



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



JUN 30 2014

The Honorable Joseph R. Biden, Jr.
President of the Senate
Washington, DC 20510

Dear Mr. President:

Please find enclosed the results of the review conducted by the Department of Health and Human Services Office of Inspector General (HHS OIG) in fulfillment of the requirement set out in the Continuing Appropriations Act of 2014, Pub. L. No. 113-46, Division B. That Act directs HHS OIG to examine and report to Congress regarding:

...the effectiveness of procedures and safeguards provided under the Patient Protection and Affordable Care Act (ACA) for preventing the submission of inaccurate or fraudulent information by applicants for enrollment in a qualified health plan offered through an American Health Benefit Exchange (marketplace).

The report, entitled *Not All Internal Controls Implemented By The Federal, California, And Connecticut Marketplaces Were Effective In Ensuring That Individuals Were Enrolled In Qualified Health Plans According To Federal Requirements*, examines internal controls in place at selected marketplaces with respect to: (1) verifying the identity of applicants and entering application information, (2) determining eligibility of applicants for enrollment in a Qualified Health Plan and for receipt of the advance premium tax credits and cost-sharing reductions, and (3) maintaining and updating enrollment data. We also determined that resolution of inconsistencies detected during the process of verifying applicant information was a risk area that merited additional attention. Thus, we conducted a separate evaluation and are today also issuing a second report, entitled *Marketplaces Faced Early Challenges Resolving Inconsistencies With Applicant Data*, addressing whether and how marketplaces resolved inconsistencies between applicants' self-attested information and the data received through the Federal Data Hub and other data sources.

Given the importance of this topic, I would also like to take this opportunity to provide some supplementary information concerning this and coming work in connection with the Department's implementation and oversight of the health insurance marketplaces established by the ACA.

These are the first two reports in a series relating to operations of the marketplaces. HHS OIG's continuing work and the work of our oversight partners will provide an increasingly detailed body of data for policy makers and stakeholders concerning marketplaces.¹

We began our body of work with an internal control audit. This type of audit can reveal whether there are reasonable assurances that the marketplace's eligibility verification procedures are effective and in compliance with law and can pinpoint where operational improvements are needed. Importantly, an internal control deficiency or an inconsistency in an applicant's information does not necessarily mean that an individual was improperly enrolled or wrongly received financial assistance through insurance affordability programs. Ongoing and future planned work by HHS OIG will examine the internal controls for determining income to meet eligibility requirements and the accuracy of benefit payments.

During our audit fieldwork, we requested access to income verification information provided to the marketplaces by the Internal Revenue Service (IRS). A question arose as to whether this Federal taxpayer information (FTI) could be disclosed to us under the Internal Revenue Code provision that protects the privacy of taxpayer information. We sought guidance from IRS. Because of our statutory deadline, our fieldwork ended while IRS was deliberating, so we could not directly test the marketplaces' procedures for determining applicants' eligibility for insurance affordability programs and the amounts of advance premium tax credits and cost-sharing reductions. IRS has since advised that HHS OIG does have access to FTI maintained by the Federal marketplace for purposes of this review. Accordingly, we are planning additional audit work. We remain in consultation with IRS concerning access to FTI at the State marketplaces and will schedule additional work accordingly. We note that IRS officials have been helpful in assisting us in navigating the complex and important provisions of the Internal Revenue Code protecting individuals' tax return information.

In closing, we have appreciated the cooperation and professionalism shown by the marketplaces in assisting with our audit work. If you have questions concerning the enclosed reviews, please do not hesitate to contact me or your staff may contact Christina Hinkle, Director of Congressional and Regulatory Affairs, at 202-401-2206 or christina.hinkle@oig.hhs.gov.

Sincerely yours,



Daniel R. Levinson
Inspector General

Enclosures

¹ For a description of some additional ongoing audits and evaluations, please consult Appendix A to our Work Plan, found at <http://oig.hhs.gov/reports-and-publications/archives/workplan/2014/Work-Plan-2014.pdf>. HHS OIG continues to plan and start new work focused on the marketplaces.