



**INDEPENDENT EXTERNAL AUDIT:  
2016 AUDIT FINDINGS REPORT  
RHODE ISLAND  
RHODE ISLAND HEALTH INSURANCE EXCHANGE  
DBA HSRI (HEALTHSOURCE RHODE ISLAND)**



# 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 RHODE ISLAND

## I. EXECUTIVE SUMMARY

### PURPOSE

The Purpose of this independent external audit is to assist the State of Rhode Island in determining whether HealthSource Rhode Island (HSRI or the Exchange), the Rhode Island State-Based Marketplace (SBM), is in compliance with the financial and programmatic requirements set forth by the Centers for Medicare and Medicaid Services (CMS).

Name of SBM: HealthSource Rhode Island (HSRI)

State of SBM: Rhode Island

Name of Auditing Firm: BerryDunn

Our responsibility is to perform a financial and programmatic audit as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of State-Based Marketplace (SBMs) and to report on HSRI's compliance with certain requirements in 45 CFR 155. 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 revenues and expenditures of HSRI, as well as an examination of HSRI's compliance with certain requirements in 45 CFR 155. We conducted our audit of the financial statement 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, and issued our report on November 23, 2016. We completed an examination of HSRI's compliance with certain programmatic requirements in 45 CFR 155 and issued our report 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 HSRI is in material compliance with certain requirements in 45 CFR 155 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
- Subpart G – Exemptions 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 HSRI 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 revenues and expenditures of HSRI, for the year ended June 30, 2016, and related notes to the statement, and have issued a report thereon dated November 23, 2016.

### **Programmatic Audit:**

As described below, we have examined HSRI's compliance with certain programmatic requirements 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 noncompliance and to perform procedures to test HSRI's compliance and program effectiveness of certain requirements in Title 45, Part 155, Subparts C, D, E, F, G and K of the Code of Federal Regulations. Our examination for Subparts C and 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 those Subparts. Under Subparts C and K we reviewed the following programmatic areas:

- Appeals
- Contact Center
- Certified Application Counselors

- Exemptions
- Navigators
- Privacy and Security
- QHP Certification

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 selected a sample of cases and tested for compliance with requirements under Title 45 CFR 155 Subpart F for Appeals.

We selected a sample of cases and tested for compliance with requirements under Title 45 CFR 155 Subpart G for Exemptions.

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 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 (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Appeals of Eligibility Determinations (Subpart F)
- Exemptions (Subpart G)
- Certification of Qualified Health Plans (Subpart K)
- Oversight and Program Integrity Standards (Subpart M)

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

- 45 CFR Parts 200, 240, and 260, General Exchange Standards, Payment of Premiums, and Privacy and Security Standards under the Affordable Care Act of 2010
- Appeals Cases (listing showing appeals processed in 2016; included extracts from systems and copies of appeals decisions)
- Certified Application Counselor Conflict of Interest/Privacy forms
- Certified Application Counselor Training Presentations
- Citizenship/Immigration Documentation and Verification
- Conditional Eligibility—Updated Process to Review 90-Day Cases
- Contact Center Policies and Procedures

- Contact Center Flow—2016
- Exemption Cases (listing showing exemptions processed in 2016; included extracts from systems)
- Flowcharts, Policies, and Procedures Relating to:
  - A/P and Expenditures
  - Payroll
- HSRI Policy Manual
- HSRI Rules and Regulations
- HSRI Website
- Information Reporting By Exchanges
  - Enrollment Satisfaction Survey results
- Notices
  - Cost Sharing Reduction Plans 2016
  - Individual Market Plans & Benefits 2016
  - Premiums by Age – 2016 Market Plans
- Notice Examples 2015
- Notice Standards v10.6
- Office of Health Insurance Commissioner (OHIC) Regulations
- Processes & Procedures documents:
  - Record Retention Plan
  - Contact Center Training Attendance Policy
- QHP Application (Reviewed requested and approved 2016 rates in the Individual, Small Group, and Large Group Markets)
- Reconciliation Processes Update
- RI ACA Regulations
- RI HCA Navigator Entity RFP
- RI State Blueprint Profile
- Statements and Attestations:
  - Broker Certification Application
  - Certified Application Counselor Conflict of Interest Attestations
  - Certified Application Counselor Letter of Agreement
  - Certified Application Counselor Privacy & Confidentiality Affidavit
  - Certified Application Counselor Program Application

- Navigator Conflict of Interest Attestations
- Navigator Privacy & Confidentiality Affidavit
- User Acceptance Agreement
- Training Material Modules/Documents Reviewed:
  - Affordable Care Act and Health Care Reform
  - Advanced Premium Tax Credits and Cost-Sharing Reductions
  - BlueCross-BlueShield RI training
  - Broker Training Deck
  - Call Center Scenarios
  - Caller Verification
  - Carriers Overview
  - Closing Escalations
  - Common “No Escalation Required” Situations document
  - Compliance Training
  - Contact Center Compliance Training modules
  - Contact Center Training Factsheet
  - Customer Service Skills
  - Delta Dental of RI training
  - Essential Health Benefits
  - Everyday Hero Softskills
  - HIPAA Privacy & Security Awareness
  - How Each Question of an Application Can Affect the Account document
  - LanguageLine
  - Let’s Apply for Coverage!
  - Medicaid 101
  - Navigator New Hire Agenda
  - Navigator Training & Re-Certification Information
  - Not So Common Knowledge document
  - Parts of a Call
  - QHP Refresher Training
  - Special Enrollment
  - Talk the Talk
  - The HSRI Website module

- The Six Groups
- Trainer Termination Action Request Form
- Understanding Health Plans
- Understanding Invoice Changes
- UnitedHealthcare RI training
- Utilizing Your Resources
- Verification of Eligibility Data job aid
- Week 1, Week 2 Quizzes & Final Exam
- Working with Angry Customers

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 HSRI staff:

- Data Management Team
- Data and Analysis Team
- Deputy Director for Finance and Operations
- Deputy Director for Communications, Marketing, and Outreach
- Deputy Director for Legal Affairs
- Deputy Director for Policy Planning and SHOP Development
- Finance and Budget Management
- Finance Manager
- Legal Counsel
- Operations Manager

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 non-HSRI individuals:

- OHIC (Office of the Health Insurance Commissioner)
  - Director of Operations
  - Principal Policy Associate
- RIHCA (Rhode Island Health Center Association)
  - President/CEO
  - Chief Operating Officer (COO)
  - Senior Director of Finance & Accounting
  - OESP Program Manager/Trainer

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

- A listing of 286,955 applicants who had an eligibility determination completed on or before June 30, 2016. 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.
- A listing of 1,025 appeals cases filed on or before June 30, 2016. We selected a sample of 10 cases to test compliance with 45 CFR 155 Subpart F Appeals.
- A listing of 103 Exemptions cases filed on or before June 30, 2016. We selected a sample of 20 cases to test compliance with 45 CFR 155 Subpart G Exemptions.

**CONFIDENTIAL INFORMATION OMITTED**

N/A



**FINDING #2016-001*****Criteria:***

45 CFR §155.305(f) provides that if an applicant is expected to have a household income, as defined in 26 CFR 1.36B-1(e), of greater than or equal to 100 percent but not more than 400 percent of the Federal Poverty Level (FPL), he or she will be eligible for Advanced Premium Tax Credit (APTC). 26 CFR 1.36B-3 describes the requirements for calculating the APTC and the Exchange's Unified Health Infrastructure Project (UHIP) system (now known as RI Bridges) calculates the APTC for cases in accordance with those requirements. Per 26 CFR 1.36B-1(e), Retirement Survivors and Disability Insurance (RSDI) benefits should be considered unearned income and should be included as household income provided the income is not otherwise disregarded.

***Condition and Context:***

In one of the cases in the sample of 95 tested, one member of an applicant's household had RSDI benefits of \$9,000 that should have been included as part of the household's income as defined under 26 CFR 1.36B-1(e). However, the RSDI benefits were improperly excluded from the household income calculation.

***Cause:***

The Exchange determined that UHIP did not properly process RSDI benefits.

***Effect:***

Because of the processing error, the Exchange is not properly calculating APTC for households where a member is receiving RSDI benefits. As a result, households with RSDI benefits are receiving higher APTCs than they should be receiving. Due to the complexity of how "disregards" are processed in conjunction with RSDI, it is not reasonably possible to calculate the number of households that are impacted by this processing error.

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

45 CFR §155.305(f) provides that if an applicant is expected to have a household income, as defined in 26 CFR 1.36B-1(e), of greater than or equal to 100 percent but not more than 400 percent of the FPL, he or she will be eligible for APTC. The Second Lowest Cost Silver Plan (SLCSP) is used along with age, income and family size to calculate a household's APTC. UHIP was supposed to calculate the APTC for the benefit year for which coverage is requested.

**Condition and Context:**

In two of the cases within the sample of 95 tested, the determination of the APTC was calculated incorrectly by a material amount.

**Cause:**

These errors were caused by an error in how UHIP calculated age. It appears that UHIP was calculating APTC as of the date that eligibility was determined, rather than at the beginning of the benefit year (i.e., the eligibility start date). For two cases in our sample, the difference between the APTC calculated by UHIP and by our test calculator was greater than \$10.

- **Case One** - The applicant had a household income of \$47,757. Based on household size and age, our test calculator calculated an APTC of \$620 and the Exchange calculated an APTC of \$609. Using the eligibility determination date rather than the eligibility start date resulted in the Exchange calculating an APTC \$11 less than what our APTC calculator determined.
- **Case Two** - The applicant had a household income of \$33,172. Based on household size and age, our test calculator calculated an APTC of \$433 and the Exchange calculated an APTC of \$420. Using the eligibility determination date rather than the eligibility start date resulted in the Exchange calculating an APTC \$13 less than what our APTC calculator determined.

**Effect:**

This resulted in incorrect APTC calculations for all cases in the sample of 95 tested. In all but two instances, the eligibility determination date and eligibility start date differed by only a few days and thus the error in APTC calculations was less than \$10 dollars. For the remaining two cases the APTC for which the applicant was eligible was understated by more than \$10.

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

45 CFR §155.305(f) provides that if an applicant is expected to have a household income, as defined in 26 CFR 1.36B-1(e), greater than or equal to 100 percent but not more than 400 percent of the FPL, he or she will be eligible for APTC. 26 CFR 1.36B-3 describes the requirements for calculating the APTC.

**Condition and Context:**

In four of the cases within the sample of 95 tested, the APTC was calculated incorrectly.

- **Case One** - The applicant self-declared that the family had a calculated annual income of \$21,839. The UHIP system was designed to allow customers to verify the calculated annual amount, or override with a self-reported net annual income amount (often referred to as "Unsteady Income"). In this case, the individual entered a monthly income that resulted in a calculated annual income amount of \$21,839, but then entered an Unsteady Income of \$20,160. UHIP was designed that when Unsteady Income is entered, the system should ignore all other income values and use the Unsteady Income to calculate household income. However, for this particular case the system did not use Unsteady Income and incorrectly disregarded this amount in favor of using the incorrect former annual income amount. This error resulted in the applicant receiving an APTC that was more than the correct amount.
- **Case Two** - The applicant self-declared that the family had a calculated annual income amount of \$30,276 and an Unsteady Income of \$31,788, which the system used to calculate an APTC of \$160. The correct APTC should have been approximately \$207. This error resulted in the applicant receiving an APTC that was more than the correct amount.
- **Case Three** - The applicant had a household income of \$53,999, which based on household size and age should have resulted in an APTC of approximately \$124, but the Exchange calculated an APTC that was \$150. This error resulted in the applicant receiving an APTC that was more than the correct amount.
- **Case Four** - The applicant had a household annual income amount of \$30,000, which based on household size and age it should have resulted in an APTC of approximately \$156. The Exchange calculated an APTC of \$415. The Exchange stated that the error was caused by a manual error correcting the APTC after the auto renewal process calculated an incorrect APTC for this account. This error resulted in the applicant receiving an APTC that was more than the correct amount.

**Cause:**

UHIP's processing of cases introduces errors in APTC calculations in some instances. The causes of these errors are being investigated by the Exchange.

**Effect:**

Four cases identified in the audit sample received different APTC amounts than they should have received.

**FINDING #2016-004****Criteria:**

*Subpart G - Exemptions, §155.600 through 635* governs how State-Based Marketplaces should conduct exemptions.

**Condition and Context:**

During the audit for the year ended June 30, 2016, we selected exemption cases and requested the Exchange provide documentation that identifies the issue associated with the exemption case, the process the Exchange followed in reviewing the requested exemption, the outcome of the case and the basis for the exemption determination. The Exchange was not able to provide any documentation that showed the basis for its exemption determination in 10 of 20 cases we reviewed.

**Cause:**

The Exchange did not have controls in place to ensure that the basis for each exemption case is documented either in a paper file or within the UHIP system.

**Effect:**

The Exchange did not retain sufficient documentation to allow the exemptions to be audited.

**AUDITOR'S OPINION**

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

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

**ADDITIONAL COMMENTS**

N/A.

## II. RECOMMENDATIONS

### FINDING #2016-001

***Recommendation:***

We recommend that the processing error associated with RSDI benefits be corrected.

### FINDING #2016-002

***Recommendation:***

The Exchange should modify RI Bridges to use the eligibility start date to calculate APTC.

### FINDING #2016-003

***Recommendation:***

We recommend that the Exchange work with its Systems Integrator to identify the causes of these errors and to correct them within the RI Bridges system.

### FINDING #2016-004

***Recommendation:***

The Exchange should implement controls to ensure it maintains the required documentation related to exemptions, so that the basis for the determination can be reviewed.

**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:**



**COMPLETION DATE OF AUDIT FINDINGS REPORT:**

MAY 31, 2017