

## **Summary of Independent External Audit Maryland Health Benefit Exchange Plan Year 2015**

The Affordable Care Act requires state-based exchanges to have an annual external independent audit of financial and program activities. 45 CFR 155.1200-1210, Subpart M – Oversight and Program Integrity Standards for State Exchanges. Accordingly, the Maryland Health Benefit Exchange (MHBE) contracted Hamilton Enterprises LLC (Hamilton) to perform the required audit. The auditors reviewed processes in place during MHBE's first enrollment period— that of plan year 2015, which ran from January 1, 2015 to December 31, 2015.

Hamilton followed generally accepted governmental auditing standards (GAGAS) and made its report available to the U.S. Department of Health and Human Services for review. The auditing firm concluded that apart from identified areas of improvement, MHBE provided sufficient evidence to determine that MHBE was compliant with the federal regulations governing State Based Exchanges, found at 45 CFR Part 155.

The audit included a review of MHBE's accounting of receipts and expenditures and of regulatory standards for general functions of State-based Exchanges. Specific areas of examination included, but were not limited to, certification of Qualified Health Plans (QHPs), enrollment in QHPs, data reporting, information disclosures, and quality improvement strategies. Financial statements are not prepared at the agency level as MHBE is include in the Maryland State Comprehensive Annual Financial Report. There is no requirement from the State of Maryland for agencies to prepare or produce individual agency-level financial statements. MHBE is not responsible for recording all receipts supporting the expenditures of the agency. Accordingly, we were unable to determine if all Exchange receipts were in accordance with Generally Accepted Accounting Principles (GAAP), as required by 45 CFR 155.1200(a)(1). However, Hamilton was able to test a sample of expenditure transactions for Plan Year 2015 as well as test receipts that were recorded in MHBE's general ledger.

MHBE has taken great efforts to improve their internal control system and document their policies and procedures. This is evidenced by the resolution of prior audit findings. These efforts are expected to continue as the organization grows.

The auditors offered recommendations that MHBE:

- 1) Continue to explore resolution to the requirements set forth by 45 CFR 155.1200(a)(1) and MHBE's current practices;
- 2) Document the agency specific procedures surrounding the expenditure cycle;
- 3) Document the segregation of duties and roles and responsibilities of the individuals involved in the plan decertification process.

4) Take corrective action to redetermine the eligibility of individuals who have not already been redetermined after the 95 day period has expired.

MHBE agrees with the recommendations provided by the auditor and has instituted a corrective action plan to remedy any findings.