

THE TRUMP ADMINISTRATION
AND CONGRESS ARE STOPPING THE
BIDEN ADMINISTRATION'S
SUPERCHARGED VERSION OF

ObamaCare Subsidy Fraud



MICHAEL GREIBROK
Senior Research Fellow

FGA

AUGUST 26, 2025

Key Findings



- 1** PRESIDENT BIDEN SIGNED LEGISLATION **SUPERCHARGING OBAMACARE SUBSIDY FRAUD.**
- 2** IN MULTIPLE STATES, **MORE INDIVIDUALS ARE SIGNING UP FOR EXCHANGE PLANS THAN ARE ELIGIBLE** AT THEIR CLAIMED INCOME LEVEL.
- 3** ONE CONSERVATIVE ESTIMATE PUT THIS FRAUD AT FIVE MILLION ENROLLEES AND **A COST OF \$20 BILLION IN 2024 ALONE.**
- 4** THE TRUMP ADMINISTRATION AND CONGRESS **PASSED LEGISLATION TO END THIS RACKET.**

THE BOTTOM LINE:

The Biden administration incentivized individuals to commit fraud in order to maximize ObamaCare subsidies. The Trump administration and Congress should continue their work to stamp out this fraud.

Overview

Since its inception, ObamaCare's premium subsidies have incentivized fraud through misreporting income.¹⁻² President Biden further incentivized fraud by signing two pieces of legislation that made the payoff for committing this fraud even greater.

ObamaCare's weak integrity measures encourage fraud in two ways. First, individuals are enticed to misreport their expected income to maximize their premium credits. Second, brokers are encouraged to participate in this fraud to capture fees, while insurers turn a blind eye to it because of the easy taxpayer money coming their way.

This fraud costs taxpayers billions each year.

The Trump administration has already toughened up on bad actors and finalized a rule to help address the problem.³⁻⁵ Congress has also passed legislation, signed by President Trump, which will make this type of fraud more difficult and less enticing.⁶ But more can be done to strengthen the health insurance marketplace and ensure that ObamaCare's premium subsidies only go to eligible individuals.



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The Biden administration incentivized ObamaCare subsidy fraud

ObamaCare has always been susceptible to premium subsidy fraud because of the generous credits offered. Expected income for the year is self-reported when applying, increasing the risk of fraud.⁷ Any misreporting of income is supposed to be rectified on the following year's taxes, but the Internal Revenue Service (IRS) is prevented from recouping the full amount of the excess premium credit.⁸⁻⁹

President Biden amplified the risk of fraud by signing two bills, the American Rescue Plan and the Inflation Reduction Act, which together increased the amount of premium subsidies through 2025.¹⁰⁻¹¹ With the increased incentive to commit fraud, data-matching issues increased from 2.6 million in 2020 to 6.3 million in 2022.¹²

The Biden administration seemed unconcerned about potential fraud or wasting taxpayer money on allowing even ineligible individuals to receive premium subsidies. Instead, it was focused on increasing the number of people receiving insurance through the exchanges and pushing to extend the increased subsidies.¹³⁻¹⁴

ObamaCare subsidy fraud in practice

This fraud is centered around those claiming incomes between 100 and 150 percent of the federal poverty level (FPL).¹⁵ Nearly half of the sign-ups during 2024 claimed incomes at this level, with enrollment at this level skyrocketing after enhanced subsidies were signed into law by President Biden.¹⁶

One conservative estimate put this fraud at five million enrollees in 2024 alone, with costs to taxpayers of roughly \$20 billion.¹⁷ This assumes an average premium subsidy of \$6,000, but actual subsidies are often in five figures for older Americans in this income range.¹⁸ This subsidy creates a massive incentive to misreport one's income.



Nearly half of the sign-ups in 2024 claimed incomes between 100-150 percent of the federal poverty level (FPL).

Source: Paragon Health Institute

The lack of documentation to verify reported estimated income and a year-round special enrollment period for this claimed income level created by the Biden administration enabled more opportunity for fraud.¹⁹⁻²⁰

Individuals with incomes greater than 150 percent FPL have been incentivized to report less income to receive greater premium credits. Even if a discrepancy in reported income is rectified on next year's taxes, the individuals will still come out ahead because they do not have to pay back the full amount of the excess subsidy.²¹ For 2024, paybacks were capped at \$375 for incomes between 100 to 200 percent FPL, \$950 for incomes between 200 to 300 percent FPL, and \$1,575 for incomes between 300 to 400 percent FPL.²²

Individuals only have to pay back a small amount if they under-report their income



Source: Paragon Health Institute

Individuals below the federal poverty level are incentivized to overestimate their income to appear eligible for premium subsidies. Treasury data shows that more than one-quarter of ObamaCare subsidies go to households with income below the poverty level.²³ The IRS is barred from collecting any money from these individuals on the following year's taxes.²⁴

This style of fraud is especially prevalent in states that wisely have not expanded Medicaid. Taxpayers pay the entire premium for this class, which would be ineligible for any premium if they correctly reported their income as below the poverty level.²⁵

Income is so frequently over-or underestimated to land between 100 and 150 percent FPL, that in nine states, the number of sign-ups at this level exceeded the number of potential enrollees in the state.²⁶ Across the country, 133.5 percent of potential enrollees signed up for ObamaCare at this income level.²⁷

Exchange Sign-Ups Reporting Income 100-150% of FPL Exceed the Total Potential Enrollees

State	Total Potential Enrollees	Exchange Sign-ups
Alabama	160,429	228,883
Florida	676,297	2,718,501
Georgia	338,044	834,058
Mississippi	104,613	210,749
North Carolina	304,295	507,098
South Carolina	147,569	301,553
Tennessee	207,288	310,781
Texas	1,097,793	2,133,460
Utah	79,712	133,065

Source: Paragon Health Institute

There is also a suspicious number of applicants claiming incomes between 138 to 150 percent FPL. In expansion states, income below this amount would put individuals on Medicaid instead of an exchange plan. In 2024, there were 2.5 million sign-ups at this reported income, but only an estimated 1.9 million were eligible.²⁸ There were several states with more than double the number of exchange sign-ups than eligible individuals.²⁹

Exchange Sign-Ups Reporting Income 138-150% of FPL Exceed the Total Potential Enrollees

State	Total Potential Enrollees	Exchange Sign-ups
Florida	175,008	462,458
Louisiana	31,425	68,566
Michigan	43,078	90,585
Missouri	49,044	106,913
North Carolina	79,020	168,594
Ohio	55,245	117,548
Oklahoma	38,379	77,306
Utah	19,748	81,644
Vermont	592	1,387

Source: Paragon Health Institute

Recent expansion states also create situations where taxpayers pay for enrollees' Medicaid and ObamaCare subsidies.³⁰ In 2024, the first full year of expansion in North Carolina, 28 percent more people enrolled in the state's Medicaid expansion or an exchange plan with reported income between 100 to 150 percent FPL, than the estimated total number of adults under 150 percent FPL who did not report having Medicaid or Medicare the previous year.³¹

Either more than 200,000 people at this income level moved to the state in 2024, or people are double-dipping on Medicaid and the exchange, giving no advantage to them but costing taxpayers plenty.

The federal exchange performs poorly at preventing fraud. **In states using the federal exchange, there were 8.7 million sign-ups at 100 to 150 percent FPL, compared to 5.1 million likely eligible.**³² In expansion states using the federal exchange, 177 percent of the eligible population with incomes between 138 to 150 percent FPL signed up for coverage.³³ This is more evidence that individuals are gaming the system in order to receive maximum subsidies.

The likely reason for this difference is the ease of committing fraud on the federal health exchange. All anyone needed to sign up was a name, date of birth, and state of residence.³⁴ There is no two-factor authentication needed or required notification of changes made to a plan. This can lead to third parties committing fraud on one's behalf.

Third parties also assist in the fraud

Sometimes individuals act alone to mischaracterize their income, but often they are counseled by brokers who are also incentivized to help people sign up for as little out-of-pocket cost as possible. Brokers assisted in 6.8 million enrollments during the 2023 open enrollment period, and these enrollments had data matching issues at twice the rate of other enrollments.³⁵ There are reports of brokers deliberately telling individuals to underreport their income in order to pay lower premiums.³⁶

At times, individuals who signed up on the exchange are not even willing participants in the fraud. Sometimes, lead generators mislead people with promises of free coverage and other enticements, like cash or gift cards, to get their personal information.³⁷ The lead generators pass this information to unscrupulous brokers who fraudulently enroll individuals, often without their knowledge.³⁸

In this case, lead generators and brokers collect fees, insurance companies collect premiums without the sticker shock of high premiums, taxpayers lose money, and individuals who are signed up receive no benefit because they may not even know they have coverage. In fact, they often receive surprise tax penalties the following year.³⁹

In the first eight months of 2024, there were more than 274,000 complaints of unauthorized enrollment or changes made to plans by brokers.⁴⁰ Of these complaints, more than 183,000 were specifically about being enrolled in ObamaCare without their consent.⁴¹



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ObamaCare subsidy fraud is not a new phenomenon, it has just been made worse by the Biden administration. One study showed that in 2015 exchange enrollment just above the poverty level was 136 percent of the estimated potential enrollment in that income range.⁴² The Department of the Treasury estimated that in 2020 1.7 million tax filers would receive premium subsidies even though they had incomes below the federal poverty level, costing taxpayers more than \$11 billion.⁴³

This is a longstanding issue that must be addressed to save taxpayers billions annually.

Congress and President Trump have made it much more difficult to commit fraud

In February 2025, President Trump's Department of Justice charged two individuals with submitting fraudulent enrollments to fully taxpayer-subsidized ObamaCare plans in order to receive millions in commission payments.⁴⁴ Just two months later, one of these individuals pled guilty to scheming taxpayers out of at least \$133 million in fraudulent subsidies.⁴⁵

States have taken action too. Florida opened more than 900 investigations into unauthorized ObamaCare enrollment or plan switching.⁴⁶ The Sunshine State saw consumer complaints increase by 95 percent in 2023 and had already surpassed that figure by May 2024.⁴⁷

Within two months of taking office, the Trump administration proposed a new rule to help address the issue, and they quickly finalized it.⁴⁸⁻⁴⁹ The finalized rule takes several positive steps. It shortens the open enrollment period and limits special enrollment periods, requires pre-enrollment verification for special enrollment periods, and removes the exception to verifying self-attested income in instances where the IRS reports no tax return data available.⁵⁰ It also requires exchanges to generate inconsistencies when trusted data sources indicate that projected household income is under the federal poverty level, changes to a preponderance of the evidence standard for rogue agents and brokers, prevents surprise tax bills by modifying re-enrollment, and removes Deferred Action for Childhood Arrivals from eligibility for premium subsidies.⁵¹

President Trump's One Big Beautiful Bill Act makes it much more difficult to commit subsidy fraud.



- ✓ **SHORTENED ENROLLMENT PERIODS**
- ✓ **PRE-ENROLLMENT VERIFICATION REQUIREMENTS**
- ✓ **INCOME VERIFICATION DOCUMENTATION REQUIREMENTS**
- ✓ **REMOVES CAP ON EXCESS SUBSIDY PAYBACKS**

President Trump worked with Congress to codify many of these reforms and add others through legislation. The One Big Beautiful Bill Act makes it much more difficult to commit subsidy fraud and disincentivizes bad actors from doing so. For instance, the law shortens open enrollment periods and restricts special enrollment periods.⁵² The law also adds pre-enrollment verification requirements prior to receiving a tax credit and new documentation requirements for income verification.⁵³ Importantly, the law also removes the cap on paybacks of excess subsidy amounts, ensuring that individuals must pay back the full amount of any tax credit they were not eligible to receive.⁵⁴

All of this is great but even more can be done.

While President Biden called for extending the increased ObamaCare premium subsidies, Congress has been wise not to.⁵⁵ These enhanced subsidies have increased the incentive to commit fraud, making the whole situation much worse. Congress should let the enhanced subsidies expire at the end of the year.

In addition, Congress should create alternative options for health insurance that would make ObamaCare, and its accompanying fraud, irrelevant. This would strengthen and stabilize the health insurance marketplace by giving Americans more opportunities to access innovative and low-cost options.



Congress should create **alternative options for health insurance that would make ObamaCare, and its accompanying fraud, irrelevant.**



THE BOTTOM LINE: The Biden administration incentivized individuals to commit fraud in order to maximize ObamaCare subsidies. The Trump administration and Congress should continue their work to stamp out this fraud.

ObamaCare subsidy fraud has always been rampant. But President Biden supercharged this fraud by signing legislation that increased the amount of the subsidy, created year-round special enrollment periods for low-income earners, and prioritized enrollment over program integrity.

The true losers in this are taxpayers and those individuals who are signed up for plans without their consent, or even knowledge, often leading to a surprise tax bill.

The Trump administration has already started addressing this fraud by bringing bad actors to justice and finalizing rules to help address the issue. Congress also made meaningful reforms to address this issue. Both should continue their good work to help stamp out ObamaCare subsidy fraud.

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**15275 Collier Boulevard | Suite 201-279
Naples, Florida 34119
(239) 244-8808**

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