Insight

The Who, What and Why of the ACA's Enrollment Data Discrepancies

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While the various computer "glitches" and "delays" that marked the early roll-out of the Affordable Care Act (ACA) are well known, in recent weeks new reports of ACA Exchange enrollment discrepancies have been trickling in – demonstrating some worrying trends. The House Energy and Commerce Committee estimated that as many as 4 million of the 8 million total enrollments in Obamacare Exchange plans may have a discrepancy that could jeopardize subsidy eligibility. The Department of Health and Human Services (HHS) disputes that figure and instead suggests that closer to 2.1 million people, representing a little more than a quarter of total Exchange enrollment, have information discrepancies that could affect subsidy payments.

June 30th marks the end of the 90 day window during which individuals are allowed to submit corrections to their insurance applications requesting subsidies. These updates are necessary to avoid a potential loss of coverage or tax penalty resulting from the information error. Under the statute, all cases not satisfied by corrections submitted by June 30th should be reviewed and excess payments recovered.

HHS representatives claim that most discrepancies are caused by outdated information in government files. This information being used may be two or more years old since initial eligibility is estimated based on an individual's most recent tax return. Up to 1.2 million discrepancies are related to a sizeable difference between an individual's claimed income on the subsidy application and the income they claimed on their most recent tax filing. The rest of the discrepancies can be attributed to conflicts in immigration data (505,000) or citizenship status (461,000).

According to HHS, the 2.1 million Exchange enrollees who have discrepancies in their insurance applications may face a number of outcomes when their applications are reviewed.

First, these problems may be resolved by individuals providing supplemental information to the IRS updating income or immigration status. If the application aligns with the provided information the individual will keep his or her insurance and subsidy.

The second possible outcome is that the individuals overestimated their incomes and will in fact be eligible for greater subsidies than originally estimated; this extra subsidy will be refunded in the next tax refund. However, individuals will find that if they underestimated their income, a percentage of the excess subsidy will be deducted from their next tax returns. Individuals below 200 percent of the federal poverty level (FPL) will be required to pay back excess subsidies up to $1,100; those below 300 percent FPL will be required to pay back on more than $1,500, and those below 400 percent FPL will be required to pay back no more than $2,500. Those with incomes at or above 400 percent FPL will be required to pay back the entire subsidy.

Like those with income above 400 FPL, individuals who lack the necessary immigration or citizenship status will be required to pay back the entire value of any subsidies they have received because they are ineligible to

receive subsidies.

The systems designed to prevent and correct mismatches between consumer-provided information and the data available to the Exchanges are still not functioning. HHS estimates that these systems will not, in fact, be functional until October 2014. Once it is developed, it is expected that the system will be too slow to manage the volume of applications and backlog, causing backlog to increase by up to 5,000 applications a day during peak enrollment. To mitigate this backlog HHS recommends having staff work double shifts and considering delaying inconsistency processing until later or after the Open Enrollment period to allow time to adjudicate paper applications. For now though, HHS has the monumental task of manually checking and correcting 2.1 million health insurance applications until these systems can be implemented.