



Weekly Checkup

Fraudulent ACA Subsidies – Health Care’s Burst Pipe

JOHN WALKER, HENRY ROBERTS | JULY 5, 2024

In August 2022, the Biden Administration renewed a provision of the American Rescue Plan Act (ARPA), which fully subsidized Affordable Care Act (ACA) exchange plans for those making between 100–150 percent of the federal poverty level (FPL). These subsidies, known as premium tax credits (PTCs), are paid directly from the Treasury Department to insurance companies on behalf of enrollees. **This renewal significantly increased the percentage of fully subsidized enrollees in federal ACA exchanges from 40 percent to 53 percent – with an estimated 4–5 million of these being fraudulent enrollees.** Let’s dive into the nuance of ACA subsidies at the state level to better understand what is happening.

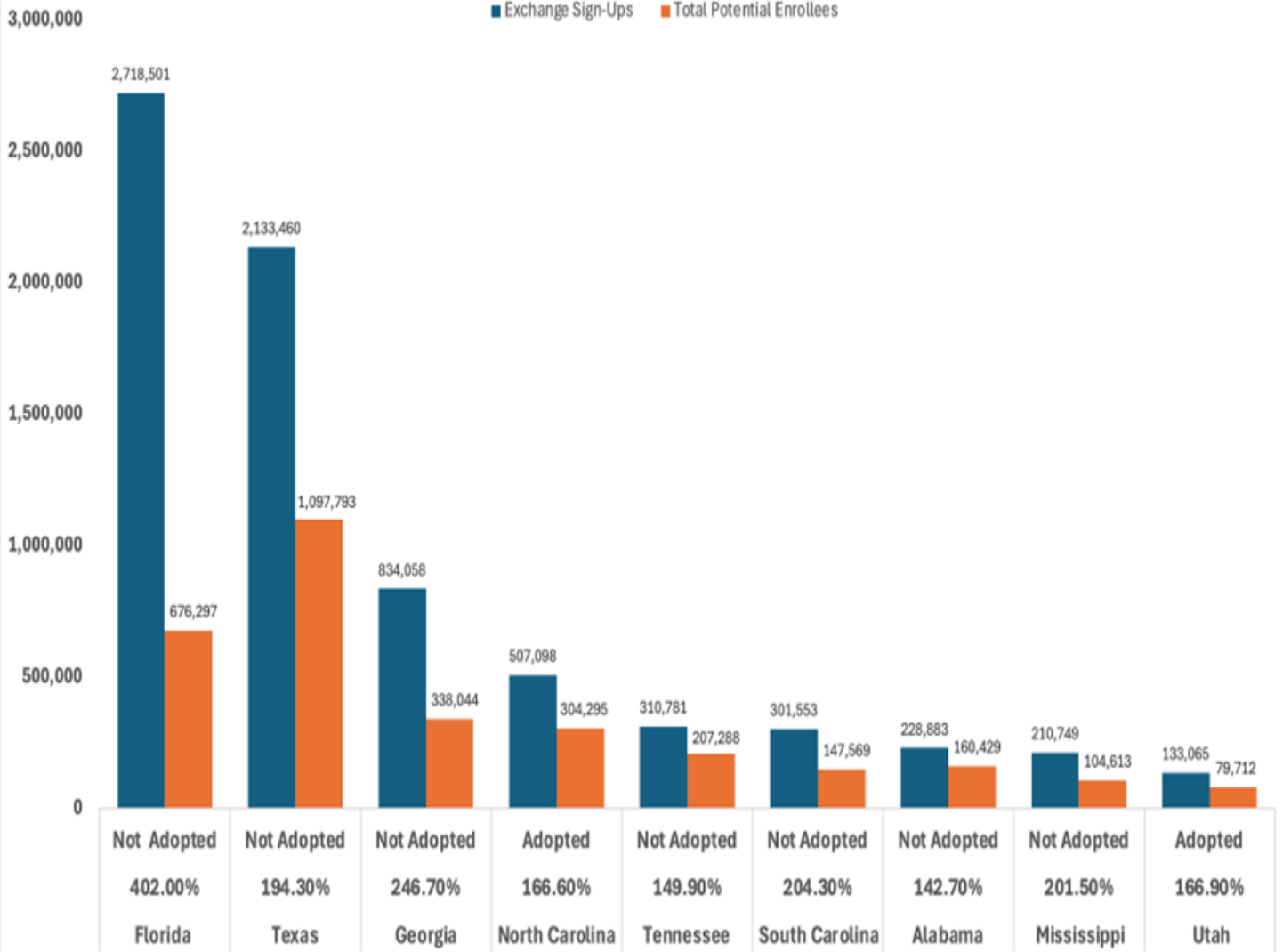
According to a [report](#) from The Paragon Institute, **ACA subsidies created a significant incentive for people to fraudulently overreport or underreport their incomes to become eligible for larger subsidies and lower cost-sharing.** This problem is found primarily among states that have not expanded Medicaid. Under Medicaid [expansion](#), individuals with incomes under 138 percent of the FPL are eligible for Medicaid enrollment, thus providing an alternative option to subsidized federal exchange plans. Fraudulently enrolled ACA beneficiaries are most pronounced in the following nine states: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Texas, and Utah. Seven of these states have yet to expand Medicaid, as defined by the ACA.

These states have more federal exchange enrollees than the Census Bureau’s American Community Survey indicates are eligible (within the 100–150 percent FPL range). Florida alone has four times as many people enrolling in federal exchanges at this income level than are eligible. Similarly, Georgia, Mississippi, and South Carolina have more than double the number of enrollees than should be eligible.

How did this situation come about? The government subsidizes health plans fully for those who make between 100-150 percent of the FPL. Individuals making less than the FPL do not qualify for any subsidies on federal exchanges because they are eligible for Medicaid, which has comparably inferior coverage. **This creates an incentive to report incomes just above the FPL to qualify for the fully subsidized plans.** This explanation was provided by the authors of an August 2023 [article](#) published in the American Journal of Health Economics, and similar claims are made in the Paragon Institute [report](#).

The chart below presents the total number of exchange sign-ups side by side with the total number of potential enrollees. Additionally, the percentage value indicates the number of exchange sign-ups as a percent of potential enrollees. Last, a state’s Medicaid expansion status is indicated as either “adopted” or “not adopted.”

Federal Exchange Sign-Ups Among Those 100–150% of the Federal Poverty Level Compared To Total Potential Enrollees



Sources: <https://www.healthcare.gov/medicaid-chip/medicaid-expansion-and-you/>

https://paragoninstitute.org/wp-content/uploads/2024/06/The-Great-Obamacare-Enrollment-Fraud_FOR_RELEASE_V2.pdf

<https://www.journals.uchicago.edu/doi/abs/10.1086/727785?journalCode=ajhe>