

**INDEPENDENT EXTERNAL AUDIT:
2022 AUDIT FINDINGS REPORT**

**PENNSYLVANIA
PENNSYLVANIA HEALTH INSURANCE EXCHANGE AUTHORITY (PHIEA)**



INDEPENDENT EXTERNAL AUDIT: 2022 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

FROM: BERRY DUNN MCNEIL & PARKER, LLC (BERRYDUNN)

DATE: MAY 26, 2023

SUBJECT: AUDIT FINDINGS REPORT FOR PENNSYLVANIA

AUDIT PERIOD: JULY 1, 2021 – JUNE 30, 2022

I. EXECUTIVE SUMMARY

PURPOSE

The purpose of this independent external audit is to assist the Commonwealth of Pennsylvania in determining whether the Pennsylvania Health Insurance Exchange Authority (PHIEA), a state-based exchange (SBE), was in compliance with the programmatic requirements set forth by the Centers for Medicare & Medicaid Services (CMS) during the audit period.

Name of SBE: Pennsylvania Health Insurance Exchange Authority (PHIEA)

State of SBE: Pennsylvania

Name of Auditing Firm: BerryDunn

Our responsibility was to perform a programmatic audit to report on the Exchange's assertion that it operated compliance with Title 45, Code of Federal Regulations, Part 155 (45 CFR 155) as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of SBMs. The Program Integrity Rule Part II ("PI, Reg."), 45 CFR 155.1200 (c), states, "The State Exchange must engage an independent qualified auditing entity which follows U.S. generally accepted governmental auditing standards (GAGAS) to perform an annual independent external programmatic audit and must make such information available to the United States (U.S.) Department of Health and Human Services for review."

SCOPE

The scope of this engagement included an examination of the Exchange's assertion that it operated in compliance with the programmatic requirements under 45 CFR 155, Subparts C, D, E, K, and M for the 12-month period July 1, 2021 through June 30, 2022. The scope of this engagement did not include an audit of the Financial Statements of the Exchange, nor did it include an examination of the Exchange's financial controls and compliance with the financial accounting and reporting requirements of 45 CFR 155. We completed an examination of the

Exchange's compliance with the applicable programmatic requirements under 45 CFR 155 and issued our reports dated May 26, 2023.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, and staff interviews to obtain reasonable assurance regarding whether the Exchange's assertion that it operated in compliance with 45 CFR 155 is fairly stated, in all material respects. We also selected a sample of customers and tested for compliance with requirements under 45 CFR 155 for eligibility determination, verification of data, and enrollment with a Qualified Health Plan (QHP).

METHODOLOGY

Audit Firm Background:

BerryDunn is a national consulting and certified public accounting firm with a Government Consulting Group dedicated to serving state and local government agencies. BerryDunn was formed in 1974 and has experienced sustained growth throughout its 49-year history. Today, BerryDunn employs 850+ personnel with headquarters in Portland, Maine—and office locations in Arizona, Connecticut, Massachusetts, New Hampshire, Puerto Rico and West Virginia. The firm has experienced professionals who provide a full range of services, including information technology (IT) consulting; management consulting; and audit, accounting, and tax services.

Those services include conducting Financial and/or Programmatic audits of multiple State Based Exchanges. We also have completed audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, previously referred to as OMB Circular A-133) for several sizable healthcare organizations, many of which receive U.S. Department of Health and Human Services federal grants or funding. In addition, we provide audit services for higher education, social service, and economic development organizations, as well as other entities that receive federal grants and are subject to the Uniform Guidance.

Summary of Programmatic Audit Procedures:

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and weakness, and to perform procedures to test PHIEA's compliance with and program effectiveness of certain requirements in 45 CFR 155, Subparts C, D, E, K, and M.

We reviewed the open issues from the previous year's audit to identify whether any of those issues remained open during the current year audit.

- General Functions (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Certification of Qualified Health Plans (Subpart K)
- Oversight and Program Integrity Standards (Subpart M)

We reviewed the following documentation, which was obtained directly from PHIEA, or located on either the PHIEA website or the CMS website:

- 42 CFR Parts 431, 435, and 457, Medicaid Program Eligibility Changes Under the Affordable Care Act of 2010
- 2022 Contracts, including Amendments and updates to ongoing contracts.
- Application for Health Care Coverage
- Board Meeting Minutes
 - Meeting Minutes July 1, 2021 – June 30, 2022
 - Meeting Minutes July 1, 2022 – Report Issuance
- Consumer Assistance Policies and Procedures:
 - Assister Application Requirements
 - Assister/Navigator Contract
 - Assister Requirements
 - Assister Training Materials
 - Marketing and Outreach Materials
- Exchange Operations Guidelines, Policies, and Procedures:
 - Authorized Representative Form
 - Conflict of Interest Standards
 - Contact Center SOP Manual
 - Contract Face Sheet
 - CWOPA Security and Acceptable Use
 - Eligibility and Enrollment Policy Manual
 - Exhibit C Clarification Questions and Responses
 - GetInsured Training SOP
 - Navigator Code of Ethics
 - Pennie Policy Manual
 - SEP Quick Reference Guide
- Notices:
 - Additional Notices
 - ARPA Redetermination Notice
 - Broker and Assister Notices
 - Contact Center Ticket Notice
 - Disenrollment Notices
 - Eligibility Decision Notices
 - Referral from Medicaid Agency Notice
 - Renewal sent to the Consumer
 - Special Enrollment Period Notices
 - Verification Notices
- Privacy and Security:
 - Acceptable Use Agreements
 - Access Control Policy

- Administering Entity Security and Privacy Assessment Report
- Computer Matching Agreement
- Data Sharing Agreement between PHIEA and PA Department of Revenue
- Data Sharing/Data Matching Agreements
- Employee Handbook – PHIEA
- Incident Reports sent to CMS
- Insurer Agreement
- IRS Safeguard Security Report
- IT Policy – PHIEA
- Multi-Factor Authentication Standards
- Plan of Action and Milestones
- Privacy Impact Assessment
- Privacy Policy
- Security Monitoring Report – GetInsured
- System Health Dashboard – GetInsured
- Third-Party Independent Security Risk Assessment
- QHP:
 - Companion Guide and Supplemental Information – GetInsured
 - Insurer Agreement Form
 - PY 22 Producer Commissions Reporting Process
 - QHP and Dental Plans Attestation of Compliance
 - QHP Certification Requirements
 - QHP Participation Manual

In order to understand management and staff responsibilities and processes as they relate to compliance with 45 CFR 155 Subparts C, D, E, K, and M we performed walkthroughs of data systems and operations and interviewed the following PHIEA staff:

- Assistant Counsel — Daniel Potter
- Assistant Counsel — Mark Kovalcin
- Chief Counsel — Jonathan Koltash (Governor's Office of General Counsel)
- Chief Operating Officer — Duane McKee
- Contact Center Business Analyst — Marie Ortiz
- Contact Center Lead — Ken Hetzel
- Director of External Affairs — Charles 'Chachi' Angelo
- Director of Information Technology — Ben Schrass
- Director of Policy — David Thomsen
- Information Security Officer — Walt Petrosky
- Insurer Specialist — Julian Seltzer
- Junior Production Support Analyst — Noah Stover
- Life/Health Insurance Policy Examiner — Lars Thorne
- Outreach Manager — Scott Yeager
- Special Advisor to the Executive Director/Compliance Officer — Jennifer Lloyd
- Special Assistant to the COO — Hannah Turner

We analyzed the following information to assess PHIEA's compliance with the requirements of 45 CFR 155:

- A listing of 753,588 eligibility determination transactions completed between July 1, 2021 and June 30, 2022. This population excluded Medicaid determinations. We selected 125 cases to test for compliance with eligibility and enrollment rules. We selected 125 cases to test for compliance with verification rules.

CONFIDENTIAL INFORMATION OMITTED

N/A

II. AUDIT FINDINGS

Finding #2022-001

Criteria:

Subpart D – Eligibility, 45 C.F.R. § 155.310 (d) (3) stipulates:

Special rule relating to Medicaid and Children's Health Insurance Program (CHIP). To the extent that the Exchange determines an applicant eligible for Medicaid or CHIP, the Exchange must notify the State Medicaid or CHIP agency and transmit all information from the records of the Exchange to the State Medicaid or CHIP agency, promptly and without undue delay, that is necessary for such agency to provide the applicant with coverage.

According to 2023 Pennie Policy Manual, 4.3.3 Medical Assistance, CHIP, and Pennie:

In some cases, Pennie will review a person's application and, based upon the information provided, assess the individual as potentially eligible for Medical Assistance (MA or Medicaid) or (CHIP). When that happens, Pennie will electronically transfer that individual's application to the Department of Human Services (DHS) for a final MA or CHIP eligibility determination. Pennie will also send a notice to the applicant informing them that their application has been transferred to DHS for a final eligibility determination.

Condition and Context:

To assess applicants' eligibility for Medicaid and/or CHIP, PHIEA relies on self-attestation by the applicants whether their Medicaid/CHIP eligibility was denied within the past 90 days of the application. The applicants are asked to answer whether they were denied Medicaid and/or CHIP eligibility, and if they answer "Yes," they are asked to enter the date of denial. The date of denial must be within 90 days from the application submission date in order to be valid.

BerryDunn sampled and tested 125 eligibility determinations that were made during the fiscal year 2022. We identified two cases out of the 125 where the children under 19 years old were not assessed for their potential eligibility for Medicaid and/or CHIP even though the date of the denial

was more than 90 days before the application date and the household's income was under 314% of the Federal Poverty Level (FPL).

Cause:

PHIEA reported that for both cases, the applicants attested that the children were denied Medicaid and CHIP and provided a valid date of the denial in a previously submitted applications. When the same applicants submitted updated applications later, they provided the same dates of the denial which were over 90 days from the newly submitted application date. The system was supposed to reject the answer and transfer these cases to DHS for Medicaid or CHIP eligibility determinations; however, the system incorrectly accepted the self-attestation and made the children eligible for a Qualified Health Plan (QHP) with Advanced Premium Tax Credit (APTC).

Effect:

This error resulted in awarding APTC to the customers who might have been eligible for Medicaid or CHIP. If they were eligible for Medicaid or CHIP, these households would have saved the premium cost. If they were eligible for Medicaid or CHIP but chose to enroll in a QHP, they should not have been eligible to receive APTC.

PHIEA estimated the number of individuals who might have been affected by this error were 6,341 individuals with the plan year 2023 coverage and 5,591 individuals with the plan year 2022 coverage.

Finding #2022-002**Criteria:**

Subpart D – Eligibility, 45 C.F.R. § 155.310 (d) (3) stipulates:

Special rule relating to Medicaid and Children's Health Insurance Program (CHIP). To the extent that the Exchange determines an applicant eligible for Medicaid or CHIP, the Exchange must notify the State Medicaid or CHIP agency and transmit all information from the records of the Exchange to the State Medicaid or CHIP agency, promptly and without undue delay, that is necessary for such agency to provide the applicant with coverage.

Condition and Context:

Out of the 125 eligibility determinations we sampled and tested, we identified one case where the children under 19 years old were not assessed for their potential eligibility for Medicaid and/or CHIP even though the household's income was under 314% of the FPL.

Cause:

PHIEA reported that the system failed to reassess Medicaid and/or CHIP eligibility of the applications that were migrated from the Federally Facilitated Marketplace and have not been edited since they were cloned.

Effect:

This error resulted in awarding APTC to the customers who might have been eligible for Medicaid or CHIP. If they were eligible for Medicaid or CHIP, these households would have saved the premium cost. If they were eligible for Medicaid or CHIP but chose to enroll in a QHP, they should not have been eligible to receive APTC.

PHIEA estimated the number of households that might have been affected by this error were 4,929.

Finding #2022-003**Criteria:**

In accordance with 45 C.F.R. § 155.305(a)(1), the exchange must check the federal data services hub (FDSH) to verify the citizenship status of its applicants. When there is a discrepancy between an applicant's attestation of citizenship and the response provided from FDSH, a data matching issue (DMI) must be created for the applicant. The applicant must then be provided 90 days to resolve the inconsistency. PHIEA provides the applicant a conditional eligibility status for 105 days (90-day reasonable opportunity period + 15 days administrative processing time) in which they must submit documentation verifying their citizenship status. Failure to submit documentation to verify this DMI results in loss of eligibility for coverage.

Condition and Context:

During the audit period, some customers with both income and non-income DMIs, including citizenship, death, incarceration, and SSN, were only informed about the income DMI on their eligibility determination notice. Four out of 125 sample cases did not have non-income DMIs included in the initial 90-day notice. Three of the four sample cases did not have citizenship included in the notice. One of the four sample cases did not have citizenship, death, incarceration, or SSN included in the notice. The applicants were notified of the non-income DMIs in the 30-day, 60-day, and 75-day reminder notices. The four applicants provided acceptable support for the non-income DMIs before the 90-day notice expiration date; therefore, no coverage was removed by PHIEA.

Cause:

A system defect caused customers with both an income and non-income DMI to only be informed about the income DMI on their eligibility determination notice.

Effect:

All applicants with non-income data inconsistencies were not provided with the full 90-day response time. 4,725 applicants with expired notices had coverage removed without any notification of documents being required.

AUDITOR'S OPINION

We have issued an Independent Auditor's Report on the financial statements for the year ended June 30, 2022, reflecting the following type of opinion: **N/A**

☐

QUALIFIED

☐

UNQUALIFIED

☐

ADVERSE

☐

DISCLAIMER

ADDITIONAL COMMENTS

N/A

I. RECOMMENDATIONS**FINDING #2022-001*****Recommendation***

BerryDunn recommends that PHIEA work with the system integrator to identify the root cause of this error and develop a corrective action plan.

FINDING #2022-002***Recommendation***

BerryDunn recommends that PHIEA assess Medicaid and/or CHIP eligibility of the impacted households and transfer the applications that may be eligible for Medicaid or CHIP to DHS for final eligibility determinations.

FINDING #2022-003***Recommendation***

BerryDunn recommends that PHIEA work with the systems integrator to include all open DMIs in the eligibility determination notice.

II. CONCLUSION

We confirm to the best of our knowledge that the information included in this Audit Findings Report is accurate and based on a thorough review of the documentation required for this report.

SIGNATURE OF AUDIT FIRM:*Berry Dunn McNeil & Parker, LLC*
_____**COMPLETION DATE OF AUDIT FINDINGS
REPORT:**May 26, 2023
