Pennie Board of Directors Program Updates

July 23, 2026

Agenda

- Preliminary Matters
- Program Updates

Preliminary Matters

- Call to Order
- Roll Call
- Approval of Previous Meeting’s Minutes
- Opportunity for Public Comment

Program Updates: Anti-Fraud Efforts

Background

Pennie is currently impacted by a fraud scheme that, in volume, outpaces any cases seen prior. Pennie has taken a comprehensive approach to address existing fraudulent enrollments and prevent the issue from continuing.

Efforts to stop the current fraud scheme are focused on making it harder for improper enrollments to start and to cut off the financial motive:

1. **Identify**: Pennie is proactively identifying suspicious policies based on a set of criteria.

2. **Remove:** Pennie is working with insurers to rescind fraudulent policies to remove the financial incentive for fraud.

3. **Prevent**: Pennie is taking steps to prevent fraudulent enrollments from starting.

Broader Anti-Fraud Context

Pennie has removed every policy identified and found to have evidence of fraud. This process is co-dependent on insurers and must follow strict federal rules.

Fraud continues to remain a small portion of enrollments. As of today, there are 1,600 known policies that will be rescinded for fraud. This pales in comparison to the 428,000 Pennsylvanians with valid coverage through Pennie and to the bigger issue of affordability that has resulted in 186,000 Pennsylvanians dropping coverage through Pennie since the end of 2025.

Finally, notwithstanding the current issue, Pennie's overall program integrity and fraud prevention approach is one of the strongest in the country when compared to other states and the federal marketplace.

Recent Steps Taken

Pennie is going beyond steps that have been successful in closing the door on this issue in other states.

- Enhanced verification of qualifying life events to prevent improper enrollment through a Special Enrollment Period. As of May 15, all qualifying life events are verified by the system or consumer-provided documentation.

- Significantly expanded efforts by Pennie to find and root out policies with suspicious data patterns.

- New expedited rescission process introduced and continuously improved since mid-May.

Measuring Success

The goal is to have this issue abated by early August, as measured by:

1) Insurers no longer submitting rescission requests fitting the fact pattern of this scheme, including no longer seeing significant out of state SUD claims.

2) Pennie no longer finding applications with suspicious data patterns.

3) Special Enrollment Period enrollments are verified with no evidence of systematic document issues.

Overall Status

As of July 23, Pennie has:

- **Found fewer problematic enrollments**
- **Effectuated over 1,000 rescissions, with ~260 more to be effectuated in early August**
- **Secured grant funding for dedicated fraud resources moving forward**

Anti-Fraud Metrics Baseline

Insurer and Pennie Initiated Rescissions

Metric 1 – Rescission Submissions Drop Off

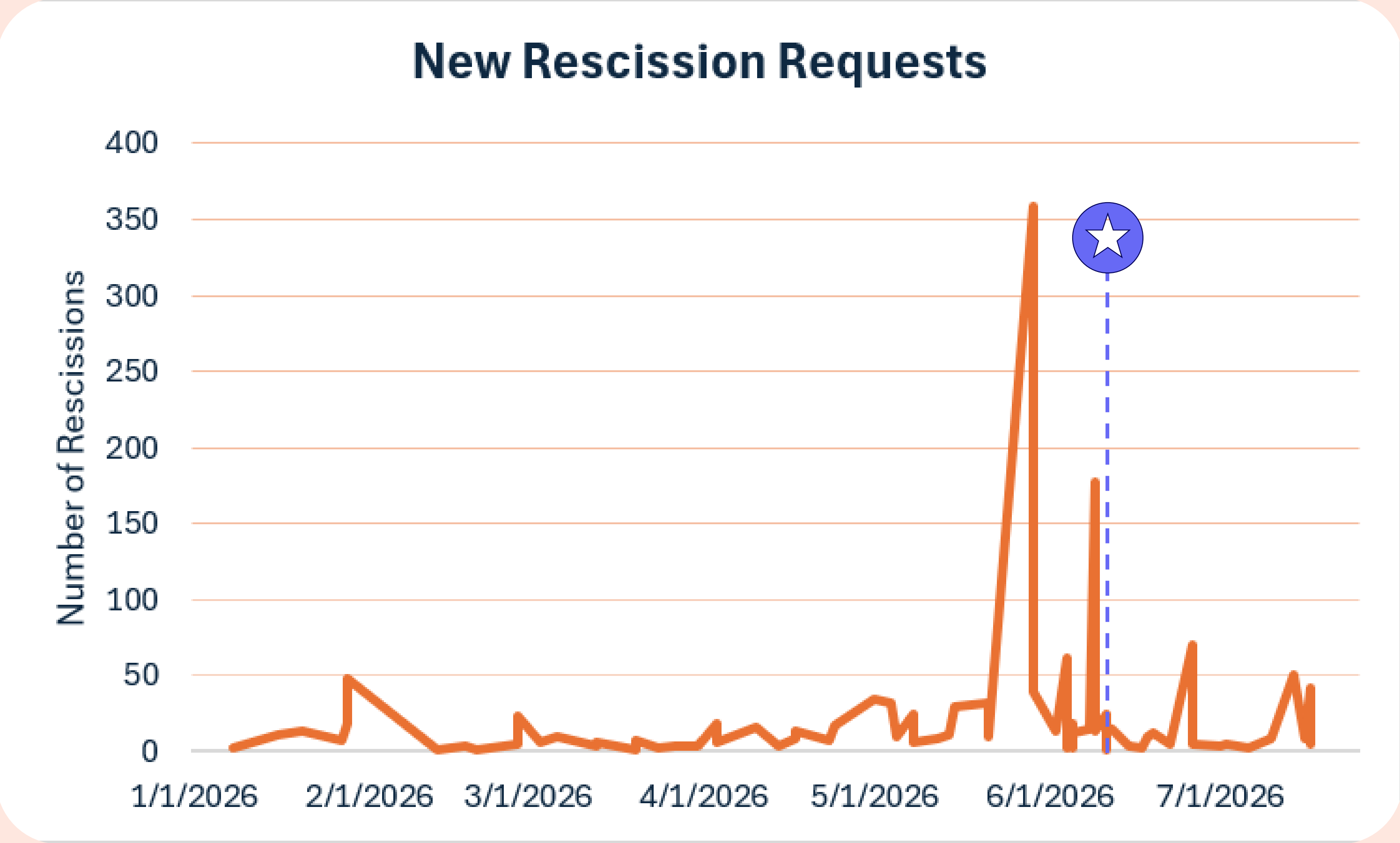
Goal: Drop off in rescissions submitted by insurers that fit the pattern of the current fraud scheme, with the removal of policies approved for rescission by mid-June by August 1.

Status: A large number of policies were submitted and approved for rescission in late May and early to mid June in alignment with Pennie's request to receive these submissions by June 12th. This led to a substantial wave of rescissions upon the expiration of the 30-day notice period over the last two weeks.

Data: A total of 884 policies have been rescinded that were submitted on or after May 1st. An additional 260 policies are at the end or near the end of their 30-day notice period and will be eligible for cancelation in early August. The 884 cancelations represents 95% of the volume stated in the June 26th update.

Metric 1 – Rescission Submissions Drop Off

Submission of new rescission requests is a leading indicator that the issue may be abating. When this number is consistently low or zero, it will be a strong sign that the tide is turning. The spike in new rescission requests in June aligns with Pennie's implementation of the bulk attestation process in May combined with a push for submissions by June 12th.



Metric 1 – Rescission Submissions Drop Off

Most policies approved for rescission remain in the federally-mandated 30-day consumer notice period and will be fully rescinded by early August.

2026 Insurer Rescission Requests Reviewed	Approved	New Under Pennie Review	In Process	Within 30-Day Notice	Rescission Complete
1869	1633	31	34	565	1003
%	87.37%	1.66%	1.82%	30.23%	53.67%

Pennie has referred 3,468 policies to insurers for review of enrollments that contain data indicators associated with the fraud scheme fact pattern. Not all will result in rescissions.

Pennie-Referred Policies (5/13-7/22)	Confirmed Claims by Insurers	Under Review by Insurers	Confirmed and Proceeding to 30-Day Window	Rescission Complete
3,468	881	2,587	285	40

Metric 1 – Rescission Submissions Drop Off

Next Steps: To prevent renewals for remaining fraudulent enrollments, Pennie will not include any policies approved for rescission in the upcoming auto renewal process. Insurers must submit any additional rescission requests by **August 14th**. Rescission requests approved by 8/14 will be excluded from automatic renewals for 2027 coverage.

Approved rescissions will be excluded from renewal even if the 30-day notice period has not yet expired. If an enrollee whose rescission has been approved contacts the insurers during the 30-day notice period, then that consumer will be renewed into 2027 coverage in mid-December.

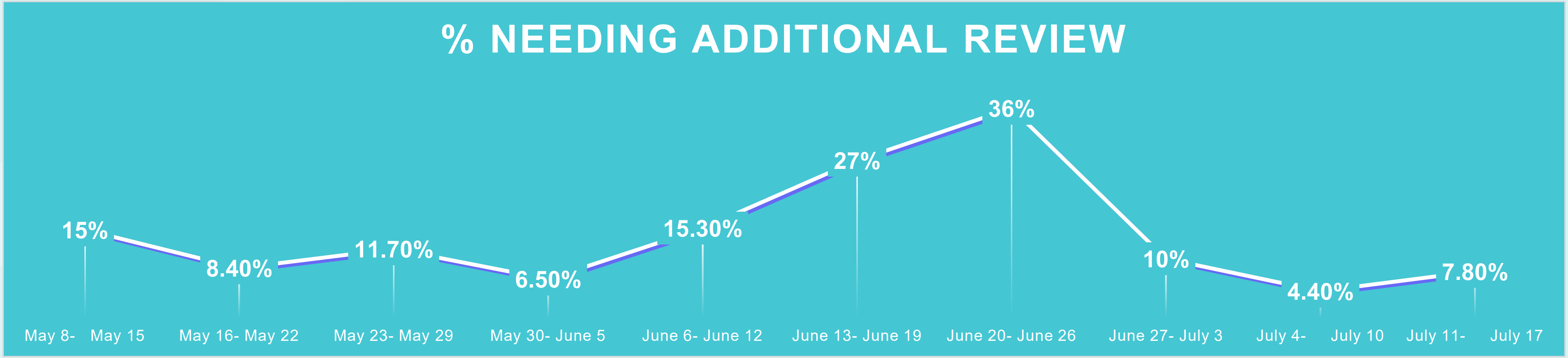
Risks and Dependencies: Insurer rescission requests are dependent on insurer resources and investigations. If insurers have not completed their investigations and submitted their rescission requests by August 14, then the enrollments will be renewed during the auto-renewal process. Insurer rescission requests have slowed. Two insurers report still having hundreds to work through.

Metric 2 – Pennie No Longer Identifying Suspicious Enrollments

Goal: Pennie's proactive review is no longer finding suspicious policies that fit a set of criteria indicating fraud.

Status: Pennie reviewed applications with suspicious data patterns and have flagged those that seem highly likely to be fraudulent for additional review. The number of risk-based targeted application reviews have found fewer applications that appear suspicious.

NOTE: percents are of the TARGETED applications reviewed, not of all applications.



Metric 2 – Pennie No Longer Identifying Suspicious Enrollments

Next Steps: Pennie will continue to monitor new applications and target reviews based on previous and new criteria. Pennie will utilize new grant funding to establish a steady state review process with additional resources and tools.

Risks and Dependencies: Bad actor attempts may shift and evolve.

Metric 3 – No Issues with SEP Enrollments and Documentation

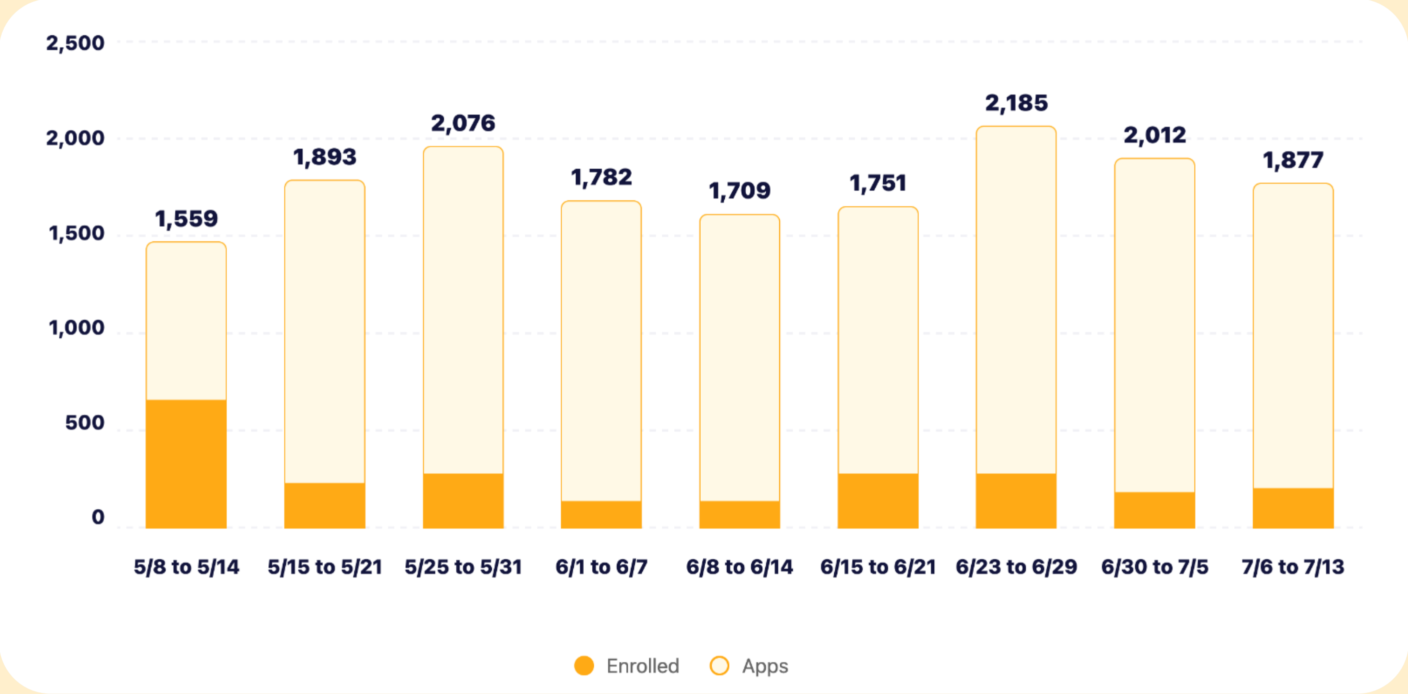
Goal: Pennie's review of SEP use and documentation prevents enrollment for applications that do not submit valid evidence of a qualifying life event and denials decrease over time as fraudulent attempts go down.

Status: Denied SEP applications has increased to 41% from the 33% in June. Overall SEP enrollment has dropped markedly since the implementation of SEP verification requirements on May 15.

Data: Pennie has denied approximately 41% of the newly gated SEPs; denial prevents an enrollment from starting.

Not all SEP denials mean fraud. It is a regular occurrence for legitimate applicants to provide insufficient documentation and to need to resubmit.

Household Applications for Gated SEPs



Weekly SEP Approved and Denied Enrollments

Total Enrollments and Percent of Applications Rejected by SEP

		Loss of Other Coverage	Adoption	Birth	American Indian/Alaskan Native	Incarcerated	Gain Court-Appointed Dependent	Total
	Enrollments							
Before Gating	**May 8 – May 14**	693	2	12	0	3	1	**711**
After Gating	**May 15 – May 21**	241	0	0	0	1	1	**243**
	May 25 – May 31	295	0	3	0	0	0	**298**
	Jun 1 – Jun 7	148	0	0	0	0	0	**148**
	Jun 8 – Jun 14	149	0	1	0	0	0	**150**
	Jun 15 – Jun 21	287	0	4	0	0	0	**291**
	Jun 22 – Jun 28	298	0	2	1	0	0	**301**
	Jun 29 – Jul 5	196	0	3	0	0	0	**199**
	Jul 6 – Jul 12	201	1	5	0	1	0	**208**
	Applications							
	Rejected Since 5/15/26	41%	33%	18%	29%	42%	50%	**41%**

Metric 3 – No Issues with SEP Enrollments and Documentation

Next Steps: Continuing to monitor and review applications.

Risks and Dependencies: Reviews will need to stay vigilant as bad actor tactics may evolve. Some feedback has been received through brokers and some legislative escalations with complaints that it is harder to enroll in coverage.

New Anti-Fraud Resources

Fraud Prevention Grant

Pennie applied for grant funding through the Pennsylvania Insurance Fraud Prevention Authority, an independent Commonwealth agency whose sole purpose is to combat insurance fraud throughout the state. Their assessment fees support grants that combat fraud.

Pennie applied for, and was notified this week that we received, a grant to support fraud prevention efforts.

Pennie will use the grant dollars to support:

- One fraud specialist who will centralize and lead Pennie's anti-fraud efforts
- Licenses to the CLEAR database to allow for further investigation into suspicious policies

The CLEAR database is used by many agencies and organizations to perform background checks, fraud detection, and investigative work. CLEAR has access to extensive information, including eligibility-related data points like identity verification and address history.

Pennie will use CLEAR to conduct investigative research on flagged applications and enrollments, including through the use of small batch requests to efficiently evaluate multiple applications at one time. With the help of CLEAR data, any policy with strong indications of fraud will be referred to insurers for rescission submission.

Other Program Updates

Other Program Updates – Open Enrollment

Recent court rulings have been issued regarding CMS regulations from the past two years. As a result, several regulations issued by CMS have been vacated. Pennie will provide a full update in the August 6th meeting.

Open Enrollment: Last year, CMS issued a regulation changing the Open Enrollment Period dates. Under this new regulation, the 2027 OEP could start before 11/1, must end by 12/31 and could last no more than 9 weeks. As a result, Pennie changed the dates for this upcoming open enrollment for 2027 coverage to October 15 – December 15.

In late June, a Court ruled that CMS' shortened OEP rule was unlawful and as a result, the regulations revert to the prior requirements outlining a start on Nov. 1 and a length of 11 consecutive weeks. With the ruling, Pennie recommends changing the 2027 Open Enrollment dates back to the standing, original dates of Nov. 1 to Jan. 15.

Reasoning:

- The largest consumer risk with the shorter dates is that consumers do not realize that December 15 is the final deadline, as Open Enrollment has always extended into January since Pennie began.
- Surrounding states have shifted into January, increasing the risk of people missing Open Enrollment.
- Returning to original dates will remove risk that uninsured, eligible individuals miss Open Enrollment.
- Changing the dates would align to the prior regulatory requirements.

Motion: To change the 2027 Open Enrollment dates to November 1 to January 15 and immediately communicate the policy change to insurers, assisters, and other stakeholders.

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