

Independent External Audit Report:  
Programmatic Audit Findings Report  
Plan Year Ended December 31, 2016

State of Maryland

Maryland Health Benefit Exchange



## Table of Contents

BACKGROUND.....	3
PURPOSE AND AUTHORITY .....	4
OBJECTIVES AND SCOPE.....	4
GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS STATEMENT .....	4
METHODOLOGY .....	4
AUDIT FINDINGS .....	5
STATUS OF PRIOR AUDIT FINDINGS .....	7
CONCLUSION.....	9

Independent External Audit Report:  
Plan Year Ended December 31, 2016 Audit Findings Report

## BACKGROUND

On April 12, 2011, Governor Martin O'Malley signed into law, the Maryland Health Benefit Exchange Act of 2011, formally establishing the Maryland Health Benefit Exchange (MBHE). The Maryland Health Benefit Exchange (MHBE) is a public corporation and independent unit of the Maryland state government. The MHBE is responsible for the administration of Maryland Health Connection, the state's health insurance marketplace under the Patient Protection and Affordable Care Act of 2010 (ACA).

The goal of the MHBE is to make health coverage affordable and more accessible for Marylanders. The MHBE works with the Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Human Resources and stakeholders statewide.

The State of Maryland elected to establish a single IT system to evaluate eligibility for Exchange plans, Small Business Health Options Program (SHOP), Medicaid, Maryland Children's Health Program (MCHP), 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 which presented challenges as identified in previous audits.

To address these challenges, in plan year 2015 MHBE implemented a new IT system, "HBX". This system has allowed MHBE to rely on system controls and focus on implementing the proper policies and procedures for program compliance and performance. This has also allowed them to resolve many of the findings and issues that were identified in previous audits.

## PURPOSE AND AUTHORITY

The purpose of this programmatic audit is to ensure that MHBE meets the compliance requirements as required by 45 CFR 155.1200-1210, Subpart M – Oversight and Program Integrity Standards for State Exchanges. Compliance is the responsibility of MHBE’s management. It is our responsibility to express an opinion on the entity’s compliance with the requirements based on our audit. Our audit does not provide a legal determination of MHBE’s compliance.

## OBJECTIVES AND SCOPE

We audited the MHBE plan year 2016, which ran from January 1, 2016 to December 31, 2016. The objectives for the audit are as follows:

1. Compliance with requirements under 45 CFR Part 155, Subparts C, D, E, K, and M;
2. Processes and procedures designed to prevent improper eligibility determinations and enrollment transactions; and
3. Identification of errors that resulted in incorrect eligibility determinations.

A separate report was issued for the financial audit dated March 31, 2017.

## GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS STATEMENT

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

## METHODOLOGY

Hamilton Enterprises, LLC (Hamilton) conducted interviews with key personnel and walkthroughs of the major program areas within MHBE. Hamilton performed walkthroughs of the following areas:

- Eligibility
- Enrollment
- Plan Services
- System Security and HBX controls
- Navigator Entities
- Call Center Operations
- Compliance/Security

Hamilton selected a random sample of enrollees and ineligible applicants from the HBX system for the period beginning January 1, 2016 and ending December 31, 2016. Hamilton randomly selected sixty (60) individuals who are currently enrolled in the exchange. These individuals were evaluated for proper enrollment and eligibility determinations. In addition to the selections above, Hamilton also selected thirty (30) applicants who were deemed ineligible. Hamilton tested these selections to ensure that the rejection of eligibility was valid.

## AUDIT FINDINGS

### 1. Incarceration Response – Subpart E

---

<b>Condition and Cause:</b>	Hamilton identified one instance in our testing where an applicant did not answer the question as to whether the individual had been incarcerated. This is indicated by the field having a “NULL” value. This individual was able to obtain coverage without answering this question.
<b>Criteria:</b>	45 CFR 155.305(a)(2) states: “(a) The Exchange must determine an applicant eligible for enrollment in a QHP through the Exchange if he or she meets the following requirements:” “(2) <i>Incarceration</i> . Is not incarcerated, other than incarceration pending the disposition of charges.”
<b>Effect:</b>	A risk exists that an individual would not need to attest that they have not been incarcerated prior to obtaining coverage.
<b>Recommendation:</b>	MHBE should ensure that all required questions be answered prior to allowing an individual applicant to submit an application or obtain coverage.
<b>MHBE’s Response:</b>	Concur. MHBE deployed a process which fully incorporates 45 CFR 155.305(a)(2) into the HBX and prevents submission of an application for insurance when the incarceration question is unanswered on February 17, 2017. Completed.
<b>Hamilton’s Reply:</b>	Hamilton agrees that MHBE’s corrective action should address the finding and recommendation.

## 2. No Coverage Requested/Covered

---

<b>Condition and Cause:</b>	<p>Hamilton identified two instances in our testing where the system indicated that an applicant did not request coverage, but is shown to have a Qualified Health Plan in the HBX system data.</p> <p>An individual must request coverage within the system in order to have the option of purchasing a Qualified Health Plan. This is evident in the business rules and system processes. However, HBX appears to be incorrectly associating QHP plan data with individuals who are not actually covered.</p> <p>MHBE has their own internal audit process to identify errors in the HBX system. However, this process did not identify the discrepancy.</p>
<b>Criteria:</b>	<p>MHBE’s Policy 04.02.01 Periodic Audit of HBX – Eligibility and Enrollment, <i>Policy Statement (III)(B)(II)</i> states:</p> <p>“The MHBE systems ability to successfully enroll Maryland citizens and its ability to transfer the enrolled information to health insurance carriers, Medicaid Management Information Systems (MMIS) or any third party agency it interacts to exchange the information for successfully processing the eligibility and enrollment.”</p>
<b>Effect:</b>	<p>A risk exists that data from the HBX system is not linking properly between tables/reports or is inconsistent. This could affect reporting requirements, internal information usage, and customer service. If there is a deficiency in the internal audit process it could lead to unreliable reporting.</p>
<b>Recommendation:</b>	<p>MHBE should review the manner in which data is retrieved or structured within the system to ensure that the data is accurate and consistently reported as it relates to these findings, and evaluate why the discrepancy was not identified through the internal audit process so that appropriate corrective action can be taken to strengthen this control.</p>
<b>MHBE’s Response:</b>	<p>Concur. MHBE will perform a root cause analysis to determine the cause and/or contributory factor(s) which resulted in inaccurate processing of these enrollments. Any identified improperly processed cases will result in consumer outreach to expedite corrective action. MHBE will incorporate information garnered from the case analysis into the RCA. Corrective actions based on findings will be prioritized, designed, tested and implemented. The internal audit</p>

program will be an integral part of the risk analysis and corrective action plan to ensure internal controls promote accurate and appropriate determinations and reports. Projected completion: February 2018.

**Hamilton's Reply:** Hamilton agrees with MHBE's response and planned corrective actions to address the finding and recommendation proposed in this report.

## STATUS OF PRIOR AUDIT FINDINGS

### 3. Plan Decertification

---

**Condition and Cause:** The policies and procedures for Plan Decertification do not provide detail of the segregation of duties and roles and responsibilities of those involved and the processes currently in place. Also, the policy does not identify the documented authority that is required when instructing Plan Management to decertify a QHP.

A carrier plan has yet to be involuntarily decertified.

**Criteria:** 45 CFR 155.1080(d) states:  
“(b) *Decertification process.* Except with respect to multi-State plans and CO-OP QHPs, the Exchange must establish a process for the decertification of QHPs, which, at a minimum, meets the requirements in this section.”

**Effect:** MHBE could have a gap in the internal control system with respect to the documented authority of QHP de-certifications.

**Recommendation:** MHBE should update their decertification policies and procedures to comply with 45 CFR 155.1080 (d) and ensure that the policies properly address segregation of duties, roles and responsibilities, and document the processes/controls currently in place.

**MHBE's Response:** Concur. MHBE will further refine internal control processes in its decertification procedures to comply with 45 CFR 155.1080 (b) and address segregation of duties, roles, and responsibilities. Procedures will align with the currently promulgated regulations regarding decertification of QHPs. MHBE is in the process of developing new regulations to address plan decertification and a draft of these regulations will be considered by the Board of Trustees for promulgation at the July 2016 meeting.

Responsible Manager: Chief of Operations  
Projected Completion date: October 1, 2016

**Hamilton's Reply:** Hamilton agrees with MHBE's response.

**Status of PY Finding:** Hamilton has reviewed the updated policies provided by MHBE and found the decertification procedures to comply with 45 CFR 155.1080(d). The finding has been resolved.

#### 4. Eligibility Verification

---

**Condition and Cause:** Upon review of our eligibility and enrollment selections, Hamilton noted one (1) instance in which an individual had not provided additional verification documentation. MHBE is required to provide 90 or 95 days, based on the type of verification due, for these individuals to submit the additional documentation. If the individual does not provide the additional documentation, MHBE is required to re-evaluate the applicant's eligibility based on information from the Federal Data Services Hub (FDSH) and other electronic resources. At the time of testing, this individual's eligibility was not re-evaluated based on the FDSH data.

In August 2015, MHBE put a manual disenrollment process into place as it was not yet automated within the system.

**Criteria:** 45 CFR 155.315(f)(5) addresses inconsistencies and states:  
If, after the period described in paragraph (f)(2)(ii) of this section, the Exchange remains unable to verify the attestation, the Exchange must determine the applicant's eligibility based on the information available from the data sources specified in this subpart, unless such applicant qualifies for the exception provided under paragraph (g) of this section, and notify the applicant of such determination in accordance with the notice requirements specified in §155.310(g), including notice that the Exchange is unable to verify the attestation.

**Effect:** MHBE could be in violation of 45 CFR 155.315(f)(5) if actions are not taken to remove those individuals that would otherwise be ineligible after the 90 days have passed.

**Recommendation:** MHBE should take corrective action to remove any individuals, who have not already been determined to be eligible; after the 90-day period has expired.

**MHBE's Response:** Concur. As stated, MHBE implemented manual redetermination processes for Plan Year 2015. In March 2016, MHBE's HBX software release 10.0 included logic to automate the redetermination requirements under 45 CFR 155.315(f)(5). In this instance, an individual had provided documentation that indicated that he may be lawfully present but the documentation did not include sufficient detail



to confirm this status and additional manual steps were not taken to complete the verification process.

MHBE recognizes the need to balance reduction of the potential for fraud, waste and abuse with the negative impact consumers may experience from inappropriate disenrollment from a qualified health plan. 45 CFR 155.315 requires that, if the FDSH does not initially verify the applicant's attested information, the Exchange also attempt to verify the information through phone outreach to the consumer and review of other electronic data sources. Therefore, MHBE must undertake certain steps manually that cannot be completed within the automated system process. Additionally, MHBE has designed and implemented steps in the redetermination process to manually review each case to ensure a redetermination is appropriate. MHBE plans to automate these additional processes in advance of the fourth open enrollment period.

Responsible Managers: Information Technology Director

Projected Completion Date: September 30, 2016

**Team Hamilton's  
Reply:**

Hamilton agrees with MHBE's response.

**Status of PY  
Finding:**

Through discussions with management and testing performed for plan year 2016, we conclude that MHBE's response addressed the non-compliance with 45 CFR 155.315(f)(5). The finding has been resolved.

## CONCLUSION

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

Except for the non-compliant issues (Subpart E) noted in the finding section, we were provided with sufficient evidential matter to determine that MHBE was compliant with, 45 CFR Part 155, Subparts C, D, E, K, and M. MHBE has designed processes and procedures to prevent improper eligibility determinations and enrollment transactions and identify errors resulting in incorrect eligibility determinations.

*Hamilton Enterprises LLC*

Greenbelt, Maryland  
May 25, 2017