Sole Source Approval
CLEAR Services

Pennie is the state-affiliated entity that operates the Commonwealth's state-based health insurance marketplace. Pennie was created in July of 2019 under Act 42 of 2019 (40 Pa.C.S.§§ 9101 – 9703) as a unanimous and bipartisan effort to transition away from the federal health exchange to lower costs and to use the savings to launch a reinsurance program to lower premiums for families purchasing health and dental insurance through Pennie.

In late 2025, there was a marked and significant increase in third-party fraudulent enrollments. Specifics of the fraud schemes have varied, but this category of third-party fraud went from accounting for around 60 impacted policies in each of 2024 and 2025, to an estimated 2,000-3,000 impacted policies in 2026 resulting in a large amount of fraudulent claims. Common patterns have included falsified, forged, or altered documentation; inaccurate attestations of eligibility and residence in PA; and other deceptive practices used to improperly obtain coverage through Pennie. The tactics are constantly shifting and require constant monitoring and scrutiny.

Claims associated with fraudulent enrollments are too significant to be legitimate, and if paid out, could result in insurers raising insurance prices for everyone, reducing plan options, and putting insurers at financial risk. The resulting claims drive up costs in the individual marketplace risk pool, contributing to higher premiums for every Pennsylvanian who seeks coverage through Pennie. In addition, new policies to discourage fraud create greater barriers for legitimate enrollees to the affordable coverage the marketplace exists to provide. Without being properly addressed, fraud erodes both the financial stability of the marketplace and the public's trust in Pennie.

Pennie is actively working to combat enrollment fraud and protect the integrity of its marketplace, its consumers, and its insurance partners. This work is performed by staff across Pennie's Operations, Policy, and Technology teams by reviewing and approving insurer-submitted rescission requests to fully remove fraudulent policies, implementing robust escalation paths for suspected fraud identified at the contact center, adding additional consumer documentation and verification requirements, and conducting in-depth account reviews and spot-checks. When bad actors are brokers licensed by the

Pennsylvania Insurance Department (PID), Pennie completes an initial investigation and refers them to PID for further investigation.

CLEAR directly enhances Pennie's ability to detect fraud. The four licenses would support the Fraud Prevention lead, the data team, and the operations team that processes rescission requests. Using a batch process within CLEAR will allow users to submit a data file and receive identity, address, and other verification data which can then be analyzed through an Excel macro that flags anomalies and high-risk indicators for further review. This converts a slow, manual, judgement-reliant process into a faster, repeatable, and more consistent process, enabling Pennie to review more records in less time.

Pursuant to the Health Insurance Markets Oversight Act, 40 Pa.C.S. §§ 9101-9703, Pennie, a state-affiliated entity, is subject to the requirements of the Commonwealth's Procurement Code, 62 Pa.C.S. §§ 101-2311. However, Pennie is not under the Governor's jurisdiction and, as such, is not subject to the various policies and directives developed by the Department of General Services to implement the Procurement Code. *See* 40 Pa.C.S. § 9302(a); 62 Pa.C.S. §§ 102-103, 301(d).

The Procurement Code permits an agency to award a contract for supplies, services, or construction without competition if the contracting officer determines that certain conditions exist. 62 Pa.C.S. § 515(a). Relevant to this current situation, an agency can award a contract for a service if "[o]nly a single contractor is capable of providing the supply, service or construction". *Id*. at § 515(a)(1).

In July, 2026 Pennie applied for and was awarded a grant from the Insurance Fraud Prevention Authority ("IFPA"). IFPA was established in 1995 following the enactment of the Insurance Fraud Prevention Act. IFPA is charged with establishing, coordinating and funding activities in the Commonwealth to prevent, combat and reduce insurance fraud, to improve and support insurance fraud law enforcement and administration, and to improve and support insurance fraud prosecution. All activities of the IFPA are paid for through an Insurance Fraud Prevention Trust Fund, funded through annual assessments paid by insurance companies. The IFPA's Board is specifically required to provide financial support for the Attorney General's Section of Insurance Fraud and the unit of insurance fraud in the Philadelphia District Attorney's Office; and may support other government agencies or consumer and business organizations consistent with the purposes of the Act (40 P.S. § 325.22(5)) and the extent of insurance fraud seen in the Commonwealth.

As part of the IFPA grant, Pennie was awarded funds specifically for four CLEAR licenses to assist Pennie staff in verifying and analyzing customer data to detect fraudulent

enrollments. Thus, Pennie must procure these services through a sole source procurement.

In accordance with section 106.1(b)(5) of the Procurement Code, notice of this sole source procurement was posted on Pennie's publicly available agency website, agency.pennie.com, on October 1, 2026, and remained available to the public for seven (7) calendar days prior to being approved below. 62 Pa.C.S. § 106.1(b)(5).

I am authorized by the procurement policy adopted by the Pennie Board of Directors to issue this sole source procurement, since the total value of this contract does not exceed $500,000.00.

Sole Source Procurement Approved:

Devon Trolley _____ November 3, 2026

Devon Trolley
Executive Director
Pennsylvania Health Insurance Exchange Authority d/b/a Pennie®

Date