

## **Summary of Independent External Audit Maryland Health Benefit Exchange Plan Year 2014**

The Affordable Care Act requires state-based exchanges to have an annual external independent audit of financial statements 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 Rufus Ingram, P.A., Certified Public Accountants, to perform the required audit. The auditors reviewed processes in place during MHBE's first enrollment period– that of plan year 2014, which ran from January 1, 2014 to December 31, 2014.

Rufus Ingram, P.A. 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. MHBE, as an agency of the State, is not required to produce financial statements specific to its operations as separate from the State's accounts; therefore, the scope of the financial audit was limited to review of internal controls and processes based on best practices.

Most of the audit findings involved deficits in MHBE's initial, failed IT system (HIX). For example, the auditors found that the HIX did not consistently capture some data elements required for eligibility determinations. While MHBE does not concur with all of the auditors' findings, particularly with respect to their interpretation of some of the governing federal requirements, MHBE has acknowledged the deficiencies of its old system. Among its multiple technical failures, reliable data was never consistently accessible from the HIX. To compensate, during the first open enrollment period MHBE put in place, among other fixes, manual processes to supplement the initially planned eligibility and enrollment processes for certain populations. Ultimately, MHBE decided to abandon the HIX entirely and implement a new system (HBX) with a proven success record. Given the data integrity issues from the old HIX, complete data from that system was not migrated into the newer HBX. While complete data from the first open enrollment period is appropriately archived, the HIX is not in current use and could not be used for testing data from 2014.

By contrast, the new HBX does consistently maintain accurate data on eligibility determinations and enrollments. MHBE also has in place rigorous internal controls to identify and prevent critical system errors and preserve code integrity through change control processes, regression testing and Independent Verification & Validation (IV&V) audits. MHBE also continues to hone its processes for testing the accuracy and validity of eligibility determinations and enrollments. In addition, where the auditors' recommendations are relevant to the new HBX, like establishing

formal policies and procedures for the processing, review, and oversight of eligibility determinations, MHBE concurs and has either completed or will complete over the next few months such recommendations.

The auditors' offered two overall recommendations that MHBE: 1) develop and/or finalize comprehensive policies and procedure manuals for all areas of the agency, and 2) create an internal audit department to ensure the agency proactively identifies risks and meets all federal and state requirements. MHBE concurs with these recommendations. As part of its corrective action plan, MHBE continues to make formal its policies and procedures, both existing and new, for all agency functions in order to promote agency efficiency, effectiveness and best practices. With respect to moving forward on establishing an internal auditing department, it has created a new position and is in the process of hiring an Audit Manager with expertise in auditing both IT systems and agency operations.



Independent External Audit Report:  
Plan Year Ended December 31, 2014 Audit Findings Report  
State of Maryland  
Maryland Health Benefit Exchange



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Independent External Audit Report:  
Plan Year Ended December 31, 2014 Audit Findings Report

## EXECUTIVE SUMMARY

### Background

On April 12, 2011, Governor Martin O'Malley signed into law, the Maryland Health Benefit Exchange Act of 2011, formally establishing Maryland Health Benefit Exchange (MHBE). MHBE operates Maryland Health Connection to provide Maryland residents and small businesses with a marketplace to compare plans, shop, and enroll in affordable health care coverage.

The State of Maryland had elected to establish a single IT infrastructure to evaluate eligibility for Exchange plans (including the Small Business Health Options Program (SHOP) Medicaid, Maryland Children's Health Program (MCHP), and advance premium tax credits and cost-sharing reductions. To comply with federal requirements, Maryland was required to successfully develop and test its new eligibility and enrollment system by no later than the Spring of 2013. While the Exchange coverage was not required to be effective until January 1, 2014, the Exchange was required to be prepared to begin pre-enrolling people by October 1, 2013. In light of this aggressive timeline and the expansive scope of the work required, Maryland implemented its new system in phases, beginning with core HIX and Medicaid functions. From the inception, the core HIX and Medicaid functions presented MHBE with challenges. The customer module was defective. However, the assisters' module was functional. Due to various problems identified in the enrollment process, MHBE instituted manual algorithms, which was employed to review appeals of the eligibility and enrollment processes.

## **Purpose**

The purpose of this financial and programmatic audit is to ensure that MHBE meets the obligations of an annual independent external audit as required by 45 CFR 155.1200-1210, Subpart M – Oversight and Program Integrity Standards for State Exchanges. We audited the MHBE plan year 2014, which ran from January 1, 2014 to December 31, 2014.

## **Scope**

We conducted the audit in accordance with the Generally Accepted Government Auditing Standards (GAGAS).

The control objectives for the audit are as follow:

- To test for an accurate accounting of MHBE receipts and expenditures in accordance with GAAP.
- To analyze the manual algorithms to ensure the eligibility and enrollment processes set of rules under 42 CFR 155.315 have been employed.
- To address General Functions of an Exchange which consist of the issuance of certificates of exemption consistent with sections 1311(d)(4)(H) and 1411 of the Affordable Care Act; perform required functions related to oversight and financial integrity requirements in accordance with section 1313 of the Affordable Care Act; evaluate quality improvement strategies and oversee implementation of enrollee satisfaction surveys; assessment and ratings of health care quality and outcomes; information disclosures, and data reporting in accordance with sections 1311(c)(1), 1311(c)(3), and 1311(c)(4) of the Affordable Care Act; and clarification. In carrying out its responsibilities under this subpart, an Exchange is not operating on behalf of a Qualify Health Plan (QHP).
- To address Exchange Functions in the Individual Market: Eligibility Determinations for Exchange Participation and Insurance Affordability Programs.
- To address Exchange Functions in the Individual Market: Enrollment in Qualified Health Plans.
- To address Exchange Functions: Certification of Qualified Health Plans
- To address processes and procedures to prevent improper eligibility determinations and enrollment.
- To address identification of errors that resulted in incorrect eligibility determinations.

## GAGAS Statement

We conducted this financial and programmatic audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Scope Limitations

MHBE is an agency within the Maryland State Department of Health and Mental Hygiene. Financial statements are not produced at the agency level. Accordingly, we were unable to determine if the receipts and expenditures were in accordance with Generally Accepted Accounting Principles (GAAP), as required by 45 CFR 155.200(a)(1).

At the request of management, our scope did not include an examination of the following control objectives required by 45 CFR 155.1200-1210, Subpart M – Oversight and Program Integrity Standards for State Exchanges:

- General Standards (Subpart B)
- General Functions of an Exchange (Subpart C): connector entities, call centers, navigators and assister programs
- Appeals of Eligibility Determinations (Subpart F)
- Exemptions (Subpart G)
- SHOP (Subpart H)
- Oversight and Program Integrity Standards (Subpart M)
- State Flexibility (Subpart N)
- Quality Reporting Standards (Subpart O)

## Methodology

We utilized the following techniques to ensure that control objectives are performing properly and sufficiently.

Step	Technique	Procedure
1	Interview	Conduct interviews of personnel responsible for carrying out the specific control policies and procedures.
2	Corroborative Inquiry	Conduct inquiries of personnel responsible for carrying out the specific control policies and procedures and corroborate responses with management and other personnel responsible for carrying out these procedures.
3	Observation	Observe application of specific control structure policies and procedures, including observation of the existence and availability of specific, written control structure policies and procedures to ascertain whether control policies and procedures are adhered to.
4	Walk Through	Perform a walk-through of the specific control policies and procedures on current data to ascertain that the control policies and procedures were implemented and operating effectively.
5	Sampling and Evidential Material	Inspect, on a sample basis, documents and reports indicating performance of the control structure, policy, or procedure, and a selection of system input, output and edit reports to ascertain whether controls over systems are operating as described and are operating effectively. Also, to ascertain whether the transactions and reports are prepared, approved, and maintained in accordance with specific control policies and procedures, and to evaluate whether the control policies and procedures are operating effectively, this test could include an examination of selected financial and non-financial transactions and reports.



## AUDIT FINDINGS

Our findings were classified based on Statement on Auditing Standards (SAS) No. 115 criteria as defined in the table below:

Category	Definition
Deficiency	<p>A deficiency in design exists when</p> <ul style="list-style-type: none"> <li>• a control necessary to meet the control objective is missing; or</li> <li>• an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.</li> </ul> <p>A deficiency in operation exists when</p> <ul style="list-style-type: none"> <li>• a properly designed control does not operate as designed; or</li> <li>• the person performing the control does not possess the necessary authority or competence to perform the control effectively.</li> </ul>
Material Weakness	A deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our audit findings are summarized as follows:

### **Financial**

#### **Receipts and Expenditures**

The following findings were noted for cash receipts and expenditures:

- MHBE did not have written and signed authorization procedures for cash receipts and disbursements.
- MHBE did not reconcile draw downs to Relational Standard Accounting and Reporting System (RStars).
- MHBE did not have a process to document and to reconcile expenditures to RStars.
- MHBE did not have procedures for verification of payroll for employees.
- MHBE had several incidents of purchases without proper documentation.
- MHBE had no procedures for verification of journal entries.

The aggregate of the above issues results in a significant deficiency in internal controls.

### **Manual Algorithms**

There are 20 eligibility data requirements related to plan determination. The HIX/Curam system did not properly capture the eligibility data requirements as intended. Further, MHBE did not establish a method(s) to make eligibility determinations in place of the system. As a result, MHBE could have encountered ongoing issues with any number of the eligibility data requirements.

The aggregate of the above issues results in a significant deficiency and non-compliant with 45 CFR 155.315

### **Subpart C — General Functions of an Exchange**

Privacy and Security/ Privacy and Security-Navigators: MHBE has procedures in place to investigate and resolve privacy and security incidents internally, however the Marketplace has not routinely reported occurrences of potential incidents to the Center for Medicare and Medicaid Services (CMS).

This issue is classified as a significant deficiency and non-compliant with 45 CFR 155.260.

### **Subpart D—Exchange Functions in the Individual Market: Eligibility Determinations for Exchange Participation and Insurance Affordability Programs**

MHBE did not have management reviews and approvals as part of internal controls procedures for eligibility determinations during plan year 2014.

This issue is classified as a material weakness in internal control.

### **Subpart E—Exchange Functions in the Individual Market: Enrollment in Qualified Health Plans**

In this area, we found the following issues:

- MHBE does not have management approval of QHP enrollments.
- MHBE does not perform monthly reconciliations of enrollment information and submit this to CMS.

This issue is classified as a significant deficiency, and non-compliant with 45 CFR 155.420.

### **Subpart K—Exchange Functions: Certification of Qualified Health Plans**

MHBE provided documentation regarding the process for certification, recertification, and decertification. Two certification systems were used during the 2014 plan year, Carrier Administration Portal (CAP) and System for Electronic Rate and Form Filing (SERFF). In both instances, MHBE relied on the controls within the program to separate duties to approve QHPs certifications and decertifications. We did note that the manager has a super-user status providing the opportunity to circumvent the controls of the system to certify or decertify plans.

This issue is classified as a material weakness in internal control.

### **Procedures to Prevent Improper Eligibility Determinations and Enrollment Transactions**

MHBE did not have a system of internal controls or documented policies that allowed for the proper review of eligibility determinations. The HIX/Curam system was relied upon to make the determinations and a documented review process was not in place to ensure accuracy and validity of determination.

This finding is related to Subpart D and Subpart E

This issue is classified as a significant deficiency in internal control.

### **Identification of Errors that Resulted in Incorrect Eligibility Determinations**

MHBE did not have a predesigned system of internal controls or documented policies that allowed for the proper review of eligibility determinations. The HIX /Curam system was relied upon to make the determinations. A documented review process was not in place to ensure accuracy and validity. A workflow was present to manually determine eligibility when necessary; however there was no internal control mechanism in place to identify errors that may have resulted in incorrect eligibility determination.

This finding is related to Subpart D and Subpart E.

This issue is classified as a significant deficiency in internal control.

## RECOMMENDATIONS

### Receipts and Expenditures

- Develop and or finalize policies and procedures for cash receipts and expenditures. These policies and procedures should include steps for review and approval (signature and date). These policies and procedures should be updated periodically.
- Consider preparing MHBE standalone financial statements with footnotes or obtain a written waiver from CMS regarding auditable MHBE financial statements.

### Manual Algorithms

MHBE should establish system policies and procedures as well as audit the system(s) that enroll Healthcare applicants and ensure that proper eligibility determinations are being made and records are being accurately processed and stored.

### Subpart C — General Functions of an Exchange

MHBE should report all future confirmed and potential incidents within one-hour of discovery to the State Officer and send completed Incident Report Form to [HIXincidents@cms.hhs.gov](mailto:HIXincidents@cms.hhs.gov). MHBE should also compile a list of all previous incidents determined not to be reportable and submit that to CMS as soon as possible.

### Subpart D—Exchange Functions in the Individual Market: Eligibility Determinations for Exchange Participation and Insurance Affordability Programs

MHBE should develop a comprehensive policies and procedures manual regarding management review that details the standard operating procedures in processing eligibility determinations as well as identify controls relating to the review and oversight of eligibility determinations.

### Subpart E—Exchange Functions in the Individual Market: Enrollment in Qualified Health Plans

1. MHBE should develop, and further enhance existing manual instructions relative to management reviews and internal controls, and should document the results of their reviews.
2. MHBE should develop and further enhance existing manual instructions relative to the reconciliation of enrollment information with QHPs, and should document the results of the reconciliation and forward this monthly to CMS.

### **Subpart K—Exchange Functions: Certification of Qualified Health Plans**

MHBE should create and maintain a formal internal certification policy and procedures manual that details the process to be followed. This should include identifying controls over the processing, monitoring, testing, and review of all certification processes. This manual should be followed entity-wide and describe the documentation of each control as it is performed to ensure proper certification.

### **Procedures to Prevent Improper Eligibility Determinations and Enrollment Transactions**

MHBE should develop a comprehensive policies and procedures manual that details the standard operating procedures in processing eligibility determinations as well as identify controls relating to the review and oversight of eligibility determinations.

### **Identification of Errors that Resulted in Incorrect Eligibility Determinations**

MHBE should develop a comprehensive policies and procedures manual that details the standard operating procedures in processing eligibility determinations as well as identify controls relating to the review and oversight of eligibility determinations.

### **Overall Recommendations**

We recommend that MHBE:

- Develop and or finalize comprehensive policies and procedure manuals for all areas of MHBE. These policies and procedures should include steps for review and approval (signature and date). These policies and procedures should be updated periodically.
- Create an internal audit department. This department will include many of the programs that have been instituted for plan year 2015. Such as, the IV&V vendor, which was required to provide critical input as to whether Maryland is on track to meet its federally mandated requirements as well as state specific requirements. We also believe that an internal audit department will identify risk in all areas of MHBE and enable the plan to be proactive rather than reactive.

## CONCLUSION

Our audit was conducted in accordance with Generally Accepted Government Auditing standards.

Except for the non-compliant issues noted in the finding section and exclusion of the financial requirement related to GAAP, we were provided with sufficient evidential matter to determine that MHBE was compliant with CMS, 45 CFR 155.

*Rufus Ingram, P.A.*

**July 24, 2015**

**MHBE Response to Findings and  
Corrective Action Plan  
(14 page attachment)**

# MARYLAND HEALTHBENEFIT EXCHANGE

## INDEPENDENT EXTERNAL AUDIT 2014 AUDIT FINDINGS REPORT MARYLAND

TO: CCIIO STATE EXCHANGE GROUP  
FROM: RUFUS INGRAM  
DATE: AUGUST 5, 2015  
SUBJECT: AUDIT FINDINGS REPORT FOR MARYLAND HEALTH BENEFIT  
EXCHANGE

### MARYLAND INTENDED CORRECTIVE ACTION PLAN

#### I. RESPONSE TO THE AUDIT REPORT FINDINGS

MHBE agrees with the overall key findings and recommendations of this PY 2014 independent external audit, except where noted. The need to transition from one information application to another during Plan Year 2014 in order to have a successful open enrollment 2015 utilized a tremendous amount of human, IT and financial resources. MHBE recognizes the importance of consistently implementing formal policies, procedures and internal controls to ensure quality, efficient and effective outcomes. As such, MHBE is committed to performing risk analysis in order to prioritize the development and implementation of formalized operational policies and procedures and internal controls as outlined in the recommendations set forth from this independent external audit.



## II. INTENDED CORRECTIVE ACTION PLAN

### FINANCIAL RECEIPTS AND EXPENDITURES

- FINDINGS:
- a. MHBE did not have written and signed authorization procedures for cash receipts and disbursements.
  - b. MHBE did not reconcile Draw Downs to Relational Standard Accounting and Reporting System (RStars).
  - c. MHBE did not have a process to document and to reconcile expenditures to RStars.
  - d. MHBE did not have procedures for verification of payroll for employees.
  - e. MHBE had several incidents of purchases without proper documentation.
  - f. MHBE had no procedures for verification of journal entries.

#### MHBE RESPONSE:

MHBE partially concurs with the findings. During the audit period, DHMH performed actual RSTARs entries on behalf of MHBE; the State Accounting Procedures manual ([http://comptroller.marylandtaxes.com/Government\\_Services/State\\_Accounting\\_Information/Accounting\\_Procedures/](http://comptroller.marylandtaxes.com/Government_Services/State_Accounting_Information/Accounting_Procedures/)) contains the internal controls and procedures required to be followed while performing said functions for MHBE. MHBE provided documentation to allow DHMH to perform these functions during the audit time period.

#### RECOMMENDATION 1:

Develop Policies and Procedures for Cash Receipts and Disbursements. These policies and procedures should include steps for review and approval (signature and date). These policies and procedures should be updated periodically.

#### CORRECTIVE ACTION:

While MHBE follows internal processes, MHBE will formalize policy and procedures for (a) cash receipts and disbursements, (c) documentation and reconciliation of expenditures to RStars, (d) verification of payroll for employees, and (f) verification of journal entries.

MHBE will develop a financial monitoring process to verify that (b) MHBE reconciles Draw Downs to RStars and (e) purchases have appropriate documentation. All policies and procedures will include steps for review and approval, including signature and date. Additionally, these policies/procedures will be reviewed and updated as necessary.

POINTS OF CONTACT: Carolyn Ellison, CFO and Caterina Pangilinan, CCO

IMPLEMENTATION DATE: 12/31/15

**RECOMMENDATION 3:**

Consider preparing MHBE standalone financial statements with footnotes or obtain a written waiver from CMS regarding auditable MHBE financial statements.

**RESPONSE:**

MHBE does not concur with the recommendation. The State Consolidated Annual Financial Report (CAFR) includes MHBE's annual financial information. For each State fiscal year closeout, MHBE submits the required financial documentation to the Maryland Comptroller's Office for inclusion in the CAFR per State law and regulation. This external independent audit period encompassed the FY 2014 closeout, during which DHMH submitted MHBE's required financial documentation. Because MHBE follows State law regarding submission of financial information to the Comptroller's Office, which results in a statewide audit, MHBE does not agree with the recommendation to create standalone financial statements unless directed to do so by HHS.

**CORRECTIVE ACTION:** Follow up with HHS for guidance on meeting the ACA 155.1200 requirements.

**POINT OF CONTACT:** Carolyn Ellison, CFO and Caterina Pangilinan, CCO  
**IMPLEMENTATION DATE:** 12/31/15

## **PROGRAMMATIC MANUAL ALGORITHMS**

### **FINDING:**

There are 20 eligibility data requirements related to plan determination. The HIX/Curam system did not properly capture the eligibility data requirements as intended. Further, MHBE did not establish a method(s) to make eligibility determinations in place of the system. As a result, MHBE could have encountered ongoing issues with any number of the eligibility data requirements.

### **RESPONSE:**

MHBE agrees that the HIX/Curam system did not properly capture all eligibility data requirements per 45 CFR 155.315 at all times, but does not agree with the number of eligibility data elements required. Moreover, while MHBE did not establish a method to make eligibility determinations in place of the HIX/Curam system, it was not required to do so.

Section 155.315 sets forth what information the Exchange must verify or obtain in order to determine that an applicant is eligible for enrollment in a QHP through the Exchange. These *five* data elements include 1) validation of social security number; 2) verification of citizenship or lawfully present immigration status; 3) verification of residency; 4) verification of incarceration status; and 5) qualifying age or possession of hardship exemption certificate for enrollment in a catastrophic plan.

45 CFR155.320 sets forth five additional data elements for determining an applicant's eligibility for insurance affordability programs. These are 1) household size; 2) income, including increases and decreases in income; 3) eligibility for minimum essential coverage; 4) eligibility for qualifying coverage through an employer sponsored plan; and 5) qualifying alien status for Medicaid/CHIP coverage. Under the regulations, verifications are performed by testing applicant attestations for reasonable compatibility with available electronic data sources and, when those sources are either not compatible or not available, opening an inconsistency period in order to examine other data or to review documents provided by the applicant, or (in some instances) accept the applicant's attestation. This is exactly what MHBE did.

While at various times during the operation of the HIX/Curam system various electronic data sources were either not available or not functional, all electronic sources were exhausted prior to applying an alternative action. Checks for citizenship against the Federal Data Services Hub were performed consistently, as were age (date of birth), and Social Security number validation. When inconsistencies persisted or were later identified, MHBE and DHMH performed additional checks outside of the HIX/Curam system with other state-based electronic data sources. When these checks failed, applicants were referred to in-person assisters to manually view verification documents. Residency was self-attested but also easily verified for compatibility with identity documents except during telephonic applications. No electronic data sources were available to verify or fail to verify the presence of other coverage so self-attestations

were accepted. Attestations for incarceration status were also accepted as self-evident. 155.315(g) provides that in all cases where a verifying document either does not exist or is not readily available the Exchange will make an exception on a case by case basis to accept the attestation. MHBE followed this process.

A manual, paper process to fully replace the system would not have been practicable because 1) any such process should only be implemented after electronic data sources have been tried and failed, and more of the eligibility data requirements were captured electronically than not, and the type and length of failures were unpredictable; and 2) fully replacing the HIX with a paper system would have required a waiver from CMS and would not have been justified since the system experienced only partial, intermittent failure.

**RECOMMENDATION 1:**

MHBE should establish system policies and procedures as well as audit the system(s) that enroll Healthcare applicants and ensure that proper eligibility determinations are being made and records are being accurately processed and stored.

**CORRECTIVE ACTION:**

In addition to the updated platform that captures all requisite data elements, the MHBE has enacted a thorough change control process that includes code audits and regression testing during any system upgrade or standard maintenance and operations release. The code base navigates a series of tests to ensure that eligibility determinations completed before and after any update are consistent and accurate. Furthermore, quarterly audits are conducted by both State and independent parties to ensure the code base is generating the appropriate eligibility result. These processes will continue as standard practice throughout the maintenance and operations of the system.

**POINT OF CONTACT:** Venkat Koshanam, Assistant Director, IT

**IMPLEMENTATION DATE:** 12/31/2015

## **SUBPART C—GENERAL FUNCTIONS OF THE EXCHANGE**

### **FINDING:**

Privacy and Security/ Privacy and Security-Navigators: MHBE has procedures in place to investigate and resolve privacy and security incidents internally, however the Marketplace has not routinely reported all occurrences of potential incidents to the Center for Medicare and Medicaid Services (CMS).

### **RESPONSE:**

MHBE concurs with finding in that it disclosed to CCIIO that a set of recurring low risk incidents had not been consistently reported due to a misunderstanding of the requirements.

MHBE reviewed its reporting system in May 2015 to identify barriers to timely reporting of incidents and streamline processes to promote consistent compliance with requirements. Additionally, the Authorized Use and Disclosure of Personally Identifiable Information policy was revised in June 2015 to further promote protection and security of PII.

### **RECOMMENDATION 1:**

MHBE should report all future confirmed and potential incidents within one-hour of discovery to the State Officer and send completed Incident Report Form to HIXincidents@cms.hhs.gov.

### **CORRECTIVE ACTION:**

MHBE concurs with recommendation. MHBE will continue to follow the Computer Matching Agreement and CCIIO's guidance on reporting potential and actual incidents.

**POINT OF CONTACT:** Caterina Pangilinan, CCO

**IMPLEMENTATION DATE:** 8/1/15

## SUBPART D

### FINDING:

MHBE did not have management reviews and approvals as part of internal controls procedures for eligibility determinations during plan year 2014.

### RESPONSE:-

MHBE does not concur with this finding because it is not required that management review and approve each applicant's eligibility determination. In the legacy system, DHMH/Medicaid performed testing of actual files to validate accuracy of eligibility results, and scenario-based testing was performed on qualified health plans. MHBE's subcontractors conducted code checks and made regular reports to management about HIX functionality in daily and weekly meetings. The HIX is a legacy system and has been retired, but all records are stored according to CMS guidelines.

### RECOMMENDATION 1:

MHBE should develop a comprehensive Policies and Procedures Manual regarding management review that details the standard operating procedures in processing eligibility determinations as well as identify controls relating to the review and oversight of eligibility determinations.

### CORRECTIVE ACTION:

MHBE PMO is establishing additional code reviews and functionality reviews to cross check the Systems Policies and Procedures that are being developed. This includes creating a Traceability Matrix and associated Test Cases to validate the functionality of the applications against the policies and procedures established, and closely verifying production release signoffs that proper eligibility determinations are made. In order to establish strong audit systems (traceability evidence), PMO is reviewing all the HBX subsystems and processes to identify and incorporate various audit functions.

Consumer assistance workers for MHC are provided through partnership relationships with MHBE. Other agencies, including DHMH, DHR, Application Counselor Sponsoring Entities and Connector Entities, are responsible for control and oversight of consumer assistance workers. MHBE sets policy and reviews performance of these partners in accordance with its regulations. MHBE will work to identify additional opportunities to strengthen controls and oversight for these entities.

POINT OF CONTACT: Venkat Koshanam, Assistant Director, IT  
IMPLEMENTATION DATE: 12/31/15

## **SUBPART E**

### **FINDING:**

- 1. MHBE does not have management approval of QHP enrollments.**
- 2. MHBE does not perform monthly reconciliations of enrollment information and submit this to CMS**

### **RESPONSE:**

MHBE does not concur with section 1 of this finding. Subpart E requires the Exchange to accept a QHP selection, promptly transmit to and acknowledge receipt from the QHP issuer, and maintain and reconcile enrollment records.

Once a consumer chooses a plan, the selection is transmitted to the issuers on 834 files via an Electronic Data Interface (EDI). Maintenance, Terminations, and Reinstatements, and acknowledgement of receipt of all files sent and received between the Exchange and the issuers go through the EDI process which is controlled by the 834 Companion Guide, a copy of which was provided.

To the extent the automated EDI process failed in the legacy system, consumer assistance workers transferred demographic data and plan selection for consumers to a subcontractor who completed quality analysis and review to verify data, premium, plan selection, and subsidy amounts and to provide the data to the EDI team for transmission to the issuers. Consumer assistance workers kept records of their consumers and their plan selections through the CRM database (at the call center) or with their Connector Entities (navigators and assisters). Work flow describing in detail the process of enrollment from receipt of consumer data to effectuation is documented. Effective dates were largely generated by the HIX based on the date of plan selection, as they are in the HBX today. When an effective date could not be generated by the HIX, it was determined using the rules set forth in 155.410 and restated in the *834 Submission Tool User Guide* provided to the auditors. Automated acknowledgement of the submissions failed in the legacy system, but EDI submissions were verified through the receipt of Member Level Reporting (MLR) from each participating carrier.

Enrollment records in the legacy system were maintained in spreadsheets on secure servers and in the EDI transmission records. Management reviewed aggregate QHP enrollment data in daily and weekly meetings, but did not approve individual enrollments. However, management had secured services to review individual enrollments from its contractors as described above.

In the current HBX, enrollments are a function of EDI and controlled by the 834 Companion Guide. When a consumer becomes eligible for a new program or enrolls in a different plan, an 834 is produced and transmitted to the issuer both to enroll in the new plan or program and to terminate the former coverage. These transmissions are acknowledged and recorded as are all other 834 transmissions. To the extent HBX cannot process a particular termination (due to a system glitch), the termination data is collected and submitted to the EDI team for file production and transmission. Typically

these files are "staged" first, and checked for error daily, then put in final production where they are reconciled weekly. This process is described in the 834 Companion Guide.

To the extent the legacy system was not able to produce EDI files, the process and workflow for terminations, cancellations, and reinstatements followed the same workflow as set forth in the *834 Submission Tool User Guide*.

**RECOMMENDATION 1:**

**MHBE should develop manual instructions relative to management reviews and internal controls, and should document the results of their reviews.**

**RESPONSE:**

MHBE agrees with the recommendation.

**CORRECTIVE ACTION:**

MHBE PMO is establishing appropriate code reviews and functionality reviews to cross check the Systems Policies and Procedures that are being developed. This includes creating Traceability Matrix and associated Test Cases to validate the functionality of the applications against the policies and procedures established, and closely verifying production release signoffs that proper enrollment transactions are completed. In order to establish strong audit systems (traceability evidence), PMO is reviewing all the HBX subsystems and processes to identify and incorporate various audit functions. Overall, MHBE PMO is actively working to establish program integrity for the HBX systems.

**POINT OF CONTACT:** Venkat Koshanam, Assistant Director, IT

**IMPLEMENTATION DATE:** 03/31/2016

**RECOMMENDATION 2:**

**MHBE should develop manual instructions relative to the reconciliation of enrollment information with QHPs, and should document the results of the reconciliation and forward this monthly to CMS.**

**RESPONSE:**

MHBE agrees with finding that during the audited plan year, MHBE was unable to reconcile enrollments between carriers and the malfunctioning HIX system.

**CORRECTIVE ACTION:**

Reconciliation functionality was deployed in March 2015 and continues to undergo improvements. At present, CMS is unable to process the 834's. In the interim, SBMs provide monthly payment reports until CMS can process such 834's.

**POINT OF CONTACT:** Venkat Koshanam, Assistant Director, IT

**IMPLEMENTATION DATE:** 3/31/2016



## **SUBPART K**

### **FINDING:**

MHBE relied on the controls within the program to separate duties to approve QHPs certifications and decertifications. We did note that the manager has a super-user status providing the opportunity to circumvent the controls of the system to certify or decertify plans.

### **RESPONSE:**

MHBE partially concurs with this finding. For the 2014 plan year, MHBE used an internal system, the carrier application portal (CAP), for carriers to upload all plan materials required for plan certification. In Maryland, plan certification is a two-step process. The Maryland Insurance Administration approves all plan benefits and rates. Prior to and after this approval, MHBE reviews all required and submitted documents and will approve or deny the certification. Under the CAP system, the manager could unilaterally approve a plan. Effective for the 2015 plan year, the MHBE began using the National Association of Insurance Commissioners (NAIC) System for Electronic Rate and Form Filing (SERFF). This system is controlled by the NAIC and limits approval authority. The new process for plan certification is outlined here: <http://www.marylandhbe.com/wp-content/uploads/2015/01/Plan-Management-Plan-Certification-Policies-and-Procedures.pdf>.

### **RECOMMENDATION 1:**

MHBE should create and maintain a formal certification policy and procedures manual that details the process to be followed. This should include identifying controls over the processing, monitoring, testing, and review of all certification processes. This manual should be followed entity-wide and describe the documentation of each control as it is performed to ensure proper certification.

### **RESPONSE:**

MHBE agrees with recommendation.

### **CORRECTIVE ACTION:**

MHBE will create and maintain a formal certification policy and procedures manual that includes identifying controls over the processing, monitoring, testing, and review of certification processes. Additionally, the manual will include internal controls to ensure proper certification with appropriate signoff.

**POINT OF CONTACT:** Michele Eberle, Director of Plan and Partner Management  
**IMPLEMENTATION DATE:** 3/31/16

## **Procedures to Prevent Improper Eligibility Determinations and Enrollment Transactions**

### **FINDING:**

MHBE did not have a system of internal controls or documented policies that allowed for the proper review of eligibility determinations. The HIX/Curam system was relied upon to make the determinations and a documented review process was not in place to ensure accuracy and validity of determination.

### **RESPONSE:**

MHBE partially concurs with this finding. The HIX/Curam system was not the only source of information used to make determinations. Auditors were provided with the summaries of other methods used to ensure accuracy and validity of determinations, including matching HIX/Curam data with other state systems and sending additional verification requests when data was inconsistent. This Audit finding is a repeat of the finding labeled Subpart D. MHBE repeats its response to Subpart D findings.

### **RECOMMENDATION 1:**

MHBE should develop a comprehensive Policies and Procedures Manual that details the standard operating procedures in processing eligibility determinations as well as identify controls relating to the review and oversight of eligibility determinations.

### **RESPONSE:**

To the extent the overall recommendations are that MHBE develop policies and procedures manuals for all areas, MHBE agrees the SOPs for eligibility determinations should be well-documented. MHBE notes that currently these processes are documented in other Tools and Guides, and that actual case and scenario based testing of the HBX, including eligibility determinations, is continuous and ongoing. Management review and oversight of aggregate, rather than specific, eligibility determination and enrollment data will continue.

### **CORRECTIVE ACTION:**

MHBE will develop a comprehensive Policies and Procedures Manual that details the standard operating procedures in processing eligibility determinations as well as identify controls relating to the review and oversight of eligibility determinations.

**POINT OF CONTACT:** Jonathan Kromm, Deputy Executive Director and Subramanian Muniasamy, CIO

**IMPLEMENTATION DATE:** 3/31/16

## **Identification of Errors that Resulted in Incorrect Eligibility Determinations**

### **FINDING:**

MHBE did not have a predesigned system of internal controls or documented policies that allowed for the proper review of eligibility determinations. The HIX /Curam system was relied upon to make the determinations. A documented review process was not in place to ensure accuracy and validity. A workflow was present to manually determine eligibility when necessary; however there was no internal control mechanism in place to identify errors that may have resulted in incorrect eligibility determination.

### **RESPONSE:**

MHBE partially agrees with finding as indicated above.

### **RECOMMENDATION 2:**

MHBE should develop a comprehensive Policies and Procedures Manual that details the standard operating procedures in processing eligibility determinations as well as identify controls relating to the review and oversight of eligibility determinations.

### **CORRECTIVE ACTION:**

MHBE will develop a comprehensive Policies and Procedures Manual that details the standard operating procedures in processing eligibility determinations as well as identify controls relating to the review and oversight of eligibility determinations.

**POINT OF CONTACT:** Jonathan Kromm, Deputy Executive Director and Subramanian Muniasamy, CIO

**IMPLEMENTATION DATE:** 3/31/2016

## OVERALL RECOMMENDATIONS

### RECOMMENDATION 1:

Develop policies and procedure manuals for all areas of MHBE.

### RESPONSE:

MHBE concurs with overall recommendation to develop comprehensive operating policies and procedures for its functional departments.

### CORRECTIVE ACTION:

MHBE will develop an action plan which prioritizes policy and procedures development across organizational departments. Policies and procedures will be formalized and reviewed in accordance with MHBE Policy and Procedure Policy and provide direction in how various processes are to be implemented, monitored, and/or controlled. Department Directors are responsible for the development, revision and training related to their departmental policies and procedures. MHBE's policies and procedures will be maintained in a shared drive, accessible to all employees, and catalogued for historical reference.

POINT OF CONTACT: Caterina Pangilinan, CCO  
IMPLEMENTATION DATE: 09/30/15 and ongoing

### RECOMMENDATION 2:

Develop an internal audit department

### RESPONSE:

MHBE concurs with recommendation.

### CORRECTIVE ACTION:

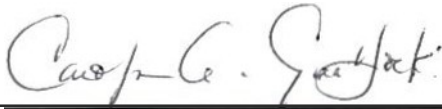
MHBE will hire an internal auditor to support the auditing functions of the Exchange. An overall audit plan will be developed which encompasses prioritized functions - initially, finance, privacy, and internal control mechanisms. Departmental supervisors will have primary responsibility to oversee their supervisees' ongoing compliance with policies and procedures.

POINT OF CONTACT: Caterina Pangilinan and Department Directors  
IMPLEMENTATION DATE: 09/30/15

### III. CONCLUSION

We confirm to the best of our knowledge that the information included in this Intended Corrective Action Plan is accurate and based on a thorough review of the Key Findings and Recommendations stated in the Audit Findings Report, which is in compliance with the Marketplace's procedures.

**SIGNATURE OF SBM EXECUTIVE DIRECTOR/CEO:**



**Carolyn Quattrocki**

**COMPLETION DATE**

**OF CORRECTIVE ACTION PLAN:** 08/05/2015 \_\_\_\_\_