

Steven Costantino, DVHA Commissioner
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EXECUTIVE SUMMARY

Purpose

The purpose of this independent audit is to report on whether the Vermont Health Connect (VHC) is in compliance with the federal government regulations for state health insurance exchanges and Qualified Health Plan issuers as set forth in Center for Medicare & Medicaid Services (CMS) final rule (9957-F) issued August 30, 2013, and 45 CFR 155.1200 *Exchange Establishment Standards and Other Related Standards under the Affordable Care Act*.

Scope

The compliance audit scope covered VHC policies, processes and controls related to the implementation and on-going monitoring of the Vermont Health Exchange during the audit period of October 1, 2013 through December 31, 2014. Grant Thornton developed the audit scope to address the audit procedures outlined by CMS Protocol for implementation of CMS-9957-F. The scope included Qualified Health Plans (QHPs), but not Medicaid.

Methodology

To address the report objectives, we developed the following methodology for completing our compliance audit procedures:

- Examined internal Standard Operating Procedures and Policies to assess their comprehensiveness, appropriate applicability, and compliance with Federal Regulations
- Conducted interviews with various key State personnel and reviewed process documentation to gain a better understanding of processes in which Standard Operation Procedures (SOPs) were not documented
- Analyzed previously performed audits to identify gaps or areas that may require increased oversight

- Performed a risk assessment of internal controls to develop sample methodology
- Performed compliance audit procedures outlined in by CMS Protocol for the implementation of CMS-9957-F and documented compliance results in regards to Federal Regulation 45 CFR 155 Subparts C, D, E, and K

Grant Thornton performed the compliance audit in accordance with Generally Accepted Government Auditing Standards (Yellow Book), and where applicable, provided recommendations based on guidance set forth by the Government Accountability Office's "Standards for Internal Control in the Federal Government" (Green Book).

Delivery of this report was delayed in order to ensure that sufficient resources were available to ensure that the workpapers and this final report were prepared in accordance with Yellow Book and Green Book standards and was not caused in any way by VHC and its personnel.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY 45 CFR 155

Report on compliance

We have audited the compliance of Vermont Health Connect (VHC) with the types of requirements described in 45 CFR 155, *Exchange Establishment Standards and Other Related Standards Under the Affordable Care Act*, Subpart C, D, E, and K for period from October 1, 2013 to December 31, 2014.

Management's responsibility

Management is responsible for compliance with the requirements of 45 CFR 155, Subpart C, D, E and K applicable to VHC.

Auditor's responsibility

Our responsibility is to express an opinion on compliance with 45 CFR 155 based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about VHC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with 45 CFR 155. However, our audit does not provide a legal determination of VHC's compliance.

Basis for adverse opinion on compliance with 45 CFR 155

As described in Section III: Audit Findings of this report, VHC did not comply with requirements regarding the following paragraphs of 45 CFR 155:

- §155.205 as described in findings 2015-001 and 2015-002
- §155.210 as described in findings 2015-001 and 2015-002
- §155.215 as described in findings 2015-001, 2015-003 and 2015-004
- §155.260 as described in findings 2015-001, 2015-003 and 2015-007
- §155.270 as described in findings 2015-001 and 2015-007
- §155.280 as described in findings 2015-001 and 2015-007
- §155.305 as described in findings 2015-001, 2015-005 and 2015-006
- §155.315 as described in findings 2015-001, 2015-005 and 2015-006
- §155.320 as described in finding 2015-001
- §155.400 as described in findings 2015-001, 2015-008 and 2015-009
- §155.410 as described in finding 2015-001
- §155.415 as described in finding 2015-001

- §155.420 as described in finding 2015-001
- §155.430 as described in finding 2015-001
- §155.545 as described in finding 2015-002
- §155.1000 as described in findings 2015-001 and 2015-0010
- §155.1075 as described in findings 2015-001 and 2015-0010
- §155.1080 as described in finding 2015-001

Compliance with such requirements is necessary, in our opinion, for VHC to comply with the requirements applicable to the regulations.

Adverse opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on compliance with 45 CFR 155 paragraph, VHC did not comply, in all material respects, with the types of requirements referred to above that could have a direct and material effect on VHC for the period from October 1, 2013 to December 31, 2014.

Entity's response to findings

VHC's response to our noncompliance findings, which is described in Section III: Audit Findings, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on VHC response.

Report on internal control over compliance

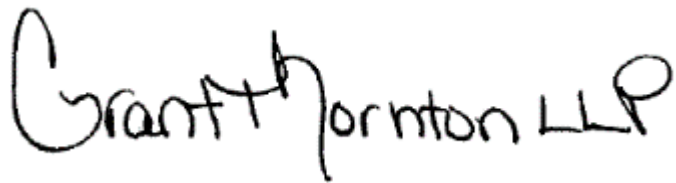
Management of VHC is responsible for designing, implementing and maintaining effective internal control over compliance with 45 CFR 155 referred to above. In planning and performing our audit of compliance, we considered VHC's internal control over compliance with the applicable compliance requirements to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with 45 CFR 155, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of VHC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with 45 CFR 155 on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with 45 CFR 155 will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance, described in Section III: Audit Findings as finding no. 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, 2015-008, 2015-009 and 2015-0010 that we consider to be material weaknesses in VHC's internal control over compliance.

VHC's response to our findings on internal control over compliance, which is described in Section III: Audit Findings of this report, was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 45 CFR 155. Accordingly, this report is not suitable for any other purpose.



AUDIT FINDINGS

Audit Finding 2015-001 – Lack of Documented Standard Operating Procedures

Condition

Standard operating procedures (SOPs) and policies are not documented and readily available for review.

Criteria

To ensure Standard Operating Procedures and Policies are documented in compliance with 45 CFR 155, in the following areas.

1. SOPs for addressing complaints
 - a. Section §155.205(d)(2) – the Exchange, and §155.210(e)(4) – Navigators, are required to “Provide referrals to any applicable office for any enrollee with a grievance, complaint, or question regarding their health plan, coverage, or a determination under such plan or coverage”.
2. SOPs for performing relationship checks
 - a. Section §155.215 (a)(1) – Conflict-of-interest standards for Navigators
3. SOPs over user provisioning of new hires and terminations
 - a. Section §155.260 – ‘Privacy and security of personally identifiable information’
 - b. Section §155.270 – ‘Use of standards and protocols for electronic transactions’
 - c. Section §155.280 – ‘Oversight and monitoring of privacy and security requirements’
4. SOPs for making accurate eligibility determinations
 - a. Section §155.305 – Eligibility standards and §155.315 – Verification process related to eligibility for enrollment in a QHP through the Exchange.
5. SOPs regarding the prevention of improper eligibility determinations
 - a. Section §155.305 – Eligibility standards and §155.315 – Verification process related to eligibility for enrollment in a QHP through the Exchange.
6. SOPs regarding management’s identification of incorrect eligibility determinations
 - a. Section §155.315 and §155.320
7. SOPs in making accurate enrollments
 - a. Section §155.410 – Initial and annual open enrollment periods
 - b. Section §155.415 – Allowing issuer application assisters to assist with eligibility applications
 - c. Section §155.420 – Special enrollment periods
 - d. Section §155.430 – Termination of coverage
8. SOPs to reconcile enrollment information with QHP issuers and CMS
 - a. Section §155.400 (d) – Reconcile Files.
9. SOPs for the recertification process for QHPs
 - a. Section §155.1000 and §155.1075
10. SOPs for the decertification process for QHPs
 - a. Section §155.1080 (a – Definition, b – Decertification Process, c – Decertification by the Exchange)

11. SOPs for the appeal of a decertification of a QHP
 - a. Section §155.1080 (d) - Appeal of decertification
12. SOPs to provide notice of decertification to all affected parties
 - a. Section §155.1080 (e)(1)(2)(3)(4) - Notice of decertification
13. SOPs for the certification process of QHPs
 - a. Section §155.1000 (c)(1)(2)(i)(ii)(iii) - General certification criteria

Cause

VHC does not have SOPs or formal policies documented for the following areas in regards to Federal regulation, 45 CFR 155.

Effect

VHC is not in compliance with 45 CFR 155.

Recommendation

VHC should design and implement SOPs and document formal policies to ensure compliance with Federal regulation for the areas stated above to ensure that it complies with the requirements of 45 CFR 155.

Management's response

Management acknowledges the importance of formal written Standard Operating Procedure (SOP) narratives for the processes identified. The Vermont Health Connect (VHC) business process development model includes generation of process flows, job aids, and training content for our processes. During this reporting period, VHC was actively operating while simultaneously working to design, develop and implement remaining functionality and processes. Due to system limitations and lack of automated functionality, many of the operational processes rely upon manual workarounds that will be retired when automated functionality is implemented as designed. Stabilization of these processes will allow for completion of all process documentation, including SOPs. Management expects formal SOP's will be in place by the beginning of open enrollment, 2015.

Audit Finding 2015-002 – Failure to Maintain a Complaint Log

Condition

In order to test whether VHC complied with the requirements to investigate customer complaints in accordance with 45 CFR 155, we obtained the 'Fair Hearing Spreadsheet, which documents customer complaints from 10/1/2013 through 12/31/2014 from the DCF Economic Services Supervisor, HAEU. Through our testing of appeals being addressed and resolved in a timely manner, many instances were identified where the complete package of documentation required for a completed appeal was unavailable. Thus, we are unable to determine that a complete population of such appeals exists. However, in order to test the compliance of those cases identified on the Fair Hearing Spreadsheet, we selected a sample of 60 cases from the Fair Hearing Spreadsheet. Out of our sampled 60 cases, only 53 items had evidence supporting a resolution. Only 13 of these resolved 53 cases were resolved within the required 90 day timeframe as required by 45 CFR 155

Criteria

45 CFR 155 states that the Exchange (§155.205(d)(2)) and Navigators (§155.210(e)(4)) are required to “Provide referrals to any applicable office for any enrollee with a grievance, complaint, or question regarding their health plan, coverage, or a determination under such plan or coverage”. Further, Section §.545 (b)(1) of the 45 CFR 155 indicates – *“The Appeals entity must issue written notice of the appeal decision to the appellant within 90 days of the date of an appeal request under §155.520(b) or (c) is received, as administratively feasible.”*

Cause

Due to no formal or standardized process existing for addressing, tracking, logging, or resolving complaints, we were unable to obtain a complete population of complaints to satisfy the CMS audit procedure to test a sample of complaints to determine if the complaints were addressed timely and in accordance with policies and procedures.

Effect

VHC is not in compliance with 45 CFR 155 regarding resolution of customer complaints.

Recommendation

VHC should create SOPs for addressing complaints in an effective and timely manner. Furthermore, putting in place a complaint logging and monitoring system would help VHC stay current on the status of complaint responses and tracking the completion of complaints in an effective and timely manner.

Management’s Response

The State has well-established processes to receive and respond to customer feedback and complaints that pre-date the implementation of VHC. Staff are trained to listen to customer feedback and provide information about the range of options that exist:

- **Feedback/complaints** that are logged but without the expectation of a reply
- A formal **grievance**, with a written response from the State
- An **appeal** of a decision to deny, terminate, or reduce services
- An **expedited appeal** that requires a decision within 3 days
- A **fair hearing**, which is a legal process to contest any decision, including an appeal decision

In addition, Maximus provides the operations leadership team with a monthly customer feedback report that tracks customer complaints. There are regular customer service meetings to review the report, look for patterns, and develop plans to systematically address issues.

Management regrets that sufficient information about this process was not provided to Grant Thornton in a timely manner. Management is committed to process improvement, and will review our approach to tracking of customer feedback. Finally, the Customer Service Director will ensure that a formal SOP is written describing our response to customer complaints. VHC expects formal SOP’s will be in place by the beginning of open enrollment, 2015.

Audit Finding 2015-003 – Lack of Approved Training Standards

Condition

VHC was unable to provide us with evidence of HHS approval on training provided in the calendar year 2013 or 2014 training cycles. Additionally, Navigators are not currently required to go through a re-certification annually. Navigators are required to complete their privacy and security renewal course with a passing score of 80% annually to maintain their access rights in the VHC portal. Due to system technical errors, we were unable to validate and verify their completions and passing grades on the mandatory renewal training (containing information and the procedures in place to report and mitigate non-adherence and breaches). Additionally, one of the 13 Navigators selected for testing was found to have been given access to the VHC Portal without achieving a passing score on the required training. These conditions resulted in Navigators being granted access to the VHC portal without proper certification.

Criteria

To ensure that Navigators meet the certification and recertification requirements found in Subpart C, Section §155.215 (Standards applicable to Navigators and Non-Navigator Assistance Personnel carrying out consumer assistance functions under §§155.205(d) and (e) and 155.210 in a Federally-facilitated Exchange) of the 45 CFR 155 Federal Regulations and that there are methods in place to report and mitigate non-adherence and breaches under requirements found in Subpart C, Sections §155.215 and §155.260.

Cause

Training standards have not been properly approved. Further, the Learning Management System's (LMS) technical errors cause inability to validate a passing score on required training.

Recommendation

VHC should obtain HHS approval for trainings to be compliant with Federal guidelines. VHC should appoint resources to correct LMS's technical errors to ensure accurate representation of passed courses. Additionally, VHC should consider developing LMS into a comprehensive and accurate tracking tool for courses, exams, and certifications completed. To fix redundancy and duplication of efforts, VHC should standardize the trainings within LMS to have just one course covering each topic and requirement instead of several versions of the training circulating containing the same content. Additionally, VHC should have an acting Navigator Project Director who administers the 21 grants awarded to Navigator Organizations oversee the certification process of individual Navigators and CACs. The Project Director should work closely with the Vermont Health Connect training team to develop training content that is relevant and should be responsible for documenting and tracking that certification requirements have been met for individual Assisters prior to requesting accounts on the Vermont Health Connect portal for those who have met certification requirements.

Management's Response

On May 1, 2015, VHC completed a three month evaluation of the Assister program that identified strengths, areas for improvement, and gaps. As a result of the evaluation, the audit findings cited are already being addressed.

The VHC Assister program is coordinated by an Assister Program Manager who administers the 21 grants awarded to Navigator Organizations, oversees the certification process of individual Navigators and CACs and communicates with them over core responsibilities. The Assister Program Manager is responsible for ensuring that certification requirements have been met for individual Assisters prior to requesting accounts on the VHC portal for those who have met certification requirements. The State acknowledges the need for HHS approval of navigator training, and the Assister Program Manager is communicating with our CMS State Officer to receive approval. The Assister Program Manager is working with the training team to redesign VHC's Learning Management System (LMS) to more effectively manage and track certifications and course completions. The current LMS did not allow for historical tracking and validation of past and required courses and certifications. VHC has been working with the current LMS vendor to mitigate gaps in functionality, while also evaluating alternative LMS tools offered by other vendors. VHC is developing a standard training calendar and schedule that will allow for easy reporting and certification tracking.

Audit Finding 2015-004 – Failure to Perform Navigator Relationship Checks and to Ensure Navigators Were Not Paid with Federal Funds

Condition

VHC was unable to provide evidence of performing or completing relationship checks on a Navigator entity or individual Navigator staff basis. VHC does not currently require nor retain Navigator relationship checks; thus, we were unable to validate that checks occurred in a current period. Further, we were unable to obtain sufficient evidence to demonstrate that Navigators were not paid with federal funds.

Criteria

45 CFR 155 Federal Regulations, Section §155.215 requires that Navigators adhere to certain conflict of interest requirements in order to carry out consumer assistance functions. Exchange personnel are required to ensure that Navigators adhere to such requirements. 45 CFR 155 also prohibits an Exchange from using federal funds to pay for such Navigators.

Cause

VHC has not established policies and procedures to monitor compliance of the Navigators with 45 CFR Section 155.215 or to ensure that Navigators are not paid with federal funds.

Recommendation

VHC should obtain written attestation from each Navigator organization and Navigator staff on their agreement to be in compliance with conflict of interest provisions outlined in the “Navigator Conflict of Interest Framework” during the term of the agreement. Additionally, VHC should require, and have readily available, relationship check submissions from Navigator organizations and their staff members prior to being on-boarded. Further, VHC should ensure that it maintains documentation evidencing that Navigators are not paid with federal funds.

Management's Response

VHC has contractual agreements with all Navigator and IPA organizations binding them to the conflict of interest framework developed from the federal rule, which states that all Navigator and IPA organizations are conflict of interest free and remain as such through the completion of their contract. The Assister Program Manager is developing an additional relationship check process, with documented written attestation for each Navigator maintained by the State, which will be implemented in the FY 2016 grant year. Completion of the relationship check form will be required prior to start of work. VHC will also maintain documentation demonstrating the Navigators are not paid with federal funds.

Audit Finding 2015-005 – Lack of Standard Operating Policies and Procedures Establishing Eligibility Determination Controls**Condition**

VHC does not have detail documented policies and procedures around the following controls:

- Prevention of improper eligibility determinations
- Management review and identification of incorrect eligibility determinations
- Verification of eligibility factors to mitigate the risk of improper eligibility determinations

Additionally, VHC was unable to provide evidence of management review and internal controls for preventing improper eligibility determinations from occurring.

Control Objectives and Criteria

Subpart D Sections §155.305 and §155.315 requires that an Exchange perform the following:

1. Ensure that Standard Operating Procedures and Policies are documented to ensure the prevention of improper eligibility determinations
2. Ensure that Management is reviewing eligibility determinations on a periodic bases
3. Ensure that verification of Eligibility factors is occurring in a timely manner

Cause

VHC has failed to establish written operating policies and procedures over eligibility determinations.

Recommendation

VHC should design and implement SOPs and document formal policies for the prevention and detection of improper eligibility determinations. The SOPs should, at a minimum, include the Federal Regulations outlined in 45 CFR 155, Subpart D—Exchange Functions in the Individual Market: *Eligibility Determinations for Exchange Participation and Insurance Affordability Programs*: §155.305 Eligibility standards and §155.315 Verification process related to eligibility for enrollment in a QHP through the Exchange.

Management's Response

VHC acknowledges the importance of formal written SOPs that document our approach to the prevention of improper eligibility determinations and management review of eligibility determination. Though formal written documentation is not complete, VHC has processes in

place that allow us to respond efficiently and effectively to concerns regarding potentially inaccurate eligibility determinations. VHC expects formal SOP's will be in place by the beginning of open enrollment, 2015.

Audit Finding 2015-006 – Lack of Timely Eligibility Determinations

Condition

VHC is not able to verify eligibility factors in a timely manner. VHC estimates that over 55,000 applications have been processed with an eligibility determination, but inconsistencies in eligibility criteria have not been verified for accuracy at this time. Additionally, VHC does not have SOPs documented in regards to the verification process of eligibility factors. Verification that cannot be systemically generated by the HUB and requires a manual process.

Criteria

Subpart D Sections §155.305 and §155.315 of 45 CFR 155 requires that eligibility factors are verified in a timely manner in order to identify improper eligibility determinations.

Cause

Due to the lack of resources and staffing, VHC does not have the resources to complete this task. Further, VHC has not established policies and procedures to execute such eligibility determinations in a timely manner.

Recommendation

VHC should design and implement a corrective action plan to address the backlogged applications to detect improper eligibility determination and ensure compliance with Federal Regulations 45 CFR 155, Subpart D—Exchange Functions in the Individual Market: *Eligibility Determinations for Exchange Participation and Insurance Affordability Programs*: §155.305 Eligibility standards and §155.315 Verification process related to eligibility for enrollment in a QHP through the Exchange.

Management's Response

VHC acknowledges the need to address the backlog of verification items, and we are actively engaged in corrective action planning on this topic with CMS, led by the Health Care Eligibility Director.

Audit Finding 2015-007 – Inadequate Controls over Information System Access

Condition

VHC was not able to provide a complete population of all new hires, terminations, and transfers in the time provided due to the multitude of employees and contractors required to support VHC that have access to SIEBEL, WebCenter, and ACCESS. Additionally, there was no set periodic reconciliation process in place in which system access is reviewed to ensure that employees have the appropriate user rights and access to the system.

Criteria

To ensure that employees/contractors of VHC have appropriate provisioning in the systems that house personally identifiable information, 45 CFR 155, Subpart D Sections §155.260 – ‘Privacy and security of personally identifiable information’, §155.270 – ‘Use of standards and protocols for electronic transactions’, and §155.280 – ‘Oversight and monitoring of privacy and security requirements’, establish the requirements over Exchange information system controls.

Cause

VHC has not established policies and procedures to ensure that system controls are designed and implemented in accordance with the provisions of 45 CFR 155.

Recommendation

VHC should upgrade HR and system capabilities to ensure that a complete list of new hires, terminations, and changes in access for SIEBEL, WebCenter, and ACCESS is accessible to ensure that users have appropriate provisioning levels to ensure compliance with Federal Regulation. Additionally, we recommend that VHC perform periodic user access reviews and reconciliations to ensure that all system provisioning is up-to-date.

Management’s Response

VHC is committed to protection of personally identifiable information through implementation of a robust privacy and security program. In addition to a least privilege Role-Based Access Control and comprehensive privacy & security trainings, VHC users also sign an IRS FTI attestation statement and a Rules of Behavior Agreement. VHC safeguards the use of consumer PII to the most minimum extent possible in compliance with MARS-E, 45 CFR 155.260, and IRS Publication 1075. VHC’s privacy and security program guides the collection, storage and use of PII. Specific data security aspects of MARS-E deployed by VHC include:

- Server audit logging.
- 24/7 monitoring of PII by Cloud Service Provider.
- Deployment of a comprehensive incident breach response process.
- Conducting of periodic incident response table top training exercises.
- Encryption of PII in transit and at rest.
- Servers defended by firewall, intrusion detection, anti-virus software, configuration management process and current patching.
- A change management processes requiring software changes undergo rigorous testing procedures before reaching production.

During this reporting period the State implemented a transition to a new user provisioning tracking tool, Landesk, which has significantly improved the provisioning and account management process. Further, the State performed a top to bottom reconciliation as March 2015 to ensure Landesk had a clean foundation. Since March 2015, every user provisioned requires a four check process to ensure privacy and security compliance. The VHC Administrator has the ability to produce on demand a query of users provisioned and privacy security compliant users. Procedures will be formally documented. These enhancements will improve the State’s ability to perform ad-hoc and quarterly reviews of active users, and ensure that account creation, modification, and termination happens in an appropriate, timely manner.

Audit Finding 2015-008 – Inadequate Controls over Enrollment Request Confirmation

Condition

VHC was unable to provide timely, appropriate, or complete documentation to test enrollment transactions. As a result, we were unable to conclude that the applicants had enrollment requests confirmed via an acknowledgement from the carriers, or effectuated, in a timely manner prior to the full receipt of the first month's premium payment.

Criteria

Subpart E, Section §155.400 – 'Enrollment of qualified individuals into QHPs', requires VHC to

1. Ensure that VHC, Benaissance, and the Carriers are communicating effectively
2. Ensure that customers are effectuated accurately and in a timely manner.

Cause

VHC has not established policies and procedures to ensure that initial enrollment transactions were confirmed prior to the payment of the first insurance premium installment.

Recommendation

VHC should establish policies and procedures to ensure that initial enrollment transactions are confirmed prior to the first insurance premium installment.

Management's Response

Initial enrollment transactions do not occur prior to payment, as it is our policy to require receipt of payment prior to initial effectuation for new customers. Due to system functionality constraints, the delivery of the information requested for testing enrollment transactions was delayed. Current system improvements scheduled for 2015 implementation will ensure the ability to efficiently provide this information in the future.

Audit Finding 2015-009 – Inadequate Reconciliations Between QHP and CMS

Condition

VHC does not have Standard Operating Procedures and formal policies documented to address the reconciliation process between QHP issuers and CMS; additionally, VHC is not performing a reconciliation between QHP issuers and CMS on a monthly basis and cannot provide evidence of any completed reconciliations at this time.

Criteria

Subpart E, Section §155.400 – 'Enrollment of qualified individuals into QHPs' – requires the following:

1. Ensure Standard Operating Procedures and Policies are documented that address reconciliation of enrollment information with QHP issuers and CMS.
2. Ensure that a reconciliation between QHP issuers and CMS is being performed on a monthly basis

Cause

VHC has failed to implement policies and procedures to ensure preparation of a reconciliation between QHP and CMS.

Recommendation

VHC should design and implement Standard Operating Procedures and document formal policies to ensure timely preparation of reconciliations between QHP issuers and CMS. We recommend that VHC begin a monthly reconciliation between QHP issuers and CMS to ensure that enrollment information is recorded accurately and in a timely manner. Additionally, we recommend that VHC assign appropriate resources to perform this reconciliation.

Management's Response

VHC is working with CMS to implement new electronic data integration that would allow us to send 834 enrollment transactions to CMS to facilitate payment of APTC to carriers. Completion of this work is in scope for our 2015 project/implementation plan. Implementation of this functionality will include development of SOPs and allocation of resources to perform all work required. VHC will plan to reconcile with CMS when CMS has the capability to do so, currently targeted for Q4 2015 per most recent CMS guidance.

Audit Finding 2015-0010 – Failure to Recertify Qualified Health Plans**Condition**

The VHC completed the recertification review process of the QHPs on September 22, 2014 per certification letter from the Exchange Commissioner. The recertification was official after September 15th of the applicable calendar year and thus, non-compliant with Federal Regulation 45 CFR 155.

Criteria

45 CFR 155 Subpart K - "Exchange Functions: Certification of Qualified Health Plan" §155.1075 - Recertification of QHPs – requires that the recertification process be completed on or before September 15 of each year.

Cause

VHC did not establish policies and procedures to ensure that the recertification process was completed by September 15, which prevents uncertified QHPs from participating in the Exchange.

Recommendation

VHC should develop and establish a timeline for the recertification of QHPs process that ensure completion on or before September 15th of the applicable calendar year in compliance with Federal regulation 45 CFR 155; additionally, we recommend that VHC should design and implement controls to monitor compliance with Federal regulations and develop corrective action plans to remediate instances of non-compliance.

Management's Response

For the 2015 benefit year, VHC completed the plan certification process on September 22, 2014, seven weeks in advance of the beginning of the annual open enrollment period on November 15, 2014. Completing plan certification by sending the letter of final approval on September 22, 2014, one week after the deadline within the rule, resulted in no negative consequences to Vermont consumers or issuers. CMS revised its rule § 155.1075(b) to require Exchanges to complete recertification of QHPs no later than 2 weeks prior to the beginning of open enrollment. VHC creates a QHP certification timeline document annually to comply with the requirement of providing two or more weeks between certification completion and the beginning of open enrollment.