



Written by [Raven Clabough](#) on June 17, 2015

Audit Reveals Feds Can't Verify \$2.8 Billion in Healthcare Subsidies

While the U.S. Supreme Court weighs the future of healthcare subsidies, the federal government reveals little regard for taxpayer dollars, as it cannot account for \$2.8 billion in healthcare subsidies. According to an audit report by the Department of Health and Human Services Office of Inspector General (OIG), taxpayer funding is significantly “at risk” under the current system.



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 the amounts are correct. According to the report,

[The Centers for Medicare and Medicaid Services'] CMS's internal controls did not effectively ensure the accuracy of nearly \$2.8 billion in aggregate financial assistance payments made to insurance companies under the Affordable Care Act during the first four months that these payments were made.

CMS's system of internal controls could not ensure that CMS made correct financial assistance payments.

Further findings reveal that CMS does not have its own system for verifying information provided by health insurance companies. The Office of the Inspector General also noted that the government still does not have a complete system for approving subsidies distributed through ObamaCare.

The Obama administration announced last July 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 is supposed to approve enrollment and payment data “on an enrollee-by-enrollee basis.”

“Without effective internal controls for ensuring that advance CSR [cost sharing reduction] payments are reconciled in a timely manner,” said the DHS Office of Inspector General, “a significant amount of Federal funds are at risk.”

Problems with subsidy payments came to light earlier this year when approximately half the households that received federal subsidies for their health insurance in 2014 were told they would have to repay some of the money they received. According to the Kaiser Family Foundation, the average repayment was \$794.

Another 45 percent of households that received such subsidies will be owed a refund, Kaiser found, because their annual incomes required more tax credits to be issued than actually were. Their estimated average refund will be \$773, Kaiser said.

According to the *Washington Post*, of the eight million ObamaCare sign-ups in 2014, federal contractors discovered that approximately four million applications contained inconsistencies, of which over one



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million were income-related — the largest of any type of application issue.

CMS responded to the audit with this statement: “CMS takes the stewardship of tax dollars seriously and implemented a series of payment and process controls to assist in making manual financial assistance payments accurately to issuers.”

And yet the government does “not plan to perform a timely reconciliation” of the \$2.8 billion in subsidies, reports the *Washington Free Beacon*.

The report’s timing is significant, as the country is preparing for a ruling on ObamaCare from the Supreme Court that could invalidate federal subsidies.

According to Reuters, economists are predicting shockwaves if the court determines that people in 34 states — over six million ObamaCare customers — will no longer be allowed to receive ObamaCare subsidies. An analysis by Avalere finds that each of those customers would end up paying an average of \$3,300 more annually. “Exchange enrollees are currently subsidized at a very high rate,” stated Avalere Director Elizabeth Carpenter. “As a result, many individuals would likely find exchange premiums unaffordable without the tax credits provided under the law.”

But as noted by Michael Cannon, the Cato Institute healthcare studies director who helped craft the argument against the subsidies in *King v. Burwell*, the subsidies merely disguised the true cost of plans under ObamaCare. Therefore, premiums will not increase, but customers will see in full view the actual costs.

Cannon added that while millions of people may be impacted by a ruling against subsidies, those people were wronged by a president who induced them to enroll in “overly expensive health plans with the promise of subsidies he has no authority to offer.” What’s more, he observed, while millions of people could potentially lose their subsidies, “more than 10 times as many people” will be freed from illegal taxation resulting from the illegal subsidies.



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