

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**DATA INADEQUACIES UNDERMINE
CMS'S OVERSIGHT OF THE
INCONSISTENCY RESOLUTION PROCESS
FOR THE FEDERAL MARKETPLACE**



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Why OIG Did This Review

Ensuring that only eligible applicants can enroll in qualified health plans (QHPs) and insurance affordability programs depends on the integrity of the enrollment process. A key part of that process involves resolving inconsistencies between self-attested information submitted by applicants and data received through Federal and other data sources. In June 2014, the Centers for Medicare & Medicaid Services (CMS) reported to the Office of Inspector General (OIG) that the Federal Marketplace was unable to resolve most inconsistencies from the first open enrollment period because the eligibility system was not fully operational. This report follows up on our earlier work, focusing on CMS's data management and resolution of prior inconsistencies.

How OIG Did This Review

We requested updated data related to inconsistencies that occurred in the first open enrollment season from CMS's Multidimensional Insurance Data Analytics System. We also interviewed CMS staff and contractors about the data management process for inconsistencies and the resolution process for inconsistencies and conducted a site visit at an office of the Federal Marketplace.

Data Inadequacies Undermine CMS's Oversight of the Inconsistency Resolution Process for the Federal Marketplace

What OIG Found

The Federal Marketplace is unable to calculate the total number of applicants with inconsistencies during the first open enrollment period because the data cannot uniquely identify an individual seeking to enroll in a QHP. These shortcomings in the data also created additional work for CMS because it had to resolve the same inconsistencies more than once and increased the burden to applicants with redundant requests for information.

CMS experienced challenges using its inconsistency data and was unable to extract accurate data on inconsistencies or fully explain how it tracks inconsistencies in its data in a timely manner.

Our analysis of the portion of inconsistencies for applicants enrolled in QHPs shows that the Federal Marketplace appears to have resolved or "expired" (i.e., terminated) 42 percent of inconsistencies that we tracked for the first open enrollment period. Inconsistencies do not necessarily indicate that an applicant inappropriately enrolled in a QHP or incorrectly enrolled in one or more insurance affordability programs. However, the Federal Marketplace cannot ensure that the applicants meet the requirement unless it resolves their inconsistencies.

OIG Recommendation and Agency Response

CMS should improve its management of the inconsistency resolution process to ensure that it can readily identify all applicants with inconsistencies. CMS should refine its data management system so that it can track individuals and readily count the number of each type of inconsistency and whether those inconsistencies are unresolved, resolved, or expired.

CMS's prior Acting Administrator provided comments on this report and concurred with our recommendation. For the full text of CMS's comments, see Appendix B.

Key Takeaway

Our findings demonstrate that CMS cannot readily answer basic questions about inconsistencies, particularly the number of individuals with inconsistencies. Data limitations preclude CMS from accurately counting and tracking inconsistencies by applicant.

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OBJECTIVE

To determine the extent to which the Federal Marketplace has resolved inconsistencies that occurred in the 2013–14 open enrollment period between self-attested information submitted by applicants and data received through Federal and other data sources.

BACKGROUND

Ensuring that only eligible applicants can enroll in qualified health plans (QHPs) and insurance affordability programs depends on the integrity of the enrollment process. A key part of that process involves resolving inconsistencies between self-attested information submitted by applicants and data received through Federal and other data sources. In June 2014, the Office of Inspector General (OIG) analyzed inconsistency data from the Centers for Medicare & Medicaid Services (CMS) and found that the Federal Marketplace was unable to resolve 2.6 of 2.9 million inconsistencies because the eligibility system was not fully operational as of February 2014.¹ Since then, CMS has reported that it has improved in its ability to process inconsistencies. This report follows up on our earlier work, focusing on CMS’s data management and resolution of inconsistencies from the first open enrollment period.

Health Insurance Marketplaces

The Patient Protection and Affordable Care Act (ACA) requires the establishment of a health insurance exchange (marketplace) in each State.² For States that elected not to establish their own marketplaces, the Federal Government is required to operate a marketplace (hereinafter, Federal Marketplace) on behalf of the State.³ A marketplace is designed to serve as a one-stop shop where individuals can obtain information about their health insurance options, determine their eligibility for QHPs and insurance affordability programs, and select the QHP of their choice.

The ACA required the Secretary of Health and Human Services to specify an initial open enrollment period during which individuals could enroll in

¹ OIG, *Marketplaces Faced Early Challenges Resolving Inconsistencies with Applicant Data*. OEI-01-14-00180, June 2014.

² P.L. No. 111-148, §§ 1311(b), 1321(c) (March 23, 2010), as amended by the Health Care and Education Reconciliation Act of 2010; P.L. No. 111-152 (March 30, 2010), collectively known as the Affordable Care Act (ACA). The ACA uses the term “exchanges” to refer to competitive marketplaces for insurance. However, CMS now uses the term “marketplaces.”

³ ACA, § 1321(c).

a health plan, to be followed by annual open enrollment periods each subsequent year.⁴ The first open enrollment period was 6 months in duration, lasting from October 1, 2013, through March 31, 2014.⁵ During the first open enrollment period, CMS operated the Federal Marketplace for 36 States, consisting of 29 States that used the Federal Marketplace and 7 States that had marketplaces with the Federal Government.

Insurance Affordability Programs

The ACA provides two types of insurance affordability programs for those who enroll in QHPs: premium tax credits and cost-sharing reductions. Applicants may be eligible for either or both types of insurance affordability programs.^{6,7}

Premium tax credits. These reduce the cost of insurance premiums to the applicant. Premium tax credits can either be paid directly to the insurance plan (i.e., to the QHP issuer) monthly as an advance premium tax credit or taken as a tax credit when an individual files a tax return. If an applicant chooses the advance premium tax credit, the Internal Revenue Service (IRS) will reconcile the payments made on behalf of the individual with the maximum allowable amount of the credit when the individual files a tax return.

Cost-sharing reductions. These reduce out-of-pocket expenditures for such costs as copayments, deductibles, and coinsurance. Cost-sharing reductions are available only for eligible individuals enrolled in Silver-level QHPs or for eligible individuals who are Indians enrolled in QHPs.⁸

⁴ ACA §§ 1311(c)(6)(A) and (B).

⁵ 45 CFR § 155.410. The Federal Marketplace created a special enrollment period to allow applicants who started an application by March 31, 2014, to finish the application and enrollment process by April 15, 2014.

⁶ For the purpose of this report, the term “applicant” refers to both the person who completes the application (i.e., the application filer) and the person who seeks coverage in a QHP. The application filer may or may not be an applicant seeking coverage in a QHP (45 CFR § 155.20). For example, an application filer may be a parent seeking coverage for a child, who is the applicant.

⁷ ACA §§ 1401 and 1402; 45 CFR §§ 155.305(f) and (g).

⁸ 45 CFR §§ 155.305(g) and 155.350(a). “Indian” is defined as an individual who meets the definition in section 4(d) of the Indian Self-Determination and Education Assistance Act, P.L. No. 93-638.

Eligibility for QHPs and Insurance Affordability Programs

The Federal Marketplace determines an applicant's eligibility to select a QHP and eligibility for insurance affordability programs.⁹ When an applicant completes an application for insurance, the applicant must submit information—such as Social Security number, income, citizenship status, and number of dependents—and attest to the accuracy of this information.¹⁰

An applicant must meet certain eligibility requirements defined by the ACA to enroll in a QHP. The applicant must (1) be a citizen of the United States, be a national of the United States, or be lawfully present in the United States; (2) not be incarcerated; and (3) meet applicable residency standards.¹¹ To be eligible for an insurance affordability program, an applicant must meet additional requirements related to household income and family size and must not be eligible for other minimum essential coverage.¹²

Federal Data Hub. The Federal Marketplace verifies an applicant's self-attested information through electronic data sources, including those available through the Federal Services Data Hub (Data Hub). The Data Hub is a single conduit through which a marketplace sends and receives electronic data from multiple Federal agencies; it does not store data. Federal agencies connected to the Data Hub include HHS, the IRS, the Social Security Administration (SSA), and the Department of Homeland Security.¹³

The Federal Marketplace is generally required to verify the following data to determine the eligibility of an applicant: Social Security number; citizenship/nationality/lawful-presence status; residency; income; family size; incarceration status; whether an individual is an Indian; and whether

⁹ Marketplaces perform a number of other functions that include certifying available QHPs, operating websites to facilitate comparisons among QHPs, and operating toll-free hotlines for consumer support.

¹⁰ An attestation can also be made by the application filer. 45 CFR § 155.300(c). The attestations specified in §§ 155.310(d)(2)(ii) and 155.315(f)(4)(ii) must be provided by the tax filer (as defined by § 155.300(a)).

¹¹ ACA § 1312(f); 45 CFR § 155.305(a). A person must not be incarcerated other than incarceration pending the disposition of charges.

¹² 45 CFR §§ 155.305(f) and (g). For purposes of determining eligibility for an insurance affordability program, minimum essential coverage does not include being eligible for coverage on the individual market. 45 CFR § 155.305(f)(1)(ii)(B).

¹³ ACA § 1411(c)(4).

an individual is eligible for other minimum essential coverage.¹⁴ If the Federal Marketplace is able to verify the applicant’s eligibility through the Data Hub or with other data sources, the applicant can select a QHP.¹⁵ The Federal Marketplace uses the applicant’s information and the tax filer’s household income and family-size data to determine whether the applicant qualifies for an insurance affordability program and, if so, the amount of such assistance.¹⁶

Inconsistencies between applicant-submitted information and information from Federal or other data sources. When the Federal Marketplace cannot verify information that the applicant submitted or when the information is inconsistent with information available through the Data Hub or other sources, the marketplace must attempt to resolve the inconsistency. For these purposes, applicant-submitted information is considered to be consistent with other sources if it is reasonably compatible.¹⁷ Information is considered reasonably compatible if any difference between the applicant-submitted information and other sources does not affect the eligibility of the applicant.¹⁸ Inconsistencies may occur with either the person who files the application (known as the applicant filer) or the other individuals listed on the application who are seeking insurance.

Resolving inconsistencies. The Federal Marketplace must make a reasonable effort to identify and address the causes of an inconsistency by contacting the applicant to confirm the accuracy of the information on the application. If the Federal Marketplace is unable to resolve the inconsistency through reasonable efforts, it must generally give the applicant 90 days to present satisfactory documentation to resolve the inconsistency.¹⁹ This 90-day period is referred to as “the inconsistency

¹⁴ 45 CFR § 155.20 and 26 U.S.C. § 5000A(f). Minimum essential coverage includes employer-sponsored coverage and non-employer-sponsored coverage. For the purpose of this report, non-employer-sponsored coverage includes government programs (e.g., Medicare and Medicaid), grandfathered plans, and other plans (e.g., State and tribal). Special circumstances apply for individuals who are eligible for TRICARE and Department of Veterans Affairs benefits. See 77 Fed. Reg. 30377, 30379 (May 23, 2012).

¹⁵ If eligible, applicants are referred to Medicaid or the Children’s Health Insurance Program (CHIP).

¹⁶ Generally, a “tax filer” is an individual (or married couple) who indicates that he or she is filing an income tax return for the benefit year. 45 CFR § 155.300(a).

¹⁷ 45 CFR § 155.300(d). For purposes of determining reasonable compatibility, “other sources” include information obtained through electronic data sources, other information provided by the applicant, or other information in the records of the marketplace.

¹⁸ 45 CFR § 155.300(d).

¹⁹ ACA §§ 1411(e)(3) and (4); 45 CFR 155.315(f).

period.” During the inconsistency period, an applicant is eligible to enroll in a QHP to the extent that the applicant is otherwise qualified and may receive advance premium tax credit and cost-sharing reductions if the tax filer attests that the advance premium tax credit is subject to reconciliation.²⁰

The Federal Marketplace may extend the 90-day inconsistency period if an applicant demonstrates that he or she has made a good-faith effort to obtain required documentation.²¹ However, this extension does not apply to inconsistencies pertaining to citizenship and immigration status.²² Applicants receive written notices in the mail or updates online letting them know when their inconsistencies are resolved.

Expiring Inconsistencies. If the applicant fails to provide appropriate documentation to resolve the inconsistency, the Federal Marketplace “expires”—i.e., terminates—the inconsistency. At that point, the Federal Marketplace determines the applicant’s eligibility on the basis of information from available data sources at the time of application submission and, in certain circumstances, on the basis of information from the applicant’s attestation.²³ On the basis of those data sources, the Federal Marketplace determines whether the applicant is eligible or ineligible for a QHP and, when applicable, for insurance affordability programs. If the marketplace determines that the applicant is ineligible to remain in a QHP, the health insurance coverage will end. In addition, the Federal Marketplace will determine the applicant’s eligibility for insurance affordability programs on the basis of data available from the IRS and SSA and adjust the amounts of the advance premium tax credit and cost-sharing reductions.

Related Work

In June 2014, an OIG evaluation found that as of February 2014, the Federal and State marketplaces were unable to resolve most inconsistencies. The Federal Marketplace was unable to resolve 2.6 out of 2.9 million inconsistencies. Citizenship- and income-related inconsistencies represented 77 percent of the 2.9 million inconsistencies.²⁴ In its response to our recommendation that CMS develop and make public a plan on how and by what date the Federal Marketplace will resolve

²⁰ 45 CFR § 155.315(f)(4).

²¹ 45 CFR § 155.315(f)(3).

²² ACA § 1411(e)(4).

²³ 45 CFR §§ 155.315(f)(5), (f)(6), and (g).

²⁴ OIG, *Marketplaces Faced Early Challenges Resolving Inconsistencies with Applicant Data*. OEI-01-14-00180, June 2014.

inconsistencies, CMS stated that the Federal Marketplace had in place an interim manual process to resolve inconsistencies until it established an automated system. Since then, CMS has stated that it resolves and expires all inconsistencies through the Federal Marketplace, which could result in terminating enrollment and adjusting advanced premium tax credits and cost sharing reductions.

In August 2015, an OIG audit found that not all of the Federal Marketplace's internal controls were effective in ensuring that individuals were determined eligible for enrollment in QHPs and eligible for insurance affordability programs according to Federal requirements.²⁵ Although the audit found that certain controls were effective, it identified deficiencies related to verifying applicants' eligibility and resolving and expiring inconsistencies. Specifically, inconsistencies related to certain eligibility requirements were not always resolved or expired properly, and applicant data and documentation related to resolving inconsistencies were not always managed properly.

METHODOLOGY

This study is based on our analysis of inconsistency data from the Federal Marketplace for inconsistencies occurring during the first open enrollment season of the Federal Marketplace. We also interviewed CMS staff and contractors and conducted a site visit to the Federal Marketplace. See Appendix A for a full discussion of our methodology.

Analysis of Inconsistency Data

We requested from CMS all Federal Marketplace data for inconsistencies that occurred in the first open enrollment season for applicants for health and dental insurance who had inconsistencies during coverage year 2014. We excluded inconsistencies related to Medicaid and CHIP because States—not the Federal Marketplace—address these types of inconsistencies.

To determine the extent to which the Federal Marketplace resolves and expires inconsistencies, we analyzed inconsistency data only for applications that resulted in the creation of a health or dental insurance policy. We originally intended to analyze all inconsistencies regardless of whether the application resulted in health care coverage. Instead, because of limitations with the inconsistency data (discussed below), we analyzed

²⁵ OIG, *Not All of the Federally Facilitated Marketplace's Internal Controls Were Effective in Ensuring That Individuals Were Properly Determined Eligible for Qualified Health Plans and Insurance Affordability Programs*. A-09-14-01011, August 2015.

only inconsistencies where the policy status was “effectuated” (resulted in coverage) or “canceled” (an insurance policy was created but was subsequently canceled). This decision regarding the scope of our evaluation allowed us to operate within the data available from CMS. Because CMS’s available data could not reliably be used to determine the universe of inconsistencies, we cannot establish what proportion of the universe of inconsistencies we excluded from our analysis.

Interviews with CMS Staff and Contractors

We interviewed CMS staff and contractors from September 2014 through December 2016 to learn about the data-management process for inconsistencies and the resolution process for inconsistencies.

Site Visit at the Federal Marketplace

We conducted a site visit to an office of the Federal Marketplace in December 2014. We conducted structured interviews with Federal Marketplace staff members to learn about the inconsistency resolution process and how the Federal Marketplace expires inconsistencies.

Limitations

Although we could not independently verify the accuracy and completeness of the Federal Marketplace data we received from CMS, we did take other quality control steps. These steps include testing for duplicates and other data integrity issues. Although we tested for missing data within a record (or inconsistency), we were unable to determine whether entire records were missing. Although these steps allowed us to identify and subsequently resolve some data issues, we cannot confirm that the data are free of all types of errors.

Standards

This study was conducted in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

FINDINGS

Our findings demonstrate that CMS cannot readily answer questions about inconsistencies, which are differences between self-attested information submitted by applicants and data received through Federal and other data sources. Data limitations preclude CMS from accurately counting and tracking inconsistencies by applicant. These limitations raise questions about the extent to which CMS can ensure the integrity of the enrollment process. Because of these shortcomings in the data, we limited our data analysis to those applicants enrolled in QHPs at any point during the first enrollment period. That analysis shows that the Federal Marketplace appears to have resolved or expired just under half of these inconsistencies from the first open enrollment period (October 1, 2013, through March 31, 2014).²⁶

The Federal Marketplace is unable to readily determine an accurate number of applicants with inconsistencies

The Federal Marketplace must track and count inconsistencies to manage the enrollment process with confidence that eligible applicants can enroll in QHPs and insurance affordability programs. However, it is unable to calculate the total number of applicants with inconsistencies because its data cannot uniquely identify an individual seeking to enroll in a QHP. Even through the 2015–16 open enrollment period, CMS remained unable to identify unique inconsistencies and unique applicants with inconsistencies.

Although the Federal Marketplace has the potential through many data fields to uniquely identify inconsistencies and applicants with inconsistencies, the data entered are not unique in some cases or in other cases are missing. Thus, using Social Security number, application identification number, and/or member identification number would result in either overcounting or undercounting inconsistencies.

Social Security Numbers. Social Security numbers cannot be used to uniquely identify individuals because not all eligible individuals have a Social Security number and the Federal Marketplace does not require their entry on the application. Moreover, we found many instances where individual Social Security numbers were associated with multiple application identification numbers.

²⁶ The Federal Marketplace created a special enrollment period to allow applicants who started an application by March 31, 2014, to finish the application and enrollment process by April 15, 2014. Our review also included this special enrollment period.

Application Identification Numbers. The application identification number also has limitations for counting inconsistencies. Multiple application identification numbers may be associated with a single applicant (see Exhibit 1). HealthCare.gov assigns an application identification number when an applicant submits an application for coverage. During the first open enrollment period, many applicants completed multiple applications because HealthCare.gov experienced outages and malfunctions. Some applicants submitted multiple applications online. Other applicants submitted applications online as well as in another format, such as by phone or in person. Unless these applications are manually linked within the system, their inconsistencies remain discrete—in other words, each inconsistency will be counted as if it were a unique inconsistency, leading to overcounting. The application identification number is also associated with all applicants listed on an application; for example, all members of one family listed on an application for coverage would have the same application identification number. The use of the same application number to cover multiple applicants further complicates an accurate count of individuals with inconsistencies.

Exhibit 1: Example of Overcounting When Using Application Identification Number

Name	Application Identification Number	Inconsistency
Jane Doe	12345678	Income
Jane Doe	98765432	Income
Jane Doe	56789102	Income



Overcounted by two inconsistencies: In this example, Jane Doe applied for coverage twice by phone and once online. Each application had a unique identification number, but the applications were otherwise identical. This resulted in multiple application numbers associated with the same person, Jane Doe.

Source: OIG analysis of inconsistency data from MIDAS (the Multidimensional Insurance Data Analytics System) for the first open enrollment period.

CMS officials stated that because of improvements to HealthCare.gov, they expect that applicants will no longer submit multiple applications.

CMS stated that it performs a data manipulation process to eliminate duplicate inconsistencies. If an applicant submits multiple versions of an application, CMS would count only one inconsistency for that applicant. However, CMS officials also stated that HealthCare.gov now prevents an individual from having more than one application ID for a given coverage year associated with his or her Federal Marketplace account.

Member Identification Numbers. Member identification numbers cannot be used to uniquely count applicants. We found thousands of instances in which one member identification number was assigned to individuals with different Social Security numbers. Consequently, using the member identification number would inaccurately count applicants.

CMS experienced challenges in using its inconsistency data. CMS was not able to extract accurate data on inconsistencies or to fully explain how it tracks inconsistencies in its data in a timely manner. OIG detected anomalies in the first three extracts of inconsistency data that CMS provided to OIG, leading CMS to acknowledge problems with those data extracts. OIG met with both technical experts and program officials from September 2014 through February 2016 to discuss our concerns with the accuracy of the data extracts. CMS provided us with useable data in its fourth extract in February 2016.

CMS was unable to efficiently manage the inconsistency resolution process

The inability to identify unique applicants or link duplicate inconsistencies created additional work for CMS in resolving inconsistencies, and it increased the burden on applicants because duplicate inconsistencies resulted in duplicate requests for information. For example, CMS would have attempted to reconcile each of Jane Doe's three inconsistencies (see Exhibit 1 on page 9) independently, thereby tripling the work needed to resolve one inconsistency. For each inconsistency, CMS would have sent a separate letter to the applicant, requesting the information necessary to resolve the inconsistency. If the applicant sent the information to resolve the inconsistency corresponding to *one* of the individual requests, the other two inconsistencies would have remained, and the applicant likely would have received additional requests for each of them. CMS officials stated that its process for eliminating duplicate inconsistencies now allows it to send one request-for-information letter per application, and this single letter covers all household members and inconsistencies on the application.

The Federal Marketplace appears to have resolved or expired just 42 percent of inconsistencies from the first open enrollment period for applicants enrolled in QHPs

Our analysis represents our best estimates of the outcomes of a limited portion of inconsistencies that occurred during the first open enrollment period—i.e., inconsistencies associated with those applicants that enrolled in QHPs at any time during the first open enrollment period.²⁷ Of this limited portion of inconsistencies, the Federal Marketplace resolved 40 percent and expired 2 percent. Moreover, 58 percent of these inconsistencies were neither expired nor resolved. Inconsistencies do not necessarily indicate that an applicant inappropriately enrolled in a QHP or insurance affordability program(s). However, the Federal Marketplace cannot ensure that the applicants meet the requirements unless it resolves their inconsistencies.

As Exhibit 2 shows, two types of inconsistencies—income and citizenship/nationality/lawful-presence status—were the most commonly resolved inconsistencies. These two types collectively represented 86 percent of all inconsistencies as well as 95 percent of the resolved inconsistencies.

Furthermore, one applicant can have multiple inconsistencies. The average number of inconsistencies for applicants with coverage effectuated during the first open enrollment period was 1.5; two-thirds of applicants had a single inconsistency each. Applicants can resolve inconsistencies by submitting information that matches the information in trusted data sources or that confirms the information that the applicant included in the original application for coverage.

²⁷ Because of shortcomings with the inconsistency data from the first open enrollment period, we could not analyze all inconsistencies from that time period. We limited our analysis of the inconsistency data to those applicants enrolled in QHPs. We determined that about 1.4 million of the applications that resulted in effectuated coverage had about 2.2 million inconsistencies.

Exhibit 2: Number and Status of Inconsistencies for Effectuated Enrollments by Type of Inconsistency, from the First Open Enrollment Period as of March 1, 2016

Inconsistency Type	Number of Inconsistencies*	Number and Percentage of Resolved Inconsistencies#	Number of and Percentage of Expired Inconsistencies	Number and Percentage of Inconsistencies Neither Resolved nor Expired
Income	1,003,648	350,221 (35%)	20,910 (2%)	632,612 (63%)
Citizenship/Nationality/Lawful-Presence Status	846,790	456,248 (54%)	25,859 (3%)	365,299 (43%)
Employer-Sponsored Coverage/Minimum Essential Coverage**	93,396	12 (<1%)	299 (<1%)	93,085 (>99%)
Incarceration Status	34,039	7,745 (23%)	58 (<1%)	26,237 (77%)
Indian Status	11,228	4,851 (43%)	33 (<1%)	6,345 (57%)
Public Non-Employer-Sponsored Coverage/Minimum Essential Coverage**	82,686	8,140 (10%)	274 (<1%)	74,273 (90%)
Social Security Number	84,035	25,957 (31%)	3,349 (4%)	54,772 (65%)
Total	2,155,822	853,174 (40%)	50,782 (2%)	1,252,623 (58%)

Source: OIG analysis of inconsistency data from MIDAS (the Multidimensional Insurance Data Analytics System) for first open enrollment period.

* The count of income inconsistencies is based on the total number of *applications* with an inconsistency; the counts of other types of inconsistencies are based on the number of *individuals* with an inconsistency. In addition, the sum of the three totals for inconsistencies that were resolved, expired, and neither resolved nor expired, respectively, may not equal the total for the "Number of Inconsistencies" column. This is because some applicants may have had inconsistencies that the marketplace initially expired but that were resolved when the applicants subsequently reapplied for QHPs.

** See footnote 15 on page 4.

Does not include inconsistencies where the consumer was able to resolve or remove the inconsistency on their own.

The Federal Marketplace could not resolve inconsistencies with citizenship/nationality/lawful-presence status, income, or employer-sponsored coverage/minimal essential coverage for the majority of the first open enrollment period.²⁸ CMS stated that since that time it has developed procedures to resolve all types of inconsistencies. However, OIG has not independently tested CMS's ability to resolve these types of inconsistencies.

The Federal Marketplace also expired 2 percent (50,782) of all inconsistencies (see Exhibit 2). The Federal Marketplace expires inconsistencies when the applicant has not provided documentation to support information attested to on the application. Expired inconsistencies can result in either terminated coverage or reduced or discontinued

²⁸ The only data source available to the Federal Marketplace to resolve inconsistencies regarding employer-sponsored coverage/minimum essential coverage is the Office of Personnel Management, which covers only Federal employees.

financial assistance through insurance affordability programs. The number of expired inconsistencies also represents just 4 percent of the 1.3 million inconsistencies that the Federal Marketplace did not resolve.²⁹

According to CMS officials, the Federal Marketplace granted a “good-faith effort” extension to the inconsistency period for all applicants who submitted any documentation to resolve the inconsistency in the first enrollment period. A 2015 OIG audit found that the Federal Marketplace extended these inconsistency periods indefinitely on the basis of applicants’ good-faith efforts and accepted documentation that was not relevant to the specific inconsistencies that were unresolved.³⁰ Although the Federal Marketplace may extend the inconsistency period on a case-by-case basis, we are unable to determine the extent to which applicants with unresolved inconsistencies received extensions.

²⁹ The figure of 4 percent is based on the number of expired inconsistencies (50,782) divided by the number of inconsistencies that were not resolved (1,302,648).

³⁰ OIG, *Not All of the Federally Facilitated Marketplace’s Internal Controls Were Effective in Ensuring That Individuals Were Properly Determined Eligible for Qualified Health Plans and Insurance Affordability Programs*. A-09-14-01011, August 2015.

CONCLUSION AND RECOMMENDATION

In this study, data limitations precluded us from accurately counting and tracking all inconsistencies through the resolution process. Furthermore, our analysis shows that for those applicants with coverage at any point during coverage year 2014, the Federal Marketplace appears to have resolved or expired 42 percent of inconsistencies from the first open enrollment period. Even through the third open enrollment period, CMS was still unable to identify unique inconsistencies and applicants with inconsistencies.

Inconsistencies do not necessarily indicate that an applicant inappropriately enrolled in a QHP or insurance affordability program(s). However, CMS's inability to readily identify and resolve these inconsistencies raises questions about the extent to which CMS can ensure the integrity of the enrollment process.

CMS's inability to extract accurate data in a timely manner calls into question whether it is able to answer basic questions about inconsistencies, particularly the number of individuals who have inconsistencies. Furthermore, the findings demonstrated CMS's inability to efficiently manage the inconsistency resolution process and limit the burden it placed on applicants with redundant requests for documentation. CMS should be able to use inconsistency data to fulfill its responsibility to ensure that eligibility determinations are correct for applicants.

Therefore, we recommend that CMS:

Improve its management of the inconsistency resolution process to ensure that it can readily identify all applicants with inconsistencies.

CMS should refine its data management system so that it can track unique individuals and readily count the number of each type of inconsistency and determine whether those inconsistencies are unresolved, resolved, or expired.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

On January 9, 2017, CMS's Acting Administrator at that time, Andrew Slavitt, provided CMS comments on OIG's draft report. CMS concurred with our recommendation to improve its management of the inconsistency resolution process to ensure that it can readily identify all applicants with inconsistencies.

CMS acknowledged problems with the 2014 data and told us that it improved the process for tracking and reporting on applicants and inconsistencies in the subsequent years. CMS further noted that it had reduced the number of duplicate inconsistencies. Finally, CMS stated that it currently has the ability to track inconsistencies by type and individual consumer.

For the full text of CMS's comments, see Appendix B.

APPENDIX A: DETAILED METHODOLOGY

This study is based on our analysis of Federal Marketplace data for inconsistencies occurring during the first open enrollment season of the Federal Marketplace, as well as interviews with CMS staff and contractors and a site visit to the Federal Marketplace.

Analysis of Federal Marketplace Data

We requested all Federal Marketplace data for inconsistencies that occurred during the first open enrollment season from October 1, 2013, through March 31, 2014.³¹ We excluded inconsistencies related to Medicaid and CHIP because States—not the Federal Marketplace—address these types of inconsistencies.

To determine the extent to which the Federal Marketplace resolves and expires inconsistencies, we analyzed inconsistency data only for applications that resulted in the creation of a health or dental insurance policy. For this analysis, we selected inconsistencies where the policy status was “effectuated” (resulted in coverage) or “canceled” (an insurance policy was created but was subsequently canceled).

Counting inconsistencies – We calculated the total numbers of income inconsistencies and other inconsistencies differently.

- *Income inconsistencies* – We calculated the number of income inconsistencies based on the unique number of application identification numbers that had an income inconsistency associated with them. We were able to use the application identification number because only the head of household or tax filer would have an income inconsistency, even if there were multiple applicants on the application.
- *Other inconsistencies* – Because the data lacked a unique identifying number, we created a proxy variable by combining personal tracking number and the member identification number. We then used this variable to calculate the number of the inconsistencies by applicant for citizenship/nationality/lawful-presence status, incarceration status, Indian status, Social Security number, employer-sponsored coverage/minimum essential coverage, and public non-employer-sponsored coverage/minimum essential coverage.

³¹ 45 CFR § 155.410. The Federal Marketplace created a special enrollment period to allow applicants who started an application by March 31, 2014, to finish the application and enrollment process by April 15, 2014.

- *Counting resolved and expired inconsistencies* – We determined the number of inconsistencies that were resolved and expired based on CMS’s definitions that indicated the status of the inconsistency. For income inconsistencies, we used unique application numbers to calculate the numbers of resolved and expired inconsistencies. For other types of inconsistencies, we used the unique combination of the personal tracking number and member identification number to calculate the numbers of resolved and expired inconsistencies.

Interviews with CMS Staff and Contractors

We interviewed CMS staff and contractors from September 2014 through December 2016 to learn about the data management for inconsistencies and the resolution process for inconsistencies. We also met with CMS to discuss the Federal Marketplace data and the limitations associated with using these data.

Site Visit at the Federal Marketplace

We conducted a site visit at an office of the Federal Marketplace in December 2014. We conducted structured interviews with Federal Marketplace staff members to learn about the inconsistency resolution process and how the Federal Marketplace expires inconsistencies.

APPENDIX B: AGENCY COMMENTS



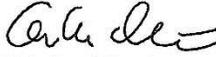
DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

JAN -9 2017

200 Independence Avenue SW
Washington, DC 20201

To: Daniel R. Levinson
Inspector General

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

Subject: Office of Inspector General (OIG) Draft Report: Data Inadequacies Undermine CMS's Oversight of the Inconsistency Resolution Process for the Federal Marketplace, OEI-01-14-00620

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of Inspector General's (OIG) draft report. CMS is committed to accurately verifying the eligibility of consumers who apply for enrollment in qualified health plans (QHPs) through a Federally-facilitated Marketplace (Marketplace) or for insurance affordability programs. CMS takes seriously its responsibilities to protect taxpayer funds, while making coverage available to eligible individuals.

Since the first open enrollment season, CMS has made improvements both to the consumer experience and the efficiency of operations. For example, CMS has reduced the burden on applicants by consolidating information relating to all inconsistencies on an application into one letter sent to the household contact for all applicants on the application. In addition, CMS has also addressed system issues that contributed to the items identified in the OIG's draft report. Some of these system issues occurred during the first open enrollment period and have since been rectified.

As part of efforts to accurately verify eligibility, CMS uses technology that allows the federal government to provide individuals with real-time, electronic eligibility verification via the Federal Data Services Hub (Hub). The Hub provides a secure electronic connection between the Marketplace and already-existing federal, state, and private databases. These databases are used to verify the eligibility information in each application by matching it against trusted data sources. The Hub supported tens of millions of data verifications during the first three open enrollment periods.

Sometimes an applicant's eligibility cannot be verified in real time by the 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 data contained within the trusted data sources, which may be out of date when a consumer submits an application. The statute accounts for these

situations. If an applicant provides information that cannot be verified by the trusted data sources, then the statute requires the Marketplace to make a reasonable effort to identify and address the cause of the inconsistency.

Consistent with the law and regulations, when such an inconsistency is identified, the Marketplace contacts the applicant to confirm the information, and if this does not resolve the issue, provides the applicant the opportunity to present satisfactory documentary evidence to resolve the inconsistency within 90 or 95 days (as applicable, depending on the inconsistency type). During this inconsistency resolution period, the Affordable Care Act (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. If an applicant does not provide satisfactory documentation within the required time, the Marketplace will determine the applicant's eligibility based on the information contained within the trusted data sources, as required by the law.

CMS has an extensive resolution process in place to resolve inconsistencies and is continuously improving and refining those processes. In 2015, the Marketplace ended coverage 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 advanced premium tax credit (APTC) and/or cost sharing reduction (CSR) adjusted. For 2016 coverage, as of June 30, 2016, the Marketplace ended coverage 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 coverage and/or adjust APTC and/or CSR amounts as appropriate.

To protect the integrity of the Marketplace and in accordance with the eligibility process created by the ACA, at the end of the tax year, every tax filer on whose behalf APTC were paid must file a federal income tax return to reconcile the APTC received. The IRS, through the tax filing process, reconciles the difference between the APTC paid to the Qualified Health Plan (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.

CMS appreciates OIG's attention to these issues and is committed to continuing our work with OIG to improve our system.

OIG Recommendation 1

CMS should improve its management of the inconsistency resolution process ensuring that it can readily identify all applicants with inconsistencies. CMS should refine its data management system so that it can track unique individuals and readily count the number of each type of inconsistency, and whether those inconsistencies are unresolved, resolved, or expired.

CMS Response

CMS concurs with this recommendation. CMS recognizes there were issues with 2014 data and has improved processes for tracking and reporting on applicants and inconsistencies in the subsequent years. After the end of the 2014 coverage year, CMS focused efforts on addressing unresolved and unexpired inconsistencies for consumers who continued their Marketplace enrollment for 2015 coverage. Over the last three open enrollment periods, CMS has significantly reduced the number of duplicate inconsistencies created in its systems and has processes in place to de-duplicate data for inconsistency resolution and tracking purposes. CMS currently has the ability to track inconsistencies by inconsistency type and individual consumer.

ACKNOWLEDGMENTS

This report was prepared under the direction of Joyce Greenleaf, Regional Inspector General for Evaluation and Inspections in the Boston regional office, and Russell Hereford and Kenneth Price, Deputy Regional Inspectors General.

Danielle Fletcher served as the team leader for this study, and Maria Maddaloni served as the lead analyst. Central office staff who provided support include Eddie Baker, Jr., Evan Godfrey, and Christine Moritz.

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