

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**MARKETPLACES FACED  
EARLY CHALLENGES  
RESOLVING  
INCONSISTENCIES WITH  
APPLICANT DATA**



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June 2014  
OEI-01-14-00180

**EXECUTIVE SUMMARY: Marketplaces Faced Early Challenges Resolving Inconsistencies with Applicant Data**  
**OEI-01-14-00180**

**WHY WE DID THIS STUDY**

This evaluation examines how the Federal and State health insurance marketplaces ensured the accuracy of information submitted by applicants for enrollment in qualified health plans and for advance payment of premium tax credits and cost sharing reductions. This evaluation complements a separate Office of Inspector General report (A-09-14-01000) issued in response to the mandate in the Continuing Appropriations Act, 2014, by providing an analysis of how and the extent to which marketplaces resolved inconsistencies between applicants' self-attested information and the data received through the Federal Data Hub or from other data sources.

**HOW WE DID THIS STUDY**

We requested data on inconsistencies for October through December 2013 from all marketplaces although four did not provide any. We conducted interviews or site visits with the staffs at the Federal marketplace and all 15 State marketplaces between January and March 2014. We reviewed each marketplace's policies and procedures for resolving inconsistencies.

**WHAT WE FOUND**

During the period of our review, marketplaces were unable to resolve most inconsistencies, which they reported most commonly as citizenship and income. Each applicant can have multiple inconsistencies. Inconsistencies do not necessarily indicate that an applicant provided inaccurate information or is enrolled in a qualified health plan or is receiving financial assistance through insurance affordability programs inappropriately. Specifically, the Federal marketplace was unable to resolve 2.6 million of 2.9 million inconsistencies because the Centers for Medicare & Medicaid Services (CMS) eligibility system was not fully operational. The abilities of State marketplaces to resolve inconsistencies varied. Four State marketplaces reported that they were unable to resolve inconsistencies, seven reported that they resolved inconsistencies without delay, one reported that it resolved only some inconsistencies, and three reported that their State Medicaid offices resolved inconsistencies. We also found that data on inconsistencies are limited. For example, the Federal marketplace could not determine the number of applicants who had at least one inconsistency. Finally, marketplaces faced challenges resolving inconsistencies despite having policies and procedures in place.

**WHAT WE RECOMMEND**

CMS should develop and make public a plan on how and by what date the Federal marketplace will resolve inconsistencies. CMS should conduct additional oversight of State marketplaces to ensure that they are resolving inconsistencies according to Federal requirements. CMS concurred with both of our recommendations.

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## OBJECTIVE

To determine how and to what extent the Federally facilitated marketplace and State-based marketplaces resolved inconsistencies between self-attested applicant information and data received through the Federal Data Services Hub (Data Hub) or from other data sources for eligibility to enroll in a qualified health plan (QHP) and for advance payments of the premium tax credit and cost-sharing reductions.

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## BACKGROUND

### **Health Insurance Marketplaces**

The Patient Protection and Affordable Care Act (ACA) requires the establishment of a health insurance exchange (marketplace) in each State.<sup>1,2</sup> For States that elected not to establish their own marketplaces, the Federal Government was required to operate a marketplace on behalf of the State. A marketplace is designed to serve as a one-stop shop where individuals can obtain information about their health insurance options, determine eligibility for QHPs and insurance affordability programs, and select the QHP of their choice. QHPs are private health insurance plans that each marketplace recognizes and certifies as meeting certain standards and covering a core set of benefits.

As of October 1, 2013, the Centers for Medicare & Medicaid Services (CMS) operated the Federally facilitated marketplace (Federal marketplace) for 36 States, consisting of 29 States that use the Federal marketplace and 7 State-partnership marketplaces. Fifteen States (including the District of Columbia) operated their own marketplaces (State marketplaces). See Appendix A for a complete list of all Federal, State, and State-partnership marketplaces.<sup>3</sup>

### **Insurance Affordability Programs**

The ACA provides two types of insurance affordability programs to lower insurance premiums and out-of-pocket costs for those who enroll in a

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<sup>1</sup> P.L. 111-148, §§ 1311(b), 1321(c) (March 23, 2010), as amended by the Health Care Reconciliation Act of 2010, P.L. 111-152 (March 30, 2010), collectively known as ACA.

<sup>2</sup> CMS, *Creating a New Competitive Health Insurance Marketplace*. Accessed at: [www.cciio.cms.gov](http://www.cciio.cms.gov) on November 8, 2013. The ACA uses the term “exchanges” to refer to competitive marketplaces for insurance. However, CMS now uses the term “marketplaces.”

<sup>3</sup> A State may establish a State-partnership marketplace, in which the Department of Health and Human Services and the State share responsibilities for core functions.

QHP: premium tax credits and cost-sharing reductions. Applicants may be eligible for either or both types of insurance affordability programs.<sup>4,5</sup>

*Premium tax credits.* The premium tax credit reduces the cost of insurance premiums to the applicant. In general, the premium tax credit is available on a sliding scale to individuals and families with incomes between 100 percent and 400 percent of the Federal Poverty Level. Premium tax credits can either be paid directly to the insurance plan (i.e., QHP issuers) in advance as a premium tax credit, or taken as a tax credit when an individual files a tax return. If the applicant chooses the advance premium tax credit, the Internal Revenue Service (IRS) will reconcile the actual credit amount made on behalf of the individual when an individual files a tax return at the close of the year.

*Cost-sharing reductions.* Whereas the premium tax credit reduces the cost of monthly insurance premiums, cost-sharing reduction lessens out-of-pocket expenditures for such costs as co-payments, deductibles, and coinsurance. Cost-sharing reductions are available to individuals and families with incomes between 100 and 250 percent of the Federal Poverty Level. Cost-sharing reductions are available only for an eligible individual enrolled in a silver-level QHP or for an individual who is an Indian enrolled in a QHP.<sup>6</sup>

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<sup>4</sup> For the purpose of this report, the term “applicant” refers to both the person who completes the application (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.

<sup>5</sup> ACA §§ 1401 & 1402; 45 CFR § 155.305(f).

<sup>6</sup> 45 CFR § 155.305(g). Indians may receive cost-sharing reductions without selecting a silver-level plan if their income does not exceed 300 percent of the Federal poverty level (ACA §§ 1402 and 2901 and 45 CFR § 155.350). “Indian” is defined as an individual who meets the definition in section 4(d) of the Indian Self-Determination and Education Assistance Act (ISDEAA), P.L. No. 93-638. Under section 4(d), “Indian” is a person who is a member of an Indian tribe. The ISDEAA defines “Indian tribes” as “any Indian tribe, Band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians” (25 U.S.C. § 450b(e)).

A silver-level QHP must provide benefits that are actuarially equivalent to 70 percent of the average share of covered benefits paid by the plan. ACA § 1302(d)(1)(B) and 45 CFR § 156.140.

## Eligibility for QHPs and Insurance Affordability Programs

Each marketplace determines an applicant's eligibility to select a QHP and eligibility for insurance affordability programs.<sup>7</sup> To determine eligibility, an applicant must complete an application through the marketplace Web site (online), which is either HealthCare.gov or the State marketplace Web site, depending on the applicant's State of residence; by telephone; by mail; in person; or directly with a QHP issuer's agent. The applicant must submit and attest to information such as Social Security number, income, citizenship status, and number of dependents.<sup>8</sup>

An applicant must meet certain eligibility requirements defined by the ACA to select a QHP. An 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.<sup>9</sup> To be eligible for an insurance affordability program, an applicant must meet additional requirements related to household income, not be eligible for other minimum essential coverage, and provide self-attested information on family size.<sup>10</sup>

*Federal Data Hub.* A marketplace verifies an applicant's self-attested information through electronic data sources, including sources that are available through the Data Hub.<sup>11</sup> The Data Hub is a single conduit for a marketplace to send and receive electronic data from multiple Federal agencies; it does not store data. Federal agencies connected to the Data Hub include the Department of Health and Human Services (HHS), Internal Revenue Services (IRS), Social Security Administration (SSA), and Department of Homeland Security. A marketplace uses the Data Hub to verify that the applicant's information is consistent with Federal data sources, such as tax filings and Social Security data.<sup>12</sup>

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<sup>7</sup> Marketplaces perform a number of other functions that include certifying available QHPs, operating Web sites to facilitate comparisons among QHPs, and operating toll-free hotlines for consumer support.

<sup>8</sup> When any verification relies on the attestation of the applicant, this 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)].

<sup>9</sup> ACA § 1312; 45 CFR § 155.305(a). A person must not be incarcerated other than incarceration pending the disposition of charges.

<sup>10</sup> 45 CFR §§ 155.305 & 155.320. 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).

<sup>11</sup> Some State marketplaces reported accessing State data, in addition to the Data Hub, to verify applicant information. These include, for example, State Department of Correction data and State quarterly wage data.

<sup>12</sup> ACA § 1411(c)(4).

Generally, a marketplace is required to verify the following data to determine the eligibility of an applicant: Social Security number, citizenship/national status/lawful presence, residency, income, family size, incarceration status, or status as an Indian, and for other minimum essential coverage.<sup>13</sup> If the marketplace is able to verify the applicant's eligibility through the Data Hub or with other data sources, the applicant can select a QHP.<sup>14</sup> The 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.<sup>15</sup>

*Inconsistencies between applicant information and Federal data sources or other data sources.* In some circumstances, the marketplace cannot verify an applicant's information through available data sources. When this happens, it is referred to as an inconsistency. This may arise when Federal data available through the Data Hub or data from other sources are unavailable or do not exist, or because the information on the application does not match the data received through the Data Hub or from other data sources. For these purposes, applicant information is considered to match data from other sources if it is reasonably compatible with the applicant's attestation such that any difference does not affect the eligibility of the applicant. The marketplace must resolve any inconsistencies.<sup>16</sup> See Chart 1 on page 7.

The marketplace must first make a reasonable effort to identify and address the causes of the inconsistency by contacting the applicant to confirm the accuracy of the information on the application. If the marketplace is unable to resolve the inconsistency through reasonable efforts, it must generally provide the applicant 90 days from the date the notice is sent to the applicant to present satisfactory documentation to resolve the inconsistency (referred to as "the inconsistency period").<sup>17</sup> During the inconsistency period, the applicant may choose to enroll in a

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<sup>13</sup> 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).

<sup>14</sup> If eligible, applicants are referred to Medicaid or the Children's Health Insurance Program (CHIP).

<sup>15</sup> Generally, a "tax filer" is an individual (or married couple) who indicates that they are filing an income tax return for the benefit year. 45 CFR § 155.300(a).

<sup>16</sup> 45 CFR § 155.300(d).

<sup>17</sup> ACA §1411(e)(3) & (4).; 45 CFR 155.315(f).

QHP and may be eligible for insurance affordability programs, if applicable.<sup>18</sup> 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.<sup>19</sup>

A marketplace may extend the 90-day inconsistency period if an applicant demonstrates that a good-faith effort has been made to submit required documentation.<sup>20</sup> Additionally, for enrollments in 2014, the Secretary of HHS has the authority to extend the 90-day inconsistency period for all marketplaces. However, this extension does not apply to inconsistencies pertaining to citizenship and immigration status.<sup>21</sup>

One of four outcomes can result when a marketplace attempts to resolve an inconsistency:<sup>22</sup>

**Outcome 1: Marketplace determines that applicant is eligible for a QHP and an insurance affordability program, if applicable, using applicant-supplied information.** The marketplace is able to resolve the inconsistency when it receives and verifies applicant-submitted information pertaining to that inconsistency. For example, the applicant provides a Certificate of Naturalization to resolve an inconsistency with citizenship.

**Outcome 2: Marketplace determines that applicant is eligible for a QHP or an insurance affordability program using data from the Data Hub or other data sources.** If the marketplace is unable to resolve inconsistencies at the end of the 90-day period using applicant-supplied information, then the marketplace must determine the applicant's eligibility using the information available from the Data Hub or other data sources. In this outcome, the applicant is determined eligible for a QHP and insurance affordability programs if the data sources show that he or she meets the criteria, even if those data sources are still inconsistent with applicant-submitted information.<sup>23</sup>

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<sup>18</sup> 45 CFR § 155.315(f)(4).

<sup>19</sup> Ibid.

<sup>20</sup> 45 CFR § 155.315(f)(3).

<sup>21</sup> ACA § 1411(e)(4).

<sup>22</sup> For 2014 only, an additional outcome exists for a specific subset of inconsistencies with income. See 78 Fed. Reg. 42160, 42254 (July 15, 2013); CMS, *Frequently Asked Questions on Health Insurance Marketplaces and Income Verification* (Aug. 5, 2013).

<sup>23</sup> 45 CFR § 155.315(f)(5).



**Outcome 3: Marketplace determines that applicant is not eligible for a QHP or insurance affordability program because data sources indicate the applicant is not eligible or data from data sources are not available.** Like Outcome 2, the marketplace must determine the applicant's eligibility based on the information available from the Data Hub or other data sources.<sup>24</sup> In this outcome, the data sources indicate that the applicant is ineligible. Therefore, the marketplace could terminate QHP coverage and/or terminate insurance affordability programs or adjust them accordingly after the inconsistency period.<sup>25</sup>

**Outcome 4: Marketplace determines that applicant is eligible based on applicant's attestation (except for citizenship and immigration status).** Finally, the marketplace may make an exception for special circumstances if inconsistencies remain unresolved. If an applicant is unable to resolve an inconsistency because the documentation does not exist or is not reasonably available, then the marketplace may, on a case-by-case basis, accept an applicant's attestation along with an explanation of why the documentation is not available.<sup>26</sup> The marketplace cannot accept an applicant's attestation for citizenship or immigration status if it is unable to resolve this inconsistency.<sup>27</sup>

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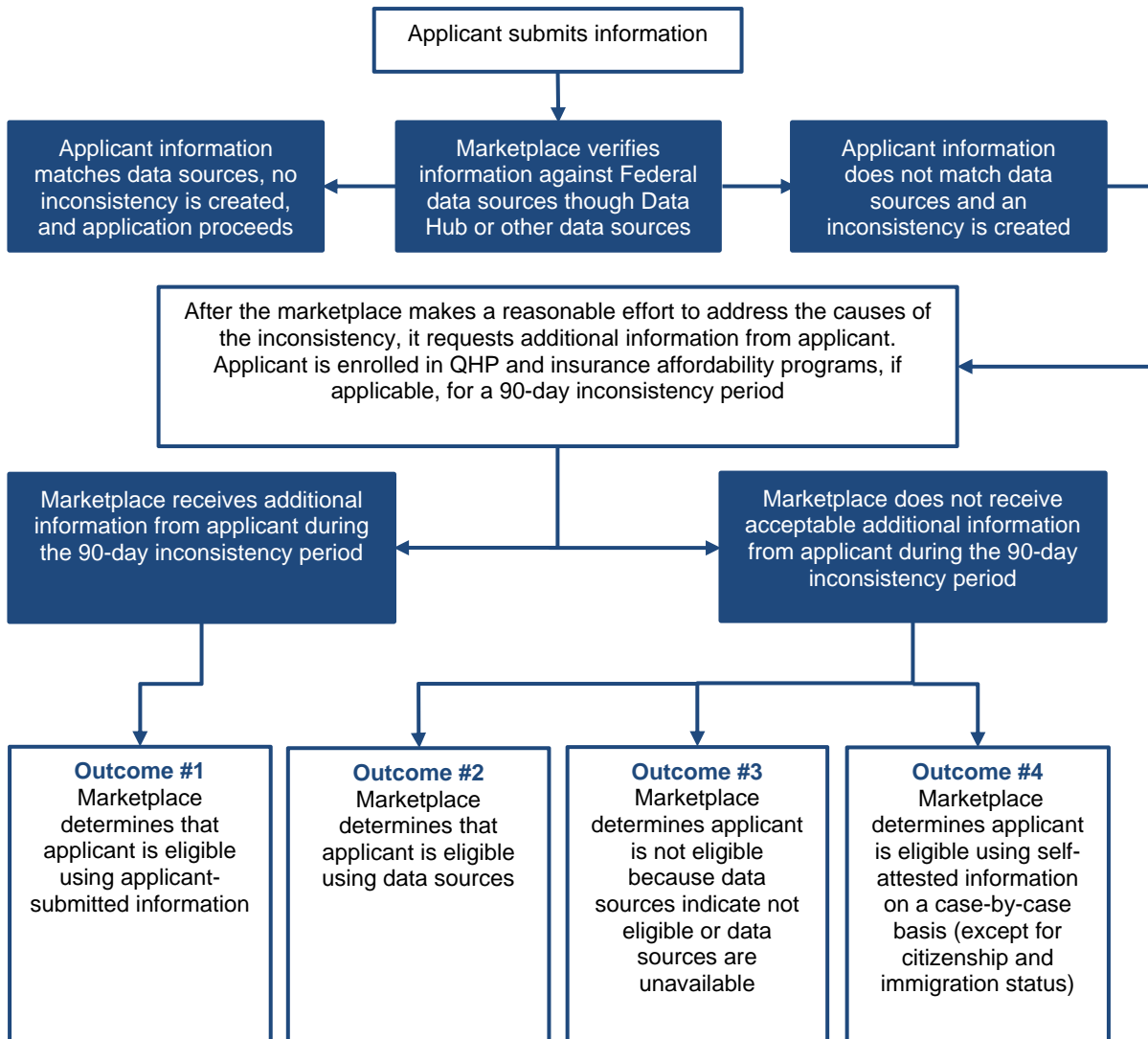
<sup>24</sup> CMS has stated that if any of the data sources in § 155.315 are unavailable, the Exchange must notify the applicant that the marketplace finds the applicant ineligible (77 Fed. Reg. 18310, 18359).

<sup>25</sup> 45 CFR § 155.315(f)(5).

<sup>26</sup> 45 CFR § 155.315(g).

<sup>27</sup> ACA § 1411(e)(3) & 45 CFR § 155.315(g).

**Chart 1: Steps and Outcomes for Resolving Inconsistencies**



## **Related Office of Inspector General Work**

This evaluation complements a separate Office of Inspector General (OIG) report issued in response to the mandate in the Continuing Appropriations Act, 2014.<sup>28</sup> The companion audit report is 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*, (A-09-14-01000).

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## **METHODOLOGY**

### **SCOPE**

This study covers the early implementation of the Federal and State marketplaces' efforts to resolve inconsistencies between self-attested applicant information and data received through the Data Hub or other data sources for QHPs and insurance affordability programs for the period October 2013 through December 2013. We did not review inconsistency data for Medicaid or CHIP for this study.

### **Data Sources**

*Document review of marketplace policies and procedures.* We requested policies, procedures, and training materials for resolving inconsistencies from the Federal marketplace and each State marketplace. We received these documents from the Federal marketplace and 14 of the 15 State marketplaces. Marketplaces provided documents that were current at the time of our request in February 2014. The Nevada marketplace did not provide policies or procedures for resolving inconsistencies.

*Marketplace data on resolving inconsistencies.* We requested data on inconsistencies for October through December 2013 from the Federal marketplace and each State marketplace. We asked for the number of applicants with inconsistencies for QHP eligibility and insurance affordability programs and counts for each type of inconsistency occurring (e.g., income, citizenship, Social Security number).

We received data from the Federal marketplace and 11 of the 15 State marketplaces. Some marketplaces provided inconsistency data for periods other than October through December 2013. The Federal marketplace provided data from October 1, 2013, through February 23, 2014. The Washington State marketplace provided data for October 1, 2013, through

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<sup>28</sup> P.L. No. 113-46 § 1001(c) (Oct. 17, 2013).

March 3, 2014. The Colorado, Minnesota, Oregon, and Nevada marketplaces did not provide data on inconsistencies.

To determine the most common inconsistencies for each marketplace, we calculated the total number of inconsistencies and the percentage of the total for each type of inconsistency. We determined the most common inconsistencies for the Federal marketplace and for each of the State marketplaces. We did not sum all State marketplace data together because the different time periods and methods each marketplace used did not allow for a comparison across State marketplaces.

*Interviews and site visits with State marketplaces.* We conducted site visits at the State marketplaces in California, Connecticut, Massachusetts, New York, Oregon, and Washington State. We conducted telephone interviews with the remaining nine State marketplaces. We selected the State marketplaces for site visits on the basis of geographic diversity. We conducted structured interviews with marketplace staff members and reviewed policies and procedures for resolving inconsistencies. We asked State marketplace staff about their policies, practices, and training for resolving inconsistencies. We conducted the site visits and telephone calls between January and March 2014. We analyzed the responses from the interviews for common themes.

*Site visit with the Federal marketplace.* We conducted a site visit at the Federal marketplace in February 2014. We conducted structured interviews with Federal marketplace staff members and reviewed policies and procedures for resolving inconsistencies. We asked the Federal marketplace staff about their policies, practices, and training for resolving inconsistencies.

## **Limitations**

All data in our analysis are self-reported from the Federal marketplace and State marketplaces. We did not independently verify the data that the Federal marketplace and State marketplaces provided or the information reported in interviews and site visits.

In some cases, marketplaces provided data on enrollment and inconsistencies that were based on definitions and time periods other than those we requested. Thus, these data are not comparable across marketplaces.

## **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.

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## FINDINGS

### **Marketplaces were unable to resolve most inconsistencies, which they reported most commonly as citizenship and income**

An inconsistency occurs when a marketplace is unable to verify self-attested applicant information with the data received through the Data Hub or from other data sources or when data sources are unavailable during an outage. Each applicant can have multiple inconsistencies; however, inconsistencies do not necessarily indicate that an applicant provided inaccurate information or is enrolled in a QHP or is receiving financial assistance through insurance affordability programs inappropriately. At the time of our evaluation, the Federal marketplace was unable to determine the individual number of applicants with inconsistencies; therefore, we cannot determine the percentage of all applicants that had at least one inconsistency. In addition, data on inconsistencies may have been overstated because some applicants submitted multiple applications, for reasons described below.

#### ***The Federal marketplace was unable to resolve 89 percent of inconsistencies***

As of the first quarter of 2014, the Federal marketplace was unable to resolve about 2.6 million of 2.9 million inconsistencies because the CMS eligibility system was not fully operational. It was unable to resolve inconsistencies even if applicants submitted appropriate documentation. These inconsistencies pertained to citizenship, national status, and lawful presence; income; and employer-sponsored minimum essential coverage.<sup>29</sup> On the other hand, the Federal marketplace was capable of resolving more than 330,000 inconsistencies with Social Security number, non-employer minimum essential coverage, incarceration status, and whether the applicant is an Indian. However, during the same reporting period, the Federal marketplace reported that it had actually resolved only about 10,000 such inconsistencies, or less than 1 percent of the total. See Table 1 for Federal marketplace inconsistency data. CMS said that it was working toward being able to process all inconsistencies.

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<sup>29</sup> Because of the lack of data sources for verifying both residency and family size, marketplaces generally may accept attestation without further verification as the basis for eligibility. 45 CFR §§ 155.315(d) and .320(c)(3)(i)(A). Thus, for these two eligibility requirements, there may have been few, if any, inconsistencies to resolve.

**Table 1: Number and Percentage of Inconsistencies That the Federal Marketplace Was Unable and Able to Resolve as of February 23, 2014**

Type of inconsistency unable to be resolved	Number of Inconsistencies*	Percentage of Total Inconsistencies†
Citizenship/national status/lawful presence	1,295,571	44%
Income	960,492	33%
Employer-sponsored minimum essential coverage	355,717	12%
<b>Subtotal</b>	<b>2,611,780</b>	<b>89%</b>
Type of inconsistency able to be resolved		
Social Security number	132,278	5%
Non-employer-sponsored minimum essential coverage	110,220	4%
Incarceration status	75,013	3%
Indian status	20,320	1%
<b>Subtotal</b>	<b>337,831</b>	<b>11%</b>
<b>Total Inconsistencies</b>	<b>2,949,611</b>	

Source: CMS data, February 24, 2014.

\* Each applicant can have multiple inconsistencies. Inconsistencies do not necessarily indicate that an applicant provided inaccurate information or is enrolled in a QHP or receiving insurance affordability benefits inappropriately.

†Totals do not sum due to rounding.

The Federal marketplace was generally incapable of resolving most inconsistencies. Without the ability to resolve inconsistencies in an applicant’s eligibility data, the marketplace cannot ensure that an applicant meets each of the eligibility requirements for enrollment in a QHP and when applicable, eligibility for insurance affordability programs. Additionally, because of the Federal marketplace’s inability to resolve most inconsistencies, we were unable to determine the number of applicants who may have exceeded the 90-day inconsistency period or for whom the inconsistency period was extended by the Federal marketplace because the applicant demonstrated a good-faith effort in obtaining satisfactory documentation.<sup>30</sup> The Federal marketplace reported that it will verify those applicants with inconsistencies when CMS’s eligibility system is operational.

Seventy-seven percent of all inconsistencies were related to citizenship/lawful presence (44 percent) and income (33 percent). Incarceration status and whether the applicant is an Indian generated the fewest inconsistencies.

<sup>30</sup> The marketplace may extend the 90-day period when an applicant demonstrates a good faith effort to obtain sufficient documentation to resolve the inconsistency. 45 CFR § 155.315(f)(3).

### ***The abilities of the State marketplaces to resolve inconsistencies varied***

During our review, 4 of the 15 State marketplaces reported that they were unable to resolve inconsistencies (Massachusetts, Nevada, Oregon, and Vermont). They attributed this inability to failures in their information technology systems. These failures hampered the initial enrollment process, so the marketplaces had to enter information manually, leading to substantial backlogs. To address these backlogs, these marketplaces shifted their resources to processing eligibility applications rather than attempting to resolve inconsistencies.

The California marketplace reported that it had resolved some inconsistencies, but that it lacked the resources to resolve all of them. It was unable to resolve inconsistencies until December 2013 because applicants were unable to upload documents electronically until then. In addition, it had to shift resources to manually process a backlog of paper applications for enrollment.

Three State marketplaces reported that inconsistencies with applicant information were being resolved by their State Medicaid offices. Hawaii and Minnesota reported that all applicants apply for Medicaid before applying for a QHP. Colorado reported that it relied on the Medicaid office to verify all applicant information through the first calendar quarter of 2014. As of March, the Colorado marketplace reported that it had assumed responsibility for resolving the inconsistencies.

The remaining seven State marketplaces (Connecticut, the District of Columbia, Kentucky, Maryland, New York, Rhode Island, and Washington State) reported that they resolved inconsistencies without delay. Staff from these marketplaces reported that the process ran smoothly with minimal problems. However, one marketplace official noted that verifying lawful presence can be difficult because applicants can supply a wide variety of documents to resolve that inconsistency. That official reported that this did not prevent the marketplace from resolving the inconsistency. See Appendix B for inconsistency data reported by State marketplaces.

Like the Federal marketplace, State marketplaces reported that the most common inconsistencies occurred with income and citizenship. With the exception of the District of Columbia, all State marketplaces relied on

self-attested information for residency as allowed by Federal requirements, so inconsistencies rarely occurred.<sup>31</sup>

The ACA generally requires a marketplace to allow the applicant 90 days to provide satisfactory documentation to resolve an inconsistency.<sup>32, 33</sup> Marketplaces reported flexibility in granting extensions to applicants beyond the initial 90-day period. A marketplace may extend the 90-day period if an applicant demonstrates that a good-faith effort has been made to obtain required documentation.<sup>34</sup> Additionally, marketplaces reported having flexibility as to when the 90-day period started.<sup>35</sup> Some State marketplaces reported starting the 90-day period from the applicant's first day of QHP coverage, whereas others reported starting from the date the marketplace sent the applicant a notice about the inconsistencies. Federal regulations stipulate that a marketplace generally use the date the notice is sent to the applicant as the start date of the inconsistency period.<sup>36</sup>

### **Data on inconsistencies are limited**

Although 11 State marketplaces and the Federal marketplace provided data on inconsistencies, those data are limited. For example, the Federal marketplace could not determine the number of applicants who had at least one inconsistency. Rather, the Federal marketplace reported unique inconsistencies, and it could not determine the corresponding number of applicants because one applicant could have more than one inconsistency. As a result, it was not possible at the time of our evaluation to determine the extent to which inconsistencies are distributed across applicants in the Federal marketplace.

Marketplaces also reported that data on inconsistencies may be overstated. Some marketplaces reported that failures with eligibility systems allowed applicants to submit multiple applications. In these instances, each application could be processed and cause the same inconsistencies to occur and be counted. Other marketplaces reported that when the Data Hub was experiencing an outage, additional inconsistencies may have

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<sup>31</sup> 45 CFR § 155.315(d).

<sup>32</sup> ACA §§ 1411(e)(3), (e)(4).

<sup>33</sup> For 2014 only, the ACA allows leeway for the Secretary to extend the 90-day inconsistency period (except for citizenship and immigration status). ACA § 1411(e)(4)(A). This leeway is different from the other exceptions that a marketplace may use to extend the 90-day inconsistency period, i.e. extensions due to the applicant demonstrating good-faith effort to obtain required documentation.

<sup>34</sup> 45 CFR § 155.315(f)(3).

<sup>35</sup> Some State marketplaces reported that CMS provided verbal instructions that allowed the marketplaces to start the 90-day inconsistency period on January 1, 2014.

<sup>36</sup> 45 CFR § 155.315(c)(3), (f).



occurred because the Data Hub could not be accessed to verify applicant information.<sup>37</sup> Another State marketplace, the District of Columbia, could not separate Medicaid applicants from QHP applicants for data reporting purposes, and, therefore could not provide data on inconsistencies specific to QHP applicants. These data limitations contribute to the difficulty in determining the volume of inconsistencies across marketplaces.

In addition, few State marketplaces provided data regarding resolved inconsistencies. For example, one State marketplace, Maryland, reported that it had resolved inconsistencies, but it was unable to provide the number of inconsistencies resolved or the final action on eligibility for enrollment and insurance affordability programs. At the time of our data collection, some marketplaces reported that applicants had not reached the end of the 90-day period to provide supporting documentation.

Four State marketplaces could not provide data on inconsistencies (Colorado, Minnesota, Nevada, and Oregon). Nevada and Oregon reported that their information technology systems were not built with the capacity to provide that data (neither State was resolving inconsistencies at the time of our review). Colorado and Minnesota reported that they rely on their State Medicaid offices to resolve inconsistencies and that they had limited access to State Medicaid data.

### **Marketplaces faced challenges resolving inconsistencies despite having policies and procedures in place**

Marketplaces faced Web site, information system, and Data Hub challenges that delayed implementation of policies and procedures for resolving inconsistencies. Web site challenges reduced the anticipated efficiencies from applicants entering their own information online and forced marketplaces to reallocate their limited resources to focus on enrollment, thereby making other functions, such as resolving inconsistencies, lower priorities.

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<sup>37</sup> Federal regulations require that marketplaces do not place applicants in an inconsistency period if the marketplace expects data from the Data Hub to be available within 1 day. 45 CFR § 155.315(f). One marketplace reported that when the Data Hub is inoperable, its system attempts to access the Data Hub several times before considering the applicant's information "inconsistent" with Federal Data sources. However, not all marketplaces described their specific procedures when data from the Data Hub were unavailable.

***Most marketplaces provided policies and procedures for resolving inconsistencies, although they varied***

The Federal marketplace and all State marketplaces, except Nevada, provided policies and procedures for resolving inconsistencies. These policies and procedures varied in terms of specificity and the number of documents involved. For example, several marketplaces provided detailed flow charts describing each step in resolving inconsistencies. At the other end of the spectrum, some marketplaces merely described the Federal requirements to resolve inconsistencies. One marketplace had just started planning its policies and procedures to resolve inconsistencies at the time of our data collection and provided an implementation plan in addition to a list of documents that the marketplace would accept from applicants to resolve inconsistencies.

These marketplaces also provided OIG with lists of documents they accepted from applicants to verify self-attested information that resolves inconsistencies. Some marketplaces accepted more documents than others. For example, although all accepted pay stubs to verify income, some accepted copies of bank statements with direct deposits of employment income or job award letters to verify income for the previous year.

Although Federal requirements do not specify a timeline for marketplaces to process inconsistencies, nine marketplaces included timelines in their policies and procedures. These marketplaces defined that timeline differently, ranging from very specific (5 days) to less specific (in a timely manner). Seven marketplaces provided no timeline for reviewing and processing inconsistencies.

***Marketplaces faced challenges with their Web sites, their information systems, and the Data Hub that hindered their ability to resolve inconsistencies***

Marketplaces that did not resolve inconsistencies during the time of our review had challenges related to their Web sites. For example, several marketplaces reported Web site operational problems, which affected applicants' ability to apply online. In these instances, marketplaces reported shifting resources to allow applicants to apply over the telephone, in person, or with paper applications. Several marketplaces reported having a backlog of paper applications.

Other information system issues created additional challenges for resolving inconsistencies. Federal regulations provide that the date on which a marketplace sends that notice is the start of the 90-day inconsistency period. Three marketplaces reported that their systems did

not consistently send required notices to applicants requesting additional documents. In these instances, applicants never sent additional documents to resolve the inconsistency because they were unaware that those inconsistencies existed. The Federal marketplace sent notices to applicants requesting additional documents to resolve inconsistencies, but reported that it lacked the system capability to process these documents and resolve inconsistencies. Federal marketplace staff stated that the Federal marketplace will retain any submitted documents until CMS's eligibility system has that capability.

Lastly, marketplaces reported challenges associated with the Data Hub. Several marketplaces reported that Data Hub outages caused problems in processing applications. When the Data Hub was inoperable, inconsistencies may have occurred because no electronic data sources were available to verify applicant-submitted data.<sup>38</sup> For example, one marketplace reported that it had about 15,000 applications that it could not verify, because of Data Hub outages. Marketplaces on the West Coast reported this as a particular challenge because of time zone differences. Furthermore, several marketplaces reported that Federal data sources accessed through the Data Hub, such as the IRS and SSA Federal prison data, appeared sometimes not current or accurate, therefore creating more inconsistencies. For example, one marketplace cited situations in which infants and young children included on applications were erroneously identified as incarcerated, according to Federal data.

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<sup>38</sup> Inconsistencies may also have occurred because State marketplaces may have placed applicants in an inconsistency period when data from the Data Hub were not available within 1 day. Federal regulations require that marketplaces do not place applicants in an inconsistency period if the marketplace expects the data from the Data Hub to be available within 1 day. 45 CFR § 155.315(f).

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## CONCLUSION AND RECOMMENDATIONS

Enrolling applicants in QHPs and determining eligibility for insurance affordability programs have been complex tasks, as has ensuring that eligibility decisions are made on the basis of accurate information. Federal and State marketplaces faced a variety of challenges during the early phases of determining applicants' eligibility to select a QHP and their eligibility for insurance affordability programs. These challenges led many marketplaces to reallocate resources to enter applications manually. As a result, many marketplaces moved other responsibilities, such as resolving inconsistencies, to a lower priority.

An inconsistency does not necessarily indicate that an applicant provided inaccurate information or is enrolled in a QHP or receiving financial assistance through insurance affordability programs inappropriately. However, marketplaces must resolve inconsistencies to ensure that eligibility determinations for enrollment in QHPs and for insurance affordability programs are accurate. This will help ensure that only eligible applicants are enrolling in QHPs. Moreover, because applicants' eligibility for insurance affordability programs is based primarily on income, inconsistencies with income must be resolved to protect taxpayer funds.

We found that marketplaces did not resolve most inconsistencies between self-attested applicant data and Federal data sources. In addition, marketplaces could produce only limited data about inconsistencies. Also, because marketplaces varied in how they collect and report data, a nationwide understanding of the extent and nature of inconsistencies, including how many applicants are affected, cannot be determined.

We recommend that:

**CMS develop and make public a plan on how and by what date the Federal marketplace will resolve inconsistencies.** That plan should specify, at a minimum:

- the steps that CMS and the Federal marketplace will take to clear the current backlog of inconsistencies and to ensure the CMS eligibility system can resolve inconsistencies, and
- the methods that CMS will use to monitor, track, and measure the Federal marketplace's progress in resolving inconsistencies.

**CMS conduct additional oversight of State marketplaces to ensure that they are resolving inconsistencies according to Federal requirements.** That oversight should include, at a minimum:

- developing and making public a plan for ensuring that State marketplaces will resolve inconsistencies according to Federal requirements, clearing the current backlog of inconsistencies, and preventing a recurrence of any backlog in resolving inconsistencies; and
- collecting information from the States that will enable CMS to monitor, track, and measure the State marketplaces' progress in resolving inconsistencies.

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## AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

CMS concurred with both of our recommendations.

To address our first recommendation, CMS stated that it is working expeditiously to resolve inconsistencies. CMS reported that since our draft report, the Federal marketplace has in place an interim manual process to resolve inconsistencies pertaining to citizenship and immigration status, income, and employer-sponsored minimum essential coverage. Later this summer, CMS plans to replace that manual process with an automated system.

In response to our second recommendation, CMS stated that it will continue to monitor State marketplaces through technical assistance and financial assessment.

For a full text of CMS's comments, see Appendix C.

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## APPENDIX A

### Type of Marketplace Established by Each State as of October 1, 2013

State	Type of Marketplace as of October 1, 2013
Alabama	Federal
Alaska	Federal
Arizona	Federal
Arkansas	State-partnership
California	State
Colorado	State
Connecticut	State
Delaware	State-partnership
District of Columbia	State
Florida	Federal
Georgia	Federal
Hawaii	State
Idaho*	Federal
Illinois	State-partnership
Indiana	Federal
Iowa	State-partnership
Kansas	Federal
Kentucky	State
Louisiana	Federal
Maine	Federal
Maryland	State
Massachusetts	State
Michigan	State-partnership
Minnesota	State
Mississippi	Federal
Missouri	Federal
Montana	Federal
Nebraska	Federal
Nevada	State
New Hampshire	State-partnership
New Jersey	Federal

\* Idaho and New Mexico began to establish State marketplaces; however, they used the Federal marketplace as of October 1, 2013.

**(cont.): Type of Marketplace Established by Each State as of October 1, 2013**

State	Type of Marketplace as of October 1, 2013
New Mexico*	Federal
New York	State
North Carolina	Federal
North Dakota	Federal
Ohio	Federal
Oklahoma	Federal
Oregon	State
Pennsylvania	Federal
Rhode Island	State
South Carolina	Federal
South Dakota	Federal
Tennessee	Federal
Texas	Federal
Utah	Federal
Vermont	State
Virginia	Federal
Washington	State
West Virginia	State-partnership
Wisconsin	Federal
Wyoming	Federal

\* Idaho and New Mexico began to establish State marketplaces; however, they used the Federal marketplace as of October 1, 2013.



## APPENDIX B

### Inconsistency Data by Applicants Reported by State Marketplaces

We did not independently verify State reported data, and States may have reported inconsistency data based on different definitions. The number of applicants with inconsistencies in QHP enrollment may overlap with the number of inconsistencies in insurance affordability program eligibility.

CALIFORNIA 508,292 QHP Applicants	
<b>145,307 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>73,267 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	88,509
Citizenship	42,228
Social Security number	129
Incarceration	230
Residency	0
Data reported for 10/1/13-12/31/13 as of 2/13/14 and does not account for terminations or re-enrollments. California reported that it resolved some inconsistencies, but lacked the resources to resolve all of them.	

CONNECTICUT 30,117 QHP Applicants	
<b>8,075 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>7,157 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	6,759
Citizenship	1,742
Social Security number	1,138
Incarceration	*
Residency	*
Data reported for 10/1/13-12/31/13 and includes QHP applicants with or without insurance affordability program payments. Connecticut reported that it resolved inconsistencies without delay. *Self-attested applicant information accepted.	

DC 12,618 QHP Applicants	
<b>6,232 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>3,496 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	2,384
Citizenship	1,356
Social Security number	1,963
Incarceration	*
Residency	2,971
Data reported for 10/1/13-12/31/13 and includes applicants that may ultimately receive Medicaid. DC reported that it resolved inconsistencies without delay. *Self-attested applicant information accepted.	

HAWAII 12,731 QHP Applicants	
<b>1,053 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>1,053 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	498
Citizenship	212
Social Security number	183
Incarceration	317
Residency	42
Data reported for 10/1/13-12/31/13 and includes unique applicants with a minimum of one inconsistency for insurance affordability program eligibility. Hawaii reported that its State Medicaid office resolved inconsistencies.	

**(cont.): Inconsistency Data by Applicants Reported by State Marketplaces**

<b>KENTUCKY</b> 27,647 QHP Applicants	
<b>11,334 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>4,648 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	7,945
Citizenship	2,444
Social Security number	914
Incarceration	110
Residency	1
Data reported for 10/1/13-12/31/13. Kentucky reported that it resolved inconsistencies without delay.	

<b>MASSACHUSETTS</b> 6,923 QHP Applicants	
<b>6,789 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>10 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	0
Citizenship	3,096
Social Security number	1,755
Incarceration	0
Residency	3,310
Data reported for 10/1/13-12/31/13. Massachusetts reported that it was unable to resolve inconsistencies.	

<b>MARYLAND</b> 18,272 QHP Applicants	
<b>525 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>992 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	992
Citizenship	445
Social Security number	438
Incarceration	6
Residency	*
Data for 10/1/13-12/28/13. Maryland reported that it resolved inconsistencies without delay. *Self-attested applicant information accepted.	

<b>NEW YORK</b> 388,390 QHP Applicants	
<b>38,936 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>24,322 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	23,843
Citizenship	28,984
Social Security number	299
Incarceration	493
Residency	*
Data for 10/1/13-12/31/13. New York reported that it resolved inconsistencies without delay. *Self-attested applicant information accepted.	

**(cont.): Inconsistency Data by Applicants Reported by State Marketplaces**

<b>RHODE ISLAND 20,465 QHP Applicants</b>	
<b>1,217 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>244 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	562
Citizenship	693
Social Security number	133
Incarceration	56
Residency	*
Data reported for 10/1/13-12/31/13. Rhode Island reported that it resolved inconsistencies without delay. *Self-attested applicant information accepted.	

<b>VERMONT 31,114 QHP Applicants</b>	
<b>2,200 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>8,661 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	15,339
Citizenship	2,251
Social Security number	1,168
Incarceration	1
Residency	*
Data reported for 10/1/13-12/31/13 and includes only active applicants. Vermont reported that it was unable to resolve inconsistencies. *Self-attested applicant information accepted.	

<b>WASHINGTON 184,322 QHP Applicants</b>	
<b>32,305 Applicants</b> with inconsistencies in QHP enrollment eligibility	<b>25,771 Applicants</b> with inconsistencies in insurance affordability program eligibility
Unique Inconsistencies	
Income	23,802
Citizenship	20,005
Social Security number	8,951
Incarceration	9,148
Residency	*
Data reported for 10/1/13-3/5/14 and includes applicants who have not yet selected a QHP. Washington reported that it resolved inconsistencies without delay. *Self-attested applicant information accepted.	

## APPENDIX C

### Agency Comments



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

*Administrator*  
Washington, DC 20201

**Date:** May 27, 2014

**To:** Brian P. Ritchie  
Acting Deputy Inspector General for Evaluation and Inspections

**From:** Marilyn Tavenner <sup>/SI/</sup>  
Administrator  
Centers for Medicare & Medicaid Services

**Subject:** *OIG Draft Report: Marketplaces Faced Early Challenges Resolving Inconsistencies with Applicant Data, OEI-01-14-00180*

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of the Inspector General's (OIG) draft report. CMS is committed to verifying the eligibility of consumers who apply for enrollment in qualified health plans (QHPs) through the Marketplace or for insurance affordability programs. As part of that effort, the federally-facilitated Marketplace (FFM) follows the process required under the Affordable Care Act for resolving inconsistencies between eligibility information provided by application filers and the data obtained through electronic data sources to ensure that applicants receive the proper eligibility determinations for enrollment in a QHP through the Marketplace or for insurance affordability programs. As the OIG draft report noted, an inconsistency between the eligibility information provided by an application filer and the electronic data sources does not mean that the information provided by the application filer is incorrect or that the applicant is ineligible. To date, there has been no evidence of an applicant defrauding the FFM or a state-based Marketplace (SBM) in order to unlawfully enroll in a QHP through the Marketplace or take advantage of an insurance affordability program for which the applicant is not eligible.

It is not surprising that there are inconsistencies between some information provided by application filers and the electronic data sources, and, in fact, this issue is addressed in the Affordable Care Act. This is the first year that consumers have applied for coverage through the Marketplaces. Therefore, consumers are inexperienced with the eligibility process, which could lead to application mistakes. Additionally, application filers generally have access to more up-to-date information about applicants (typically the application filer him- or herself, or the application filer's family members) than the electronic data sources used to verify eligibility information. For example, the Internal Revenue Service's (IRS) tax data is generally two years old (i.e., tax return information for 2012 is used to verify income attestations for coverage for 2014). There are several opportunities for data inconsistencies to occur during the application process – a typical family of four that applies for financial assistance generates 21 separate entries, any one of which could result in an inconsistency. While the FFM was able to successfully match tens of millions of pieces of data with the electronic data sources during the

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six-month open enrollment period, applicants did generate a relatively small number of inconsistencies out of the hundreds of millions of possible data inconsistencies. Additionally, while it's true that the "federal Marketplace could not determine the number of applicants who had at least one inconsistency" during the period covered by the report, that capability does exist now.

As described in more detail below, CMS works to expeditiously resolve inconsistencies between eligibility information provided by application filers and the data obtained through the electronic data sources. The FFM continues to resolve inconsistencies every day, and CMS is working with applicants to encourage them to provide the supporting documentation needed to resolve their inconsistencies. Most applicants with outstanding inconsistencies are still within the standard 90-day window to send the FFM supporting documentation to resolve their inconsistencies. Additionally, the Affordable Care Act allows the Secretary to extend the 90-day inconsistency period for applications for coverage for 2014.

#### **OIG Recommendation**

The OIG recommends that CMS should develop and make public a plan on how and by what date the Federal marketplace will resolve inconsistencies.

#### **CMS Response**

CMS concurs with this recommendation. CMS is working to expeditiously resolve inconsistencies between eligibility information provided by application filers and the data obtained through the electronic data sources to ensure that applicants receive proper eligibility determinations for enrollment in a QHP through the Marketplace and for insurance affordability programs.

As the OIG report noted, during the time of the OIG's review, the FFM was able to resolve inconsistencies related to SSNs, non-employer sponsored minimum essential coverage, incarceration status, and whether the applicant is a member of a federally recognized tribe or a shareholder of an Alaska Native Corporation. The FFM continues to resolve inconsistencies within these categories, and has found that, so far, the vast majority of the cases have been reconciled positively by verifying the eligibility information provided by the application filer with the supporting documentation provided through the inconsistency process. This aligns with the requirement that application filers must attest, under penalty of perjury, that they are not providing untrue, false, or fraudulent information as part of the application for coverage.

Additionally, since the drafting of this report, the FFM now has in place an interim manual process that allows it to reconcile inconsistencies in the remaining categories, which are citizenship, status as a U.S. national, lawful presence, income, and employer-sponsored minimum essential coverage. Of course, this depends on having the appropriate supporting documents submitted by the consumer. Now that open enrollment is over, CMS has prioritized the development and implementation of full automated functionality. CMS plans to replace the interim manual process for clearing these inconsistencies categories with the automated functionality later this summer. CMS expects to have a similar experience as the seven SBMs that reported that, with full automated functionality, they resolved inconsistencies without unnecessary delay and that the inconsistency process ran smoothly with minimal problems. The

automated functionality for the FFM to resolve inconsistencies was deprioritized during the initial open enrollment period in order to focus resources necessary in that limited window for consumer enrollment.

The FFM continues to resolve inconsistencies every day, and CMS is working with consumers to encourage them to provide the supporting documentation needed to resolve their inconsistencies. Most applicants with inconsistencies are still within the standard 90-day window to send the FFM supporting documentation to resolve their inconsistencies. Additionally, the Affordable Care Act allows the Secretary to extend the 90-day inconsistency period for applications for coverage for 2014.

**OIG Recommendation**

The OIG recommends that CMS should conduct additional oversight of State marketplaces to ensure that they are resolving inconsistencies according to Federal requirements.

**CMS Response**

CMS concurs with this recommendation. SBMs are required to comply with all applicable legal requirements related to eligibility and enrollment. CMS will continue to monitor SBMs through technical assistance and financial assessments. CMS will work with the SBMs to ensure they are resolving inconsistencies according to federal requirements.

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## 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, Deputy Regional Inspector General, and Kenneth Price, Deputy Regional Inspector General.

Danielle Fletcher served as team leader for this study. Other Office of Evaluation and Inspections staff from the Boston regional office who conducted the study include Christopher Galvin, Melissa Hafner, and Kimberly Ruppert. Central office staff who provided support include Heather Barton.

# Office of Inspector General

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