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Commentary: Limiting Data-Matching Issues Could Help Stabilize Federal Marketplace Coverage

By Judith Solomon

The 2016 open enrollment period, during which people could enroll in private health insurance plans in the marketplaces, ended on January 31. As of February 1, some 9.6 million people had selected a health plan in the 38 states using the Federally Facilitated Marketplace (FFM).¹ Over the next few months, many of these individuals will need to submit documents proving their eligibility or risk losing coverage or the federal subsidies they receive to help pay for their premiums. In 2015, about 470,000 people lost FFM coverage and over 1 million households lost some or all of their subsidies because they had problems proving their eligibility.

Health insurers have made claims,² which haven't been substantiated, that too many people are inappropriately using special enrollment periods (SEPs) in the health insurance marketplaces to get care when they are sick and that this is weakening insurance markets and raising premiums.³ Insurers have paid less attention to data-matching issues that present problems for both themselves and consumers.⁴

The vast majority of people who lose coverage or subsidies because of documentation issues are likely eligible. This should raise concerns for insurers, because when people are faced with repeated requests for additional documentation, those who give up on the process at some point — and

¹ "Health Insurance Marketplace Open Enrollment Snapshot – Week 13," Centers for Medicare & Medicaid Services, February 2, 2016, <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-02-04.html>.

² Matthew Buettgens, Stan Dorn, and Hannah Recht, "More than 10 Million Uninsured Could Obtain Marketplace Coverage through Special Enrollment Periods," Urban Institute, November 20, 2015, <http://www.urban.org/research/publication/more-10-million-uninsured-could-obtain-marketplace-coverage-through-special-enrollment-periods>.

³ Robert Pear, "Insurers Say Costs Are Climbing as More Enroll Past Health Act Deadline," *The New York Times*, January 9, 2016, http://www.nytimes.com/2016/01/10/us/politics/insurers-say-costs-are-climbing-as-more-enroll-past-health-act-deadline.html?_r=1.

⁴ Ricardo Alonso-Zaldivar, "Cancer patients snagged in health law's tangled paperwork," Associated Press, February 15, 2016, <http://www.bigstory.ap.org/article/37825dc76a5b40b3ab0ef2f10028e400/cancer-patients-snagged-health-laws-tangled-paperwork>.

consequently lose coverage — are likely to be healthier-than-average people rather than sicker ones. The result is that insurers end up with a less healthy, costlier group of enrollees. HHS has made some improvements in the processes for verifying eligibility in order to reduce the number of people who have to provide follow-up documents, but more can be done to limit the number of eligible people who lose coverage — and thereby to help in stabilizing insurance markets.

How People Prove They Are Eligible to Enroll in the Marketplace

The health reform law envisions a “real-time” eligibility system where people apply online, get an immediate decision on their eligibility, and enroll in coverage all in one sitting. The law also requires verification of eligibility factors such as citizenship or immigration status and income. Only citizens and people lawfully present in the United States are eligible to enroll in marketplace coverage, so everyone who wants to enroll must attest to and verify their citizenship or lawful presence. People seeking financial assistance in the form of advance payments of the premium tax credit and cost-sharing reductions must provide information on their income and household size to enable the marketplace to determine their eligibility for financial assistance and the amount of help they can receive.

The marketplace verifies citizenship through matches with Social Security Administration (SSA) information, and immigration status (and in some cases, citizenship for naturalized and derived citizens) through matches with information available through the Department of Homeland Security’s Systematic Alien Verification for Entitlements program. If the marketplace cannot immediately verify citizenship or immigration status, applicants are given provisional eligibility and asked to send further documentation to verify their status within 95 days.

A match may not occur for a number of reasons. For example, consumers may not have Social Security numbers (SSNs) for all their family members readily available when they apply, an applicant’s current legal name may not be the same as their name when they received their immigration status or SSN, or SSA may be unable to verify the citizenship of citizens born outside the United States.

Income is matched with Internal Revenue Service (IRS) information and data from a credit reporting agency. The tax information is from the most recently completed tax return, so 2014 tax returns are used to check information provided by people applying for coverage in 2016. The tax information is out-of-date for many people; for many others, no tax data are available. This may be because applicants were dependents in another tax household in prior years, they filed with a former spouse, or they didn’t have a tax filing requirement. Young workers new to the workforce often don’t have tax data that can be used as a comparison to their attestations of income. Many applicants are self-employed or seasonal workers, and no information on their income is available through the credit reporting agency the FFM uses. When electronic data on income aren’t available, or when the application information isn’t “reasonably compatible” with electronic data — which generally means that the applicant has listed income more than 10 percent lower than what the electronic data show — applicants receive financial assistance based on the income information they provided on the application. They have 90 days to provide documents to verify their income.

Consumers lose their coverage if they don’t provide documents proving citizenship or immigration status, and their financial assistance is adjusted or terminated if they don’t provide documents verifying their income. The amount of the financial adjustment depends on whether the

marketplace has IRS or other electronic data showing the applicant's income. If so, the marketplace sets the subsidy amount consistent with the electronic data. If no information is available, which is most often the case, subsidies are terminated.

In 2015, about 470,000 people enrolled through the FFM lost coverage for failure to prove citizenship or immigration status, and over 1 million households' subsidies were adjusted or terminated for failing to prove their income. This coverage disruption is likely the biggest reason that FFM enrollment fell by almost 11 percent between March and September 2015.

Some Improvements Have Been Made, But More Needs to Be Done

The FFM application now provides stronger prompts to all applicants to provide SSNs and immigration document numbers. This reportedly has decreased the number of people who have to follow up with documents to prove their citizenship or immigration status, but some continue to have problems obtaining the right documents or knowing which numbers they should put on the application.

Proving income also remains difficult for a substantial number of consumers, because many people relying on the individual insurance market don't have stable sources of income. The amount of premium tax credits that taxpayers are due isn't finally determined until they file their tax returns. Advance payments are based on taxpayers' estimates of income as a percentage of the poverty line, which entails projecting not only their income but also who will be in their household over the coming year. This is difficult for many families, especially people who are self-employed, working at seasonal jobs, juggling multiple part-time positions, or between jobs, as well as three-generation families and the like.

The best approach to keeping people from losing coverage is to prevent data-matching issues from occurring in the first place by increasing the number of cases with successful data matches. The President's 2017 budget would take a step in that direction by allowing the marketplaces to access the National Directory of New Hires, which includes more recent wage information than the IRS tax data. People also need more help in understanding how to estimate their income, and they should be given an opportunity to explain why their income has changed. Finalization of a proposed regulation⁵ that would give the marketplace more flexibility to determine whether an applicant's listed income is "reasonably compatible" with electronic data would also help. The current 10 percent threshold makes it more likely that people with lower incomes will have to provide documents to verify their incomes. For example, if an individual whose income was \$30,000 in 2014 projected his income for 2016 would be \$26,500, he would have to submit documents, while an individual whose income was \$40,000 in 2014 reporting the same \$3,500 decrease would not. The proposed rule would allow the marketplace to use a larger percentage amount or a dollar threshold.

Even with measures designed to prevent data-matching issues from occurring, many people will have to provide follow-up documents to prove their eligibility, but there are ways to improve the process. Today, the notices the marketplace sends requesting proof of citizenship, immigration

⁵ *Federal Register*, Vol. 80, No. 231, December 2, 2015, <https://www.gpo.gov/fdsys/pkg/FR-2015-12-02/pdf/2015-29884.pdf>.

status, or income are not specific to an individual's situation and instead provide general lists of the types of documents that applicants can use to resolve their data-matching issues. Consumers are also unable to get individualized help when they reach the marketplace call center to ask what documentation they need to provide. *Giving individuals specific information about how they can verify their eligibility would significantly limit the number of people who lose coverage or financial assistance.* Better training of application counselors, the call center, and insurers would also help steer people in the right direction.

Many people who signed up for 2016 coverage will be asked to prove their eligibility over coming weeks. Getting them the support they need so they provide the documents and information the marketplace is seeking will help them stay enrolled — and in so doing, help stabilize the marketplace risk pools.