



Performance Audit of Centers for Medicare and Medicaid Services
(CMS) Rule 9957 Requirements
For the Fiscal Year Ending June 30, 2019

Commonwealth Health Insurance Connector Authority

Commonwealth Health Insurance Connector Authority

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April 15, 2020

Louis Gutierrez Executive Director
Commonwealth Health Insurance Connector Authority
100 City Hall Plaza
Boston, Massachusetts 02108

Dear Mr. Gutierrez:

This report presents the results of Eide Bailly LLP's (Eide Bailly) work conducted to address the performance audit (the Audit) objectives of our signed statement of work dated October 30, 2019, related to the Commonwealth Health Insurance Connector Authority's (CCA) compliance with Centers for Medicare and Medicaid Services (CMS) Rule 9957 (45 C.F.R. §155) requirements. We conducted our test work during the period October 28, 2019 through April 1, 2020, and our results, reported herein, are for the period July 1, 2018 - June 30, 2019.

We conducted this Audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the Audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

We have evaluated GAGAS independence standards for the Audit and affirm that we are independent of CCA and the relevant subject matter to perform this engagement.

Attached to this letter is our report detailing the background, objective, scope, approach, findings, and recommendations as they relate to the Audit.

Based upon the audit procedures performed and the results obtained, we have met our audit objectives. We did not note any findings that could increase CCA's risk of ineffective oversight and program integrity practices.

This Audit did not constitute an audit of financial statements in accordance with GAGAS or U.S. Generally Accepted Auditing Standards. Eide Bailly was not engaged to, and did not, render an opinion on the CCA's internal controls over financial reporting or over financial management systems.

This report is intended solely for the information and use of the CCA and CMS and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota



Executive Summary

In this section, we provide a summary of the detailed report to follow on the Commonwealth Health Insurance Connector Authority's (CCA) background, objective, scope, approach, and summary of results and findings related to this audit. The remainder of this document details the audit methodology as well as the findings and recommendations that resulted from our test work.

Background

The Patient Protection and Affordable Care Act (ACA) was enacted by the U.S. Congress on October 23, 2010 and established the framework for the operation of health insurance exchanges. Specific regulations were further detailed in the Centers for Medicare and Medicaid Services (CMS) Final Rule 9957, published July 19, 2013 and incorporated into 45 C.F.R. §155. In accordance with general program integrity and oversight requirements, 45 C.F.R. §155.1200 requires entities operating as state-based marketplaces (SBMs) to engage an independent qualifying auditing entity that follows generally accepted government auditing standards to perform an annual independent external performance audit. The SBM must ensure that the audit addresses compliance with Rule 9957 generally and specifically with program integrity and oversight requirements, processes and procedures designed to prevent improper eligibility determinations and enrollment transactions, and identification of errors that have resulted in incorrect eligibility determinations. The SBM is required to provide the results of the performance audit to CMS and publish a public summary of the results.

CCA was created in 2006 pursuant to Massachusetts General Laws Chapter 176Q and is an independent public authority responsible for facilitating the availability, choice, and adoption of private health insurance plans to eligible individuals and groups. With major ACA provisions effective as of January 1, 2014, CCA was designated as the SBM for Massachusetts. CCA administers ACA programs for Qualified Health Plans (QHPs) and Qualified Dental Plans (QDPs) for eligible individuals, performs eligibility determinations for federal and state subsidies and cost-sharing reductions, administers a Small Business Health Options Program (SHOP), and administers a Navigator program providing grants to community organizations that assist individuals and small businesses with enrollment. CCA has also taken on the responsibility of premium billing collections and remittance to issuers.

CCA personnel perform various business administration, program oversight, and support functions (e.g., finance, legal, communications, public policy and outreach, plan management, operations, and information technology (IT) and member appeals). CCA contracts portions of its operations to private vendors (e.g., customer service and call center operations, select financial processing activities, some IT development and maintenance, and SHOP operations) and relies on other public agencies and their private vendors to provide other key services relating to core IT systems.

Objective

The objective of this audit was to assess CCA's compliance with 45 C.F.R. §155 regulations for the period July 1, 2018 - June 30, 2019.

Eide Bailly LLP (Eide Bailly) was responsible for performing the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and preparing a written report communicating the results of the audit, including relevant findings and recommendations. These results may include deficiencies in processes that are significant within the context of the objective of the Audit, any identified instances of fraud or potential illegal acts (unless they are inconsequential within the context of the audit objectives), significant violations of provisions of contracts and grant agreements, and significant abuse that may have been identified as a result of this engagement.

Scope

Program areas subject to audit included processes over:

Eligibility Determination
Enrollment Process
Financial Processing
General Exchange Functions

Approach

The performance audit was conducted in the following phases: Planning, Pre-Audit, Fieldwork, and Verification and Reporting. Each phase is described below and in the following pages:

- **Planning** – Our performance audit planning included meeting with representatives of the CCA to begin the project, introduce the core team, validate our understanding and the overall scope of the performance audit, confirm functional areas to be included in the performance audit, and develop a tailored performance audit program.
- **Pre-Audit** – This phase included meeting with CCA process owners to initiate the performance audit; refine our understanding of CCA's activities, and processes during the performance audit period; obtain supporting documentation; and conduct preliminary test work.

- **Fieldwork** – This phase consisted of reviewing and testing specific procedures to assess CCA’s compliance with regulatory criteria and design and operating effectiveness of select supporting processes within the Eligibility, Enrollment, Financial Processing, and General Exchange functions.
- **Verification and Reporting** – This phase consisted of developing draft findings and recommended improvements, validating the draft findings with CCA process owners, and discussing CCA’s plans for corrective action.

Summary of Results and Findings

As a result of our procedures, Eide Bailly did not identify any findings in our audit for the year ended June 30, 2019.



Objective, Scope, and Approach

Objective

Eide Bailly was engaged to perform an audit in accordance with both 45 C.F.R. §155.1200(c) and GAGAS to assess the CCA's compliance with 45 C.F.R. §155 regulations for specific subparts identified in the scope of this report for the fiscal year ended June 30, 2019.

Eide Bailly was responsible for preparing a written report communicating the results of the audit, including relevant findings and recommendations. These results should include any noted deficiencies in processes that are significant within the context of the objectives of the audit, any identified instances of fraud or potential illegal acts (unless they are inconsequential within the context of the audit objectives), and significant abuse that was identified as a result of this engagement.

In accordance with GAGAS, Eide Bailly was also required to report compliance with standards surrounding fraud, illegal acts, and violations of provisions of contracts or grant agreements, or abuse that we may detect as a result of this engagement, directly to parties outside the auditee.

Scope

Eide Bailly was engaged to assess CCA’s compliance with 45 C.F.R. §155 regulation subparts for the fiscal year ended June 30, 2019 and our procedures were limited to the following areas:

Audit Area	Representative Tasks	Sample Documentation
Eligibility	<ul style="list-style-type: none"> • Interview process owners and review process control documentation. • Conduct process walk-throughs to identify and classify key processes for testing including verification of basic applicant data, Modified Adjusted Gross Income (MAGI) eligibility, account update procedures, exemption requests, and reporting to federal and state agencies. • Select samples to test design and effectiveness of key processes and document any findings and recommendations. 	<ul style="list-style-type: none"> • Documentation such as policies and procedures for eligibility determinations, account updates, and terminations • Management reports applications and eligibility determinations activity • Member paper or electronic enrollments. • Determination of Federal Poverty Level (FPL) and eligibility for enrollment into appropriate coverage plans.
Enrollment	<ul style="list-style-type: none"> • Interview process owners and review process control documentation. • Conduct process walk-throughs to identify safeguards over enrollment actions such as: <ul style="list-style-type: none"> • Enrolling individuals in QHP offerings • Generating and correctly populating Forms 834 • Reporting • Select samples to test design and effectiveness of key processes and document any findings and recommendations. 	<ul style="list-style-type: none"> • Documentation such as policies and procedures for new members, terminations, and status changes • Reconciliations with QHP issuers and CMS • Enrollment of members based on eligibility determinations for a sample of members.

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For the Fiscal Year Ended June 30, 2019

Audit Area	Representative Tasks	Sample Documentation
Financial Processing	<ul style="list-style-type: none"> Interview financial process owners and review process control documentation. Conduct process walk-throughs to review and understand the calculations and reporting of QHP premiums and payments, federal and state Advance Premium Tax Credit/Cost Share Reduction (APTC/CSR) calculations, associated payment reconciliation activity, suspense payments, and related reporting. Select samples to test design and effectiveness of key processes and document any findings and recommendations. 	<ul style="list-style-type: none"> Internal financial policies and procedures for the period July 1, 2018 through June 30, 2019 Financial reports such as billing reports, enrollment reports, and carrier payment reconciliations
General Exchange Functions	<ul style="list-style-type: none"> Interview process owners of key roles in the target general exchange functions e.g., call center compliance management, training, data/records maintenance, and Navigator/Assistors. Review process documentation for these functions. Conduct process walk-throughs to identify and classify key processes for testing. Select samples to test design and effectiveness of key processes and document any findings and recommendations. 	<ul style="list-style-type: none"> Documentation and policies and procedures on general Exchange functions CCA employee training records Navigator/Assiter training and exam reports.

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Objective, Scope, and Approach
For the Fiscal Year Ended June 30, 2019

Eide Bailly reviewed documents, performed inquiries, observed processes, conducted walk-throughs, reviewed applicable third-party reports, and held interviews with CCA management and key process owners who perform select program functions.

Eide Bailly identified processes through walk-throughs with CCA process owners relating to applicable program requirements and identified gaps based on process objectives and associated risks. Eide Bailly considered tests of design to determine whether the processes, individually or in combination with others, is capable of effectively preventing or detecting and correcting noncompliance. We also performed substantive tests based on risk and tests of processes surrounding eligibility and enrollment to consider whether the process was implemented and operated in a manner appropriate to accomplish its objective. We tested identified processes and oversight activities within the audit scope and identified findings indicating process deficiencies, noting none.

Specific to 45 C.F.R. §155.1200(c), the scope of work was designed to assess overall compliance with 45 C.F.R. §155 subparts C, D, E, and K, CCA's processes and procedures designed to identify the functions of the exchange as defined within the statute. Additionally, CCA requested permission from CMS and contracted for a limited scope audit limited to the subparts identified above. Information technology privacy and security was excluded from the current year scope. The scope was not included in the minimum requirements included in 45 C.F.R. §155. In addition the Small Business Health Options Program (SHOP) was excluded from the scope. A confirmation from a regional contact from CMS to CCA confirmed the scope limitations were appropriate.

Approach

The performance audit was conducted in the following phases: Planning, Pre-Audit, Fieldwork, and Verification and Reporting. Each phase is described below.

Planning

The first phase of this project involved embedding performance audit project management protocols to effectively conduct the audit, manage stakeholder expectations, and execute communications protocols from the outset.

A formal project kickoff meeting was held to introduce key CCA stakeholders to the Eide Bailly engagement team and confirm our mutual understanding of the performance audit scope and objectives. During the course of the performance audit, regular status meetings were also conducted with the CCA General Counsel.

Pre-Audit

Following planning, this phase involved further developing our understanding of CCA's activities and processes and controls for the performance audit period and developing our performance audit approach. Specifically, we performed the following tasks:

- Reviewed existing documentation: We obtained background documentation from CCA process owners including, where applicable, policies and procedures, process flows, sample management reports, and other background documentation. We reviewed this documentation to augment and refine our understanding of CCA's processes and activities.

- Conducted interviews, walkthroughs, and high-level process reviews: We met with relevant CCA process owners, line management, and staff to expand our understanding of the specific and general Exchange functions identified in our performance audit scope. We sought to develop our understanding of the interactions, respective duties, and responsibilities of key roles in targeted general function areas and corresponding key procedures.

Fieldwork

This phase consisted of finalizing our performance audit program and executing tests of CCA's processes and compliance with regulatory requirements within 45 C.F.R. §155. This involved the following activities:

- Reviewing and testing specific procedures to assess the processes around Financial Processing activities, including premium billing, member payment and refund processing, transaction reporting to health insurance carriers, and management review and reconciliation procedures.
- Reviewing and testing safeguards over member eligibility determinations.
- Reviewing and testing safeguards over enrollment actions such as enrolling individuals in QHP offerings and generating enrollment reporting forms.
- Reviewing and testing specific procedures relating to oversight and financial integrity responsibilities of general Exchange functions, including call center operations and vendor management, governance activities, navigator and assister programs, and QHP/QDP certification.

Verification and Reporting

This phase consisted of validating the draft report with CCA process owners. Our detailed findings, if any, are documented below in the Results section.

Procedures and Methodology

We reviewed the requirements of 45 C.F.R. §155 subparts C, D, E, and K to identify performance audit objectives relevant to CCA's Exchange functions. We performed this engagement in accordance with GAGAS and developed performance audit programs and testing procedures in accordance with GAGAS and Eide Bailly performance audit methodologies.

Document Review, Interview, and Walk-Through Procedures

We reviewed CMS Final Rule 9957 and associated regulations under 45 C.F.R. §155 subparts C, D, E, and K to identify compliance requirements subject to this performance audit. Eide Bailly worked with CCA management to identify process owners for key activities and performed interviews and walk-throughs to document processes existing during the performance audit period. Based on this information, Eide Bailly requested supporting documentation to help confirm our understanding of the processes identified and developed audit procedures to test the design and operating effectiveness of selected processes.

Sample Testing Approach

In support of testing the design and effectiveness of select processes, Eide Bailly made sample selections of transactions and other activities to perform test procedures. One of the factors that one may consider necessary when determining the extent of evidence necessary to persuade us that the process is effective is the risk of failure of the process. As the risk of failure of the process decreases, the evidence that we obtain also decreases. Conversely, as the risk of failure of the process increases, the evidence we obtain also increases such that we might choose to obtain more persuasive audit evidence or otherwise adjust testing procedures. This allows us to vary the evidence obtained for each individual process based on the risk of failure of the individual process.

Consideration of Fraud, Illegal Acts, Misconduct, and Abuse Compliance

In planning the performance audit, we had a responsibility to gather and review information to identify and assess the risk of fraud occurring that is significant within the context of the performance audit objectives. When fraud risk factors were identified that the engagement team believed were significant within the context of the performance audit objectives, we had the responsibility to design procedures to provide reasonable assurance of detecting if such fraud occurred or is likely to have occurred. Assessing the risk of fraud is an ongoing process throughout the performance audit and relates not only to planning the Audit but also to evaluating evidence obtained during the performance audit. We considered the risks of potential fraud, misconduct, and abuse within each testing area and adjusted testing procedures and sample sizes accordingly based on potential risks. Examples of approach modifications we applied for higher-risk testing areas included increasing sample size, adjusting timing of testing procedures to focus on higher-risk periods, applying judgmental selection of samples, and applying more precise tests.



Results – Findings and Recommendations

In accordance with GAGAS, Eide Bailly prepared this report communicating the results of the completed audit, including relevant findings and recommendations. The findings presented as part of this engagement are restricted to the use stipulated in our contract. We disclaim any intention or obligation to update or revise the findings whether as a result of new information, future events, or otherwise. Should additional documentation or other information become available that impacts the findings reached in our deliverable, we reserve the right to amend our findings and summary documents accordingly.

Summary of Findings

Our detailed findings are noted below. Please note that each finding is split into five areas:

1. Condition – Explains the issue found as part of the audit
2. Criteria – Explains the requirements related to the issue and a determination of how criteria and processes should be executed
3. Cause – Assessment of the source of the risk area
4. Effect – Potential result if the condition continues
5. Recommendations – A short discussion on what should be done to improve the identified condition

As a result of our audit procedures findings, if any, are detailed further below and organized by condition, criteria, cause, effect, and recommended corrective action.

CMS Rule 9957 generally requires state-based Exchanges to perform oversight and financial integrity activities over Exchange operations, keep an accurate accounting of receipts and expenditures, and perform monitoring and reporting activities on Exchange-related activities. Eide Bailly identified processes through our walk-throughs with CCA process owners and identified gaps based on process objectives and associated risks, if any.

We did not identify any findings in conjunction with our audit of Commonwealth Health Insurance Connector Authority for the year ended June 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered CCA's internal control over core exchange functions identified by the CFR (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the subject matter, but not for the purpose of expressing an opinion on the effectiveness of CCA's internal control. Accordingly, we do not express an opinion on the effectiveness of CCA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of CCA's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about CCA's compliance with regulations under 45 C.F.R. §155 subparts C, D, E, and K, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Appendix A – List of Interviewed Personnel

For the Fiscal Year Ended June 30, 2019

Assistant General Counsel
Associate Director of Public Outreach and Education
Chief Actuary
Chief Financial Officer
Compliance Manager
Deputy Chief of Policy & Strategy
Deputy Executive Director & Chief Operating Officer
Director of Accounting
Director of Customer Experience
Director of Human Resources
Director of Member Implementation
Director of Policy and Applied Research
Director of Reporting
Enrollment Manager
Enterprise Architect
Executive Director
General Counsel
Ombudsman/Member Services Manager
Operations Coordinator
Product Manager Health & Dental Programs
Quality & Training Coordinator
Senior Manager Member Policy
Senior Outreach Coordinator and Policy Analyst

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Appendix B – Glossary of Terms
For the Fiscal Year Ended June 30, 2019

ACA	Patient Protection and Affordable Care Act
APTC	Advance Premium Tax Credit
CCA	Commonwealth Health Insurance Connector Authority
C.F.R.	Code of Federal Regulations
CMS	Centers for Medicare and Medicaid Services
CSR	Cost Share Reduction
GAGAS	Generally Accepted Government Auditing Standards
HHS	U.S. Department of Health and Human Services
QDP	Qualified Dental Plan
QHP	Qualified Health Plan
SBM	State based Marketplace