Plymouth Institute for Free Enterprise

Reform Obamacare and Address Fraud

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TOPLINE: Obamacare should be reformed to promote competition, enhance federalism, crack down on fraud, and increase incentives to control costs.

BACKGROUND: Obamacare provides subsidized health insurance through a federal exchange and 23 state exchanges to individuals and families with incomes between 100% and 400% of the federal poverty line (FPL). Between 2021 and 2025, the 400% FPL limitation was eliminated, and there was no upper income cap to qualify for subsidized insurance on the exchanges. Obamacare's subsidies take two main forms:

1) *Premium tax credits (PTCs)*: Refundable tax credits typically taken as advance payments intended to cap premiums on insurance purchased on the exchanges, based on income and family size; and
2) *Cost-sharing reductions*: Additional subsidies for "Silver" plan recipients below 250% of FPL, meant to reduce deductibles, copayments, coinsurance, etc.

Rampant Fraud: Fraud and improper enrollment in Obamacare are widespread. In 2024, the Government Accountability Office (GAO) submitted 20 fake applications with discrepancies, 19 of which received initial approval and 18 remained actively covered in September 2025. A Paragon Health Institute analysis estimated that about 6.4 million enrollees had misreported income in 2025. Health and Human Services reported receiving 44,151 complaints in 2024 alleging people were enrolled in plans without their consent. Insurers have little incentive to control costs because the subsidies generally increase as premiums rise.

Action Items (Congress):

- **Give states the option to replace the PTC subsidies** (in whole or in part) **with contributions to Health Savings Account-style accounts** that individuals control.
- **Set fixed contribution amounts based on income and family size** instead of capping premiums and automatically raising subsidies when premiums rise.
- **Eliminate or restrict third-party enrollments and automatic reenrollments.**
- **Require any excess subsidies received to be *fully* repaid.**

How It Would Make Life More Affordable:

- It would encourage more price competition in exchange premiums.
- Individual accounts would increase price sensitivity and put downward pressure on overall health care prices.
- It would save taxpayer dollars by reducing waste, fraud, and abuse in the program.

Related Legislation: Patient Freedom Act of 2017 (S. 191 [115th Congr.]); Health Care Freedom for Patients Act of 2025 (S. 3386).

BOTTOMLINE: America's health care costs are out of control because the government has taken over and undermined market competition.