

Independent External Audit:
2024 Audit Findings Report
Pennsylvania Health Insurance Exchange Authority
(PHIEA)
July 1, 2023 – June 30, 2024

Pennsylvania Audit Findings Report

Independent External Audit: 2024 Findings Report

TO: CCIIO STATE EXCHANGE GROUP

FROM: BERRY, DUNN, MCNEIL & PARKER, LLC

DATE: MAY 28, 2025

SUBJECT: AUDIT FINDINGS REPORT FOR PENNSYLVANIA

AUDIT PERIOD: JULY 1, 2023 – JUNE 30, 2024

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), the Pennsylvania 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 SBM: Pennsylvania Health Insurance Exchange Authority (PHIEA)

State of SBM: Pennsylvania

Name of Auditing Firm: BerryDunn

Our responsibility was to perform a programmatic audit to report on PHIEA's 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 PHIEA's compliance with the programmatic requirements under 45 CFR 155, Subparts C, D, E, K, and M for the 12-month period July 1, 2023, through June 30, 2024. We conducted our examination in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We completed an examination of PHIEA's compliance with the applicable programmatic requirements under 45 CFR 155 and issued our reports dated May 28, 2025.

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We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, and staff interviews to obtain reasonable assurance regarding whether PHIEA is in compliance with 45 CFR 155 in all material respects. We also selected a sample of eligibility and enrollment transactions 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 multiple practice groups dedicated to serving state and local government agencies. BerryDunn was formed in 1974 and has experienced sustained growth throughout its 50-year history. Today, BerryDunn employs 900+ personnel with headquarters in Portland, Maine—and office locations in Arizona, Connecticut, Hawaii, Massachusetts, New Hampshire, West Virginia, and Puerto Rico. 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.

Programmatic Audit:

We have examined PHIEA's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2024, and have issued a report thereon dated May 28, 2025.

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Summary of Programmatic Audit Procedures:

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to test PHIEA's compliance with certain subparts of 45 CFR 155. BerryDunn examined compliance with the requirements under 45 CFR 155, in the following programmatic areas:

- 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 processes and procedures under 45 CFR 155, in the following programmatic areas in order to determine whether they were in compliance with the requirements of the 45 CFR 155:

- Assistors, Navigators, Certified Application Counselors, and Brokers
- Compliance and Program Integrity
- Contact Center
- Eligibility and Enrollment Processes and Procedures
- Privacy and Security
- Qualified Health Plan (QHP) Certification

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
- Application for Health Care Coverage
- Board Meeting Minutes
 - Consumer Assistance Policies and Procedures
 - Assister Application Requirements
 - Assister/Navigator Contract
 - Assister Requirements
 - Assister Training Materials
 - Marketing and Outreach Materials
- Contracts and Amendments:
 - Fully Executed Contract for Navigator Services
 - Non-Exchange Entity Agreement
 - PHIEA Producer General Agreement
- Exchange Operations Guidelines, Policies and Procedures
 - Authorized Representative Form
 - Conflict of Interest Standards
 - Contact Center SOP Manual
 - Eligibility and Enrollment Policy Manual

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- GetInsured Training SOP
- Navigator Code of Ethics
- PHIEA Policy Manual
- SEP Quick Reference Guide
- Notices:
 - Disenrollment Notice
 - Eligibility Determination Notice
 - Verification Notices
 - Renewal Notice
 - Special Enrollment Period Notice
- Organization Chart
- Privacy and Security:
 - Computer Matching Agreement
 - Privacy Impact Assessment (PIA)
 - Privacy Policy
 - Pennsylvania Health Insurance Exchange Security Plan (PA HIX Security Plan)
- QHP
 - Insurer Agreement (QHP)
 - QHP/QDP Certification Requirements

To understand management and staff responsibilities and processes as they relate to compliance with 45 CFR 155, we interviewed the following PHIEA staff:

- Assistant Counsel
- Chief Counsel
- Compliance Analyst
- Consumer Operations Manager
- Contact Center Operations Specialist
- Director of External Affairs
- Director of IT
- Director of Operations
- Director of Policy
- Insurer Operation Lead
- Insurer Specialist
- IT/Infosec
- Outreach Manager
- Special Advisor to the Chief Operating Officer

We interviewed the following staff from agencies other than PHIEA that are involved in functions related to the exchange:

- Life/Health Insurance Policy Examiner – Pennsylvania Department of Insurance

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

- A listing of 1,735,439 eligibility determination transactions completed between July 1, 2023 and June 30, 2024. This population included Medicaid determinations where the applicant was assessed as potentially eligible for Medicaid by PHIEA, and referred to the Medicaid agency for a determination. We selected 125 cases to test for compliance with eligibility and 60 cases for compliance with enrollment rules. We selected 95 cases to test for compliance with verification rules.

Confidential Information Omitted:

N/A

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II. PROGRAMMATIC AUDIT FINDINGS

MATERIAL NONCOMPLIANCE

Finding #2024-001

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.

Condition and Context:

To assess applicants' eligibility for Medicaid and/or CHIP, PHIEA relies on self-attestation by the applicants to assess whether their Medicaid/CHIP eligibility was denied within the previous 90 days prior to the application date. 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 tested a sample of 125 eligibility determinations that were made during fiscal year 2024. We identified one case out of the 125 selections where household members were not assessed for their potential eligibility for Medicaid and, even though the date of the denial was more than 90 days before the application date and the household's income was under 138% of the Federal Poverty Level (FPL). We also identified one case out of the 125 where 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 FPL.

Cause:

This is a repeat finding from the previous year (2023-001). PHIEA reported that they have implemented a corrective action to address the 2023-001 finding where the applications migrated from the Federally Facilitated Marketplace (FFM) had not been reassessed for their Medicaid and/or CHIP eligibility once applicants reported that they were denied Medicaid and CHIP in the past. PHIEA reported that the corrective action did not appear to have addressed the entire population of applications that were migrated from the FFM.

Effect:

This error resulted in awarding APTC to customers who may have been eligible for Medicaid or CHIP. If they were eligible for Medicaid or CHIP and received coverage under those programs, these households would have saved their share of the premium cost of the QHP. If they were eligible for Medicaid or CHIP but chose to enroll in a QHP, they should not have been eligible to receive APTC.

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PHIEA estimated the number of individuals who might have been affected by this error were 1,302 individuals with the plan year 2024 coverage.

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE

We identified certain deficiencies in internal control over compliance, described in Finding 2024-001, that we consider to be a material weakness.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

N/A

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PROGRAMMATIC AUDITOR'S OPINION:

☒ QUALIFIED

☐ UNQUALIFIED

☐ ADVERSE

☐ DISCLAIMER

ADDITIONAL COMMENTS:

N/A

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III. RECOMMENDATIONS

Finding #2024-001

Recommendation:

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

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IV. FINANCIAL STATEMENT AUDITOR'S OPINION

BerryDunn does not perform the financial audit for PHIEA.

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V. CONCLUSION

Based on a review of the documentation required for this report, in our opinion, except for the material noncompliance described in the Audit Findings section of this report, PHIEA complied with the requirements of 45 CFR § 155, Subparts C, D, E, K, and M during the year ended June 30, 2024, in all material respects.

SIGNATURE OF AUDIT FIRM:

Berry Dunn McNeil & Parker, LLC

COMPLETION DATE OF AUDIT:

FINDINGS REPORT: MAY 28, 2025