



## Washington Health Benefit Exchange

PROGRAMMATIC COMPLIANCE REPORT

For the Year Ended December 31, 2015

With Independent Accountant's Report



## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors and Management of  
Washington Health Benefit Exchange

We have examined Washington Health Benefit Exchange's (the Exchange), a component unit of the State of Washington, policies and procedures to test whether those policies and procedures are in compliance with the programmatic requirements under 45 CFR 155, Subparts B, C, D, E, F, H, K and M for the year ended December 31, 2015. Management is responsible for the Exchange's compliance with those requirements. Our responsibility is to express an opinion on the Exchange's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and, accordingly, included examining, on a test basis, evidence about the Exchange's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Exchange's compliance with specified requirements.

Our examination disclosed material noncompliance with those requirements applicable to the Exchange during the year ended December 31, 2015, which is described in the accompanying schedule of findings.

In our opinion, except for the material noncompliance described in the third paragraph, the Exchange complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2015.

This report is intended solely for the information and use of the Exchange Board and management and the Centers for Medicare and Medicaid and is not intended to be, and should not be, used by anyone other than these specified parties.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2016 on our consideration of WAHBE's internal control over compliance with certain provisions of federal regulations. The purpose of that report is to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on internal control over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WAHBE's internal control over compliance.

*BerryDunn McNeil & Parker, LLC*

Portland, Maine  
July 29, 2016

# WASHINGTON HEALTH BENEFIT EXCHANGE D/B/A WAHBE

## Schedule of Findings

Year Ended December 31, 2015

### FINDING #2015-001

**Criteria:**

Subpart D – Eligibility, 45 CFR §155.315 requires that a State Based Marketplace (SBM) make a determination based upon the data entered by an applicant in the application, and data received from automated data sources. Under 45 CFR §155.315 (f), the Exchange must make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and the information obtained from outside data sources by contacting the applicant and requesting them to provide additional information to resolve the inconsistency. Pursuant to 45 CFR §155.315 (f) (2) (ii), the Exchange must provide the applicant with a period of 90 days (beginning with the date when the applicant receives the notice requesting documentation) to resolve an inconsistency between the self-attested data and the data received from outside sources. We note that, due to the uncertainty of when an applicant actually receives a notice, WAHBE has changed its policy to set a time limit of 95 days after the notice was issued. Pursuant to 45 CFR §155.315 (f) (3), the Exchange can extend the period if an applicant demonstrates a good-faith effort to provide sufficient documentation to resolve the inconsistency. During this inconsistency period, an applicant (who is otherwise qualified) is eligible to enroll in a Qualified Health Plan and is eligible for insurance affordability programs (45 CFR § 155.315 (f) (4)). WAHBE refers to these case as “conditionally eligible.” If, after the 90-day period (or applicable extensions), the Exchange is unable to resolve the discrepancy between the self-attested information and the data sources with customer-provided information, then it must re-perform the eligibility calculations and notify the applicant of their new eligibility determination.

**Condition:**

There were a significant number of cases in which self-attested data could not be completely verified and cases were made conditionally eligible. Because Healthplanfinder (HPF) could not identify and manage the conditionally eligible cases, WAHBE had to manually manage these cases. The defined procedure requires WAHBE to initially determine eligibility based upon the applicant’s self-attested data in his or her application and subsequently verify that data through a match with the Federal Data Services Hub. Where there is no relevant data available within the Federal Data Services Hub, or the data is not reasonably compatible with the self-attested data (i.e., within defined parameters), then WAHBE is required to notify the consumer and ask for documentation to resolve the inconsistency.

**Cause:**

The HPF system could not automatically identify and track conditionally eligible cases. WAHBE manually tracked the conditionally eligible cases, but given the volume of such cases WAHBE staff were unable to resolve data inconsistencies for all conditionally eligible cases within the required 90-day period.

# WASHINGTON HEALTH BENEFIT EXCHANGE D/B/A WAHBE

## Schedule of Findings (Continued)

Year Ended December 31, 2015

### **Effect:**

The lack of an automated process to manage conditionally eligible cases and ensure that discrepancies between self-attested data and data provided by external data sources were resolved within the required 90-day period resulted in some cases retaining the eligibility status determined using the original self-attested data, without completing a verification process. Had the verification process been timely completed, some of those cases may have been assigned a different eligibility status. Applicants who were inappropriately provided Advanced Premium Tax Credit (APTC) eligibility beyond the 90-day period will, ultimately, reconcile their actual premium tax credit eligibility through the tax filing process. However, there is no recoupment of benefits for those individuals incorrectly provided Cost Sharing Reduction (CSR) eligibility. Therefore, it is possible that, if WAHBE had completed the verification process for all of the cases as required, some of the cases that received APTC or CSR would ultimately have been determined ineligible for such benefits.

### **Recommendation:**

We recommend that WAHBE work with the systems integrator to implement, as soon as practical, the code fixes needed to support automated monitoring of the cases for which the inconsistency between self-attested data and data from outside sources (such as the Federal Data Services Hub) has not been resolved within the required 90-day period. We further recommend that these cases be assigned for resolution by a Customer Service Representative before the 90-day period concludes. In the interim, WAHBE should continue to manage its manual review process to ensure that all cases with inconsistencies identified during the verification process are properly processed within the required 90-day period.

### **Management's Response and Corrective Action Plan:**

**WAHBE Response:** WAHBE concurs with this finding. WAHBE is in the midst of major system and process improvements to address the resolution of inconsistencies within the required period.

### **Corrective Action Plan:**

- Enhance the WAHBE workload management tool to automate tracking and reporting for applications with inconsistencies between the self-attested data and data from outside sources, (primarily the Federal Data Services Hub). Enhancements will include the ability to prioritize applications based on whether a document is submitted by a consumer and number of days remaining before expiration of the verification period. These enhancements will be implemented in September of 2016 and April of 2017.
- Add an additional five full time staff positions to conduct verification of conditionally eligible applications. This will provide the WAHBE with additional resources to improve our ability to quickly respond to any system and/or process gaps.
- Implement Healthplanfinder system fixes to address design gaps and defects currently impacting the WAHBE's ability to approve or fail conditional eligibility for applicants. These enhancements will be implemented in September of 2016 and April of 2017.
- Pursuant to July 2016 CMS guidance, increase the income reasonable compatibility threshold from 10% to 25%. This will significantly reduce the number of applicants found conditionally eligible for income, thus reducing overall conditional eligibility verification workload for the WAHBE.

**WASHINGTON HEALTH BENEFIT EXCHANGE D/B/A WAHBE**

**Schedule of Findings (Concluded)**

**Year Ended December 31, 2015**

**Responsible WAHBE Official:** Beth Walter, Director of Operations

**Scheduled Completion Date:** April 2017

**FINDING #2015-002**

**Criteria:**

Subpart M(b)(1) – Oversight and Program Integrity Standards for State Exchanges, 45 CFR §155.1200 requires the Exchange, at least annually, provide to HHS a financial statement presented in accordance with U.S. generally accepted accounting principles by April 1 of each year.

**Condition:**

WAHBE has not complied with this reporting deadline.

**Cause:**

The Exchange did not have procedures in place to ensure timely procurement of a qualified independent audit entity and, therefore, the audited financial statement was delayed.

**Effect:**

CMS is not appraised in a timely manner of any potential issues raised in the audit report.

**Recommendation:**

WAHBE has engaged BerryDunn to complete a financial audit and testing of eligibility and enrollment testing for the 18-month period ended June 30, 2016 and with the completion of those reports WAHBE will be on schedule for the audit reports. We recommend that WAHBE have a qualified audit entity available to perform the independent audit for the year ending June 30, 2017 in time to submit the required audited financial statements by April 1, 2018 and the programmatic audit report by June 1, 2018.

**Management's Response and Corrective Action Plan:**

**WAHBE Response:** WAHBE concurs with this finding. In moving from a calendar year to a state fiscal year, the Exchange informed CMS that it would be submitting a delayed financial report. WAHBE has engaged a qualified audit entity to perform the financial audit and plan to submit the financial audit reports in a timely manner in the future.

The Exchange recently changed its fiscal year end from December 31st to June 30th of each year, in order to align the WAHBE fiscal calendar with that of the State of Washington, given that WAHBE receives appropriated funding from the State Legislature. Beginning in December 2015, WAHBE told CMS that it would be changing its fiscal year and conducting an 18-month audit for the period January 1, 2015, through June 30, 2016. The Exchange has engaged a qualified audit firm to perform annual financial and programmatic audits and will comply with the reporting requirements in the future.

**Corrective Action Plan:** With the assistance of BerryDunn, WAHBE will submit the required audited financial statements by April 1 2018 and programmatic audit report by June 1, 2018.

**Responsible WAHBE Official:** Carole Holland, Chief Financial Officer

**Scheduled Completion Date:** April 1, 2018 and June 1, 2018