

Summary of Independent External Audit Maryland Health Benefit Exchange Plan Year 2017

The Affordable Care Act requires state-based exchanges to have an annual external independent audit of financial and program activities in accordance with 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 plan year 2017, which ran from January 1, 2017 to December 31, 2017.

The audit included a review of MHBE’s accounting of expenditures¹ 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, Medicaid, data reporting, information disclosures, and quality improvement strategies.

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. In our opinion, except for the non-compliant issues noted below, MHBE was compliant with 45 CFR Part 155, Subparts C, D, E, K, and M.

Unrecorded Accruals – Subpart M Non-compliance:

MHBE had unrecorded accruals relating to the Supplemental Maryland Reinsurance Program (SMRP) for previous fiscal years that were expended in fiscal year 2017 and are expected to be expended in fiscal year 2018. Due to these unrecorded accruals, MHBE’s expenditures for FY 2017 are overstated by approximately \$18.2 million dollars, which is a material non-compliance with 45 CFR 155.1200 a (1).

MHBE agrees with the finding and recommendations and implemented a corrective action plan to address the finding noted above.

Medicaid MAGI Based Income Standard - Subpart D Non-compliance:

Hamilton identified one (1) instance in eligibility testing where an individual earned less income than the MAGI-based income standard but was rejected due to “does not meet Medicaid financial criteria,” which is non-compliant with 45 CFR 155.305(c).

MHBE agrees with the finding and recommendations and has developed a corrective action plan to address the finding.

¹ Financial statements are not prepared at the agency level as MHBE is included in the Maryland State Comprehensive Annual Financial Report. As such the Comprehensive Annual Financial Report for the State of Maryland is separately submitted to serve as confirmation that receipts are recorded in accordance with Generally Accepted Accounting Principles.

Status of Prior Audit Findings – Incarceration Response - Subpart D Non-compliance:

In plan year 2016, MHBE did not have access to a reliable and timely data source to validate incarceration status nor require self-attestations, as required by 45 CFR 155.305(a)(2). MHBE implemented a mandatory self-attestation about incarceration for all new applicants and for anyone who made a change to their application from PY2017 forward. MHBE is working with CCIIO to determine how best to address the requirement to passively renew applicants while addressing the need, and associated risk, to require all applicants to answer the incarceration question.

Status of Prior Audit Findings – No Coverage Requested/Covered - Subpart D Non-compliance:

MHBE implemented a manual process to address a system issue which made it appear as though applicants were enrolled in a Qualified Health Plan without requesting to be so. A team reached out to any applicant who met this criteria to ensure the applicant wanted to be enrolled, which was the case for all individuals contacted. A system fix to correct this reporting error is scheduled to be completed by September 2018.

