

# United States Senate

WASHINGTON, DC 20510-1904

December 6, 2013

Secretary Kathleen Sebelius  
U.S. Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

RE: Report of the Treasury Inspector General for Tax Administration on ACA Premium Tax Credit Fraud

Dear Secretary Sebelius:

I am writing with regard to a report issued December 3<sup>rd</sup> by the Treasury Inspector General for Tax Administration (TIGTA) concerning the need to improve anti-fraud controls for premium tax credits awarded under the Affordable Care Act.

TIGTA reported that at the time of its audit, critical security controls necessary to properly implement the Advance Premium Tax Credit (APTC) were only partially implemented, and consequently failed. TIGTA also found that the lack of adequate fraud mitigation controls could leave the IRS "unable to identify ACA refund fraud or schemes prior to the issuance of erroneous refunds." Despite the IRS's assurances downplaying the risk of fraud, the error-filled roll-out of the ACA leaves me very concerned that significant fraud will not be avoided.

The Congressional Budget Office estimates that outlays for premium tax credits and cost-sharing subsidies will total nearly \$1 trillion through 2023. The bulk of these outlays will likely flow directly to insurers in the form of APTCs. Given that process, it is especially important that eligibility be properly verified.

The Affordable Care Act directs the Secretary to establish a program to determine whether individuals purchasing insurance through an exchange are eligible for premium tax credits or cost-sharing subsidies. It is critical that this verification occur before these credits or subsidies are made available, a point underscored by the reporting requirements of section 1001 of P.L. 113-46, the provision I authored in the Continuing Appropriations Act which resolved the October shutdown. In light of TIGTA's findings and the upcoming reporting deadline:

- What steps are you taking to ensure that individuals purchasing insurance through an exchange are eligible for premium tax credits or cost-sharing subsidies before those credits and subsidies are made available?
- What steps will you take to recover APTC amounts paid on behalf of individuals later found to have been ineligible?

I appreciate your consideration of the questions raised in this letter and request your response no later than December 20, 2013.

Sincerely,

A handwritten signature in blue ink that reads "Susan M. Collins". The signature is written in a cursive style with a large, stylized "M".

Susan Collins  
United States Senator