



**INDEPENDENT EXTERNAL AUDIT:
2017 AUDIT FINDINGS REPORT**

**VERMONT HEALTH BENEFIT EXCHANGE
DBA VERMONT HEALTH CONNECT (VHC)**



INDEPENDENT EXTERNAL AUDIT: 2017 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

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

DATE: MAY 31, 2018

SUBJECT: AUDIT FINDINGS REPORT FOR VERMONT

AUDIT PERIOD: JULY 1, 2016 – JUNE 30, 2017

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 and K. 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, 2018.

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 and K in all material respects. Our

examination for Subpart K was limited to a review of the Exchange's policies and procedures to test whether those policies and procedures are in compliance with the programmatic requirements under that Subpart.

We also selected different samples of clients and tested for compliance with requirements under Title 45, Part 155:

- Subparts D and E for eligibility determination and enrollment with a Qualified Health Plan (QHP).

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 VHC, 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, 2017, and related notes to the statement, and have issued a report thereon dated March 29, 2018.

Programmatic Audit:

We have examined VHC's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2017, and have issued a report thereon dated MAY 31, 2018.

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 and K 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 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)
- QHP Certification (Subpart K)

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

- 2017 APTC Worksheet
- Action Plans, Including:
 - 45 CFR Mitigation Plan Updated
 - Vermont Verification and Inconsistency Resolution Mitigation Plan Questions
 - VT Mitigation Plan Renewal Addendum
- Contracts, Including:
 - OneCare Vermont Accountable Care Organization
 - Speridian Technologies, LL Contract and Amendments
- Eligibility and Enrollment Documents and Procedures, Including:
 - Acceptable Verification Documents
 - Disenrollment Procedures
 - FTI Redetermination for Nonresponse
 - MCA Verification Document Processing
 - Processing Employer Forms
 - QHP Verification Document Processing
 - Verification and Inconsistency SOP 2017
 - VHC QHP Enrollment SOP 2017 Annual Review
- Exchange Notices, Including
 - Additional Information Request Notice
 - Notice of Employee Eligibility for Premium Assistance
 - Notice of Health Care Benefits, With Financial Assistance
 - Notice of Health Care Benefits, Without Financial Assistance
 - Notice of Incomplete Application
 - Notice to Renew Health Insurance
- Fraud Procedures and Forms, Including
 - Handling Beneficiary Fraud Claims
 - Handling Fraud Claims
 - HealthCare Member Fraud Form
- Organization Charts, Including
 - DVHA Commissioner Organization Chart

- DVHA Executive Organization Chart
- DVHA HAEEU Organization Chart
- DVHA Health Services Managed Care Organization Chart
- DVHA Master Organization Chart
- DVHA Operations Organization Chart
- DVHA Payment Reform Organization Chart
- Policies and Procedures for Assisters, Navigators, CACs, and Authorized Representatives, Including:
 - Adding Authorized Representative
 - Assister Certification Record Complete
 - Assister Recertification FAQ
 - CAC Registration Agreement
 - Conflict of Interest FY 2017
 - Removal of Authorized Representative
 - Security and Training Background Check Narrative
 - VHC Assister Complaint Policy and Procedure Manual
 - VHC Assister Program SOP
- Policies and Procedures for Communication of Eligibility and Enrollment Information with QHP Issuers, Including:
 - BCBS 999 Error Flow
 - BCBS Integration Functional Error Flow
 - Carrier Enrollment ICD Companion Guide
 - SLA Integration Error Flow
- Premium Processing Operations Manual, Including:
 - QHP Certification Guidelines, and Letters
 - 2017 QHP Certification Timeline
 - Dental QHP Certification Letter 2017
 - Medical QHP Certification Letter 2017
 - VHC QHP Certification SOP Updates
- QHP Certification, Plan Designs and Rates, Including:
 - QHP Certification Plan Designs and Rates
 - Plan Designs with Final Rates
 - Standardized Plan Designs - Actuarial Value Certification
- Security Documents, Including:
 - Privacy Impact Assessment
 - Records Management DVHA Procedure Manual
 - Records Retention Policy Final
 - VHC Information Privacy Policy
 - VHC Notice of Privacy Practices
- VHC HBE Policy Manual

- VHC Online Resources, Including:
 - Finding Help
 - Provider Directories
 - VHC Plan Comparison Tool
- VHC Paper Application

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:

- Agatha Kessler - Health Policy Director
- Anne Petrow - Oversight and Monitoring Director
- Bill Clark - Medicaid Compliance Officer
- Dana Houlihan - Director of Enrollment Policy and Plan Management
- Danielle Delong - Appeals Manager
- Eli Dandurand - Premium Processing Manager and Administrative Services Manager 2
- Emily Wivell - IT Security Analyst
- Greg Needle - AHS Privacy Officer
- Kelly Barnier - Project Director at Maximus
- Noel Hudson - Health Policy Director
- Sean Sheehan - Deputy Director of Operations
- Thani Boskailo - Deputy Director of Operations Health Access Eligibility and Enrollment Unit
- Victoria Jarvis - Assister Program Manager

Interviews of personnel from other State of Vermont agencies and contractors were conducted:

- Anna Van Fleet - Forms Analyst for Department of Financial Regulation (DFR)
- David Martini - DFR Assistant General Counsel
- Gina O'Meara - Northeastern Regional Hospital - Community Connections (Navigator)
- Judy Henkin - General Counsel Green Mountain Care Board
- Melissa Panard - Northeastern Regional Hospital - Community Connections (Navigator)
- Ryan Chieffo - DFR Rates and Forms Assistant Director
- Sarah Lindberg - DFR Director of Statistics and Data Analysis

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

- A listing of 229,442 applicants that had an eligibility determination completed on or before June 30, 2017. We selected a sample of 95 cases to test the compliance with 45 CFR 155 Subpart D - Eligibility and a second sample of 95 cases to test the compliance with 45 CFR 155 Subpart E - Enrollment.

CONFIDENTIAL INFORMATION OMITTED

N/A

II. AUDIT FINDINGS

KEY FINDINGS

FINDING #2017-001

Criteria:

Pursuant to 45 CFR §155.305(f), Federal poverty level or FPL means the most recently published Federal poverty level, updated periodically in the Federal Register by the Secretary of Health and Human Services under the authority of 42 U.S.C. 9902(2), as of the first day of the annual open enrollment period for coverage in a QHP through the Exchange, as specified in §155.410.

Condition and Context:

We sampled 95 cases to test the eligibility determination for QHP and verify that the appropriate amount of APTC was awarded. In the 95 cases, we identified two cases where the APTC for the 2017 plan year was calculated using 2015 FPL.

Cause:

VHC does not have adequate internal controls in place to prevent the use of an incorrect FPL in eligibility determinations for all cases.

Effect:

The applicants were not awarded the APTC amount to which they were entitled based upon their information submitted on their applications. Since the FPL is adjusted for inflation annually, the APTC award at a given level of income increases, as well. Therefore, the effect is to improperly deny eligible applicants APTC, rather than to award it to ineligible applicants.

FINDING #2017-002

Criteria:

Pursuant to 42 CFR 435.110 and the Vermont Health Benefits Eligibility and Enrollment Rule (HBEE) §7.03(a)(5)(ii), Medicaid should be provided to a parent or caretaker relative of a dependent child and their spouse, if living within the same household as the parent or caretaker relative, with a modified adjusted gross income-based household income that is at or below a specified dollar amount that is set based on the parent or caretaker relative's family size.

Condition:

We selected a sample of 95 cases to verify eligibility determinations. In one case we tested, a parent/caretaker in a three member household with income less than the Vermont basic needs standard for a parent/caretaker relative was incorrectly determined ineligible for Medicaid due to the child not applying for health care coverage. The other parent and the child in this same household were not seeking coverage because they had access to other Minimum Essential Coverage (MEC). The incorrect eligibility determination resulted from an improper application of

HBEE §7.03(a)(5)(ii), which governs the eligibility of adults in new adult groups. This rule states that, in order for an adult in a new adult group to be eligible for Medicaid, any child living in the household, who is not also applying for Medicaid coverage, must be enrolled in Medicaid, Dr. Dynasaur or other MEC. Since the household income in the test case was below the parent/caretaker threshold for their household size, this rule should not have applied to the applicant. This rule only applies to a parent/caretaker who falls into the new adult group because they are over the income threshold for the parent/caretaker coverage group.

Condition and Context:

The system improperly applies the eligibility requirements specific to the new adult group to a parent/caretaker who is under the parent/caretaker income threshold.

Effect:

Medicaid eligible adult applicants with children were improperly determined ineligible for Medicaid, by incorrectly applying the rule for new adult group.

AUDITOR'S OPINION

We have issued an Independent Auditor's Report on the Schedule of Appropriations and Expenditures for the year ended June 30, 2017, reflecting the following type of opinion:

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

ADDITIONAL COMMENTS

N/A.

III. RECOMMENDATIONS

FINDING #2017-001

We recommend that VHC identify the cause of this issue and develop a plan to address the underlying system programming errors or business process gaps.

FINDING #2017-002

We recommend that VHC work with the system integrator to develop a plan to either repair the defect or mitigate the impact.

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:

Berry Dunn McNeil & Parker, LLC

COMPLETION DATE OF AUDIT FINDINGS REPORT:

June 1, 2018
