



**INDEPENDENT EXTERNAL AUDIT:
2018 AUDIT FINDINGS REPORT**

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



INDEPENDENT EXTERNAL AUDIT: 2018 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

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

DATE: MAY 15, 2019

SUBJECT: AUDIT FINDINGS REPORT FOR VERMONT

AUDIT PERIOD: JULY 1, 2017 – JUNE 30, 2018

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 (the 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 Title 45, Code of Federal Regulations Part 155 (45 CFR 155) as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of 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, K, 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. We also completed an audit of its financial statement and issued our reports dated March 22, 2019.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, and staff interviews to obtain reasonable assurance regarding whether VHC is in compliance with 45 CFR 155 Subparts C, D, E, K, and M in all material respects. We also selected samples and tested for compliance with requirements under 45 CFR 155 relating to eligibility determination, verification of data, 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 360 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, 2018, and related notes to the statement, and have issued a report thereon dated March 22, 2019.

Programmatic Audit:

As described below, we have examined VHC's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2018, and have issued a report thereon dated May 15, 2019.

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 45 CFR 155, Subparts C, D, E, K, and M. Our examination for Subpart K was limited to whether the Exchange's policies and procedures were in compliance with the programmatic requirements under that Subpart.

We reviewed the open issues from the previous year's audit to identify whether any issues remained open during the current year audit.

We reviewed the policies and procedures under 45 CFR 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 (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Certification of Qualified Health Plans (Subpart K)

- Oversight and Program Integrity Standards (Subpart M)

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

- Authorized Representative Designation Form
- Consumer Assistance Functions:
 - Assister Training FY2018
 - Broker Compensation Schedule
 - Broker Registration Agreement 2018
 - CAC Registration Agreement FY2019
 - DVHA VHC Rules of Behavior
 - FY18 Navigator Payments
 - June 2018 Assister Certification Record
 - State of VT IRS Safeguards Training Certification
- Eligibility and Enrollment:
 - 2017 FPLs for APTC 2018 Benefit Year
 - 2018 APTC Workbook
 - APTC Worksheet
 - Disenrollment in VHC Policy
 - DVHA SWI AR-AP Invoice Procedure
 - Eligibility and Enrollment Manual
 - Perform Internal Auto Change
 - Processing Employer Forms
 - QHP Enrollment Standard Operating Procedures
 - Reconciliation Data Remediation Process
- General Functions:
 - Application for Health Coverage
 - Application for Health Coverage with help paying costs
 - FY18 VHC Contract Commitments
- Notices:
 - Change of Circumstance Sample Notice
 - Financial Assistance Notice Sample
 - Health Care Benefits Renewal Sample Notice
 - Medicaid Closure MNT Sample Notice

- Notice of Decision Health Care Benefits Sample Notice
- QHP Renewal Notice Sample
- QHP Verification Notice Sample
- Organizational Charts:
 - DVHA Commissioner Organizational Chart
 - DVHA Data Auditing Quality Organizational Chart
 - DVHA Executive Organizational Chart
 - DVHA HAEEU Organizational Chart
 - DVHA Health Services Managed Care Organizational Chart
 - DVHA MASTER Organizational Chart
 - DVHA Operations Organizational Chart
 - DVHA Payment Reform Organizational Chart
- Oversight and Monitoring Plan Signed
- Privacy and Security
 - CMS CMA Matching Agreement
 - DHR Personnel Policy and Procedure Manual
 - Exchange Data Safeguards
 - IEA CMS and State Based Exchanges 12-Month Extension 2018
 - Records Management DVHA Procedure Manual Standard Operating Procedures
 - Records Retention Policy
 - Vermont Verification and Inconsistency Resolution Mitigation Plan
 - VHC Access Control Policy
 - VHC Privacy Policy
 - VT Plan of Action and Milestones
 - VT Privacy Impact Assessment
 - VT Safeguard Security Report
 - VT SBM SAR
 - VT SBM System Security Plan
 - VT Signed ATC Memo
 - VT Signed ISA

- Silver Plan Data
 - 2018 PCB Silver_final
 - 2018 Silver 73 Final
 - 2018 Silver 77 Final
 - 2018 Silver 87 Final
 - 2018 Silver 94 Final
- QHP Documents:
 - MVP QHP Certification Notification 2018
 - Response DVHA Audit Consumer Complaints 2018 (QHP complaints from the Department of Financial Regulation (DFR))
 - VHC QHP Certification SOP
- Verification Procedures:
 - Acceptable Verification Documents
 - FTI Redetermination for Nonresponse
 - MCA Income Verification Processing
 - MCA SSN Citizenship Immigration Indian Status Verification Processing
 - QHP Verification-Document Processing

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

- Anne Petrow – Oversight and Monitoring Director
- Bill Clark – Medicaid Compliance Officer
- Dana Houlihan – Director, Enrollment Policy & Plan Management
- Danielle Delong – Appeals Manager
- Emily Wivell – Security Analyst
- Gina O'Meara – Community Health Outreach Worker and Navigator
- Greg Needle – AHS Privacy Officer
- Kelly Barnier – Project Director at Maximus
- Michelle Therrien – Fair Hearing Specialist
- Sean Sheehan – Deputy Director of Operations
- Athanasia Boskailo – Deputy Director of Operations
- Victoria Jarvis – Assister Program Manager

Interviews of personnel from other State of Vermont agencies and contractors were conducted. Staff included were from DFR, and the Green Mountain Care Board (GMCB):

- Agatha Kessler – Health Policy Director - GMCB
- Anna VanFleet – Forms Analyst - DFR
- Emily Brown – Rates and Forms Director - DFR
- Judy Henkin – General Counsel - GMCB
- Sarah Lindberg – Director of Statistics and Data Analysis - DFR

We selected samples of applications and tested for compliance with requirements under 45 CFR 155 Subparts D and E for eligibility determination, verification of data, and enrollment with a QHP:

- From a listing of 178,044 applicants who had an eligibility determination completed on or before June 30, 2018, we selected 95 cases to test for compliance with eligibility rules, and 95 cases to test for compliance with QHP enrollment rules as well as data verification rules. Note that 22 of the cases were used for both eligibility and enrollment testing, so a total of 168 cases were used for testing compliance with enrollment and eligibility rules.

CONFIDENTIAL INFORMATION OMITTED

N/A

FINDING #2018-001***Criteria***

Subpart D – Eligibility, 45 CFR §155.315 and §155.320 require that a SBM make a determination based upon the data provided by an applicant in the 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 the information obtained from outside sources by contacting the applicant and requesting him or her to provide additional information to resolve the inconsistency.

The subpart further states that if the Exchange is unable to resolve the inconsistency through the process described in paragraph (f)(1) of this section, it must (i) provide notice to the applicant regarding the inconsistency; and (ii) provide the applicant with a period of 90 days from the date on which the notice described in paragraph (f)(2)(i) of this section is sent to the applicant to either present satisfactory documentary evidence via the channels available for the submission of an application, as described in §155.405(c), except for by telephone through a call center, or otherwise resolve the inconsistency.

Condition and Context

BerryDunn selected a sample of 95 cases to test the Exchange's data verification process. Of the 95 cases reviewed, we observed 2 applicants (2% of 95) that had income that was not considered reasonably compatible with the Federal Data Services Hub and did not receive a data inconsistency notification letter requesting additional information to resolve an inconsistency between the self-attested data and the data returned from the Federal Data Services Hub.

Cause

Per VHC's verification and inconsistency resolution mitigation plan, which was approved by CMS, VHC sends data inconsistency notices in an automatic batch process that occurs quarterly. VHC reported that its procedure was to exclude applicants from this process if either they were included in the prior batch, or their eligibility data was manually verified in the prior eligibility year. The two cases noted in the condition and context section above were both manually verified in the prior year, and therefore automatically excluded from the list of notifications to send out. VHC updated its procedure in March of 2019 to include the applicants whose data was manually verified in the prior eligibility year in the batch, and to only exclude applicants who were included in the prior batch.

Effect

Because the applicants were excluded from receiving the notification, they were not given 90 days to resolve the inconsistency between the self-attested income and the income data from the Federal Data Services Hub. As a result, the case retained the eligibility status determined using the self-attested data for the 2018 plan year. Had the verification process been completed, the case may have been assigned a different eligibility status.

AUDITOR'S OPINION

We have issued an Independent Auditor's Report on the Schedule of Appropriations and Expenditures for the year ended June 30, 2018, reflecting the following type of opinion:

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

ADDITIONAL COMMENTS

N/A.

II. RECOMMENDATIONS

FINDING #2018-001

Recommendation

BerryDunn recommends the Exchange send a notification letter to any applicants whose self-attested data is not considered reasonably compatible with the data from the Federal Data Services Hub and who were not notified in the prior batch.

III. 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:** May 15, 2019