



HealthSource RI

PROGRAMMATIC COMPLIANCE REPORT

Year Ended June 30, 2017

With Independent Accountant's Report





INDEPENDENT ACCOUNTANT'S REPORT

To: Management of Rhode Island Health Benefits Exchange d/b/a
HealthSource RI

Report on Compliance

We have examined the compliance of Rhode Island Health Benefits Exchange d/b/a HealthSource RI (the Exchange or HSRI), a function within the State of Rhode Island, with the requirements in Title 45, Part 155, Subparts C, D, E, G and K of the Code of Federal Regulations (CFR) during the year ended 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. Management is responsible for the Exchange's compliance with the specified requirements. Our responsibility is to express an opinion on the Exchange's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Exchange complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Exchange complied with the specific requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Exchange's compliance with specified requirements.

Our examination disclosed the following material noncompliance with Title 45, Part 155, Subparts C, D, E, G and K applicable to the Exchange during the year ended June 30, 2017.

As described in the accompanying schedule of findings as Findings #2017-001, #2017-002, #2007-003, and #2007-004, during the year ended June 30, 2017, the Exchange did not comply with the requirements of Subparts of Title 45, Part 155 examined by us. These conditions do not affect our report dated January 25, 2018 on the Exchange's 2017 financial statements.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Exchange complied, in all material respects, with the requirements in Title 45, Part 155, Subparts C, D, E, G and K of the CFR during the year ended June 30, 2017.

The Exchange's response to the finding identified in our examination of compliance is described in the accompanying schedule of findings. The Exchange's response was not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on the response.

Management of
Rhode Island Health Benefits Exchange d/b/a
HealthSource RI

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018 on our consideration of the Exchange's internal control over compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Exchange's internal control over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Exchange's internal control over compliance.

Intended Use

This report is intended to describe the scope of our examination of compliance and the results of the examination based on attestation standards established by the AICPA and *Government Auditing Standards* and it is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 29, 2018

**RHODE ISLAND HEALTH BENEFITS EXCHANGE D/B/A
HEALTHSOURCE RI**

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2017

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.

Recommendation:

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.

HSRI Response:

HSRI accepts the finding.

Corrective Action Plan:

HSRI is developing a corrective action plan to address the findings

Responsible HSRI Official:

Ernest Iannitelli

**RHODE ISLAND HEALTH BENEFITS EXCHANGE D/B/A
HEALTHSOURCE RI**

SCHEDULE OF FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2017

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.

**RHODE ISLAND HEALTH BENEFITS EXCHANGE D/B/A
HEALTHSOURCE RI**

SCHEDULE OF FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2017

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.

Recommendation:

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.

HSRI Response:

HSRI accepts the finding.

Corrective Action Plan:

HSRI is developing a corrective action plan to address the findings

Responsible HSRI Official:

Ernest Iannitelli

**RHODE ISLAND HEALTH BENEFITS EXCHANGE D/B/A
HEALTHSOURCE RI**

SCHEDULE OF FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2017

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.

**RHODE ISLAND HEALTH BENEFITS EXCHANGE D/B/A
HEALTHSOURCE RI**

SCHEDULE OF FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2017

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.

Recommendation:

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.

HSRI Response:

HSRI accepts the finding.

Corrective Action Plan:

HSRI is developing a corrective action plan to address the findings

Responsible HSRI Official:

Ernest Iannitelli

**RHODE ISLAND HEALTH BENEFITS EXCHANGE D/B/A
HEALTHSOURCE RI**

SCHEDULE OF FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2017

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 SLCS 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.

**RHODE ISLAND HEALTH BENEFITS EXCHANGE D/B/A
HEALTHSOURCE RI**

SCHEDULE OF FINDINGS (CONCLUDED)

YEAR ENDED JUNE 30, 2017

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.

Recommendation:

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.

HSRI Response:

HSRI accepts the finding.

Corrective Action Plan:

HSRI is developing a corrective action plan to address the findings

Responsible HSRI Official:

Ernest Iannitelli