



Written by [Raven Clabough](#) on February 25, 2016

New Report: Obama Admin. Approach to ObamaCare Fraud “Passive”

According to a [report](#) from the Government Accountability Office, the Obama administration is taking a very lax approach to identifying possible ObamaCare fraud. The report found that there are no mechanisms in place to identify whether healthcare recipients receiving subsidized insurance are actually U.S. citizens, to confirm whether the applicants are within the specified income range, and to determine whether the applicants are otherwise ineligible under the healthcare law.



The report opens with a letter explaining that members of Congress asked the GAO to examine enrollment and verification controls of the federal Health Insurance Marketplace “in light of the government’s substantial fiscal commitment under the act.” The report that follows summarizes the results of the GAO review, which entailed analysis into the extent to which applicant information is verified, as well as undercover testing and related work to determine potential vulnerabilities to fraud.

The results of the review prompts the GAO to ultimately conclude that the Centers for Medicare & Medicaid Services (CMS) have “assumed a passive approach to identifying and preventing fraud.” Investigators found a number of areas where officials lack a system to properly confirm data provided by applicants, including citizenship status, income and family size, all of which are meant to be determining factors in subsidy eligibility.

The review found that the data services hub — which involves key federal agencies like Social Security, the Internal Revenue Service, and Homeland Security to verify applicants’ vital personal details — failed to track and analyze the results of data hub inquiries and instead accepts applicant responses at face value to process the applications.

Failure to do so, according to the GAO, “foregoes information that could suggest potential program issues or potential vulnerabilities to fraud.”

Through the investigation, the GAO made a number of startling discoveries.

Social Security was unable to verify citizenship status for 8.2 million applicants that claimed to be citizens in 2014, and for 3.6 million in 2015.

The Internal Revenue Service had not addressed income and family size inquiries for 30 million people in 2014, and 29 million in 2015.

In April 2015, there remained over 400,000 applications from 2014 that included unresolved paperwork issues, even as the coverage year had already ended. The paperwork involved \$1.7 billion in taxpayer subsidies.

Additionally, 35,000 applications still had unresolved questions related to Social Security numbers.



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Those applications totaled \$154 million in subsidies.

Another 22,000 applications may or may not have involved beneficiaries serving a prison sentence, even though prisoners are not eligible for coverage under ObamaCare. Those applications totaled \$68 million in subsidies.

Beyond the failure to confirm various items, CMS failed to detect outright fraud when the GAO created 12 fictitious applicants who applied for subsidized health plans. Of the 12 applications, 11 were approved, despite their glaring inconsistencies. When CMS asked for documents addressing the inconsistencies, the GAO sent false documents in some cases, and failed to respond for some of the other applications. In either case, CMS sent letters acknowledging receipt of the documents and calling the matters resolved. Each of the 11 applicants was awarded \$2,500 in monthly subsidies.

Healthcare.gov “is at risk of granting eligibility to, and making subsidy payments on behalf of, individuals who are ineligible to enroll,” the report found.

The GAO makes several recommendations to address the issues outlined in the report, which include “analyzing outcomes of the verification system, tak[ing] steps to resolve inconsistencies, and conduct[ing] a risk assessment of the potential for fraud in Marketplace applications.”

The Obama administration has reportedly responded to the report agreeing with the eight total recommendations outlined by the GAO, but added that the administration has been utilizing “best practices” to combat fraud.

Republicans in the House Energy and Commerce Committee seized on the report’s findings and intend to use them in connection with a hearing on the Department of Health and Human Services budget.

The GAO report “raises many red flags,” said committee chairman Representative Fred Upton (R-Mich.). “Perhaps the most unsettling is that while HHS agrees there are many vulnerabilities, the agency has no urgency or plan to fix these critical errors.”

The GAO report is the latest indicator that the Obama administration has done little to ensure that taxpayer-funded subsidies are being properly disbursed.

Earlier this month, a report out of the U.S. Senate by Republicans on the Senate Homeland Security and Governmental Affairs Committee revealed that illegal immigrants received up to \$750 million in healthcare subsidies. According to the report, as of June 2015, “the Administration awarded approximately \$750 million in tax credits on behalf of individuals who were later determined to be ineligible because they failed to verify their citizenship, status as a national, or legal presence.”

Fox News reports that the healthcare law permits subsidy payments on a temporary basis when an applicant’s status is unclear, but funding is to be stopped if the recipient is unable to produce paperwork confirming his or her legal status. It is under this provision, which the Senate report dubbed the “pay and chase” model, that tax credits went to over 500,000 illegal immigrants, or at least to those whose status remains unclear.

CMS confirmed to FoxNews.com that “471,000 customers with 2015 coverage failed to produce proper documentation on their citizenship or immigration status on time,” but argued that the lack of proper documentation does not necessarily mean the recipients were “ineligible.”

The Obama administration announced in July 2014 that it would not be verifying subsidy eligibility information throughout 2014, and hoped to have a “permanent process” finished by late 2015. The final system was supposed to approve enrollment and payment data “on an enrollee-by-enrollee basis.”



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And the consequences of a system that does not verify subsidy eligibility are outrageous losses of taxpayer dollars, as revealed in an audit by the HHS Office of Inspector General (OIG) last year that showed HHS could not account for \$2.8 billion in subsidies.

The OIG report reviewed subsidies paid to insurance companies between January and April of 2014 and found that the agency not only does not have an internal system to ensure that subsidies are being issued to the correct enrollees, but it does not know whether or not the amounts paid are correct.





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