

GAO Highlights

Highlights of [GAO-23-105577](#), a report to congressional requesters

Why GAO Did This Study

To help taxpayers cover the cost of health insurance premiums, PPACA provides advance premium tax credits for individuals who meet certain eligibility requirements. For fiscal year 2022, the Department of Health and Human Services (HHS) reported an estimated \$256 million in improper payments for the federally facilitated marketplace.

GAO was asked to review advance premium tax credit payment integrity efforts. This report examines (1) key control activities selected states and CMS implemented to prevent providing advance premium tax credits to ineligible individuals through the state-based marketplaces and (2) the extent to which CMS developed a reliable methodology to estimate improper payments in the program.

GAO analyzed policies and procedures for determining eligibility in plan year 2022 from CMS, and selected states to include those with the highest average monthly payment amounts and those with new and more established marketplaces (California, Colorado, Nevada, New Jersey, and Pennsylvania). GAO also reviewed CMS's improper payment estimation methodology for the advance premium tax credit for fiscal year 2022.

What GAO Recommends

GAO is making two recommendations to CMS to coordinate with the states to assess residual risks when estimating improper payments, and to determine if additional guidance or actions are needed. HHS disagreed with GAO's recommendations. GAO continues to believe the recommendations are valid, as discussed in the report.

View [GAO-23-105577](#). For more information, contact Hannah Padilla at (202) 512-5683 or padillah@gao.gov.

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PAYMENT INTEGRITY

Additional Coordination Is Needed for Assessing Risks in the Improper Payment Estimation Process for Advance Premium Tax Credits

What GAO Found

Control activities for preventing improper advance premium tax credit eligibility determinations varied among the selected state-based marketplaces. Selected states verified most key eligibility criteria for enrollment in the program using the Centers for Medicare & Medicaid Services' (CMS) Federal Data Services Hub. The Patient Protection and Affordable Care Act (PPACA) and CMS's regulations grant marketplaces flexibilities in the eligibility verification process. GAO found that all five selected states exercised certain flexibilities in their eligibility-verification processes, as detailed in the table below. However, CMS did not coordinate with the states to conduct a risk assessment to evaluate the likelihood of improper eligibility determinations when exercising these flexibilities. As such, states were not aware of residual risks—risks that remain after existing control activities have mitigated inherent risks—or whether additional risk-mitigation strategies were needed. Until CMS coordinates with the states to identify any residual risks, neither CMS nor the states will know if additional guidance or other actions are needed to mitigate these potential residual risks.

State-Based Marketplaces' Key Control Activities for Verifying Eligibility Requirements for the Advance Premium Tax Credit beyond Self-Attestation

Key control activities beyond self-attestation	California	Colorado	Nevada	New Jersey	Pennsylvania
Verifying identity on mail applications	N	Y	Y	Y	Y
Verifying residency	N	N	N	N	N
Identifying duplicate coverage through nonfederal employer-sponsored insurance	N	N	N	N	N
Identifying duplicate coverage through Medicaid in other states	N	N	N	N	N

Legend: N = Did not perform additional verifications; Y = Performed additional verifications

Source: GAO analysis of the selected state's information. | GAO-23-105577

Although CMS has developed a reliable methodology to estimate improper advance premium tax credit payments, it was limited to the 33 states that use the federally facilitated marketplace and did not consider the 18 states that operate their own. CMS has a process to engage with the states on the best way to incorporate them into the improper payment measurement program and on the related requirements. However, CMS's process does not consider residual risks in the state-based marketplaces' processes for verifying and determining eligibility. Without additional coordination with these marketplaces that includes assessing and identifying any residual risks to which they may be vulnerable, CMS's process for estimating improper payments may not reflect significant program risks. As such, the resulting improper payment estimate may be incomplete and provide a less useful basis for developing effective corrective action plans.