

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION



Joint HHS OIG/TIGTA Report

*Review of the Accounting Structure Used for
the Administration of Premium Tax Credits*

March 31, 2015

**HHS OIG Evaluation Number: OEI-06-14-00590
TIGTA Reference Number: 2015-13-029**

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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Other payments made from the allocation account associated with the IRS permanent indefinite refund appropriation

The allocation account associated with the Department of the Treasury permanent indefinite refund appropriation, administered by the IRS, (hereafter referred to as the refund appropriation) used to pay the APTC is also used to make other payments by the CMS. These include advance cost-sharing reduction payments (which decrease the deductibles, copayments, coinsurance, and total out-of-pocket spending limits for income-qualified people) and basic health program payments (which subsidize States' costs for providing health benefits coverage to low-income residents through such plans, in lieu of receiving APTC and cost-sharing reduction payments). However, advance cost-sharing reduction and basic health program payments are outside the scope of this review, which is focused on the justification for programmatic control over the PTC. For additional detail on the total outlays¹¹ from the refund appropriation, including cost-sharing reduction and basic health program payments, see Appendix IV.

The HHS Office of Inspector General (OIG) and the Treasury Inspector General for Tax Administration (TIGTA) joint review

This review was initiated as the result of a congressional request for a joint review of the administration of the PTC by the HHS OIG and TIGTA. This report addresses the IRS's and CMS's justification for establishing programmatic control over the PTC. TIGTA will issue another report that will address the effectiveness of the process for the financial accounting of PTCs. The HHS OIG and TIGTA are also performing multiple engagements related to the other issues included in the congressional request and will be reporting separately on those engagements.

This review was performed at the IRS National Headquarters office of the Chief Financial Officer in Washington, D.C.; the CMS Headquarters office of the Chief Financial Officer in Baltimore, Maryland; and the office of the HHS Assistant Secretary for Financial Resources¹² and Chief Financial Officer in Washington, D.C., during the period October 2014 through February 2015. TIGTA conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. The HHS OIG conducted this study in accordance with the *Quality Standards for Inspection and*

¹¹ Outlays are the issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a Federal obligation and, for PTC outlays, also include adjustments, as needed, based on tax return information.

¹² The Office of the Assistant Secretary for Financial Resources provides advice and guidance to the Secretary of HHS on all aspects of budget and financial management. The office provided expertise and facilitated coordination with the IRS when the agencies jointly worked on the PTC.



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Appendix IV

Permanent Indefinite Refund Appropriation Activity During Fiscal Years 2014 and 2015

Figures 1 and 2 provide the details of the APTC, advance cost-sharing reduction, and basic health program outlays from the Department of the Treasury permanent indefinite refund appropriation, administered by the IRS, during Fiscal Years¹ 2014 and 2015.² All numbers are rounded to millions, and total calculations were performed using the actual numbers rather than the rounded numbers in the table.

**Figure 1: APTC and Advance Cost-Sharing Reduction Outlays
January Through September 2014 (in Millions)**

Month	APTC Outlay	Advance Cost-Sharing Reduction Outlay	Total Outlays
January 2014	\$36	\$5	\$40
February 2014	\$609	\$94	\$703
March 2014	\$813	\$137	\$950
April 2014	\$978	\$182	\$1,159
May 2014	\$1,508	\$292	\$1,801
June 2014	\$1,864	\$375	\$2,240
July 2014	\$1,786	\$354	\$2,140
August 2014	\$1,734	\$347	\$2,080
September 2014	\$1,629	\$324	\$1,953
Total	\$10,957	\$2,110	\$13,068

Source: The Department of the Treasury Central Accounting Reporting System.

¹ Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.

² The use of the Department of the Treasury permanent indefinite refund appropriation, administered by the IRS, for the purpose of making advance cost-sharing reduction payments is the subject of an ongoing lawsuit. See Complaint, *U.S House of Representatives v. Burwell, et al.*, No. 1:14-cv-01967 (D.D.C. Nov. 21, 2014).



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**Figure 2: APTC, Advance Cost-Sharing Reduction,
and Basic Health Program Outlays
October 2014 Through January 2015 (in Millions)**

Month	APTC Outlay	Advance Cost-Sharing Reduction Outlay	Basic Health Program Outlay	Total Outlays
October 2014	\$1,522	\$302	\$0	\$1,824
November 2014	\$1,543	\$303	\$0	\$1,845
December 2014	\$1,438	\$282	\$60	\$1,781
January 2015	\$1,306	\$273	\$0	\$1,580
Totals	\$5,809	\$1,160	\$60	\$7,029

Source: The Department of the Treasury Central Accounting Reporting System.