



**INDEPENDENT EXTERNAL AUDIT:  
2016 AUDIT FINDINGS REPORT  
VERMONT  
VERMONT HEALTH BENEFIT EXCHANGE  
DBA VERMONT HEALTH CONNECT (VHC)**



# INDEPENDENT EXTERNAL AUDIT: 2016 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

FROM: BERRY DUNN MCNEIL & PARKER, LLC (BERRYDUNN)

DATE: MAY 31, 2017

SUBJECT: AUDIT FINDINGS REPORT FOR VERMONT

AUDIT PERIOD: JULY 1, 2015 – JUNE 30, 2016

## I. EXECUTIVE SUMMARY

### PURPOSE

The purpose of this independent external audit is to assist the State of Vermont in determining whether Vermont Health Benefit Exchange d/b/a Vermont Health Connect (VHC), the Vermont State-Based Marketplace (SBM), is in compliance with the programmatic requirements set forth by the Centers for Medicare and Medicaid Services (CMS).

Name of SBM: Vermont Health Connect

State of SBM: Vermont

Name of Auditing Firm: BerryDunn

Our responsibility was to perform a financial and programmatic audit to report on VHC's compliance with 45 CFR 155 as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of State-Based Marketplaces (SBMs). The Program Integrity Rule Part II ("PI, Reg."), 45 CFR 155.1200 (c), states, "The State Exchange must engage an independent qualified auditing entity which follows generally accepted governmental auditing standards (GAGAS) to perform an annual independent external financial and programmatic audit and must make such information available to the United States (U.S.) Department of Health and Human Services for review."

### SCOPE

The scope of this engagement included an audit of the Statement of Appropriations and Expenditures of VHC as well as an examination of VHC's compliance with the requirements of 45 CFR 155, Subparts C, D, E, F and M. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We completed an examination of VHC's compliance with the programmatic requirements under 45 CFR 155 and an audit of its financial statement and issued our reports, dated May 31, 2017.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, testing, and staff interviews to obtain reasonable assurance regarding whether VHC is in compliance with 45 CFR 155, Subparts C, D, E, F and M in all material respects.

We also selected different samples of clients and tested for compliance with requirements under Title 45, Part 15:

- Subparts D and E for eligibility determination, verification of data, and enrollment with a QHP.
- Subpart F – Appeals testing

## METHODOLOGY

### **Audit Firm Background:**

**BerryDunn is the largest certified public accounting and consulting firm headquartered in New England, with more than 300 professionals. BerryDunn has for more than 40 years** provided comprehensive audit and tax services for a broad range of healthcare, not-for profit, and governmental entities throughout the Northeast. Those services include conducting Financial and Programmatic audits of four Health Benefit Exchanges, including MNsure as well as Office of Management and Budget Circular Uniform Guidance (UG) audits for several sizable healthcare organizations, many of which receive U.S. Department of Health and Human Services federal grants or funding. In addition, we provide audit services for higher education, social service, and economic development organizations, as well as other entities that receive federal grants and are subject to the compliance requirements of UG.

### **Financial Statement Audit:**

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statement of appropriations and expenditures of VHC for the year ended June 30, 2016, and related notes to the statement, and have issued a report thereon dated March 30, 2017.

### **Programmatic Audit:**

We have examined VHC's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2016, and have issued a report thereon dated May 31, 2017.

### **Summary of Programmatic Audit Procedures**

Our audit consisted of specific procedures and objectives to evaluate instances of non-compliance and to perform procedures to test VHC's compliance and program effectiveness of certain requirements in Title 45, Part 155, Subparts C, D, E, F and M of the Code of Federal Regulations.

We selected a sample of clients and tested for compliance with requirements under Title 45, Part 155 Subparts D and E for eligibility determination, verification of data, and enrollment with a QHP.

We reviewed the status of all 1074 appeals filed within the state fiscal year 2016.

We reviewed the policies and procedures under Title 45, Part 155 in the following programmatic areas in order to determine whether they had significantly changed from what was identified and tested during the prior year's audit:

- General Functions of an Exchange (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Appeals of Eligibility Determinations (Subpart F)

We reviewed the following documentation, which was obtained directly from VHC, or located on either the VHC website or the CMS website:

- Carrier Enrollment ICD Companion Guide
- Change Control Board Report
- Contracts, Including:
  - Archetype Consulting, Inc. Contract & Amendments
  - Benaissance, LLC Contract & Amendments
  - Blue Cross Blue Shield Insurance Carrier Agreement
  - Speridian Technologies, LLC Contract & Amendments
- Customer Complaint Resolution Process
- Enrollment notices, Including:
  - Annual Redetermination Notice
  - Authorization to Obtain Tax Data Notice
  - Employer Notice of Coverage
  - Employer Termination of Coverage Notice
  - Incomplete Application Notice
  - Notice of Health Care Benefits, With Financial Assistance
  - Notice of Health Care Benefits, Without Financial Assistance
  - Notice of Right to Appeal
- Internal Audit Reconciliation Report
- Optum Enterprise Reconciliation Business Process Guide
- Organizational Plan
- Plan of Actions & Milestones
- Policies and Procedures for Assisters, Navigators, CAC's, & Authorized Representatives, Including:
  - Adding Advocate/Authorized Representative Instructions
  - Assistance Completing the Application Document

- Assister My Account Access
- Caller Authentication Matrix
- Certified Application Counselor Registration Agreement
- Policies and Procedures for QHP Eligibility, Including:
  - VHC Eligibility and Enrollment Policy Manual
  - VHC QHP Enrollment Standard Operating Procedures
  - VHC Update on Project Development, Operations, and Enrollment Data
- Policies and Procedures for Termination of Coverage, Including:
  - Disenrollment Standard Operating Procedures
  - Death Disenrollment Standard Operating Procedures
- Policies and Procedures for Verification, Including:
  - QHP Verification Document Processing SOP
  - Verification and Inconsistency Resolution SOP
  - Verification Document Processing – Pending MCA SOP
- Policies and Procedures or Other Documentation Related to Appeals, Including:
  - Fair Hearing SOP
  - Human Services Board Fair Hearing Rules
  - VHC Appeals Data
- Security Documents, Including:
  - Interconnection Security Agreement (ISA) between CMS & VHC
  - Safeguard Procedures Report
  - System Security Plan, SSP Workbook
  - Unified Privacy Impact Assessment, & PIA submission
  - VHC Notice of Privacy Practices
  - VHC Information Privacy Policy
  - 3<sup>rd</sup> Party Security Test Plan & Results report
- Vermont Verification and Inconsistency Resolution Mitigation Plan
- VHC (APTC) Perform Internal Auto Change Guide
- VHC Project Management Plan
- VHC Data Remediation Process Guide
- VHC Open Enrollment & QHP Renewals for 2017
- VHC Record Retention and Destruction Standards and Guidelines
- VHC Self-Service Change of Circumstance Guide

- VHC Special Enrollment Period Qualifying Events Guide
- VHC 2015 Advance Payments of Premium Tax Credit (APTC) Worksheet
- VHC 2016 Advance Payments of Premium Tax Credit (APTC) Worksheet

In order to understand management and staff responsibilities and processes as they relate to compliance with 45 CFR Part 155, we performed walkthroughs of data systems and operations and interviewed the following staff from the Department of Vermont Health Access (DVHA) and VHC:

- Aaron Brodeaur – Financial Director 1
- Anne Petrow – Program Compliance and Oversight Director/Compliance Officer
- Carrie Hathaway – Financial Director
- Cassandra Madison – Director of Health Care Eligibility and Enrollment
- Danielle Delong – Appeals Manager
- Ed Dwinell – Financial Manager 2
- Hera Bosley – Administrative Services Manager
- Michelle Therrien – Fair Hearing Specialist
- Paul Hochanadel – Performance Improvement Manager
- Terri Blaisdell – Financial Manager 3

We analyzed the following information to assess VHC's compliance with the requirements of 45 CFR 155:

- A listing of 159,616 applicants who had an eligibility determination completed between July 1, 2015 and June 30, 2016. We selected a sample of 95 cases to test the compliance with 45 CFR 155 Subpart D Eligibility and Subpart E Enrollment.

**CONFIDENTIAL INFORMATION OMITTED**

N/A

## II. AUDIT FINDINGS

### KEY FINDINGS

#### FINDING #2016-001

##### ***Criteria:***

Subpart D - Eligibility, 45 CFR §155.315 requires that an applicant be made conditionally eligible based upon the data he or she entered in his or her application and data received from automated data sources. Under 45 CFR §155.315 (f), the Exchange must make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and information obtained from outside data sources by contacting the applicant to resolve such inconsistency by providing additional information. Pursuant to 45 CFR §155.315(f)(2)(ii), the Exchange must provide the applicant with a period of 90 days from when the applicant receives a notice that requests documentation to resolve an inconsistency between the self-attested data and the outside data sources. Pursuant to 45 CFR §155.315(f)(3), the Exchange can extend the period if an applicant demonstrates a good-faith effort to provide sufficient documentation to resolve the inconsistency.

During this inconsistency period, an applicant who is otherwise qualified is eligible to enroll in a Qualified Health Plan (QHP) and, when applicable, is eligible for insurance affordability programs (45 CFR §155.315(f)(4)). If after the 90-day period (or applicable extensions), the Exchange is unable to resolve the discrepancy between the self-attested information and the data sources with customer-provided information, then it must rerun eligibility and notify the applicant of their new eligibility determination.

##### ***Condition and Context:***

This is a repeat finding. There are known defects with the One Gate system that prevent it from accurately processing the information returned from the Federal Data Services Hub to verify the self-attested data included in the application. VHC performed manual verification processes for Social Security Number (SSN), immigration status, and citizenship data during fiscal year (FY) 2016. We selected a sample of 155 cases for testing. Of the 155 cases tested, SSN was verified for 122 cases (79%) and citizenship was verified for 113 cases (73%). Two of the 155 selections were for cases where the applicant was a non-U.S. citizen. The immigration status was verified for one of these two non-U.S. citizen cases.

With the exception of SSN, immigration status, and citizenship verifications eligibility determinations for the sample cases selected for the audit period were based solely upon the applicants' self-attested data and the applicants were not notified of the potential.

##### ***Cause:***

Several known system defects with the One Gate prevented it from accurately processing the information returned from the Federal Data Services Hub to verify the self-attested data included in the application during the audit period.

**Effect:**

Because some of the verification items in the applicants' self-attested data were not verified against the Data Hub, VHC was not able to properly verify that the applicants met the eligibility requirements for enrollment in a QHP or for insurance affordability programs, or that the amounts of the Advanced Payment of Tax Credit (APTC) and cost-sharing reductions were correctly determined.

**FINDING #2016-002****Criteria:**

45 CFR §155.305(f)(1)(i)(B) and 26 CFR 1.36B-2 state that an individual may not be eligible for APTC if they are eligible for minimum essential coverage. 45 CFR §155.305(g)(1)(B) states that a person may not be eligible for CSR if they are not also eligible for APTC.

26 CFR § 5000A(f)(1)(A) states that minimum essential coverage includes coverage under government-sponsored programs including the Medicare program under part A of title XVIII of the Social Security Act.

IRS Notice 2013-41, Eligibility for Minimum Essential Coverage for Purpose of the Premium Tax Credit, states that under several specific programs, an individual is regarded as eligible for minimum essential coverage for purpose of the premium tax credit only if the individual is enrolled in the coverage; these programs include Medicare Part A coverage requiring payment of premiums.

**Condition and Context:**

We selected a sample of 95 cases for eligibility testing. In one of these test cases, an applicant who was 65 years old at the time of eligibility determination was made eligible for APTC. The individual was eligible for Medicaid Part A, but did not enroll. It is not clear whether the applicant was eligible for premium-free Part A.

**Cause:**

A defect was identified where the system was not preventing the applicants who were older than 65 years old from being made eligible for insurance assistance.

**Effect:**

Individuals who were eligible for government-sponsored coverage that meets the minimum essential coverage standard may have been able to receive APTC or cost-sharing reductions, even though they were not entitled to that benefit.



**FINDING #2015-003*****Criteria:***

45 CFR §155.305(f)(1)(i)(B) and 26 CFR 1.36B-2 state that an individual may not be eligible for APTC if they are eligible for minimum essential coverage. 45 CFR §155.305(g)(1)(B) states that a person may not be eligible for CSR if they are not also eligible for APTC.

26 CFR § 5000A(f)(1)(A) states that minimum essential coverage includes coverage under government-sponsored programs including the Medicaid program under title XIX of the Social Security Act and the Children's Health Insurance Program (CHIP) under title XXI of the Social Security Act.

***Condition:***

In one out of 95 cases selected for eligibility testing, a CHIP eligible applicant was made eligible for APTC. This applicant was eligible for CHIP, but did not agree to give rights the Medicaid agency by not checking a box in the application; as a result, her eligibility for CHIP was denied and she was not able to enroll in CHIP. When an individual is eligible for minimum essential coverage but does not enroll in the program because of her/his decision, this individual should not be made eligible for APTC.

***Condition and Context:***

The system automatically denied Medicaid eligibility for the applicant who did not check a certain box in the application to give her/his rights to the Medicaid agency and this applicant was made eligible for APTC instead of an unsubsidized QHP. This issue was identified as a defect and a system fix has not yet been created.

***Effect:***

Individuals who were eligible for government-sponsored coverage that meets the minimum essential coverage standard may have been able to receive APTC or cost-sharing reductions, even though they were not entitled to that benefit.

**AUDITOR'S OPINION**

We have issued an Independent Auditor's Report on the Schedule of Appropriations and Expenditures for the Year Ended June 30, 2016, reflecting the following type of opinion:

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

**ADDITIONAL COMMENTS**

N/A.

### III. RECOMMENDATIONS

**FINDING #2016-001**

We understand that VHC has been maintaining the verification and inconsistency resolution mitigation plan, which identifies outstanding defects and limitations that affect VHC's capability to address verification and inconsistency resolution, and implementing the plan accordingly; we recommend that VHC continue to prioritize implementation of this plan.

**FINDING #2016-002**

We recommend that VHC implement processes and procedures to validate that an applicant is not eligible for minimum essential coverage before the applicant is deemed eligible to receive APTC or conditional eligibility.

**FINDING #2016-003**

We recommend that VHC implement processes and procedures to verify that when an individual is eligible for minimum essential coverage but does not enroll in the program because of his/her decision, this individual is not made eligible for APTC.

**IV. CONCLUSION**

We confirm to the best of our knowledge that the information included in this Audit Findings Report is accurate and based on a thorough review of the documentation required for this report.

**SIGNATURE OF AUDIT FIRM:****COMPLETION DATE OF AUDIT FINDINGS  
REPORT:**MAY 31, 2017

**INDEPENDENT EXTERNAL AUDIT:  
2016 AUDIT FINDINGS REPORT  
VERMONT HEALTH CONNECT:  
AUDIT RESPONSE AND CORRECTIVE ACTION PLAN**

TO: CCIIO STATE EXCHANGES GROUP  
FROM: VERMONT HEALTH CONNECT  
DATE: JUNE 1<sup>ST</sup>, 2017  
SUBJECT: CORRECTIVE ACTION PLAN FOR VERMONT  
AUDIT PERIOD: JULY 1, 2015 – JUNE 30, 2016

## **I. RESPONSE TO THE AUDIT REPORT FINDINGS**

*Vermont is in agreement with the key findings. We are engaged in regular communication with CCIIO regarding VHC functionality and resource constraints, and we will provide updates to CCIIO as issues become resolved.*

## **II. CORRECTIVE ACTION PLAN**

### **FINDING #2016-001**

#### ***Criteria:***

Subpart D - Eligibility, 45 CFR §155.315 requires that an applicant be made conditionally eligible based upon the data he or she entered in his or her application and data received from automated data sources.

Under 45 CFR §155.315 (f), the Exchange must make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and information obtained from outside data sources by contacting the applicant to resolve such inconsistency by providing additional information. Pursuant to 45 CFR §155.315 (f) (2) (ii), the Exchange must provide the applicant with a period of 90 days from when the applicant receives a notice that requests documentation to resolve an inconsistency between the self-attested data and the outside data sources. Pursuant to 45 CFR §155.315 (f) (3), the Exchange can extend the period if an applicant demonstrates a good-faith effort to provide sufficient documentation to resolve the inconsistency.

During this inconsistency period, an applicant who is otherwise qualified is eligible to enroll in a Qualified Health Plan (QHP) and, when applicable, is eligible for insurance affordability programs (45 CFR § 155.315(f) (4)). If after the 90-day period (or applicable extensions), the Exchange is unable to resolve the discrepancy between the self-attested information and the data sources with customer-provided information, then it must rerun eligibility and notify the applicant of their new eligibility determination.

#### ***Condition and Context:***

This is a repeat finding. There are known defects with the One Gate system that prevent it from accurately processing the information returned from the Federal Data Services Hub to verify the self-attested data included in the application. VHC performed manual verification processes for Social Security Number (SSN), immigration status, and citizenship data during fiscal year (FY) 2016. We selected a sample of 155 cases for testing. Of the 155 cases tested, SSN was verified for 122 cases (79%) and citizenship was verified for 113 cases (73%). Two of the 155 selections were for cases where the applicant was a non-U.S. citizen. The immigration status was verified for one of these two non-U.S. citizen cases.

With the exception of SSN, immigration status, and citizenship verifications eligibility determinations for the sample cases selected for the audit period were based solely upon the applicants' self-attested data and the applicants were not notified of the potential.

**Cause:**

Several known system defects with the One Gate prevented it from accurately processing the information returned from the Federal Data Services Hub to verify the self-attested data included in the application during the audit period.

**Effect:**

Because some of the verification items in the applicants' self-attested data were not verified against the Data Hub, VHC was not able to properly verify that the applicants met the eligibility requirements for enrollment in a QHP or for insurance affordability programs, or that the amounts of the Advanced Payment of Tax Credit (APTC) and cost-sharing reductions were correctly determined.

**Recommendation:**

We understand that VHC has been maintaining the verification and inconsistency resolution mitigation plan, which identifies outstanding defects and limitations that affect VHC's capability to address verification and inconsistency resolution, and implementing the plan accordingly: we recommend that VHC continue to prioritize implementation of this plan.

**Management Response:**

Vermont is actively implementing the "Vermont Verification and Inconsistency Resolution Mitigation Plan."

**Corrective Action:**

Vermont will continue implementation of the Vermont Verification and Inconsistency Resolution Mitigation Plan and will provide updates to CCIIO during regular monitoring calls.

Point of contact: *Anne Petrow, Oversight and Monitoring Director*  
*Cassandra Madison, Director of Health Care Eligibility and Enrollment*

**FINDING #2016-002**

**Criteria:**

45 CFR §155.305(f)(1)(i)(B) and 26 CFR 1.36B-2 state that an individual may not be eligible for APTC if they are eligible for minimum essential coverage. 45 CFR §155.305(g)(1)(B) states that a person may not be eligible for CSR if they are not also eligible for APTC.

26 CFR § 5000A(f)(1)(A) states that minimum essential coverage includes coverage under government-sponsored programs including the Medicare program under part A of title XVIII of the Social Security Act.

IRS Notice 2013-41, Eligibility for Minimum Essential Coverage for Purpose of the Premium Tax Credit, states that under several specific programs, an individual is regarded as eligible for minimum essential coverage for purpose of the premium tax credit only if the individual is enrolled in the coverage; these programs include Medicare part A coverage requiring payment of premiums.

**Condition and Context:**

We selected a sample of 95 cases for eligibility testing. In one of these test cases, an applicant who was 65 years old at the time of eligibility determination was made eligible for APTC. The individual was eligible for Medicaid Part A, but did not enroll. It is not clear whether the applicant was eligible for premium-free Part A.

**Cause:**

A defect was identified where the system was not preventing the applicants who were older than 65 years old from being made eligible for insurance assistance.

**Effect:**

Individuals who were eligible for government-sponsored coverage that meets the minimum essential coverage standard may have been able to receive APTC or cost-sharing reductions, even though they were not entitled to that benefit.

**Recommendation:**

We recommend that VHC implement processes and procedures to verify that an applicant is not eligible for minimum essential coverage before the applicant is deemed eligible to receive APTC or conditional eligibility.

**Management Response:**

Subsequent to FY2016, a system modification was made to initially deny APTC to those older than age 65 and to identify those eligible for MABD. As of April, 2017 a manual process was put in place to identify the subset of individuals over 65 who accurately qualify for APTC. Further, those aged 65 or older who are required to pay a premium for Part A coverage are identified through a query process.

**Corrective Action:**

In FY 2017 Vermont implemented processes and procedures to verify that an applicant is not eligible for minimum essential coverage before the applicant is deemed eligible to receive APTC or conditional eligibility.

Point of contact: *Anne Petrow, Oversight and Monitoring Director*  
*Cassandra Madison, Director of Health Care Eligibility and Enrollment*

**FINDING #2016-003****Criteria:**

45 CFR §155.305(f)(1)(i)(B) and 26 CFR 1.36B-2 state that an individual may not be eligible for APTC if they are eligible for minimum essential coverage. 45 CFR §155.305(g)(1)(B) states that a person may not be eligible for CSR if they are not also eligible for APTC.

26 CFR § 5000A(f)(1)(A) states that minimum essential coverage includes coverage under government-sponsored programs including the Medicaid program under title XIX of the Social Security Act and the Children's Health Insurance Program (CHIP) under title XXI of the Social Security Act.



**Condition:**

In one out of 95 cases selected for eligibility testing, a CHIP eligible applicant was made eligible for APTC. This applicant was eligible for CHIP but did not agree to give rights to the Medicaid agency by not checking a box in the application; as a result her eligibility for CHIP was denied and she was not able to enroll in CHIP. When an individual is eligible for minimum essential coverage but does not enroll in the program because of her/his decision, this individual should not be made eligible for APTC.

**Condition and Context:**

The system automatically denied Medicaid eligibility for the applicant who did not check a certain box in the application to give her/his rights to the Medicaid agency and this applicant was made eligible for APTC instead of an unsubsidized QHP. This issue was identified as a defect and a system fix has not yet been made.

**Effect:**

Individuals who were eligible for government-sponsored coverage that meets the minimum essential coverage standard may have been able to receive APTC or cost-sharing reductions, even though they were not entitled to that benefit.

**Recommendation:**

We recommend that VHC implement processes and procedures to verify that when an individual is eligible for minimum essential coverage but does not enroll in the program because of his/her decision, this individual is not made eligible for APTC.

**Management Response:**

The system defect was identified regarding this issue.

**Corrective Action:**

The system defect has been queued for review with Maintenance and Operations for potential resolution.

Point of contact: *Anne Petrow, Oversight and Monitoring Director*

*Cassandra Madison, Director of Health Care Eligibility and Enrollment*

**III. CONCLUSION**

We confirm to the best of our knowledge that the information included in this Corrective Action Plan is accurate and based on a thorough review of the Key Findings and Recommendations stated in the Audit Findings Report, which is in compliance with the Marketplace's procedures.



SIGNATURE OF SBM EXECUTIVE DIRECTOR/CEO: \_\_\_\_\_