



Washington Health Benefit Exchange

PROGRAMMATIC COMPLIANCE REPORT

For the 18-Month Period Ended June 30, 2016

With Independent Accountant's Report



INDEPENDENT ACCOUNTANT'S REPORT

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, compliance with the programmatic requirements under 45 CFR 155, Subparts B, C, D, E, F, H, K and M for the 18-month period ended June 30, 2016. 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 18-month period ended June 30, 2016, 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 18-month period ended June 30, 2016.

WAHBE's response to the compliance findings identified in our examination is described in the schedule of findings. WAHBE's response was not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Exchange Board and management and the Centers for Medicare & Medicaid Services 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 April 26, 2017 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.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
April 26, 2017

WASHINGTON HEALTH BENEFIT EXCHANGE (WAHBE)

Schedule of Findings

18-Month Period Ended June 30, 2016

FINDING #2016-001

Criteria:

Subpart D – Eligibility, 45 CFR §155.315 requires that a State Based Marketplace 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 cases 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 many 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.

We were not able to quantify the number of cases within our test sample that were not verified within the required 90-day period, because of an issue with the dates in the data extract. However, management has indicated that there were a significant number of cases where verification could not be completed within the required 90-day period.

During the 18-month period ended June 30, 2016, as a result of certain technology-related problems, HPF did not issue notices to applicants asking them to reconcile discrepancies between their self-attested data and data found in outside data sources, such as the Federal Data Services Hub. For all of the applicants who were in the cohort that did not receive notices because of these problems with HPF, the 90-day period did not start until after the end of the audit period in August 2016 when notices were subsequently issued.

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 was unable to resolve data inconsistencies for all conditionally eligible cases within the required 90-day period.

WASHINGTON HEALTH BENEFIT EXCHANGE (WAHBE)

Schedule of Findings (Continued)

18-Month Period Ended June 30, 2016

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 timely 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 when required, some of the cases that received APTC or CSR would ultimately have been determined ineligible for such benefits.

The failure to issue notices of discrepancy for a number of the cases exacerbated this problem. That is because there was a prolonged period between when the consumer completed the application and he or she was notified that there was a discrepancy between data filed in the application and what was identified in matches with the Federal Data Services Hub or other outside data sources.

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.

We also recommend that WAHBE monitor HPF to assess whether the system is issuing all required notice. Then if there is a situation like when HPF failed to issue notices of discrepancy to consumers, the problem can be resolved in a timely manner.

Management's Response and Corrective Action Plan:

WAHBE Response: WAHBE concurs with this finding. WAHBE just completed major system and process improvements to address the resolution of inconsistencies within the required period.

Corrective Action Plan:

The WAHBE workload management tool has been enhanced 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 include the ability to prioritize applications based on whether a consumer has submitted a document, and number of days remaining before expiration of the verification period. The new workload management tool allows the manager to prioritize, focus on certain conditional categories, modify daily work, and monitor staff productivity. The new tool has greatly increased the manager's ability to train new employees and monitor the quality and accuracy of the team. These enhancements have been implemented through several system updates during the period of July 2016 through April 2017.

WASHINGTON HEALTH BENEFIT EXCHANGE (WAHBE)

Schedule of Findings (Continued)

18-Month Period Ended June 30, 2016

Beginning in July 2016, we added five full time staff positions to conduct verification of conditionally eligible applications. The new conditional eligibility specialists began active review of conditional applications, using new Healthplanfinder and workload management functions, in August 2016. Since November 1, 2016, the beginning of open enrollment, they have reviewed approximately 23,500 conditional applications, requiring the review of more than 40,000 documents.

In April 2017, we implemented Healthplanfinder system fixes to address several design gaps and system defects that impacted WAHBE's ability to approve or fail the eligibility of conditional applicants. These enhancements were implemented in September 2016 and April 2017. Those improvements included:

- Improvement to the verification web service. This web service now allows Account Workers to update verification statuses and verification details without need to access the customer's Healthplanfinder account.
- Improvements to how an individual uploads their documents, making Healthplanfinder more user-friendly.
- Healthplanfinder now allows users to manage their uploaded documents in more user-friendly manner.
- Healthplanfinder now allows individuals to sign and submit an electronic, standardized template for the various non-ESI MEC and incarceration values.
- Healthplanfinder now clearly informs the user immediately after logging into their account that they need to view their Document Center and load documents.

Pursuant to July 2016 CMS guidance, WAHBE increased the income reasonable compatibility threshold from 10 percent to 25 percent. That change significantly reduced the number of applicants found conditionally eligible for income, thus reducing overall conditional eligibility verification workload for the WAHBE. While income inconsistencies remain the largest workload, this threshold change reduced the number of households in conditional status by nearly 50 percent.

Responsible WAHBE Official: Beth Walter, Director of Operations

Scheduled Completion Date: April 2017

WASHINGTON HEALTH BENEFIT EXCHANGE (WAHBE)

Schedule of Findings (Concluded)

18-Month Period Ended June 30, 2016

FINDING #2016-002

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 the U.S. Department of Health and Human Services 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, but with the completion of this report WAHBE will have completed all audit reports required for the year ended June 30, 2016.

Cause:

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

Effect:

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

Recommendation:

WAHBE should engage 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 plans to submit the financial audit reports in a timely manner in the future.

The Exchange recently changed its fiscal year-end from December 31 to June 30 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