



HealthSource RI

PROGRAMMATIC COMPLIANCE REPORT

Year Ended June 30, 2018

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, and K of the Code of Federal Regulations (CFR) during the year ended June 30, 2018. 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 the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

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

Our examination disclosed material noncompliance with Title 45, Part 155, Subparts C, D, E and K of the CFR applicable to the Exchange during the year ended June 30, 2018, as described in the accompanying schedule of findings as Findings 2018-001, 2018-002, and 2018-003. These conditions do not affect our report dated January 8, 2019 on the Exchange's 2018 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, and K of the CFR during the year ended June 30, 2018.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2019 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 internal control over compliance. That report is an integral part of an examination 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
May 17, 2019

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

Schedule of Findings

Year Ended June 30, 2018

FINDING #2018-001

Criteria:

45 CFR §155.305 provides that an Exchange must determine an applicant's eligibility for enrollment in a Qualified Health Plan (QHP) and Medicaid through the Exchange if he or she meets the requirements stated within 45 CFR §155.305. One of the eligibility requirements is that the applicant must be a citizen of, or lawfully present in, the United States (45 CFR §155.305 (a)(1)).

Condition and Context:

We tested 192 cases for eligibility, and in one case, the State's integrated eligibility and health benefits exchange system (RI Bridges) determined that the applicant was QHP eligible. The system showed that the applicant was neither a U.S. citizen nor lawfully present, but HSRI was able to verify that the applicant was lawfully present.

Cause:

RI Bridges did not store the verification data.

Effect:

RI Bridges made the correct determination, but because the system did not store the verification data, it appeared to be an incorrect determination.

Recommendation:

None – the error was fixed in March 2018.

HSRI Response:

HSRI agrees with the finding that the determination appears to be incorrect. The system issue at play in this account finding is that the RI Bridges system failed to store the citizenship data returned from the Federal data hub. At the time the eligibility was run on this account the customer received correct verification of their Citizenship, making them QHP eligible, an accurate determination.

This is a known issue, already tracked as RIB-93379: "QHP eligibility without populated LAWFULLY_PRESENT_SW". There is no problem with the system determining eligibility, it was a problem with storing the verification data points for immigration.

Corrective Action Plan:

A code change was implemented in March 2019 to ensure the Verification Task is accurately stored when immigration response is "null". This will avoid the scenario that led to the error reported by the auditors. There have been no new occurrences. There is no data fix required at this time, the problem has not been observed in 2019 in (current) QHP eligibility. This customer did not enroll in a QHP and never received incorrect benefits.

Responsible HSRI Official:

Meg Ivatts, COO

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

Schedule of Findings (Continued)

Year Ended June 30, 2018

FINDING #2018-002

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. In accordance with 45 CFR §155.305 (c), the Exchange must determine an applicant eligible for Medicaid if he or she meets the non-financial eligibility criteria for Medicaid for populations whose eligibility is based on Modified Adjusted Gross Income (MAGI) based income, as certified by the Medicaid agency in accordance with 42 CFR 435.1200(b)(2), and has a household income, as defined in 42 CFR 435.603(d), that is at or below the applicable Medicaid MAGI-based income standard as defined in 42 CFR 435.911(b)(1).

In Rhode Island, the applicable MAGI-based income standard for a person 19 or older is 138% of the Federal Poverty Level (FPL). In addition, the income standard for Rhode Island's Children's Health Insurance Program (CHIP) for children under the age of 19 is 236% of the FPL.

Condition and Context:

We selected a sample of 194 cases to test for eligibility, and in one case, RI Bridges determined that the applicant was Medicaid eligible. The applicant was determined to be CHIP eligible in 2016, when the applicant was under the age of 19 and had an FPL of 138%. At that FPL, HSRI should have terminated the individual's CHIP eligibility in March 2017, when the individual turned 19. However, the individual's Medicaid eligibility was not terminated until July 2017.

Cause:

In March 2017, RI Bridges did not include a batch process that identified individuals who should be terminated from CHIP when they turned 19 and redetermined their eligibility for Medicaid or QHP.

Effect:

The individual in this case received Medicaid benefits when he or she did not qualify for those benefits after he or she turned 19 in March 2017, and the individual improperly received those benefits until his or her Medicaid eligibility was terminated in July 2017.

Recommendation:

None – HSRI has already identified and addressed the issue when it terminated the eligibility in July 2017.

HSRI Response:

HSRI agrees with this finding. Termination in July was the result of a batch that is run to find and terminate individuals who are no longer eligible for coverage. A new process is now in place that is automated, and runs monthly in order to process terminations for customers who have "aged out" of coverage, as described in the finding above. This problem no longer occurs.

Corrective Action Plan:

None

Responsible HSRI Official:

Meg Ivatts, COO

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

Schedule of Findings (Concluded)

Year Ended June 30, 2018

FINDING #2018-003

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 selected a sample of 192 cases to test for eligibility, and for 144 of those cases, we tested whether HSRI correctly calculated the APTC for those cases. The rules require APTC to be calculated as follows: $APTC = SLCSP \times \text{age curve factor} - ((\text{income} \times 12 \times \text{Applicable Percentage}) / 1200)$. The age curve factor and applicable percentage are published annually by CMS.

One case involved a family of two – ages 55 and 48 with weekly income of \$3,013.47 and an FPL percentage of 222.67%. For the audit period the age curve factor for a 55 year-old was 2.135 and for a 48 year-old was 1.635; and the applicable percentage for an FPL percentage of 222.67% was 7.237%. With these factors, we calculated an APTC of \$721.15 and HSRI calculated an APTC of \$756.35.

Cause:

The RI Bridges system miscalculated the APTC for this case by \$30.

Effect:

The RI Bridges system miscalculated APTC for 30 cases, due to an error in the Age Curve Factor formula. HSRI identified the error, and corrected it in January 2018, so APTCs are now being properly calculated.

Recommendation:

None – HSRI has already identified and addressed the issue when it terminated the eligibility in January 2018.

HSRI Response:

HSRI agrees with this finding. The impacted population was approximately 30 accounts. The issue occurred because of a known system defect and was corrected in January 2018 (RIB-56995: Incorrect APTC due to wrong age curve factor). No data fix was run on prior eligibility determinations. The problem was uncovered as a result of HSRI's reconciliation process where careful analysis is done to reconcile the account data across our three systems, Financial Management, Carrier Enrollments and RI Bridges.

Corrective Action Plan:

None

Responsible HSRI Official:

Meg Ivatts, COO