



**INDEPENDENT EXTERNAL AUDIT:  
2017 AUDIT FINDINGS REPORT  
RHODE ISLAND  
RHODE ISLAND HEALTH INSURANCE EXCHANGE  
DBA HSRI (HEALTHSOURCE RHODE ISLAND)**



# INDEPENDENT EXTERNAL AUDIT: 2017 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

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

DATE: JUNE 28, 2018

SUBJECT: AUDIT FINDINGS REPORT FOR RHODE ISLAND

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

## I. EXECUTIVE SUMMARY

### PURPOSE

The purpose of this independent external audit is to assist the State of 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 & Medicaid Services (CMS).

Name of SBM: HealthSource Rhode Island (HSRI)

State of SBM: Rhode Island

Name of Auditing Firm: BerryDunn

Our responsibility was to perform a financial and programmatic audit to report on HSRI's compliance with 45 CFR 155 as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of 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 U.S. generally accepted governmental auditing standards (GAGAS) to perform an annual independent external 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 the programmatic requirements under 45 CFR 155, Subparts C, D, E, G and K for the 12-month period July 1, 2016 through June 30, 2017. Our examination for Subparts C and K was limited to a review of HSRI's policies and procedures to test whether those policies and procedures are in compliance with the programmatic requirements under those Subparts. 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 HSRI's compliance with the programmatic requirements under 45 CFR 155 and issued our reports, dated June 28, 2018. We also performed an audit of its financial statements for the twelve months ended June 30, 2017 and issued our report, dated January 23, 2018.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, and staff interviews to obtain reasonable assurance regarding whether HSRI is in compliance with 45 CFR 155 in all material respects. We also selected a sample of clients and tested for compliance with requirements under Title 45, Part 155 for eligibility determination, verification of data, and enrollment with a QHP.

## **METHODOLOGY**

### **Audit Firm Background:**

BerryDunn is the largest certified public accounting and consulting firm headquartered in New England, with more than 300 professionals. BerryDunn has, for more than 40 years, provided comprehensive audit and tax services for a broad range of healthcare, not-for profit, and governmental entities. Those services include conducting Financial and Programmatic audits of four State Based Marketplaces which operate Health Benefit Exchanges. In addition, we have completed audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance, previously referred to as OMB Circular A-133) 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 Uniform Guidance.

### **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, 2017, and related notes to the statements, and have issued a report thereon dated January 25, 2018.

### **Programmatic Audit:**

We have examined HSRI's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2017, and have issued a report thereon dated June 28, 2018.

**Summary of Programmatic Audit Procedures:**

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to test HSRI's compliance with certain subparts of 45 CFR Part 155. BerryDunn examined compliance with the requirements under Title 45, Part 155, in the following programmatic areas:

- General Functions (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Exemptions (Subpart G)
- Certification of Qualified Health Plans (Subpart K)

We reviewed the processes and procedures under Title 45, Part 155, in the following programmatic areas in order to determine whether they are in compliance with the requirements of the ACA:

- Navigators, Certified Application Counselors, and Brokers
- Privacy and Security
- Eligibility Processes and Procedures
- Qualified Health Plan Certification
- Compliance and Program Integrity

We reviewed the following documentation, which was obtained directly from HSRI, or located on either the HSRI website 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
- Application for HealthCare Coverage
- Board Meeting Minutes
  - Meeting Minutes July 1, 2016 – June 30, 2017
  - Meeting Minutes July 1, 2017 – April 26, 2018
- Brokers
  - Broker Agreement and Application
  - Broker Training Presentation
- Consumer Resources
  - Assister Programs Information Sheet
  - Broker Partnerships Webpage
  - Cost Sharing Reduction Plans Rate Sheet
  - Health Plan Quality Rate Information (for 2016)
  - HealthSource RI Displayed Services Webpage
  - HealthSource RI Get Help Webpage

- HealthSource RI Interpreter Tagline
- Individual Market Plans and Benefits
- Individual Market Plan Premiums By Age
- Medical Loss Ratio Information
- Navigator Search Tool
- Policy Manual
- Provider Directory
- Quote Calculator
- Consumer Satisfaction Survey/Data
- Contact Center Policies and Procedures
- Contracts
  - RIHCA Contract
- Employee Onboarding
  - AHS APTCs and CSRs
  - AHS HIPAA Privacy & Security Awareness Module
  - AHS Understanding Health Plans
  - AHS Utilizing Your Resources Refresher Training Module
  - Mandatory Compliance Trainings List
- HSRI Policy Manual
- Interview notes
  - 2017 Interview Notes
  - 2016 Interview Notes
  - 2015 Interview Notes
- Navigator CAC and IPA Forms
  - IPA Conflict of Interest Attestation
  - IPA Privacy and Confidentiality Affidavit
  - RIHCA CAC Agency Letter of Agreement
- Navigator and CAC Program
  - Navigator Entity RFP
  - Role of A Navigator Module
  - IPA Training and Re-Certification Information
  - Outreach and Enrollment Support Program Solicitation Request
- Notices
  - Notice Examples 2015
  - Notice Examples 2016

- Notice Examples 2017
- Online Application
- Policies and Procedures for Privacy and Security
  - Access Control Policy
  - Security Awareness and Training Policy
  - UHIP Security/Privacy Incident Process
- QHP Information
  - Qualified Health Plan Refresher Training Module
- Second Lowest Cost Silver Plan Data
- Security Documents
  - Authority to Connect Signed Notification Letter
  - Authorization for HSRI to Request Income Data
  - Consent for Identity Proofing
  - Consent for Use of Income Data Agreement
  - Consent to Share Data for Eligibility Decisions Agreement
  - Records Retention Schedule
  - User Acceptance Agreement
- Training Materials for Contact Center Staff
- Training Materials for Navigators and CACs

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:

- Assister Program Update – Breana Silberman (Assistant Administrator – Financial Management), Kyrie Perry (Director of Communications, Marketing & Outreach), Meg Ivatts (Project Director – Contact Center), Wayne Wolschlegel (Outreach and Enrollment Support Manager), Mariam Amanullah (Outreach Specialist), Matt Goupil (Project Manager).
- Eligibility & Enrollment, 834 Premium Reporting & Reconciliation Updates – Breana Silberman (Assistant Administrator – Financial Management), Ernie Iannitelli, Chief Operating Officer, Lindsay Lang (Interim Chief of Staff & General Counsel), Diana Galatian (Contractor - Project Management support), Jim Ritter (Chief Information Officer), Sumit Ohri (Technology Officer), Matt Goupil (Project Manager), Sasikumar Arumugam (Manager).
- Eligibility Testing – Ernie Iannitelli (Chief Operating Officer), Breana Silberman (Assistant Administrator – Financial Management), Jim Ritter (Chief Information Officer), Russ Conway (Data Architect), Sasikumar Arumugam (Manager), Shrikrishna Pandey (Contractor – Data Specialist), and Sumit Ohri (Technology Officer).

- General Functions Update – Breana Silberman (Assistant Administrator – Financial Management), Lindsay Lang (Interim Chief of Staff & General Counsel), Diana Galatian (Contractor - Project Management support), Jim Ritter (Chief Information Officer), Kyrie Perry (Director of Communications Marketing & Outreach), Meg Ivatts (Project Director – Contact Center), Ben Gagliardi (Legal Counsel), John Cucco (Strategy and SHOP Director).
- Legal Compliance, Exemptions, Privacy & Security Updates – Breana Silberman (Assistant Administrator – Financial Management), Ben Gagliardi (Legal Counsel), Sumit Ohri Sumit Ohri (Technology Officer),
- QHP Certification – Breana Silberman (Assistant Administrator – Financial Management), John Cucco (Strategy and SHOP Director), Betsy Kerr (Analyst – Value Based Purchasing), Linda Johnson (Operations Director, Office of Health Insurance Commissioner), Cory King (Principal Policy Analyst, Office of Health Insurance Commissioner), John Garrett (Health Reform Specialist, Office of Health Insurance Commissioner),

We interviewed the following staff at the Call Center:

- Contact Center Update – Meg Ivatts (Project Director – Contact Center), Patrick Talbott (AHS Training & Quality Manager)

We interviewed the following staff from Rhode Island Health Center Association (RIHCA):

- Outreach & Enrollment Update – Mary Evans (Chief Operating Officer RIHCA), Jane Hayward (President and Chief Operating Officer RIHCA).

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

- A listing of 65,986 applicants who had an eligibility determination completed on or before June 30, 2017. We selected a sample of 178 cases to test the compliance with 45 CFR 155 Subpart D Eligibility and Subpart E Enrollment. We selected 126 cases to test for compliance with eligibility rules, and 66 cases to test for compliance with enrollment rules. Note that 14 of the cases were used for both eligibility and enrollment testing, so a total of 178 cases were used for testing compliance with enrollment and eligibility rules.
- A listing of 80 Exemptions cases filed on or before June 30, 2017. We selected a sample of 24 (30%) of the cases to test compliance with 45 CFR 155 Subpart G Exemptions.

**CONFIDENTIAL INFORMATION OMITTED**

N/A

## II. AUDIT FINDINGS

### FINDING #2017-001

**Criteria:**

45 CFR §155.305 provides that an Exchange must determine an applicant's eligibility for enrollment in a Qualified Health Plan (QHP) or Medicaid through the Exchange if he or she meets the requirements stated within 45 CFR §155.305. The Exchange's RI Bridges system calculates eligibility for QHP or Medicaid for applicants based on those requirements. 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%, but not more than 400%, of the Federal Poverty Level (FPL), he or she will be eligible for Advanced Premium Tax Credit (APTC). The Second Lowest Cost Silver Plan (SLCSP) is used along with age, income and family size to calculate a household's APTC. RI Bridges calculated the APTC for the benefit year for which coverage is requested.

**Condition and Context:**

We obtained two data samples, one of 126 cases and another of 66 cases, for a total of 192 cases. Of those 192 cases, 48 were enrolled with a QHP and we tested whether HSRI correctly calculated the APTC for those cases. Of the 48 cases we tested, for APTC, one was calculated incorrectly by a material amount. This case involved a family of four, including individuals of the following ages: 51, 45, 11, and 9. The family's income was \$6,614.75 per month, placing the family's annual household income at 326.65% of the FPL. Based on the family's income we calculated a premium of \$936.22 and the family's share at \$638.98, resulting in an APTC of \$297.24 and all four family members as APTC eligible. HSRI also calculated income as a percentage of FPL to be 326.65%, but determined the two adults to be ineligible for APTC and calculated an APTC amount of \$0 for the two children.

**Cause:**

RI Bridges calculated APTC incorrectly for this case.

**Effect:**

It appears that applicants who are part of a family applying for assistance may not receive the correct amount of APTC, due to errors in calculations performed by the RI Bridges system.



**FINDING #2017-002****Criteria:**

45 CFR §155.305 provides that an Exchange must determine an applicant's eligibility for enrollment in a QHP or Medicaid through the Exchange if he or she meets the requirements stated within 45 CFR §155.305. The Exchange's RI Bridges system calculates eligibility for QHP or Medicaid for applicants based on those requirements.

**Condition and Context:**

We performed eligibility testing on all 192 cases we selected in the two samples. In six of the cases tested, the Exchange did not correctly determine eligibility.

- **Case One** involved a family of four, consisting of two parents and two children. One parent and two children were determined eligible for Medicaid and enrolled in Medicaid. The parents were deemed Medicaid eligible under the Parent/Caretaker Premium Assistance (PCPA). Under the PCPA program, parents of Medicaid eligible children with annual household incomes under 175% of the FPL are eligible for assistance to pay a portion of their monthly premium if they choose a silver plan from the Exchange. The family in this case had an annual household income equal to 211.92% of the FPL, which qualifies the two children for the Children's Health Insurance Program (CHIP). However, that income level is too high for a parent to qualify for Medicaid, and, therefore, the eligibility determination was not correct.
- **Case Two** - RI Bridges data contained two conflicting eligibility results – QHP with Cost Sharing Reductions (CSR) and Medicaid eligible – for the same eligibility segment. The applicant had an FPL of 383.7%, so the family should have been neither Medicaid nor CSR eligible. The CSR eligibility status was terminated with no eligibility start date – in effect negating that eligibility segment.
- **Case Three** - RI Bridges data contained two conflicting eligibility results – QHP and PCPA Medicaid eligible – for the same eligibility segment. The family in this case had an annual household income equal to 191.52% of the FPL of which qualifies the family for APTC and CSR. At that income level, the parents are not eligible for PCPA.
- **Case Four** - RI Bridges data contained two conflicting eligibility results – CSR and Conditional QHP eligible – for the same eligibility segment. The family had an annual household income equal to 261.79% of the FPL. At that income level the applicant is not eligible for CSR.
- **Case Five** - RI Bridges data contained two conflicting eligibility results – QHP and Medicaid eligible – for the same eligibility segment. The family had an annual household income equal to 216.2% of the FPL. There were multiple, unexplained Medicaid eligibility segments associated with this family. At that income level the parents are not eligible for Medicaid.
- **Case Six** - The family had an annual household income equal to 407.52% of the FPL and were determined eligible for both CSR and Medicaid. However, at that income level, the parents are ineligible for both CSR and Medicaid.

**Cause:**

It is not yet determined what caused the errors in these cases.

**Effect:**

HSRI stated that the family members in these cases did not receive any assistance or enroll in programs associated with the incorrect eligibility determinations, and in some instances the incorrect eligibility status was terminated. However, these errors create the possibility for families to receive benefits or assistance to which they are not entitled, because of errors in calculations performed by the RI Bridges system.

**FINDING #2017-003****Criteria:**

45 CFR §155.305 provides that an Exchange must determine an applicant's eligibility for enrollment in a QHP or Medicaid through the Exchange if he or she meets the requirements stated within 45 CFR §155.305. The Exchange's RI Bridges system calculates eligibility for QHP or Medicaid for applicants based on those requirements.

**Condition and Context:**

We performed eligibility testing on all 192 cases we selected in the two samples. For seven of the cases tested, RI Bridges contained conflicting data or eligibility statuses.

- **Case One** – RI Bridges data contained two conflicting eligibility results – QHP Conditional and APTC/CSR – for the same eligibility segment. The applicant did not enroll for any insurance.
- **Case Two** – RI Bridges data contained two eligibility results - Medicaid and QHP-APTC – for the same eligibility segment. The Exchange confirmed that the applicant did not receive both Medicaid and APTC; the applicant was enrolled in Medicaid. Our testing indicated that the Exchange correctly determined eligibility for Medicaid.
- **Case Three** – RI Bridges data contained two conflicting income as a percentage of FPL calculations for the applicant –238.59% and 0% - for the same eligibility segment. The Exchange confirmed that 0% was the value used to determine the applicant's eligibility for Medicaid. Our testing validated that the Exchange correctly determined eligibility for Medicaid. The applicant was not enrolled in either QHP or Medicaid.
- **Case Four** – RI Bridges data contained two conflicting eligibility results – both QHP-APTC and Medicaid – for the same eligibility segment. The applicant was only enrolled in QHP, and our testing validated that the Exchange correctly determined eligibility for APTC.
- **Case Five** – RI Bridges data contained two conflicting eligibility results – both QHP and Medicaid – with overlapping eligibility segments. Our testing validated that the Exchange correctly determined eligibility for Medicaid. The applicant was not enrolled in either QHP or Medicaid.
- **Case Six** – RI Bridges data contained two conflicting eligibility results – both QHP and Medicaid – for the same eligibility segment. Our testing validated that the Exchange correctly determined eligibility for Medicaid. The applicant was not enrolled in either QHP or Medicaid.
- **Case Seven** – RI Bridges data contained two conflicting eligibility results – both QHP and Medicaid – for the same eligibility segment. Our testing validated that the Exchange correctly determined eligibility for Medicaid. The applicant was enrolled only in Medicaid.

**Cause:**

RI Bridges processing introduces errors in the way data is maintained in tables and in some instances allows for two contradictory eligibility statuses (e.g. QHP and Medicaid) for a family member over the same period of time.

***Effect:***

In the seven cases discussed above, the Exchange correctly determined eligibility, and, applicants did not enroll in the wrong programs, despite the conflicting eligibility statuses shown in the data extract from the RI Bridges system. The conflicting eligibility results, however, create the potential for an applicant to enroll for benefits that they are not eligible to receive.

**FINDING #2017-004****Criteria:**

45 CFR §155.305 provides that an Exchange must determine an applicant's eligibility for enrollment in a QHP or Medicaid through the Exchange if he or she meets the requirements stated within 45 CFR §155.305. The Exchange's RI Bridges system calculates eligibility for QHP or Medicaid for applicants based on those requirements. 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%, but not more than 400%, of the FPL, he or she will be eligible for APTC. The SLCSP is used along with age, income and family size to calculate a household's APTC. RI Bridges calculated the APTC for the benefit year for which coverage is requested.

45 CFR §155.1210 (b)(4) provides that an Exchange must maintain data and records relating to the State Exchange's eligibility verifications and determinations, enrollment transactions, appeals, and plan variation certifications

**Condition and Context:**

We performed eligibility testing on 192 cases. For two of the cases within the sample, we calculated a different APTC than the one calculated by the Exchange. HSRI asserts that the APTC amounts for these two cases are correctly calculated and that the differences between the values it calculated and the values we calculated relate to previous APTC payments made to the client. HSRI has not provided documentation to support its calculation.

- **Case One** involved a family of four, including individuals of the following ages: 42, 38, 5, and 1. The family's income was \$5,267.50 per month, placing the family's annual household income at 260.12% of the FPL. Based on the family's income, we calculated a premium of \$525.67 and the family's share at \$446.67, resulting in an APTC of \$79.00 and all four family members as APTC eligible. HSRI also calculated income as a percentage of FPL at 260.12%, but calculated a premium amount of \$618.37 and an APTC amount of \$158.70 for the family. To date, HSRI has not been able to provide us with data that show how its calculations for Premiums and APTC are correct.
- **Case Two.** The initial data extract we received from HSRI stated that the case involved a family of six with income of \$2,715 a month, or 100% of the FPL, and APTC was calculated at \$325.26. We calculated an APTC of \$402.47 for this family. In response to our request for data that support its computation of APTC, the Exchange provided different data, indicating that its calculation was based upon a family size of four and income of \$1,987.73 per month. Using this new data for income and family size, we calculated an income as a percentage of FPL of 98.16% and an APTC of \$417.23. With income as a percentage of FPL of 98.16%, the family is not entitled to APTC unless the reason for ineligibility for Medicaid is that they have not been lawfully present in the United States for at least five years. HSRI has provided neither data that supports its APTC eligibility determination at the monthly income at 98% of the FPL, nor data that supports its calculation of the APTC value.

***Cause:***

It is not easy to obtain historical data from RI Bridges to review transactions such as eligibility determinations and APTC calculations. As a result, for some cases, like the two cases in this finding, it has been difficult for HSRI to document what data was used in eligibility and APTC determinations.

***Effect:***

It is possible that these cases were incorrectly determined and the applicants were deemed eligible for benefits that they were not eligible to receive.

**AUDITOR'S OPINION**

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

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

**ADDITIONAL COMMENTS**

N/A

### III. RECOMMENDATIONS

**FINDING #2017-001**

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

**FINDING #2017-002**

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

**FINDING #2017-003**

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

**FINDING #2017-004**

We recommend that the Exchange work with its Systems Integrator to identify ways to better retain documentation supporting eligibility determinations, enrollment transactions, and related calculations.



**IV. CONCLUSION**

We confirm to the best of our knowledge that the information included in this Audit Findings Report is accurate and based on a thorough review of the documentation required for this report.

**SIGNATURE OF AUDIT FIRM:***Berry Dunn McNeil & Parker, LLC*  

---

**COMPLETION DATE OF AUDIT FINDINGS  
REPORT:****June 29, 2018**  

---