll in an Exchange and purchase health insurance. These requirements needed to be met in order to qualify to receive the APTC.

⁴ Patient Protection and Affordable Care Act, Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the U.S. Code), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Figure 1: Federally facilitated and State-Based Exchanges for Calendar Year 2014

Federally facilitated Exchange ⁵			State-Based Exchanges
Alabama	Louisiana	Ohio	California
Alaska	Maine	Oklahoma	Colorado
Arizona	Michigan	Pennsylvania	Connecticut
Arkansas	Mississippi	South Carolina	District of Columbia
Delaware	Missouri	South Dakota	Hawaii
Florida	Montana	Tennessee	Kentucky
Georgia	Nebraska	Texas	Maryland
Idaho	New Hampshire	Utah	Massachusetts
Illinois	New Jersey	Virginia	Minnesota
Indiana	New Mexico	West Virginia	Nevada
Iowa	North Carolina	Wisconsin	New York
Kansas	North Dakota	Wyoming	Oregon
			Rhode Island
			Vermont
			Washington

Source: The Federal Exchange as of September 30, 2014.

Exchange enrollment identity verification process

Individuals can submit an application to the Exchange to purchase insurance and request the APTC online, via the telephone, by paper application, or in person. The Exchanges have established differing levels of identity verification depending on how an application is submitted. Figure 2 shows the differing levels of identity verification processes used for each of the application methods.

⁵ Idaho and New Mexico were Supported State-Based Exchanges in Calendar Year 2014, and the eligibility and enrollment process was completed by the Federally-facilitated Exchange.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Figure 2: Identity Verification Processes by Application Method

Application Method	Information Required	Identity Verification Process
Online	Name, complete address, telephone number, and date of birth.	A third-party identification provider verifies the individual's name, address, telephone number, and date of birth. Once verified, the applicant must then successfully answer out-of-wallet questions in order to submit an online application. <i>(See below for a further description of the process followed for online applicant identity verification.)</i>
Telephone	Name, complete address, telephone number, and date of birth.	An Exchange consumer support representative uses the questions in the application as a way of ensuring that the person knows all of his/her information as a verification step. The applicant is asked questions such as first and last name, telephone number, address, date of birth, and Social Security Number. According to the CMS, additional questions are asked about other household members' information such as spouses or dependents, income, employers, and whether the applicant is enrolled in any other type of health coverage.
Paper	Name, complete address, telephone number, and date of birth.	Applicant attests under penalty of perjury that the name, address, telephone number, and date of birth as well as the responses to the questions in the application are true.
In-Person (State Exchanges)	Name, complete address, and required documentation such as a driver's license.	Applicant identity is verified face-to-face using the documentation provided.

Source: TIGTA analysis of the Exchange identity verification processes.

To support Exchanges in their verification of the identity of individuals submitting their applications online, the CMS developed a Remote Identity Proofing (RIDP) service. The RIDP service is available to the Exchanges through the Federal Data Services Hub. The RIDP service uses authentication services provided by a third-party identification provider. Individuals provide their identifying information, *i.e. name, address, telephone number, and date of birth*, to the Exchange, which is then forwarded to the third-party identification provider through the RIDP service. Once the third-party identification provider receives an individual's identifying information, out-of-wallet questions are generated that the individual must successfully answer to complete identity verification.

The out-of-wallet questions are generally related to information only the true individual would know, *e.g.*, personal and financial questions. If the third-party identification provider is unable to generate the out-of-wallet questions, *e.g.*, an 18-year-old who has no prior credit history for the third-party identification provider to use to generate questions, the individual must submit



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

documents to the Exchange to verify his or her identity. Individuals whose identity cannot be verified through the RIDP service are directed to call the RIDP helpdesk to attempt telephone-based identity verification or are directed to submit documents to the Exchange to verify their identity. Once the individual’s identity is successfully validated, the individual is able to submit an application and receive eligibility results online. Individuals who cannot be successfully verified are not allowed to submit an online application to the Exchange. It should be noted that the Exchanges only verify the identity of the individual submitting the application to the Exchange. The identities of the individuals for whom insurance coverage is being requested (referred to as covered individuals) are not verified unless the individual is also the individual submitting the application.

Exchange insurance and Premium Tax Credit (PTC) application process

After an individual’s identity is successfully verified, he or she can complete the application process to determine if he or she is eligible to purchase health insurance through the Exchange as well as to determine the amount of any APTC to which he or she is entitled. The Exchanges have sole responsibility in determining eligibility to purchase insurance and receive the APTC. Figure 3 identifies the eligibility requirements an individual must meet to purchase insurance through an Exchange and qualify for the PTC, whether received in advance or when filing their tax return.

Figure 3: Eligibility Requirements to Purchase Insurance and Qualify for the PTC

Exchange Eligibility Requirements	PTC Eligibility Requirements
Live in the United States.	Buy health insurance through the Exchange.
Be a U.S. citizen or national or be lawfully present.	Be ineligible for Minimum Essential Coverage ⁶ through an employer or government plan.
Not currently incarcerated. ⁷	Be within certain income limits. ⁸
	File an income tax return (jointly if married) and not be claimed as a dependent on another return.

Source: IRS.gov and Healthcare.gov.

⁶ The taxpayer’s income must generally be at least 100 percent but not more than 400 percent of the Federal poverty level for the taxpayer’s family size. The Federal poverty level is a measure of income level issued annually by the Department of Health and Human Services and is used to determine eligibility for certain programs and benefits. More information on the Federal poverty level can be found at <https://aspe.hhs.gov/poverty-guidelines>.

⁷ According to the CMS, ACA Section 1312(f)(1)(B) states that incarceration pending the disposition of charges is not considered currently incarcerated.

⁸ The taxpayer’s income must generally be at least 100 percent but not more than 400 percent of the Federal poverty level for the taxpayer’s family size. The Federal poverty level is a measure of income level issued annually by the Department of Health and Human Services and is used to determine eligibility for certain programs and benefits. More information on the Federal poverty level can be found at <https://aspe.hhs.gov/poverty-guidelines>.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

A number of Federal agencies assist the Exchanges in verifying information on enrollment applications for the purpose of determining eligibility to receive health insurance coverage and the PTC and the APTC. The agencies and the specific roles include:

- **The Internal Revenue Service (IRS)** provides tax return information for taxpayers and their family members. For example, the Exchange generally used Calendar Year 2014 tax information received from the IRS to verify individuals' predicted Calendar Year 2016 income. The Exchange uses the individual's verified predicted income and family status to determine if he or she is eligible to receive an APTC.
- **The U.S. Department of Homeland Security** responds to inquiries regarding the applicant's legal immigration status and lawful presence in the United States.
- **The U.S. Social Security Administration** responds to inquiries regarding the applicant's Social Security Number, citizenship, and incarceration status.

Once the Exchange determines that eligibility requirements are met, it will compute the maximum monthly APTC the individual is entitled to receive. Individuals can elect to receive all, a portion, or none of the APTC to which they are entitled. Upon completion of the eligibility and enrollment process, the Exchange will send a request to the U.S. Department of the Treasury's Bureau of the Fiscal Service to issue monthly APTC payments to the individual's insurance provider.

TIGTA identification of Calendar Year 2014 APTC recipients who did not reconcile

Beginning in January 2015, taxpayers who purchased insurance through an Exchange for Calendar Year 2014 were required to file a tax return and attach Form 8962, *Premium Tax Credit (PTC)*, to claim the PTC and reconcile any APTC payments that were made to an insurer on their behalf. Our analysis of Tax Year 2014 return information and IRS Exchange enrollee data identified 283,738 individuals who received the APTC during Calendar Year 2014 but did not file a tax return to reconcile their APTCs as required (hereafter referred to as nonfilers).⁹ Appendix V shows the APTC nonfilers we identified as of December 31, 2015, by State Exchange and by State within the Federal Exchange.

We requested complete application and enrollment data for nonfilers enrolled in the Federal Exchange and the California, New York, and Vermont State Exchanges. These four Exchanges account for 261,872 (92 percent)¹⁰ of the 283,738 nonfilers we identified as of December 31, 2015. These four Exchanges also account for 92 percent of the total Exchange enrollments that received the APTC for Calendar Year 2014.

⁹ For the purposes of our review, we considered those individuals who filed a Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, as having filed a return.

¹⁰ There are 261,722 unique nonfilers. There is a difference of 150 nonfilers because some nonfilers are in more than one Exchange.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II. The results of our analysis for each of the four Exchanges we reviewed as well as comments provided in response to our review are presented in Appendices VI through IX.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Results of Review

Our review was performed using Calendar Year 2014 application and enrollment data obtained directly from the Federal Exchange and the California, New York, and Vermont State Exchanges. Our review found that:

- ***The Exchanges did not verify the identity of all nonfilers.*** Our review of 261,872 nonfilers found that the identities of 35,276 (13.5 percent) had not been successfully verified. These 35,276 individuals received more than \$112 million in the APTCs during Calendar Year 2014. CMS management indicated that the Exchanges are not required to verify the identity of applicants who do not submit their application online. Our analysis found that 2,053 (79 percent) of the 2,604 nonfilers who were not verified by the Federal Exchange had in fact applied online.¹¹
- ***The Exchanges did not verify that all nonfilers met key eligibility requirements to receive the APTC.*** Our review of the 178,083¹² nonfilers (who were covered individuals and had their identity successfully verified) determined that 11,388 (6 percent) individuals received the APTCs even though data provided by the Exchange indicated that a third party¹³ determined that one or more of the eligibility requirements were not met. These 11,388 individuals received \$21.8 million in the APTCs. In addition, for another 2,498 (1 percent) individuals, the data fields supporting that a verification of eligibility requirements was performed were blank.

Our assessment was based on the identity verification and application data provided by the Exchanges.¹⁴ Concerns have been raised by both the Government Accountability Office and the Department of Health and Human Services Office of Inspector General regarding the effectiveness of the Exchange verification processes. For example, the Government Accountability Office recently reported that it was able to obtain coverage in Calendar Year

¹¹ We were unable to determine the number of nonfilers who applied online through the California and Vermont Exchanges because the data provided did not include the application method. All nonfilers who applied to the New York Exchange had their identity verified.

¹² 261,872 nonfilers minus 35,276 nonfilers who did not have their identities successfully verified, minus 2,196 nonfilers who were not covered individuals, minus 46,317 nonfilers for whom we did not timely receive data from the Exchanges or for whom data were not provided. CMS management informed us that the eligibility requirements are only verified for individuals for whom insurance coverage is being requested (referred to as covered individuals). The individual submitting the application to the Exchange may or may not be a covered individual. For example, a father may submit an application to the Exchange to purchase insurance for his son.

¹³ Sources, such as Federal agencies, used by the Exchanges to verify that applicant data meet or does not meet the eligibility requirements.

¹⁴ The processes used by the Exchanges to enter and compile these data, including the adequacy of the supporting documentation were not included in our evaluation.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

2016 for four fictitious identities it first used in its testing of Calendar Year 2014 enrollment.¹⁵ The Government Accountability Office also created eight new fictitious identities. Of these 12 fictitious identities, the Exchanges allowed 10 to obtain coverage regardless of whether the Government Accountability Office submitted all of the proper documentation.

Finally, although we requested data needed from the Exchanges in September 2015, we did not receive complete and accurate data from these four exchanges until August 11, 2016. The majority of the delays related to the Federal Exchange. The CMS did not provide usable data from the Federal Exchange until February 2016. However, subsequent to our review of the data provided, CMS management stated that they failed to include complete information for 46,281 nonfilers. The CMS did not provide the additional data from the Federal Exchange for these nonfilers until August 2016.

Yet on October 20, 2016, CMS management stated that they had information in Federal Exchange files to support that identity verification had occurred for approximately 1,750 nonfiler exception cases. CMS management stated that due to how earlier application data were stored by the Federal Exchange, TIGTA would have been unable to identify that these individuals had their identities verified through the RIDP service. We are unable to evaluate the accuracy of the CMS statements. Appendices V through VIII provide a detailed timeline of our efforts to obtain the data we needed to complete this analysis for each of the Exchanges we reviewed.

The Exchanges Did Not Verify the Identity of All Nonfilers

Analysis of the 261,872 nonfilers found that the Exchanges did not successfully verify the identity of 35,276 (13.5 percent) nonfilers. These 35,276 individuals received more than \$112 million in the APTCs during Calendar Year 2014. Of the 35,276 individuals not verified:

- 251 failed identity verification.
- 35,025 had no data in the identity verification fields, which indicates that verification was not performed.

Figure 4 shows the results of our analysis of the verifications by the Exchanges.

¹⁵ Government Accountability Office, GAO-16-784, *Patient Protection and Affordable Care Act: Results of Undercover Enrollment Testing for the Federal Marketplace and a Selected State Marketplace for the 2016 Coverage Year* (Sept. 2016).



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Figure 4: Exchange Nonfiler Identity Verification Analysis

Exchange	Total Nonfilers	Nonfilers With No Data Provided	Identity Verified	Identity Not Verified	APTC Received
Federal	212,992	11	210,377	2,604	\$6.8 million
California	39,284	0	6,618	32,666	\$105.5 million
New York	9,129	0	9,129	0	N/A
Vermont	467	0	461	6	\$16,808
Total	261,872	11	226,585	35,276	\$112.3 million

Source: TIGTA analysis of Exchange Calendar Year 2014 application and enrollment data. Dollars are rounded.

CMS management noted that the ACA does not require verification of applicants' identity

When we provided the results of our review to the CMS, management stated that the ACA does not require the Exchanges to verify an applicant's identity. Furthermore, CMS management indicated that identity verification is not a requirement or a factor in the determination for an individual's eligibility for health insurance coverage through the Exchanges. The CMS did acknowledge that Office of Management and Budget guidance¹⁶ and the National Institute of Standards and Technology¹⁷ require verification of identity for individuals attempting to access Federal services online. However, the CMS indicated that it does not require an Exchange to use the RIDP service for purposes of identity verification. The Exchanges may propose alternative solutions to the CMS for approval to meet Federal guidelines for identity verification by the Exchange.

Our analysis of the Federal Exchange data found that 2,053 (79 percent) of the 2,604 nonfilers enrolled in the Federal Exchange online and, as such, should have had their identity verification performed using the RIDP service.¹⁸

In response to our report, the CMS noted that more than 98 percent of the individuals TIGTA identified as applying through the Federal Exchange had their identity verified. In addition, the CMS stated that the majority of the remaining individuals were verified using the RIDP service or some other method. We agree that the CMS verified the identity of more than 98 percent of the 212,992 nonfilers we identified who enrolled through the Federal Exchange. However, we

¹⁶ Office of Management and Budget, Memorandum M-04-04, *E-Authentication for Federal Agencies* (Dec. 2003).

¹⁷ The National Institute of Standards and Technology is responsible for developing information security standards and guidelines, including minimum requirements for Federal information systems.

¹⁸ We were unable to determine the number of nonfilers who applied online but for whom identity verification was not performed by the California and Vermont Exchanges as the data provided did not include the application method.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

disagree that the remaining 2,604 individuals were verified using the RIDP service or some other method. As we reported, the enrollment and eligibility data provided to us by the CMS for these individuals contains no evidence that the CMS verified their identity through the RIDP service or some other method prior to the end of Calendar Year 2014.

The Exchanges Did Not Verify All Nonfilers' Eligibility to Receive Advance Premium Tax Credit Payments

Our review of the 178,083 nonfilers who were covered individuals and who had their identity successfully verified determined that 11,388 (6 percent) individuals received \$21.8 million in the APTCs despite data indicating that one or more of the APTC eligibility requirements were not met. In addition, for another 2,498 (1 percent) individuals, no data were present in the eligibility requirement fields, which indicates that eligibility verification was not performed. Our assessment of eligibility verification included those requirements that must be met to enroll in an Exchange and purchase health insurance. These requirements needed to be met to qualify to receive the APTC. Our analysis considered APTC eligibility requirements met if data provided by the Exchange indicated that it confirmed the applicant:

- Was a citizen or lawfully present.
- Was a resident in the State where the Exchange was located.
- Was not incarcerated.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Figure 5 provides the results of our analysis of the Exchanges’ verification of enrollment eligibility requirements.

Figure 5: Verification of Enrollment Eligibility Requirements

Exchange	Total Nonfilers	Data Indicate Eligibility Requirements Verified by Third-Party Data As:		
		Met	Not Met	Not Verified ¹⁹
Federal	162,115	150,513	11,092	510
California	6,478	4,706	215	1,557
New York	9,032	8,978	54	0
Vermont	458	0	27	431
Total	178,083	164,197	11,388	2,498

Source: TIGTA analysis of Calendar Year 2014 Exchange enrollment data.

Figure 6 provides the results of our analysis for each enrollment eligibility requirement.

**Figure 6: Results of Third-Party Data Verification
by Enrollment Eligibility Requirement²⁰**

Eligibility Requirement	Met	Not Met	Not Verified ²¹
Citizenship, Lawful Presence	168,471	8,152	1,460
Residency	176,756	23	1,304
Incarcerated	172,856	3,292	1,935

Source: TIGTA analysis of Calendar Year 2014 Exchange enrollment data.

Exchanges terminated some policies for individuals identified as not meeting eligibility requirements

Our analysis of the 11,388 nonfilers for whom the Exchanges determined that one or more of the eligibility requirements were verified as not being met found that the Exchanges terminated insurance coverage for 6,128 (54 percent) nonfilers. It should be noted that from the data the Exchanges provided, we can determine that an individual’s coverage was in fact terminated.

¹⁹ Includes individuals for whom the eligibility fields in the Exchange enrollment data TIGTA was provided are blank.

²⁰ Individuals can be included in more than one eligibility factor.

²¹ Or the data we were provided were blank.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

However, we cannot determine if coverage was terminated as a result of the inability to verify the information in the individual's application. For example, individuals' coverage is required to be terminated when they fail to pay their portion of the insurance premium for three consecutive months.

The ACA provides 95 days²² for individuals who have discrepancies (referred to as inconsistencies) between their application information and third-party data used by the Exchange to verify eligibility requirements are met. During this 95-day period (referred to as the inconsistency period), individuals are considered conditionally eligible to receive the APTC. Individuals who are unable to resolve their inconsistencies at the end of the 95-day period are to have their APTC adjusted and, in the case of citizenship or lawful presence inconsistencies, have their insurance coverage terminated.

The ACA does grant the Exchanges the authority to extend the 95-day period if the individual is making a good faith effort to provide additional information to support eligibility. Of the 6,128 policies terminated, 4,049 (66 percent) were terminated after the 95-day period. Figure 7 provides the results of our analysis of the Exchanges' termination of coverage for individuals who did not meet one or more of the enrollment eligibility requirements.

²² These 95 days are the maximum days allowed for citizenship/lawful presence discrepancies. The ACA allows 90 days for all other types of discrepancies.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Figure 7: Analysis of Exchange Termination of Coverage

Exchange	Terminated Within 95 Days	Terminated After 95 Days	Not Terminated
Citizenship, National, Lawful Presence			
Federal	1,449	3,107	3,525
California	4	15	26
New York	3	6	3
Vermont	*****1*****	*****1*****	10
Residency			
Federal	0	0	5
California	*****1*****	*****1*****	*****1*****
New York	*****1*****	*****1*****	0
Vermont	*****1*****	*****1*****	9
Incarceration			
Federal	540	894	1,639
California	75	45	*****1*****
New York	14	9	16
Vermont	*****1*****	*****1*****	5

Source: TIGTA analysis of Calendar Year 2014 Exchange enrollment data.

The CMS cites the ACA good faith provision as justification to allow individuals who did not meet eligibility requirements to continue to obtain the APTC

When we presented our results to the CMS, management stated that the ACA good faith provision authorizes the Exchanges to extend the 95-day period during which conditional eligibility is provided while the individual attempts to support his or her eligibility. The CMS stated that as such, the Exchanges followed published statute and regulations found in 45 CFR 155.315(f)(3) when the Exchanges did not terminate coverage for all of the nonfilers we identified for whom one or more of the eligibility requirements were determined to have not been met. CMS management further stated that some applicants experienced technical challenges while attempting to resolve their inconsistencies. When this occurred, the CMS considered the submission of any documentation, regardless of its relevance, to demonstrate a good faith effort. As such, these individuals continued to receive the APTC and were not terminated during Calendar Year 2014.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

We agree that the ACA good faith provision allows the Exchanges to extend the inconsistency period. However, the ACA is clear that the Exchanges are to terminate coverage for individuals who cannot resolve certain types of inconsistencies. As a result, we do not believe it is appropriate for the Exchanges to allow individuals for whom they know one or more of the eligibility requirements were determined to have not been met to continue to maintain insurance coverage and receive the APTC for a full calendar year. In addition, for the inconsistency and good faith provisions to apply, the Exchange must first identify an inconsistency between an individual's application and the third-party information used to verify it. As previously noted, the Exchanges did not verify one or more of the eligibility requirements for 2,498 of the 178,083 nonfilers we reviewed.

Finally, in February 2016, the Department of Health and Human Services Office of Inspector General reported²³ that the Exchanges generally did not work inconsistencies during Calendar Year 2014. Those that did work inconsistencies did not do so until late in the calendar year. For example, the Federal Exchange began working inconsistencies in May 2014 and started terminating or adjusting the APTC in September 2014.

²³ U.S. Department of Health and Human Services Office of Inspector General, OEI-06-14-00350, *CMS Management of the Federal Marketplace: A Case Study* (Feb. 2016).



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether individuals who received APTC payments during Calendar Year 2014 and who did not file a Tax Year 2014 return applied to the Exchange using their true identity and were qualified to receive the APTC. This audit was conducted at the request of the Chairman of the U.S. Senate Committee on Finance. To accomplish this objective, we:

- I. Evaluated Exchange processes for ensuring that individuals applied to the Exchange and claimed PTC eligibility under their true identity.
 - A. Determined and assessed Exchange identity proofing processes (via telephone, online, and mail-in access).
 - B. Determined and assessed processes to detect and resolve applications for any applicants who do not properly verify their identity.
 - C. Interviewed Exchange management to determine their system's authentication level of assurance per the National Institute of Standards and Technology standards.¹
- II. Evaluated Exchanges' processes for determining eligibility to use the Exchange and receive the APTC in Calendar Year 2014. This included assessing the Exchange processes to detect and resolve inconsistencies with applicants' data related to eligibility requirements.
 - A. Requested the application, validation, and inconsistency resolution data maintained by the Exchanges for each of the Calendar Year 2014 nonfilers we identified during a previous TIGTA audit.² This population was reduced to those identified as nonfilers as of September 24, 2015.
 1. Provided a list of the individuals who have still not filed a tax return as of September 24, 2015, to the respective Exchange and requested the complete validation, application, inconsistency verification, and eligibility determination data for each individual on the list.

¹ The National Institute of Standards and Technology is responsible for developing information security standards and guidelines, including minimum requirements for Federal information systems.

² TIGTA, Ref. No. 2016-43-033, *Affordable Care Act: Internal Revenue Service Verification of Premium Tax Credit Claims During the 2015 Filing Season* (Mar. 2016).



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

2. Matched the list of individuals who requested an extension to file as of September 24, 2015, to the Individual Return Transaction File³ to identify individuals who have not yet filed a tax return as of December 31, 2015.
 3. Periodically matched the PTC nonfilers, including those who requested an extension, to the Individual Return Transaction File to identify and eliminate from our list of Calendar Year 2014 PTC nonfilers those taxpayers who eventually filed a Tax Year⁴ 2014 return.
- B. Assessed the effectiveness of Exchange processes to verify eligibility to use the Exchange to purchase a qualified health plan.
1. Identified the data elements related to ensuring that applicants live in the United States, are a U.S. citizen or national or are lawfully present, and are not currently incarcerated.
 2. Evaluated the adequacy of the support in the Exchange data files to address the eligibility criteria.
 3. If an inconsistency was identified, determined if the inconsistency was worked or resolved correctly.
 4. For those applicants we identified for whom it appears the Exchange did not properly validate their eligibility, met with Exchange management to determine why these individuals were allowed to use the Exchange.
- C. Assessed the effectiveness of Exchange processes to verify eligibility to receive APTC payments.
1. Identified the data elements related to ensuring that applicants determined to be eligible for the APTC purchased insurance through the Exchange are ineligible for Minimum Essential Coverage⁵ through an employer or government plan, are within certain income limits, file a joint tax return if married, and are not claimed as a dependent on another tax return.
 2. Evaluated the adequacy of the support in the Exchange data files to address the eligibility criteria to receive the APTC.

³ The IRS database that contains data transcribed from initial input of the original individual tax returns during tax return processing.

⁴ A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.

⁵ Minimum Essential Coverage is health insurance coverage that contains essential health benefits including emergency services, maternity and newborn care, and preventive and wellness services. Minimum Essential Coverage also includes doctor visits, hospitalization, mental health services, and prescription drugs.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

3. If an inconsistency was identified, determined if the inconsistency was worked or resolved correctly.
4. For those applicants we identified for whom it appears the Exchange did not properly validate their eligibility to receive the APTC, met with Exchange management to determine why these individuals received the APTC.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the Exchange processes for ensuring that individuals are claiming the APTC under their true identities and validating eligibility to use the Exchange and receive the APTC for Calendar Year 2014. We evaluated these controls by interviewing Exchange representatives, reviewing the ACA⁶ requirements for identity verification and eligibility requirements, and testing Exchange data on individuals who failed to file a Tax Year 2014 return and reconcile the APTC.

⁶ Patient Protection and Affordable Care Act, Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the U.S. Code), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Appendix II

Major Contributors to This Report

Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services)

Deann L. Baiza, Director

Sharla J. Robinson, Audit Manager

Kimberly Ann M. Holloway, Lead Auditor

Ismael M. Hernandez, Auditor



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Appendix III

Report Distribution List

Commissioner
Office of the Commissioner – Attn: Chief of Staff
Deputy Commissioner for Services and Enforcement
Director, Affordable Care Act Office
Director, Customer Account Services, Wage and Investment Division
Director, Filing and Premium Tax Credit Strategy, Affordable Care Act Office
Director, Office of Legislative Affairs
Director, Program Management Office, Affordable Care Act Office
Director, Submission Processing, Wage and Investment Division
Director, Office of Audit Coordination



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Appendix IV

Calendar Year 2014 Nonfilers by Exchange

As of December 31, 2015, we identified a total of 283,738 unique individuals who received the APTC during Calendar Year 2014 and who did not file a Tax Year 2014 return to reconcile their payments as required. Figure 1 shows the number of individuals we identified by Exchange.¹ The Exchanges we reviewed are highlighted.

**Figure 1: Calendar Year 2014 Nonfilers
by Exchange as of December 31, 2015**

Exchange	Number of Nonfilers	Percent of Nonfiler Population
Federal	212,992	75.01%
California	39,284	13.83%
New York	9,129	3.21%
Washington	4,602	1.62%
Colorado	2,882	1.01%
Oregon	2,854	1.01%
Maryland	2,807	0.99%
Kentucky	2,671	0.94%
Connecticut	2,499	0.88%
Nevada	1,696	0.60%
Rhode Island	1,075	0.38%
Minnesota	710	0.25%
Vermont	467	0.16%
Hawaii	148	0.05%
District of Columbia	116	0.04%
Massachusetts	33	0.01%
TOTALS	283,965	100.00%

Source: TIGTA analysis of Exchange Periodic Data, Forms 1095-A, Health Insurance Marketplace Statement, and individual tax returns filed as of December 31, 2015.

¹ The total number of nonfilers shown includes individuals who used more than one Exchange during the calendar year. This can occur when an individual moves during the coverage year. These individuals are included in each applicable Exchange count.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Appendix V

Analysis of the Federal Exchange

On October 2, 2015, we initially provided the CMS a list of 267,786¹ individuals enrolled in the Federal Exchange who had not filed a Tax Year 2014 return as of September 24, 2015. We requested that the CMS provide us with electronic Federal Exchange data files containing complete application and eligibility data for each of these nonfilers. We requested that the data also include any changes to the application data made during the coverage year, such as life changes. In addition, data should include verification of identity and eligibility to receive the APTC and data regarding any inconsistencies identified during the verification process.

We requested that the CMS provide the data no later than October 23, 2015. We received the requested data for the 267,786 nonfilers on February 5, 2016, at which time the data provided did not include information for 46,281 nonfilers. The CMS provided additional data for the Federal Exchange on August 2016. Figure 1 shows the timeline for receiving the requested data for the Federal Exchange.

Figure 1: Timeline for Receiving Data for the Federal Exchange

Date	Description
August 14, 2015	Sent audit notification and requested a data record layout for the application and eligibility data, the inconsistency data, and the information that is maintained to support the resolution of the inconsistencies.
September 4, 2015	Received data record layouts.
September 9, 2015	Requested complete data for a sample of 15 nonfilers for the purposes of identifying the data fields necessary to complete our analysis.
September 24, 2015	Requested the status of the requested data for the 15 sample nonfilers. The Federal Exchange was unable to provide an estimated time frame for completion. The Federal Exchange subsequently provided an estimated delivery date of the week of October 12, 2015.
October 2, 2015	Requested complete data for the 267,786 nonfilers enrolled in the Federal Exchange. Data were requested to be provided no later than October 23, 2015.
October 15, 2015	Received data for the 15 sample nonfilers requested on September 9, 2015.

¹ As of December 31, 2015, the number of nonfilers decreased to 212,992 because we excluded individuals in the original list who filed tax returns subsequent to our September 24 identification from our analysis.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Date	Description
October 16, 2015 through November 4, 2015	Attempted to transfer and load the data for the 15 sample nonfilers provided on October 15, 2015, into TIGTA's data platform. The data were provided in a global Extensible Markup Language format; ² as such, we were unable to load the data for analysis.
November 6, 2015	Requested that the Federal Exchange provide the data for the 15 sample nonfilers in the MIDAS format. ³
November 6, 2015	Received a request from the Federal Exchange for a memorandum documenting TIGTA's authority to conduct this review. TIGTA provided a memorandum outlining our authority on November 17, 2015.
November 26, 2015	Received reformatted data for the 15 sample nonfilers requested on September 9, 2015.
December 15, 2015	Met with the Federal Exchange to discuss concerns with being able to transfer data due to how the files were structured. TIGTA explained that additional time was necessary to reformat the data.
December 18, 2015	Requested the status of our October 2, 2015, request for complete data for the 267,786 nonfilers enrolled in the Federal Exchange. The Federal Exchange indicated that the data would be provided by January 15, 2016.
January 11, 2016	Met with the Federal Exchange to discuss the progress of our October 2, 2015, request. The Federal Exchange informed us that it could not provide the requested data by January 15, 2016, as previously indicated. It cited that it had not included all of the requested data in its sample extract. As such, the complete data needed to be extracted differently. The Federal Exchange indicated that it would provide us with a revised delivery date.
January 13, 2016	Requested the revised date the Federal Exchange would be able to provide the data we requested on October 2, 2015. The Federal Exchange could not provide a time frame. At the request of the Federal Exchange, TIGTA and the Federal Exchange reached a data-sharing agreement on January 21, 2016. The Federal Exchange indicated that this was necessary for them to track data requests.
January 22, 2016 through February 5, 2016	Received data for our October 2, 2015, request.

² File extension for an Extensible Markup Language file format used to create common information formats and share both the format and the data using standard ASCII text.

³ An open-source toolkit that enables the rapid creation of tailored, web-enabled data storage. It provides a variety of data access methods in which data are stored to other relational and nonrelational databases.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Date	Description
March 7, 2016	Sent an identity proofing questionnaire to the Federal Exchange with a requested due date of March 14, 2016. The questionnaire was sent to obtain information related to how the Federal Exchange verified applicants' identity during the open enrollment period. We received the Federal Exchange's response to the questionnaire on March 28, 2016.
March 31, 2016	Sent an identity proofing questionnaire to the third-party identification provider used by the Exchanges for the RIDP service. The questionnaire was to identify the processes used to verify applicants' identity for the Exchanges. This included identifying the required core data elements that must be provided for the third-party identification provider to accurately verify the identity of an applicant. We requested a response no later than April 1, 2016. A response was received on April 4, 2016.
May 6, 2016	Provided the results of our analysis to the Federal Exchange and requested its agreement or disagreement no later than May 20, 2016. These results included notifying the Federal Exchange that we found that it did not verify the identity of 48,818 nonfilers during Calendar Year 2014. We also determined that the Federal Exchange did not provide us with data for 1,555 nonfilers.
June 15, 2016	The Federal Exchange notified us that we needed to use a different database table when determining if the Federal Exchange verified a nonfiler's identity. We began revising our analysis to include information provided by the Federal Exchange in response to the information we provided on May 6, 2016.
July 25, 2016	Provided the Federal Exchange with revised results of our analysis for its review and requested its agreement or disagreement. The revised results increased the number of nonfilers for whom the Federal Exchange did not verify identity to 48,885 who received \$118 million in the APTCs. It also found information for 1,544 of the 1,555 nonfilers who were not previously located, reducing the number to 11 nonfilers for whom we did not receive any information to support the payment of more than \$11 thousand in the APTCs during Calendar Year 2014.
August 3, 2016	The Federal Exchange notified us that, based on additional review of our results, it identified that it had not provided complete data for 46,281 of the 212,992 nonfilers enrolled in the Federal Exchange.
August 11, 2016	Received the data for the 46,281 nonfilers requested on August 3, 2016.
August 24, 2016	We revised our analysis of the Federal Exchange's efforts to verify nonfilers' identity to include the data that was not initially provided to us. We also revised our analysis of the Federal Exchange's verification of citizenship to include the additional data field and provided our final results to the Federal Exchange for its agreement or disagreement. The revised results included notifying the Federal Exchange that we found that it did not verify the identity of 2,604 nonfilers during Calendar Year 2014. We also informed the Federal Exchange that it did not provide us with data for 11 nonfilers.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Date	Description
August 29, 2016	We met with the Federal Exchange to close out our review. The Federal Exchange indicated that we should receive information related to the identity verification and citizenship findings no later than September 1, 2016. We received responses regarding identity verification on September 1, 2016; however, as of the issuance date of this report, we still had not received responses regarding our citizenship findings from the Federal Exchange.
October 7, 2016	Provided final results of our review to the Federal Exchange.
October 20, 2016	The Federal Exchange provided information related to our exception cases.

Source: TIGTA analysis of enrollment and eligibility data provided by the Federal Exchange and ongoing communications with the Federal Exchange throughout this review.

The Federal Exchange did not verify the identity of all nonfilers

Our analysis found that the Federal Exchange did not verify the identity of 2,604 nonfilers who received almost \$6.8 million in the APTCs during Calendar Year 2014. Figure 2 shows the results of our initial and revised analysis.

Figure 2: Analysis of Federal Exchange Identity Verification

Date of Results	Total Nonfilers Reviewed	Nonfiler Data Not Provided	Identity Verified	Identity Not Verified	APTC Received
May 6, 2016	212,992	1,555	162,619	48,818	\$120 million
July 25, 2016	212,992	11	164,096	48,885	\$118 million
August 23, 2016	212,992	11	210,377	2,604	\$6.8 million

Source: TIGTA analysis of Federal Exchange enrollment and eligibility data.

Federal Exchange response to TIGTA’s findings on identity verification

We met with CMS management on August 29, 2016, to discuss the 2,604 nonfilers we identified as not having their identity verified. CMS management provided the following explanations:

- 319 nonfilers did not apply for insurance using the online platform. As such, CMS management indicated that they do not require Exchanges to verify the identity of applicants who do not submit their application online. It should be noted that we believe all individuals applying to the Exchange should have their identity verified regardless of the method used to apply. In addition, this number provided by the CMS conflicts with our analysis, which showed that 551 of the 2,604 nonfilers did not apply for insurance using the online platform.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

- 168 nonfilers were not the individual who submitted the application. According to CMS management, Exchanges are only required to verify the identity of the individual who submits the application. For 30 of the applications, the CMS indicated that the Federal Exchange successfully verified the identity of someone else on the same application through the RIDP service.⁴ For the remaining 138 applications, the CMS indicated that another individual on the application with the nonfiler also appeared on a different application. The Federal Exchange verified the identity of this other individual as part of the processing of the other application. While the Federal Exchange may have verified the identity of an individual associated with these 138 nonfilers, the CMS did not provide any evidence that the identity of the individual who submitted the application associated with the 138 individuals was verified as required.
- 97 nonfilers were successfully verified through the RIDP service but not until after Calendar Year 2014. The CMS requires the Exchanges to verify the identity of all individuals applying online before the application is processed. As noted by CMS management, the Federal Exchange did not verify the identity of these 97 individuals for the 2014 coverage year as required.

On October 20, 2016, subsequent to us providing CMS management with our final results, management indicated for the 2,604 nonfilers:

- Approximately 700 nonfilers submitted applications through methods which do not require the RIDP service. It should be noted that this figure is not supported by the information contained in the Federal Exchange data we received from the CMS. Our analysis of the Federal Exchange data shows that only 551 of the 2,604 nonfilers applied using a method other than online.
- Approximately 1,750 nonfilers had information in Federal Exchange files to support that identity verification occurred, but the information was not provided to TIGTA. CMS management stated that, due to how earlier application data were stored by the Federal Exchange, TIGTA would not have been able to identify these individuals had their identities verified through the RIDP service. As such, we are unable to evaluate the accuracy of the CMS statements.

The Federal Exchange did not verify all nonfilers' eligibility to receive the APTC

We limited our analysis to the 164,096 nonfilers⁵ for whom the Federal Exchange successfully verified the person's identity. CMS management stated that the eligibility requirements are only verified for individuals for whom insurance coverage is being requested. The individual

⁴ We were unable to verify the accuracy of this statement based on the information provided.

⁵ Subsequent to our providing the CMS with our review results, the CMS provided additional information that affected our identity verification analysis. However, we limited our eligibility analysis to the 164,096 nonfilers for whom the Federal Exchange successfully verified identity from our review results as of July 25, 2016.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

submitting the application to the Federal Exchange may or may not be a covered individual. For example, a father may submit an application to the Exchange to purchase insurance for his son. As such we reduced the 164,096 nonfilers to analyze only those who were also a covered individual. We determined that 162,115 (99 percent) of the 164,096 nonfilers whose identity was verified by the Federal Exchange were also a covered individual.

Our analysis of the 162,115 nonfilers found that the Federal Exchange did not verify eligibility or did not provide data to prove eligibility verification for 510 individuals. These individuals received the APTCs totaling \$1,127,368. In addition, we identified 11,092 nonfilers for whom the Federal Exchange determined that one or more of the eligibility requirements were not supported. These 11,092 nonfilers received the APTCs totaling \$21,216,341. Figure 3 provides the results of the Federal Exchange’s verification of the requirements that individuals must meet to enroll in an Exchange.

Figure 3: Analysis of Federal Exchange Enrollment Eligibility Factors⁶

Eligibility Requirements	Data Indicate Eligibility Requirements Verified by Third-Party Data As:		
	Met	Not Met	Not Verified
Citizenship, Lawful Presence	153,524	8,081	510
Residency	162,106	5	4
Incarcerated	159,039	3,073	3

Source: TIGTA analysis of Federal Exchange data.

The ACA requires the Exchanges to terminate insurance coverage and benefits, including the APTC, within 95 days if an individual cannot resolve certain inconsistencies between his or her application and third-party data used by the Exchange. The 95-day period is referred to as the inconsistency period. The Exchanges can extend the inconsistency period under the ACA’s good faith provision for individuals who are still attempting to resolve an inconsistency at the end of the 95 days.

Our analysis of the 11,092 nonfilers for whom the Federal Exchange determined that one or more of the eligibility requirements were verified as not being met found that the Federal Exchange did not terminate coverage for 5,142 of the individuals. Although we found that the Federal Exchange terminated coverage for the remaining 5,950 individuals, we cannot determine if coverage was terminated as a result of unverified eligibility. Figure 4 provides the results of our analysis of the Federal Exchange’s termination of coverage for individuals who did not meet one or more of the enrollment eligibility requirements.

⁶ Individuals could be in more than one category of eligibility factor.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Figure 4: Analysis of Federal Exchange Termination of Coverage⁷

Eligibility Requirement	Terminated Within 95 Days	Terminated After 95 Days	Not Terminated
Citizenship, Lawful Presence	1,449	3,107	3,525
Residency	0	0	5
Incarceration	540	894	1,639

Source: TIGTA analysis of Calendar Year 2014 Exchange enrollment data.

Federal Exchange response to TIGTA findings on enrollment eligibility

The CMS indicated that it will provide additional information regarding our citizenship findings. However, as of the date of this report, we have not received that information. The CMS also did not address the five Federal Exchange residency cases we identified for which coverage was not terminated. Regarding the incarceration exception cases, the CMS stated that the information contained in the Social Security Administration file used to verify incarceration is neither sufficiently current nor accurate. Therefore, the CMS made the decision to rely on applicant attestation to verify incarceration.

The Social Security Administration file used to verify Exchange inquiries regarding incarceration status is part of the government-wide Do Not Pay program. The Do Not Pay program provides agencies access to multiple sources of data, one of which is the Social Security Administration incarceration file that can be used to verify individual's eligibility for various benefits. In addition, the ACA provides the 95-day period to resolve inconsistencies, *i.e.*, the individual applying is listed as being incarcerated. It is during this period that applicants have the opportunity to provide additional information to support the information in their application when the information does not match other sources.

⁷ Nonfilers can appear in more than one eligibility requirement.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Appendix VI

Analysis of the California Exchange

On October 2, 2015, we initially provided the California Exchange a list of 48,081 individuals enrolled in the California Exchange who had not filed a Tax Year 2014 tax return as of September 24, 2015.¹ We requested that the California Exchange provide us with electronic data files containing complete application and eligibility data for each of these nonfilers. We requested that the data also include any changes to the application made during the coverage year, such as life changes. In addition, data should include verification of identity and eligibility to receive the APTC, including any inconsistencies identified during the verification process.

We requested that the California Exchange provide the data no later than October 23, 2015. We received the extract of the 48,081 nonfiler application and eligibility data on November 7, 2015. Figure 1 shows the timeline for receiving the requested data from the California Exchange.

Figure 1: Timeline for Receiving Data for the California Exchange

Date	Description
August 14, 2015	Sent audit notification and requested a data record layout for the application and eligibility data, the inconsistency data, and the information that is maintained to support the resolution of the inconsistencies.
August 31, 2015	Received data record layouts.
October 2, 2015	Requested complete data for the 48,081 nonfilers enrolled in the California Exchange. Data were requested to be provided no later than October 23, 2015.
October 30, 2015	The California Exchange stated that it will provide files containing the complete data by November 3, 2015.
November 3 2015 through November 7, 2015	Received three files from the California Exchange.
December 17, 2015	Requested additional information from the California Exchange, including complete data related to 2,801 nonfilers for whom no data were provided. We requested the data be provided no later than December 22, 2015.
January 11, 2016	Received data from the request sent on December 17, 2015.

¹ As of December 31, 2015, the number of nonfilers decreased to 39,284 because we excluded individuals in the original list who filed tax returns subsequent to our September 24 identification from our analysis.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Date	Description
February 22, 2016	Sent an identity proofing questionnaire, due no later than February 29, 2016. The questionnaire was sent to obtain information related to how the California Exchange verified applicants' identity during the open enrollment period. We received the California Exchange response to the questionnaire on March 2, 2016.
April 13, 2016	Provided exception cases to the California Exchange with response due no later than April 28, 2016. This included notifying the California Exchange that we found that it did not verify the identity of 32,589 nonfilers. We also determined that the California Exchange did not provide us with data for 333 nonfilers. We received responses on May 4, 2016; however, we received no supporting documents or revised data.
May 13, 2016	The California Exchange stated that it will provide revised data no later than May 27, 2016. Received revised data on May 20, 2016.
July 13, 2016	We revised our analysis and met with the California Exchange to close out our review.
July 18, 2016	We revised our analysis based on additional review after the meeting held on July 13, 2016. The revised results included notifying the California Exchange that we found that it did not verify the identity of 32,690 nonfilers. We provided these results to the California Exchange and requested an agreement or disagreement no later than July 27, 2016. We received the California Exchange responses on July 27, 2016.
August 5, 2016	The California Exchange provided additional information for our review.
October 12, 2016	Provided final results of our review to the California Exchange.

Source: TIGTA analysis of enrollment and eligibility data provided by the California Exchange and ongoing communications with the California Exchange throughout this review.

The California Exchange did not verify the identity of all nonfilers

Our initial analysis of the data provided by the California Exchange between November 2, 2015, and November 7, 2015, found that it did not verify the identity of 32,589 nonfilers. In addition, we determined that the California Exchange did not provide us with data for 333 of the 39,284 nonfilers for whom we requested data. Once we received and analyzed the requested information for the 333 nonfilers, the total number of nonfilers who did not have their identity verified increased to 32,690 nonfilers. After we shared our revised results with the California Exchange, it provided us with additional information. Based on our analysis of this additional information, we reduced the number of nonfilers who did not have their identity verified to 32,666 nonfilers who received almost \$105.5 million in the APTCs. Figure 2 shows the results of our initial and revised analysis.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Figure 2: Analysis of California Exchange Identity Verification

Date of Results	Total Nonfilers Reviewed	Nonfiler Data Not Provided	Identity Verified	Identity Not Verified	APTC Received
April 13, 2016	39,284	333	6,362	32,589	\$106.1 million
July 18, 2016	39,284	0	6,594	32,690	\$105.6 million
September 7, 2016	39,284	0	6,618	32,666	\$105.5 million

Source: TIGTA analysis of the California Exchange enrollment and eligibility data.

California Exchange response to TIGTA findings on identity verification

The California Exchange provided the following explanation regarding the 32,666 individuals for whom it had not verified identity:

- 32,328 nonfilers’ applications were received prior to August 4, 2014, the date when the California Exchange began using the RIDP service to verify the identity of online applicants. Prior to August 4, 2014, the California Exchange relied on the individual’s electronic signature provided under penalty of perjury as proof of identity. The CMS stated that it approved this alternative process.
- 189 nonfilers were not the individual who submitted the application; as such, identity verification was not required. We were unable to verify the accuracy of this statement based on the information provided. However, if the California Exchange successfully verified the identity of the primary contact, it would have met the CMS requirement to verify identity.
- 122 nonfilers did not apply for insurance using the online platform. The individuals submitted their applications via mail, e-mail, or fax; as such, identity verification was not required. We were unable to verify the accuracy of this statement based on the information provided. However, this is consistent with the CMS requirement for the Exchanges to only verify the identity of individuals who apply online.
- 11 nonfilers’ applications originated through the Statewide Automated Welfare System. We were unable to verify the accuracy of this statement based on the information provided. The California Exchange did not indicate whether identity verification was performed as part of the Statewide Automated Welfare System enrollment process.
- 5 nonfilers submitted documentation to validate their identity. We were unable to verify the accuracy of this statement based on the information provided. However, if these individuals submitted documentation that confirmed their identity, the California Exchange would have met the verification requirement.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

- *****1*****
*****1*****
*****1*****.
- 9 nonfilers had no additional details available from the California Exchange.

The California Exchange did not verify all nonfilers' eligibility to receive the APTC

Our analysis of the 6,594 nonfilers² (whose identities were successfully verified by the California Exchange) determined that 6,478 (98 percent) were also covered individuals. Our analysis of the 6,478 nonfilers found that the California Exchange did not verify eligibility or did not provide data to prove eligibility verification for 1,557 individuals enrolled during Calendar Year 2014. These individuals received the APTCs totaling more than \$4.7 million. In addition, we identified 215 nonfilers for whom the California Exchange determined that one or more of the eligibility requirements were not supported. These 215 nonfilers received the APTCs totaling \$386,592. Figure 3 provides the results of the California Exchange's verification of the requirements that individuals must meet to enroll in an Exchange.

Figure 3: Analysis of California Exchange Enrollment Eligibility Factors³

Eligibility Requirements	Data Indicate Eligibility Requirements Verified by Third-Party Data As:		
	Met	Not Met	Not Verified
Citizenship, Lawful Presence	5,499	*****1*****	934
Residency	*****1*****	*****1*****	855
Incarcerated	4,824	172	1,482

Source: TIGTA analysis of California Exchange data.

The ACA requires the Exchanges to terminate insurance coverage and benefits, including the APTC, within 95 days if an individual cannot resolve certain inconsistencies between his or her application and third-party data used by the Exchange. The 95-day period is referred to as the inconsistency period. The Exchanges can extend the inconsistency period under the ACA's good faith provision for individuals who are still attempting to resolve an inconsistency at the end of the 95 days.

Our analysis of the 215 nonfilers for whom the California Exchange determined that one or more of the eligibility requirements were verified as not being met found that the California Exchange

² Subsequent to our providing the California Exchange with our review results, management provided additional information that affected our identity analysis. However, we limited our eligibility analysis to the 6,594 nonfilers for whom the California Exchange successfully verified their identity from our review results as of July 18, 2016.

³ Individuals could be in more than one category of eligibility factor.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

did not terminate coverage for 80 of the individuals. Although we found that the California Exchange terminated coverage for the remaining 135 individuals, we cannot determine if coverage was terminated as a result of unverified eligibility. Figure 4 provides the results of our analysis of the California Exchange’s termination of coverage for individuals who did not meet one or more of the enrollment eligibility requirements.

Figure 4: Analysis of California Exchange Termination of Coverage⁴

Eligibility Requirement	Terminated Within 95 Days	Terminated After 95 Days	Not Terminated
Citizenship, Lawful Presence	4	15	26
Residency	0	0	*****1*****
Incarceration	75	45	*****1*****

Source: TIGTA analysis of Calendar Year 2014 California Exchange enrollment data.

California Exchange response to TIGTA findings on enrollment eligibility

Management from the California Exchange indicated that the 1,557 nonfilers for whom we identified that it did not verify one or more of the eligibility requirements or for whom one or more of the requirements was verified as not being met may have been identified as having an inconsistency and, as such, are eligible to receive the APTC while the inconsistency is resolved. However, according to management, the California Exchange had no automated means of revoking coverage or the APTC in Calendar Year 2014 once inconsistencies were resolved. California Exchange management offered the following explanations:

- The California Exchange implemented a manual process and noticing campaign to clear all outstanding inconsistencies for citizenship prior to the 2014 renewal period.
- In Calendar Year 2014, the CMS waived certain document filing requirements for clearing inconsistencies. The CMS subsequently stated that some documentation was required to demonstrate a good faith effort. For example, if an individual submitted at least one document, the insurance policy was not terminated regardless of the relevance of the document to the actual inconsistency. As such, some policies remained in effect, with the APTC, despite having an inconsistency.
- The California Exchange attempts to verify eligibility factors against Federal and State electronic data sources. However, State and Federal regulations⁵ allow individuals seeking health coverage to self-attest for lawful presence and incarceration status to attain conditional eligibility. Once conditionally eligible, States must provide individuals with

⁴ Nonfilers can appear in more than one eligibility requirement.

⁵ 10 California Code of Regulations §§ 6478 and 6492 and 45 C.F.R. §§ 155.315 and 435.407.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

a 95-day period to provide documentation to prove their eligibility. During this 95-day period, individuals are granted conditional eligibility for enrollment in a qualified health plan, including applicable subsidies. Federal regulations⁶ allow for the California Exchange to extend the 95-day period when the applicant demonstrates a “good faith effort” to obtain documentation. If valid proof of lawful presence cannot be provided, the conditionally approved coverage/health plan for the specific individual will be prospectively terminated, subject to right of appeal.

The California Exchange also stated safeguards were implemented in May 2016 to prevent the use of invalid Social Security Numbers by individuals and that system enhancements were implemented to automatically discontinue enrollment for applicants who have not demonstrated their eligibility and are going to exceed the 95-day period. This automated process discontinues enrollment for those individuals with outstanding verifications for citizenship, lawful presence, incarceration, and residency status.

⁶ 45 C.F.R. § 155.315(f)(3).



Appendix VII

Analysis of the New York Exchange

On October 2, 2015, we initially provided the New York Exchange a list of 12,175 individuals who had not filed a Tax Year 2014 tax return as of September 24, 2015.¹ We requested that the New York Exchange provide us with electronic data files containing complete application and eligibility data for each of these nonfilers. We requested that the data also include any changes to the application made during the coverage year, such as life changes. In addition, data should include verification of identity and eligibility to receive the APTC, including any inconsistencies identified during the verification process.

We requested that the New York Exchange provide the data no later than October 23, 2015. We received a complete extract of the 12,175 nonfiler application and eligibility data on January 8, 2016. Figure 1 shows the timeline for receiving the requested data from the New York Exchange.

Figure 1: Timeline for Receiving Data for the New York Exchange

Date	Description
August 14, 2015	Sent audit notification and requested a data record layout for the application and eligibility data, the inconsistency data, and the information that is maintained to support the resolution of the inconsistencies.
August 27, 2015	Received data record layouts.
October 2, 2015	Requested complete data for the 12,175 nonfilers enrolled in the New York Exchange. Data were requested to be provided no later than October 23, 2015.
October 16, 2015	Received data.
December 10, 2015	Requested additional information, including Social Security Numbers to link to the data previously received. Requested this additional information be provided no later than December 14, 2015.
December 24, 2015	The New York Exchange provided all Social Security Numbers with a linkable field for data previously received.
January 8, 2016	Received data from the request sent on December 10, 2015.

¹ As of December 31, 2015, the number of nonfilers decreased to 9,129 because we excluded individuals in the original list who filed tax returns subsequent to our September 24 identification from our analysis.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Date	Description
February 1, 2016	Requested definitions for the fields in the New York Exchange data. Requested the definitions be provided no later than February 5, 2016. Received definitions on February 10, 2016.
February 10, 2016	Sent an identity proofing questionnaire with a requested due date of February 17, 2016. The questionnaire was sent to obtain information related to how the New York Exchange verified applicants' identity during the open enrollment period. We received the New York Exchange responses to the questionnaire on February 17, 2016.
April 20, 2016	Provided exception cases to the New York Exchange with response due no later than May 4, 2016. This included notifying the New York Exchange that we found that it did not verify the identity of 3,146 nonfilers during Calendar Year 2014. We also determined that the New York Exchange did not provide us with data for 75 nonfilers.
May 13, 2016	Received the New York Exchange response. However, the New York Exchange did not provide additional documents or data to support its claim that some of the individuals we identified as having not been verified had actually had their identity authenticated or eligibility verified.
May 26, 2016	Requested supporting documentation or revised data no later than June 3, 2016.
June 10, 2016	Received revised data from the New York Exchange.
August 14, 2016	Provided revised results to the New York Exchange. We received the New York Exchange response on August 15, 2016.
August 16, 2016	We met with the New York Exchange and discussed their disagreements. We prepared a final analysis based on the disagreements and provided these results to the New York Exchange. The revised results included notifying the New York Exchange that we found that it had verified the identity of all nonfilers during Calendar Year 2014.
October 14, 2016	Provided final results of our review to the New York Exchange.

Source: TIGTA analysis of enrollment and eligibility data provided by the New York Exchange and ongoing communications with the New York Exchange throughout this review.

The New York Exchange verified the identity of all nonfilers

Our analysis of the data provided by the New York Exchange initially found that it did not verify the identity of 3,146 nonfilers who received more than \$4 million in the APTCs during Calendar Year 2014. Of the 3,146 nonfilers, 3,142 had a blank verification field and four indicated that the nonfilers did not pass verification. We also determined that the New York Exchange did not provide us data for 75 nonfilers. However, after sharing our results with the New York Exchange, we received additional information related to these cases. Our analysis of the additional data and documentation provided found that the New York Exchange verified the



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

identity of all 9,129 nonfilers enrolled in the New York Exchange. Figure 2 shows the results of our initial and revised analysis.

Figure 2: Analysis of New York Exchange Identity Verification

Date of Results	Total Nonfilers Reviewed	Nonfiler Data Not Provided	Identity Verified	Identity Not Verified	APTC Received
April 20, 2016	9,129	75	5,908	3,146	\$4.2 million
August 16, 2016	9,129	0	9,129	0	\$0

Source: TIGTA analysis of New York Exchange enrollment and eligibility data.

The New York Exchange did not verify all nonfilers' eligibility to receive the APTC

Our analysis of the 9,129 nonfilers for whom the New York Exchange successfully verified identity determined that 9,032 (99 percent)² were also covered individuals. The New York Exchange determined that one or more of the requirements were verified as not being met for 54 individuals of the 9,032 nonfilers enrolled during Calendar Year 2014. These individuals received the APTCs totaling \$85,662. Figure 3 provides the results of the New York Exchange's verification of the requirements that individuals must meet to enroll in an Exchange.

Figure 3: Analysis of New York Exchange Enrollment Eligibility Factors³

Eligibility Requirements	Data Indicate Eligibility Requirements Verified by Third-Party Data As:		
	Met	Not Met	Not Verified
Citizenship, Lawful Presence	9,020	12	0
Residency	9,029	3	0
Incarcerated	8,993	39	0

Source: TIGTA analysis of New York Exchange Data.

The ACA requires the Exchanges to terminate insurance coverage and benefits, including the APTC, within 95 days if an individual cannot resolve certain inconsistencies between his or her application and third-party data used by the Exchange. The 95-day period is referred to as the inconsistency period. The Exchanges can extend the inconsistency period under the ACA's good

² Subsequent to our initial analysis, the New York Exchange provided supporting documentation for one nonfiler who was verified and was also a covered individual. This individual was not included in our eligibility testing.

³ Individuals could be in more than one category of eligibility factor.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

faith provision for individuals who are still attempting to resolve an inconsistency at the end of the 95 days.

Our analysis of the 54 nonfilers for whom the New York Exchange determined that one or more of the eligibility requirements were verified as not being met found that the New York Exchange did not terminate coverage for 19 of the individuals. Although we found that the New York Exchange terminated coverage for the remaining 35 individuals, we cannot determine if coverage was terminated as a result of unverified eligibility. Figure 4 provides the results of our analysis of the New York Exchange’s termination of coverage for individuals who did not meet one or more of the enrollment eligibility requirements.

Figure 4: Analysis of New York Exchange Termination of Coverage⁴

Eligibility Requirement	Terminated Within 95 Days	Terminated After 95 Days	Not Terminated
Citizenship, Lawful Presence	3	6	3
Residency	****1****	****1****	0
Incarceration	14	9	16

Source: TIGTA analysis of Calendar Year 2014 New York Exchange enrollment data.

New York Exchange response to TIGTA findings on enrollment eligibility

Management from the New York Exchange provided additional information for two of the three nonfilers for whom citizenship was not verified as supported yet they were not terminated. For the first nonfiler, management provided documentation to support that it terminated coverage on December 31, 2014, due to failing to submit proof of citizenship. For the second nonfiler, New York Exchange management provided documentation that proof of citizenship was received on May 18, 2016. It should be noted that the proof of citizenship was not received until after the end of Calendar Year 2014.

Management also stated that residency is established by applicant attestation. The three nonfilers for whom the New York Exchange verified residency as not being supported started the application process with a New York address and then changed the address. This resulted in the coverage being terminated as soon as the New York Exchange received the change of address information.

Management also stated that the 39 nonfilers for whom incarceration status was not verified as being met were likely cases for which the 95-day period would restart either due to receiving some type of information or due to the individual reapplying. Management stated that the New York Exchange terminated coverage for all 16 nonfilers for whom data provided did not show

⁴ Nonfilers can appear in more than one eligibility requirement.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

that coverage was terminated. Most of the individuals' coverage was terminated within Calendar Year 2014, with a few occurring after December 31, 2014. New York Exchange management provided documentation for the 16 nonfilers:

- 10 nonfilers were terminated on December 31, 2014, due to failing to renew for coverage in Calendar Year 2015. Nine individuals failed to submit proof of their incarceration status and one individual submitted proof of incarceration status in January 2015.
- *****1***** were terminated in Calendar Year 2015 for failing to submit proof of incarceration status.
- *****1*****
*****1*****
*****1*****
*****1*****
*****1*****.
- *****1*****
*****1*****.



Appendix VIII

Analysis of the Vermont Exchange

On October 2, 2015, we initially provided the Vermont Exchange a list of 778 individuals who had not filed a Tax Year 2014 tax return as of September 24, 2015.¹ We requested that the Vermont Exchange provide us with electronic data files containing complete application and eligibility data for each of these nonfilers. We requested that the data also include any changes to the application made during the coverage year, such as life changes. In addition, data should include verification of identity and eligibility to receive the APTC, including any inconsistencies identified during the verification process.

We requested that the Vermont Exchange provide the data no later than October 23, 2015. We received a complete extract of the 778 nonfiler application and eligibility data on December 22, 2015. Figure 1 shows the timeline for receiving the requested data from the Vermont Exchange.

Figure 1: Timeline for Receiving Data for the Vermont Exchange

Date	Description
August 14, 2015	Sent audit notification and requested a data record layout for the application and eligibility data, the inconsistency data, and the information that is maintained to support the resolution of the inconsistencies.
September 10, 2015	Received data record layouts.
October 2, 2015	Requested complete data for the 778 nonfilers enrolled in the Vermont Exchange. Data were requested to be provided no later than October 23, 2015.
October 21, 2015	Received data.
November 18, 2015	Requested additional information from the Vermont Exchange.
November 30, 2015	Received data. We reviewed the data to verify that all requested information was provided.
December 15, 2015	Requested additional information from the Vermont Exchange.
December 22, 2015	Received data. We reviewed the data and determined that all required data have been provided.

¹ As of December 31, 2015, the number of nonfilers decreased to 467 because we excluded individuals in the original list who filed tax returns subsequent to our September 24 identification from our analysis.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

February 3, 2016	Sent the Vermont Exchange an identity proofing questionnaire, due no later than February 10, 2016. The questionnaire was sent to obtain information related to how the Vermont Exchange verified applicants' identity during the open enrollment period. We received the Vermont Exchange responses on February 11, 2016.
April 21, 2016	Provided exception cases to the Vermont Exchange with response due no later than May 6, 2016. This included notifying the Vermont Exchange that we found that it did not verify the identity of six nonfilers during Calendar Year 2014.
May 3, 2016	Received the Vermont Exchange's response to the identified exception cases. However, the Vermont Exchange did not provide additional documents or data to support its claim that some of the individuals we identified as having not been verified had actually had their identity authenticated or eligibility verified.
May 26, 2016	Requested supporting documentation or revised data no later than June 3, 2016.
June 3, 2016	Additional information was received to address the Vermont Exchange's claim that some of the cases we identified as having not been verified were properly worked.
July 25, 2016	We revised our analysis and provided these results to the Vermont Exchange for their review.
August 10, 2016	We met with the Vermont Exchange to close out our review.
October 14, 2016	Provided final results of our review to the Vermont Exchange.

Source: TIGTA analysis of enrollment and eligibility data provided by the Vermont Exchange and ongoing communications with the Vermont Exchange throughout this review.

The Vermont Exchange did not verify the identity of all nonfilers

Our analysis of the data provided by the Vermont Exchange found that it did not verify the identity of six nonfilers who received \$16,808 in the APTCs during Calendar Year 2014. Figure 2 shows the results of our revised analysis.

Figure 2: Analysis of Vermont Exchange Identity Verification

Date of Results	Total Nonfilers Reviewed	Identity Verified	Identity Not Verified	APTC Received
April 21, 2016	467	461	6	\$16,808

Source: TIGTA analysis of Vermont Exchange enrollment and eligibility data.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Vermont Exchange response to TIGTA findings on identity verification

Management from the Vermont Exchange indicated that a blank verification status does not necessarily mean that the Vermont Exchange did not verify the individual’s identity. Management also stated that applicants have their identity verified when they create an online account, and the identity verification field is updated when the verification process is completed. However, we determined that five of the six individuals we identified for whom it appears that the Vermont Exchange did not verify identity were online applicants.

Vermont Exchange management also stated that individuals who apply in writing or through an assistor also have their identity authenticated. However, the identity field in the Vermont Exchange data is not updated to reflect the results of the identity verification process. We determined that one of the six nonfilers used an assistor to apply to use the Vermont Exchange. Finally, management stated that, due to a system issue, the identity field in the Vermont Exchange application and eligibility systems is not updated for household members who are not applying for coverage.

The Vermont Exchange did not verify all nonfilers’ eligibility to receive the APTC

Our analysis of the 461 nonfilers for whom the Vermont Exchange successfully verified identity determined that 458 (99 percent) were also covered individuals. Our analysis of the 458 nonfilers found that the Vermont Exchange did not verify eligibility or did not provide data to prove eligibility verification for 431 individuals enrolled during Calendar Year 2014. These individuals received the APTCs totaling more than \$1 million. In addition, we identified 27 nonfilers for whom the Vermont Exchange determined that one or more of the requirements to use the Vermont Exchange were verified as not being met. These 27 nonfilers received the APTCs totaling \$94,055. Figure 3 provides the results of the Vermont Exchange’s verification of the requirements that individuals must meet to enroll in an Exchange.

Figure 3: Analysis of Vermont Exchange Enrollment Eligibility Factors²

Eligibility Requirements	Data Indicate Eligibility Requirements Verified by Third-Party Data As:		
	Met	Not Met	Not Verified
Citizenship, Lawful Presence	428	14	16
Residency	0	13	445
Incarcerated	0	8	450

Source: TIGTA analysis of Vermont Exchange data.

² Individuals could be in more than one category of eligibility factor.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

The ACA requires the Exchanges to terminate insurance coverage and benefits, including the APTC, within 95 days if an individual cannot resolve certain inconsistencies between his or her application and third-party data used by the Exchange. The 95-day period is referred to as the inconsistency period. The Exchanges can extend the inconsistency period under the ACA’s good faith provision for individuals who are still attempting to resolve an inconsistency at the end of the 95 days.

Our analysis of the 27 nonfilers for whom the Vermont Exchange determined that one or more of the eligibility requirements were not supported found that the Vermont Exchange did not terminate coverage for 19 of the individuals. Although we found that the Vermont Exchange terminated coverage for the remaining eight individuals, we cannot determine if coverage was terminated as a result of unverified eligibility. Figure 4 provides the results of our analysis of the Vermont Exchange’s termination of coverage for individuals who did not meet one or more of the enrollment eligibility requirements.

Figure 4: Analysis of Vermont Exchange Termination of Coverage³

Eligibility Requirement	Terminated Within 95 Days	Terminated After 95 Days	Not Terminated
Citizenship, Lawful Presence	*****1*****	3	10
Residency	*****1*****	*****1*****	9
Incarceration	*****1*****	*****1*****	5

Source: TIGTA analysis of Calendar Year 2014 Vermont Exchange enrollment data.

Vermont Exchange response to TIGTA findings on enrollment eligibility

Regarding citizenship, Vermont Exchange management indicated that there were known technical issues that prevented the eligibility verification field from being updated with the results of the verification process. As a result, a blank verification field does not mean that the Vermont Exchange did not verify the individual’s citizenship status.

Vermont Exchange management indicated that the Vermont Exchange accepts taxpayer attestation for residency. Applicants were not allowed to enroll if the address on the application was not a Vermont address. Management also indicated that the Vermont Exchange would not routinely verify residency and would rely on attestation only. Management stated that the verification field for the 13 nonfilers for whom the data were blank would have only been updated if the Vermont Exchange was working with the applicant on an issue other than residency. The verification field is not updated systemically.

³ Nonfilers can appear in more than one eligibility requirement.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

For the 450 cases that did not have information in the incarceration field, Vermont Exchange management indicated that, in Calendar Year 2014, the system set incarceration verification line item status to “waived” instead of “verified” even if information received from the Social Security Administration did not include an incarceration indicator. Therefore, a status of “waived” does not actually indicate that the Vermont Exchange did not verify the individual’s incarceration status. According to the Vermont Exchange, programming changes were made to the application system in November 2015 resulting in all applications for which the Social Security Administration data had no incarceration indicator being set to “verified” instead of “waived.”

In addition, Vermont Exchange management stated that there are a variety of reasons why the verification line item in the data would display something other than a “verified” status for a given individual. As such, a blank verification line item does not mean that the Exchange did not take steps to verify eligibility. Management also indicated that for every nonfiler identified for whom it appears eligibility was not verified, the Vermont Exchange collected an attestation from the applicant and compared it to electronic data sources to the extent they were available. According to Vermont Exchange management, the State engaged in a “surge” with its maintenance and operations vendor in spring and summer of Calendar Year 2016 to address deficiencies in the system. During this time, many defects were remediated, system enhancements were deployed, integration errors decreased significantly, and operational backlogs were stabilized.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

Appendix IX

*Centers for Medicare and Medicaid Services
Response to the Draft Report*



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

JAN 18 2017

200 Independence Avenue SW
Washington, DC 20201

To: J. Russell George
Treasury Inspector General for Tax Administration

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

Subject: U.S. Treasury Inspector General for Tax Administration's (TIGTA) Draft Report:
Affordable Care Act: Analysis of Tax Year 2014 Nonfilers that Received
Advance Premium Tax Credit

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the U.S. Treasury Inspector General for Tax Administration's (TIGTA) draft report. CMS is committed to verifying the identity and conducting eligibility verifications and determinations for enrollment in qualified health plans (QHPs) through a Federally-facilitated Marketplace (FFM) and for insurance affordability programs in accordance with statute and regulations. In addition, CMS is committed to overseeing states' establishment and operation of Marketplaces as part of the Patient Protection and Affordable Care Act (ACA).

Verifying Applicant Identity

Before an individual can submit an application on HealthCare.gov, CMS verifies the adult application filer's identity to protect the privacy of personal information. To support Marketplaces in the verification of the identity of individuals submitting their applications online, CMS developed a remote identity proofing (RIDP) service. State-based Marketplaces (SBMs) are not required to use the RIDP service offered by CMS, but are required to perform a similar level of identity proofing if they choose a different solution. The RIDP service is administered by a private third-party provider, and uses leading identity-proofing capabilities available on today's market, including customized authentication services, and complies with all federal requirements, including the Federal Information Security Management Act (FISMA) and the National Institute of Standards and Technology (NIST) standards.

Of the applicants initially identified by TIGTA as applying through the FFM, over 98 percent were reported as having their identity verified. Upon further analysis of the remaining approximately two percent of applicants, CMS was able to verify that 67 percent of these consumers were identity proofed through the RIDP service. An additional 26 percent of the consumers had submitted applications through a channel that does not require the RIDP service,



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

as they are proofed in other ways. CMS is in the process of further examining the remaining cases to determine if any of the applicants did not appropriately have their identity verified.

The Marketplace Eligibility Verification Process

In order to determine whether an applicant is eligible for QHP enrollment through the Marketplace and/or insurance affordability programs, CMS uses technology that allows the federal government to provide individuals with real-time, electronic eligibility verification via data sources available through the Federal Data Services Hub (Hub). The Hub provides a secure electronic connection between Marketplaces and Medicaid/CHIP agencies with federal and private databases. These databases are used to verify eligibility and include records maintained by the Social Security Administration (SSA), the Internal Revenue Service (IRS), the Department of Homeland Security (DHS), Equifax, the Department of Veterans Affairs (VHA), Medicare, Peace Corps, the Office of Personnel Management (OPM), and TRICARE. The Hub supported tens of millions of data verifications during the first four open enrollment periods.

Sometimes an applicant's eligibility information cannot be verified in real time by a trusted data source. These situations often involve people who have gained or lost a job, divorced, or changed their name. The verification process relies on the most recent data contained within the trusted data sources; however, the nature of the application information that is verified may change frequently, and the information contained in the trusted data sources may be out of date when a consumer submits an application. For example, IRS data is the primary source of income information as required by the ACA, and it may be up to two years old depending on the most recent tax return filed by the applicant. When submitting the application information required by the ACA, individuals attest, under penalty of perjury, that the information they submit is accurate. Knowingly and willfully providing false or fraudulent information is a violation of federal law and subject to a fine of up to \$250,000.

If an applicant provides information that cannot be verified by the trusted data sources, this does not necessarily mean the individual is ineligible for coverage and/or insurance affordability programs. In these cases, the statute requires the Marketplaces make a reasonable effort to identify and address the cause of the inconsistency (otherwise known as a data matching issue) between the trusted data source and the information provided by the applicant. During this inconsistency resolution period, the ACA provides the applicant with eligibility for coverage through the Marketplace or for an insurance affordability program based on the information they attested to in their application.

Consistent with the law and regulations, to resolve such an inconsistency, the Marketplace provides the applicant the opportunity to submit documentary evidence to prove eligibility within 90 or 95 days (as applicable, depending on the cause of the inconsistency). Contracted staff review the supporting documentation submitted by applicants to check that it is valid and sufficient to verify the application information before resolving the inconsistency issue.



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

If an applicant does not provide satisfactory documentation within the required time to resolve their inconsistency, the Marketplace will determine the applicant's eligibility based on the information contained within the trusted data sources, as required by the law. In 2014, the Marketplaces allowed for greater flexibility in resolving inconsistencies because this was a new process for consumers and some consumers needed more time to understand what was needed to resolve their inconsistencies. In 2015, the Marketplace ended enrollment through the Marketplace for about 500,000 consumers who failed to produce sufficient documentation on their citizenship or immigration status as requested and required, and about 1.2 million households had their advance payments of the premium tax credit (APTC) and/or cost-sharing reductions (CSR) adjusted. For 2016 coverage, as of June 30, 2016, the Marketplace ended enrollment through the Marketplace for approximately 130,000 consumers who failed to produce sufficient documentation on their citizenship or immigration status as requested and required, and 498,000 households had their APTC and/or CSR adjusted. The Marketplace continues to review documentation submitted by consumers and will continue to end enrollment through the Marketplace and/or adjust APTC and/or CSR amounts as appropriate.

Tax Filing Requirement

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. If Marketplace consumers do not file their tax return and reconcile APTC previously paid on their behalf, they are not eligible to continue to receive APTC. The IRS provides information to Marketplaces on consumers who received APTC in the prior coverage year but have not taken the necessary steps to file a tax return and reconcile APTC.

Due to the normal time lag of data processing and updating in IRS systems and consumers' ability to receive tax filing extensions from the IRS, CMS accepted tax filers' attestations to having filed a tax return beginning with the 2016 open enrollment period. Consumers who were enrolled in Marketplace coverage with APTC in 2015 who did not return to the Marketplace to submit or update their application and select a plan during open enrollment for 2016 coverage, were auto re-enrolled without APTC if IRS data indicated to the Marketplace that they had not filed a 2014 tax return and these consumers did not attest that the tax filer had met the requirement to file a tax return and reconcile APTC paid for 2014.

In May 2016, CMS conducted a check of IRS data to confirm whether consumers who were enrolled in Marketplace coverage with APTC and had attested to filing a tax return for 2014 had, in fact, filed a tax return for 2014. At that time, there were approximately 19,000 applications for which IRS indicated no 2014 tax return had yet been processed. These applications were rechecked against IRS data again in September 2016 following notification to applicable consumers that immediate action to file and reconcile was required, and those that still had not filed had their APTC/CSRs ended as of November 1, 2016.

Partnership with States



*Affordable Care Act: Analysis of Tax Year 2014
Nonfilers Who Received Advance Premium Tax Credit Payments*

CMS works with all states to address the specific needs of their consumers while also meeting the requirements and responsibilities set by the ACA. The ACA allows states to decide which type of Marketplace is best for their state and their residents. Prior to the first open enrollment period, CMS worked with states so they could successfully allow consumers and small employers to compare, select and purchase health insurance plans. This included states meeting key functional requirements and milestones set by CMS, and developing systems and processes, as needed, to enroll eligible consumers into health coverage in a timely manner. CMS granted conditional approvals if states were able to build workarounds and put manual processes in place to allow individuals to submit applications and enroll in health coverage during the first Open Enrollment period. Due to the tight establishment and implementation timeframes for SBMs, some SBMs deferred automating functionality and utilized operational workarounds to provide their consumers the best possible eligibility and enrollment experience. CMS also provides technical assistance and conducts monitoring of the SBMs. As part of ongoing monitoring, SBMs are required to submit semi-annual grant progress reports, monthly budget reports, as well as a State-based Marketplace Annual Reporting Tool (SMART) through which SBMs fulfill key regulatory reporting requirements.

Moving forward, CMS remains committed to improving the performance and outcomes of the State-based and Federally-facilitated Marketplaces as well as continuing to protect the integrity of taxpayer dollars.