

State-Based Marketplaces

Effective Strategies to Ensure Accountability and Mitigate Fraud

Currently, over 20 million Americans are enrolled in coverage through the health insurance Marketplaces. Public trust and the responsible stewardship of taxpayer dollars are foundational to the success of the Marketplaces. State-based Marketplaces (SBMs) recognize that to successfully safeguard taxpayer dollars, they must maintain strong prevention and oversight mechanisms that reduce errors leading to improper enrollment and that deter fraud at the front end and stop it on the back end. For SBMs, program integrity is about more than meeting minimum federal oversight standards; they bring over a decade of experience implementing and refining an array of strategies to reinforce the integrity of their Marketplaces.

Collectively, SBMs have successfully implemented several tools to support program integrity and, specifically, address fraud risk. These include:

- Strategic use of federal and state data sources for eligibility and enrollment determinations and monitoring.
- Strict and continuous monitoring of operational systems and the entities that interact with them.
- Fostering strong local partnerships that bring “on-the-ground” knowledge of potential bad actors.
- Adoption of agile technology that can quickly adapt to emerging threats or concerns.
- Ongoing collaboration with federal and state regulators on oversight and fraud response.

Appendix A provides a more detailed summary of these tools, which have resulted in effective programs that **prevent, detect, and shut down** fraud.

Understanding Program Integrity

Program integrity encompasses the work undertaken by the Marketplaces to ensure they comply with federal and state laws; maintain fiscal responsibility with taxpayer dollars; preserve sound Marketplace operations; and take steps to prevent, mitigate, and address fraud, waste, and abuse. SBM's program integrity efforts can be broken down into three categories:

- **Sustaining programmatic oversight:** SBMs conduct extensive federal, state, and independent audits, compliance reviews, and public reporting to evaluate Marketplace performance, identify and prevent operational issues, and confirm adherence to laws.
- **Mitigating improper enrollment/improper payments:** SBMs implement a myriad of policies and operational procedures to address situations in which individuals inadvertently or inaccurately access health insurance or financial assistance for which they are not eligible. This may be the result of unintentional actions, such as a mistake or misunderstanding made while applying for coverage, a misestimate of projected annual income, or administrative issues such as system errors.
- **Preventing and addressing fraud and abuse:** SBMs implement several measures to proactively prevent and address fraud and abuse, meaning the use of deliberate deception by an insurer, agent, or consumer to obtain an illegitimate gain. Unlike improper enrollments, acts of fraud are intentional and criminal actions, such as a knowing misrepresentation of the truth.

While these are distinct categories stemming from different causes, there is some overlap in the strategies Marketplaces employ to address each concern.

APPENDIX A: State-based Marketplace Strategies to Address Program Integrity and Fraud

The list below includes strategies adopted by SBMs to support their program integrity and fraud mitigation efforts. Specifics of how SBMs leverage and implement these tools varies by Marketplace.

<p>Data-Informed Eligibility Checks</p>	<p>All consumers applying for Marketplace coverage and federal health insurance tax credits undergo a strict eligibility verification process required under federal law. Applicant data are screened against the Federal Data Hub, which includes data from the Internal Revenue Service, Department of Homeland Security, and Social Security Administration to verify eligibility factors like citizenship status and household income.</p> <p>SBMs employ a variety of tools and resources, in addition to the federal baseline, to ensure accurate and timely eligibility determinations. These include:</p> <ul style="list-style-type: none"> • Use of state data sources (e.g., employment, tax, and motor vehicle records) to reinforce accurate and timely eligibility determinations. • Enhanced coordination and/or integration with Medicaid programs to verify applicant information and rule out dual enrollments in their state. • Dedicated staff who are trained to perform careful review and verification of manual applications and document submissions. • Artificial intelligence (AI) tools that can conduct preliminary, efficient application reviews.
<p>Active Oversight of Brokers and Navigators</p>	<p>Many SBMs rely on brokers and navigators and hold them accountable to high standards, including licensing and certification and initial and ongoing training requirements. Brokers and navigators provide immense value in helping consumers navigate the enrollment process. Brokers and navigators support the majority of enrollees in many states.</p> <p>However, as some actors, including brokers and web-brokers, are financially incentivized to increase enrollments, protection against unscrupulous, rogue actors is an essential component of any Marketplace’s approaches to overall program integrity and fraud prevention. SBMs use a range of effective strategies, which include:</p> <ul style="list-style-type: none"> • Required completion of rigorous training and certification programs (including ongoing continuing education requirements and licensing). • Appointment of brokers only after account set up and identity proofing. • Requiring Multi Factor Authentication (MFA) to ensure account activity only by the enrollee. • Requiring MFA for certified brokers. • Digital “locks” preventing third-party entities from accessing an account from multiple locations at once.

	<ul style="list-style-type: none"> • “Logging” of broker accounts, tracking capacity to monitor all actions/ changes by certified brokers. • Locking consumer accounts after a period of inactivity. • Locking accounts of brokers who submit multiple applications on behalf of the same applicant over a short time period. • Rapid response to consumer complaints or other allegations, requiring training, corrective action, or, when necessary, de-certification of an agent broker, such that they can no longer enroll consumers on the Marketplace. • Coordination with state and federal regulators and law enforcement to monitor, report, and investigate potential fraud or improper activity. This includes referrals to law enforcement. • Issuance of penalties, including loss of licensure when fraudulent activities are detected. • Upfront detection and prevention of enrollment in more than one policy. • Automatic consumer notifications when third parties act on behalf of an individual to support consumers in raising concerns with unexpected actions. • Automatically notifying enrollees when there is a change in their plan selection. Blocking or restricting access to enrollee accounts from certain URLs or regions • Prohibiting web-based brokers.
<p>Robust Identity Proofing to Verify Enrollee Status and Consent</p>	<p>Identity proofing checks are critical to ensure proper use of federal tax dollars and that SBMs do not allow enrollment without identifying a consumer’s identity. Specifically, SBMs leverage sophisticated tools to strengthen their verification processes, prevent unauthorized account access, and protect consumers from bad actors. These include Remote Identity Proofing (RIDP), used to verify an individual’s identity by asking specific questions about credit history or residency, and multi-factor authentication (MFA), which requires two or more confirmations for login.</p>
<p>Ongoing Eligibility Checks through the Coverage Year</p>	<p>Federal law requires SBMs to review enrollee eligibility for Marketplace coverage throughout the year. This includes mandatory twice-yearly checks to confirm the enrollee is alive and ineligible for other coverage programs.</p> <p>Several SBMs opt to conduct these checks more frequently throughout the year, acknowledging that regular checks help identify and prevent potential improper enrollments, safeguarding federal taxpayer dollars and protecting consumers from associated penalties if they are dually enrolled.</p> <p>Importantly, SBMs do not allow the deceased to continue coverage, and they employ checks to prohibit multiple people from using the same social security number. These steps help safeguard taxpayer dollars.</p>

Annual Tax Review and Reconciliation

Marketplace tax credits are given to consumers in advance, based on an estimate of anticipated income. At the end of the year, tax credit recipients must reconcile any differences between the amount of tax credits they received based on estimated income and the tax credits they should have received based on their actual income. The reconciliation process ensures that tax credit overpayments due to changes in income are paid back by the taxpayer when they file their taxes. Enrollees who do not reconcile may be subject to tax penalties from the Internal Revenue Service (IRS) and forfeit eligibility for tax credits in the future.

Income prediction is often particularly challenging for Marketplace consumers, many of whom are employed in professions prone to income volatility, such as self-employed individuals, new business owners, and part-time and gig workers. Normal changes like switching jobs, losing a job, or getting promoted may also result in income changes that were unforeseen at the time of applying for coverage.

Most SBMs engage in year-round education efforts to try and prevent any reconciliation issues for consumers come tax time. During the enrollment season, they educate consumers about both the importance of accurate information submission and potential penalties if inaccurate information is submitted. This is followed by reminders sent during the spring and summer for enrollees to update income information and household information when there is a change.

When enrollees log in to their Marketplace accounts, they also see reminders to update their information and ensure, under penalty of law, that it is accurate. At the end of the year, SBMs engage in direct outreach to enrollees to increase awareness of their need to file and reconcile their taxes to ensure that they comply with federal law and can continue receiving tax credits in the future. Some SBMs also emphasize that updating income information is critical to mitigate the risk of paying back the IRS at tax time. To further safeguard federal tax dollars and limit taxpayer liability and the risk of owing the IRS taxes at tax filing time, some SBMs default the monthly advanced amount to less than the amount a taxpayer is eligible for (e.g., 85 percent). This mitigates the risk of owing the IRS and is a good option for self-employed filers, whose income timing and source fluctuates significantly.

<p>Empowering Consumers to Report Suspected Fraud, and Collaborating with Brokers and Health Plans to Identify Fraud and SBM-Initiated Investigations</p>	<p>Recognizing that consumers themselves may have the best information on potential fraud being conducted against them or in their name, many SBMs maintain a series of tools by which consumers can report concerning activities, including dedicated hotlines and online complaint submission.</p> <p>SBMs’ relationships with certified brokers, in states that use brokers, enable early detection of fraudulent activity. Brokers often are the “eyes and ears” on the ground. Health plan partners identify fraud through claims review. Additionally, many SBMs use different self-initiated tools, including reviews of broker activity, to identify suspected fraud.</p> <p>SBMs work closely with state and federal authorities and law enforcement to pursue investigations and penalties. While SBMs do not have law enforcement authority, they have authority to terminate coverage or rescind coverage (retroactively terminate a policy). SBMs can also suspend or permanently bar brokers or non-licensed enrollers.</p>
<p>Federal and State Audits and Oversight</p>	<p>Rigorous oversight and auditing are critical to ensuring that Marketplaces meet high operational standards and comply with federal and state laws. SBMs complete a comprehensive array of federal and state oversight requirements covering all aspects of their performance and tax credit stewardship. Major oversight programs include:</p> <ul style="list-style-type: none"> • Centers for Medicare and Medicaid Services’ SBM Annual Reporting Tool (SMART), designed to assess compliance with federal requirements, eligibility determinations, enrollment processes, proposed handing of consumer data, and financial integrity. • Annual CMS Privacy Impact Assessments (PIA), to oversee how SBMs collect, share, and maintain consumer information. • Triennial IRS safeguard reviews of proper handling of federal tax information. • Programmatic, financial, and ad-hoc audits and reporting by the Office of the Inspector General, US Government Accountability Office, and Congressional Offices. • State audits conducted by independent entities. • Regular reporting to Marketplace boards, advisory groups, state legislators, Governors, and state agency offices.



The State Marketplace Network (SMN) is a collective of 21 State-based health insurance Marketplaces (SBMs) through which SBM leaders engage in peer-to-peer dialogue, share innovations and policy initiatives, and discuss and troubleshoot emerging issues. The mission of the SMN is to support the Marketplaces in their efforts to facilitate access to affordable and functional health insurance for their enrollees.

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