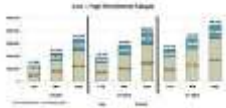




COVER OREGON ENROLLMENT ESTIMATES



Oregon Health Insurance Exchange Corporation, dba Cover Oregon Performance Audit

April 30, 2015



4800 Meadows Rd., Ste. 200
Lake Oswego, OR 97035

P 503.274.2849
F 503.274.2843

www.tkw.com

000124

April 30, 2015

Patrick Allen, Director DCBS
Oregon Health Insurance Exchange
16760 SW Upper Boones Ferry Rd, Suite 200
Durham, OR 97224

Dear Mr. Allen:

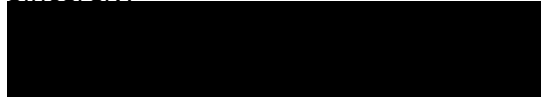
We have completed our performance audit of the Oregon Health Insurance Exchange, dba Cover Oregon (Cover Oregon). Cover Oregon was required by Oregon statute (SB99 Section 21(2) (3) ORS 741.220(3)) and in accordance with the requirements of CMS/CCIIO for a state-based exchange to have a performance audit considering the requirements of 45 CFR part 155, subsections B, C, D, and K. This performance audit was commissioned to meet those requirements.

In conducting this audit, we were impressed with the knowledge, expertise, and commitment of Cover Oregon's personnel. We wish to express our appreciation to those employees and managers we spoke with for their cooperation and assistance during this performance audit.

Based on our review, Cover Oregon complied with some requirements of 45 CFR part 155 as identified above and not with others. Specific details of compliance and noncompliance noted during the performance audit are provided in the balance of our report. This report also identifies deficiencies in performance and internal controls that surfaced during the course of the audit. None of the issues brought forward in this report are deemed indicators of fraud.

Cover Oregon and the Office of the Oregon Secretary of State reviewed drafts of this report and provided its responses which can be found in the results section.

Sincerely,

A black rectangular redaction box covering the signature of the sender.

Talbot, Korvola & Warwick, LLP



**Oregon Health Insurance Exchange,
dba Cover Oregon
Performance Audit**

Table of Contents

	Page
Executive Summary	i
Introduction and Background	1
Introduction	1
Audit Purpose and Objective	1
Project Approach and Methodology	1
Audit Team Perspective	2
Standards	2
Compliance	2
Fraud Risk	3
Cover Oregon	3
Establishment of Cover Oregon	3
General Operations	3
Eligibility and Enrollment	4
Certification of Qualified Health Plans	4
Discontinuance	4
Results	5
General Functions of the Exchange (Subpart C)	5
Privacy and Security of Navigators	5
Processes and Procedures for Addressing Complaints	5
Processes and Procedures for Providing Assistance in Culturally and Linguistically Appropriate Manner	6
Training Standards	7
Breaches of Security or Privacy by a Navigator Grantee	7
Standards Designed to Prevent and Mitigate any Conflicts of Interest, Financial or Otherwise	8
Confirmation that Assures Funding For Navigator Grants Does Not Come From Federal Funds	8
Privacy and Security Safeguards	8
Call Center Information Provided to Applicants in Plain Language and in a Manner That Is Accessible to Individuals with Disabilities and Individuals with Limited English Proficiency	9

Results (cont.)

Internal Controls over Eligibility Determinations for Exchange Participation and Insurance Affordability Programs (Subpart D)	10
Standard operating procedures and processes for making accurate eligibility determinations in compliance with Federal regulations (including resolution of inconsistencies)	10
Management review/internal controls associated with the prevention of improper eligibility determinations (prevention/detection and correction)	10
Management review/internal controls associated with compliance with the requirements regarding confidentiality, disclosure, maintenance, and use of information	11
Correct and fully executed agreements with other entities specifying their respective responsibilities in connection with eligibility determinations, including (if appropriate) those related to exemptions	12
Data and records maintenance relating to eligibility verifications and determinations	13
Internal Controls over Enrollment in Qualified Health Plans (Subpart E)	14
Standard operating procedures and processes for making enrollments in compliance with Federal regulations	14
Management review/internal controls associated with the prevention of improper enrollment transactions, including processes to ensure that enrollees are receiving accurate advance premium tax credits (APTC's), cost-sharing reductions (CSR's), and premiums (and for correction of any discrepancies)	14
Compliance with Centers for Medicaid and Medicare Services (CMS) issued Standard Companion Guides (e.g., ASC X12 820 and 834)	15
Processes to reconcile enrollment information with qualified health plan (QHP) issuers and CMS no less than on a monthly basis	16
Data and records maintenance related to enrollments	17
Internal Controls over Processes for Certification of Qualified Health Plans (Subpart K)	18
Policies and procedures for certification (and recertification) of health plans	18
Process for decertification of QHP's	18



Executive Summary

Executive Summary

Introduction

Cover Oregon, in conjunction with the Office of the Oregon Secretary of State, selected Talbot, Korvola & Warwick, LLP (TKW) to conduct a performance audit in accordance with the requirements of 45 CFR part 155, subsections B, C, D and, K. The requirement for the performance audit is stated in the enabling legislation that established Cover Oregon as the State of Oregon’s health insurance exchange under the Affordable Care Act.

Results

The following table provides a brief summary of the results of our performance audit in each of the required areas of compliance under 45 CFR part 155.

45 CFR part 155		
Subpart C – General Operations	1. Privacy and security of navigators	Cover Oregon is in compliance with this requirement.
	2. Processes and procedures for addressing complaints	Cover Oregon’s internal controls over this requirement are deficient.
	3. Processes and procedures for providing assistance in culturally and linguistically appropriate manner	Cover Oregon is in compliance with this requirement.
	4. Training standards	Cover Oregon’s internal controls over this requirement are deficient.
	5. Breaches of security or privacy by a navigator grantee	This requirement is not applicable to Cover Oregon.
	6. Standards designed to prevent and mitigate any conflicts of interest, financial or otherwise	Cover Oregon is in compliance with this requirement.
	7. Confirmation that assures funding for navigator grants does not come from Federal funds	This requirement is not applicable to Cover Oregon.
	8. Privacy and security safeguards	Cover Oregon is in compliance with this requirement.
	9. Call center information provided in plain language and in a manner that is accessible to individuals with disabilities and individuals with limited English proficiency	Cover Oregon is in compliance with this requirement.
Subpart D - Eligibility	1. Standard operating procedures and processes for making accurate eligibility determinations in compliance with Federal regulations (including resolution of inconsistencies)	Cover Oregon is in compliance with this requirement.



45 CFR part 155		
	2. Management review/internal controls associated with the prevention of improper eligibility determinations (prevention/detection and correction)	Cover Oregon’s internal controls over this requirement are deficient.
	3. Management review/internal controls associated with compliance with the requirements regarding confidentiality, disclosure, maintenance, and use of information	Cover Oregon’s internal controls over this requirement are deficient.
	4. Correct and fully executed agreements with other entities specifying their respective responsibilities in connection with eligibility determinations, including (if appropriate) those related to exemptions	Cover Oregon is in compliance with this requirement.
	5. Data and records maintenance related to eligibility verifications and determinations	Cover Oregon is in compliance with this requirement.
Subpart E - Enrollments	1. Standard operating procedures and processes for making enrollments in compliance with Federal regulations	Cover Oregon is in compliance with this requirement.
	2. Management review/internal controls associated with the prevention of improper enrollment transactions, including processes to ensure that enrollees are receiving accurate advance premium tax credits (APTC’s), cost sharing reductions (CSR’s), and premiums (and for correction of any discrepancies)	Cover Oregon’s internal controls over this requirement are deficient.
	3. Compliance with Centers for Medicaid and Medicare Services (CMS)-issued Standard Companion Guides (e.g. ASC X12 820 and 834)	Cover Oregon is not in compliance with this requirement.
	4. Processes to reconcile enrollment information with qualified health plan (QHP) issuers and CMS no less than on a monthly basis	Cover Oregon is not in compliance with this requirement.
	5. Data and records maintenance related to enrollments	Cover Oregon is in compliance with this requirement.
Subpart K – Certification of QHP’s	1. Policies and procedures for certification (and recertification) of health plans	Cover Oregon is in compliance with this requirement.
	2. Process for decertification of QHP’s	Cover Oregon is in compliance with this requirement.





Introduction and Background

Introduction and Background

Introduction

Cover Oregon, in conjunction with the Office of the Oregon Secretary of State, selected Talbot, Korvola & Warwick, LLP (TKW) to conduct a performance audit in accordance with the requirements of 45 CFR part 155, subsections B, C, D and, K. The requirement for the performance audit is stated in the enabling legislation that established Cover Oregon as the State of Oregon’s health insurance exchange under the Affordable Care Act.

Audit Purpose and Objective

Cover Oregon is subject to a number of requirements under 45 CFR part 155 related to the operation of the exchange in general (subsection C), eligibility determinations (subsection D), enrollment in qualified health plans (subsection E), and certification of qualified health plans (subsection K). This audit was initiated to determine Cover Oregon’s compliance with these specific requirements as well as to assess the effectiveness of identified internal controls.

Project Approach and Methodology

Our approach to the performance audit was planned and implemented in accordance with the requirements established for performance audits as stated in *Government Auditing Standards*, issued by the Comptroller of the United States, and as such was subject to the quality control policies of our Firm and falls under the umbrella of our external peer review practices. We have provided a copy of our most recently completed peer review report as an appendix to this report, as required by *Government Auditing Standards*. Our approach and methodology for this performance audit is detailed in the following paragraphs.

Evaluation Criteria and Standards

In order to achieve the defined audit objectives, the performance audit team compared actual operations, practices, and results against the stated requirements of 45 CFR part 155, subsections C, D, E, and K. The audit team applied existing evaluation criteria and procedures from the scope of work as identified in the Oregon Secretary of State’s RFP, and an FAQ document from the Federal Department of Health and Human Services.

Methodology

Information provided during interviews with Cover Oregon staff became one source for observations found within this report. The information gained from these individuals provided



insight into the requirements, and the policies, procedures, practices and supporting documentation surrounding those requirements and was invaluable in reaching the conclusions and recommendations presented within this report.

The audit team also evaluated numerous documents and files. Included in this review was information relevant to program operations, specific requirements, objectives, and expectations, organizational charts, financial and operational information, and other relevant documents. Quantitative and qualitative analyses were undertaken as appropriate to understand the particular requirement being addressed.

Audit Team Perspective

The audit team began this audit with an expectation of governmental service quality to those attempting to take advantage of the opportunity to enroll in Oregon’s state-based healthcare insurance exchange, tempered by common knowledge of the operational and technology challenges faced by Cover Oregon. Holding governmental entities to the highest standards of efficiency and effectiveness serves the best interests of both the citizen and government. When those expectations were not met, the team attempted to identify the specific condition that occurred, the impact(s), and the cause of the condition.

Many of the observations found within this report are exception-based. That is, they are oriented toward resolving problems or concerns in the context of the stated requirements. Although many aspects of operations are performed efficiently and effectively, the greatest benefits to an organization are typically derived from the identification of methods to achieve excellence.

Standards

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Compliance

As part of the audit, the audit team examined compliance with applicable federal and state statutes as they pertained to the specific objectives of the performance audit. For those items



the audit team did not specifically test for compliance, nothing came to the team's attention that would indicate significant instances of non-compliance.

Fraud Risk

Prudent business practice is to balance the risk of theft/fraud against the cost of the measures taken to avoid such problems. With respect to the general operations of Cover Oregon, eligibility determinations, the enrollment process, and certification of qualified health plans, theft/fraud concerns seem relatively modest. The greatest perceived risk areas are related to potential errors or intentional acts that result in erroneous eligibility determinations or enrollment in a qualified health plan for individuals processed through Cover Oregon.

Cover Oregon

Establishment of Cover Oregon

Cover Oregon was established by the Oregon Legislature through enactment of Senate Bill 99 in July, 2011. Cover Oregon is a public corporation as defined in Oregon Statutes, and is regulated by the Federal Affordable Care Act (ACA) and state law. The ACA of 2010 required each state to establish a health insurance marketplace - an online marketplace that enables individuals and employers to shop, compare plans, and access financial assistance to help pay for insurance coverage. States were permitted to implement their own marketplaces (referred to as state-based marketplaces) or states could elect to participate in the Federal marketplace (referred to as the federally facilitated marketplace). Cover Oregon decided to use the Federal marketplace technology for eligibility and enrollment starting with open enrollment in the fall of the 2015, thereby becoming a supported state-based marketplace.

General Operations

In the day-to-day operation of Cover Oregon, practices are guided by a combination of Federal and State laws, contracts, grant agreements, policies, and procedures. Management has operated within these frameworks to:

- Address complaints and appeals occurring throughout the application process,
- Provide assistance culturally and linguistically to applicants as appropriate or required,
- Provide appropriate training to Cover Oregon staff,
- Prevent and mitigate any actual or potential conflicts of interest (financial or otherwise),
- Provide for the appropriate use of grant monies,
- Provide appropriate privacy and security safeguards, and



- Provide information and assistance to applicants with limited English proficiencies and/or individuals with disabilities.

Eligibility and Enrollment

Primary to the mission of Cover Oregon is the efficient, effective determination of eligibility of applicants to the health insurance exchange and the timely, accurate enrollment of participants to qualified health plans, all supported by proper documentation. The process of determining eligibility, calculating the appropriate level of financial assistance available to applicants, and enrollment in qualified health plans also involves a number of considerations around the handling of personally identifiable information (PII), data security, and records management and retention. Cover Oregon has worked to provide for:

- Standard operating procedures and processes for making accurate eligibility determinations and enrollments in compliance with Federal regulations,
- Management review/internal controls associated with the prevention/ identification and correction of improper eligibility determinations and/or enrollments in compliance with Federal regulations,
- Current and fully executed agreements with other entities that specify respective responsibilities in connection with eligibility determinations and enrollments,
- Enrollees to receive accurate advance premium tax credits (APTC's), cost-sharing reductions, and premiums,
- Compliance with Centers for Medicaid & Medicare Services (CMS)-issued Standard Companion Guides (e.g. ASC X12 820 and 834),
- Proper and timely reconciliation of enrollment information with qualified health plan issuers, and
- Effective data and records maintenance practices relating to eligibility determinations and enrollments.

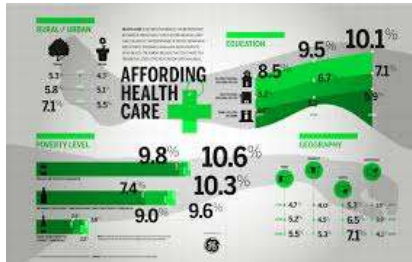
Certification of Qualified Health Plans

Cover Oregon has responsibility to establish and implement policies, procedures, and processes for certification, recertification, and decertification of qualified health plans in accordance with Federal requirements.

Discontinuance

In March 2015, the Oregon Legislature passed, and the Governor signed, Senate Bill 1, which abolishes Cover Oregon effective June 30, 2015. All powers, rights, obligations, and liabilities pass to the Oregon Department of Consumer and Business Services (DCBS) upon passage. The duties and functions of Cover Oregon, including all existing funds, property, equipment, documents, records, etc. transfer to DCBS on June 30, 2015.





Results

Results

Cover Oregon is in a unique position, not only as the single entity in Oregon coordinating a marketplace for health insurance, but in its limited duration as dictated under Senate Bill 1 (2015) enacted by the Oregon Legislature, abolishing Cover Oregon as of June 30, 2015 and its decision to utilize healthcare.gov for enrollments beginning with the 2015 plan year. As such, a number of the findings identified in our report are without significant consequence in the continuance through June 30, 2015, and as relating to plans years beginning with and after 2015. Regardless, our performance audit applied procedures consistent with professional standards and provide a basis for our conclusions with respect to compliance with the requirements of 45 CFR part 155, subsections C, D, E, and K, as well as internal controls over compliance with those requirements. The following pages present our specific findings.

General Functions of the Exchange (Subpart C)

Privacy and Security of Navigators

- Criteria: Cover Oregon is required, under 45 CFR part 155, subpart C, to establish and implement policies and procedures for privacy and security of navigators making use of the health insurance exchange.
- Finding: Cover Oregon outsourced the coordination of navigators within the terms of their contract with the Oregon Health Authority (OHA). OHA implemented policies and procedures, and provided for training around privacy and security with community partners. As such the responsibility for privacy and security of navigators is in compliance with the requirements of 45 CFR part 155, Subpart C.

Processes and Procedures for Addressing Complaints

- Criteria: Cover Oregon is required, under 45 CFR part 155, subpart C, to establish and implement policies and procedures for addressing complaints. Further, Cover Oregon should develop and maintain sufficient documentation as evidence of compliance with requirements, specifically as relates to processes and procedures for addressing complaints.
- Finding: During our review of Cover Oregon's internal controls and related compliance with requirements under 45 CFR part 155, Subpart C, we noted that there was insufficient evidentiary documentation to support testing of the effectiveness of complaint processing. Cover Oregon did document complaints received as notes in respective individual case files



but did not maintain or retain logs of complaints received or addressed. As such, a complete population could not be defined to support testing.

- Cause: It appears that Cover Oregon did not dedicate sufficient resources or consideration to the development and retention of complaint logs for documentation in support of complaint processing, in part due to competing priorities, information technology challenges, and lack of sufficient staff resources.
- Effect: Cover Oregon’s effectiveness in processing of complaints is indeterminable based on the lack of sufficient evidence to support testing.

Recommendation #1:

Cover Oregon should:

- **develop and implement formal, written policies and procedures for addressing and resolving complaints and**
- **maintain and retain a log capturing complaints received and how they were ultimately resolved**

Cover Oregon Response to Issue and Recommendation #1:

Cover Oregon understands and concurs with the issue as cited. Pending abolition of Cover Oregon in June 2015, management will take appropriate steps to communicate the finding and recommendation to DCBS for their further consideration.

Auditor’s Comments on the Response to Issue and Recommendation 1:

We appreciate the position of Cover Oregon and believe the response is appropriate in the circumstance.

Processes and Procedures for Providing Assistance in Culturally and Linguistically Appropriate Manner

- Criteria: Cover Oregon should have processes and procedures in place to provide adequate assistance to applicants in a culturally and linguistically appropriate manner, in accordance with 45 CFR part 155, Subpart C.
- Finding: Cover Oregon has formal policies and procedures in place during the year under audit for dealing with cultural and language challenges of applicants using the exchange. Management employed professional translation services and call centers, and provided application templates and instructions in a variety of languages. As such, Cover Oregon is in compliance with the requirements in this area, as specified in 45 CFR part 155, Subpart C.



Training Standards

- Criteria: Cover Oregon should develop and maintain sufficient documentation as evidence of compliance with 45 CFR part 155, Subpart C, specifically as relates to employee training standards implemented.
- Finding: During our review of Cover Oregon’s internal controls and related compliance with requirements under 45 CFR part 155, Subpart C, we noted that there was insufficient evidentiary documentation to support testing of Cover Oregon’s employee training standards. While training materials were developed, without sufficient documentation in the form of rosters, evaluations, or certificates of completion, it is indeterminable that such training was effectively provided to employees.
- Cause: It appears that Cover Oregon did not dedicate sufficient resources or consideration to the development and retention of documentation in support of employee training programs, in part due to competing priorities and lack of sufficient staff resources.
- Effect: The effectiveness of Cover Oregon’s training programs cannot be objectively determined.

Recommendation #2:

Cover Oregon should develop and implement formal, written policies and procedures that provide for use and retention of training rosters, evaluations, certificates of completion and/or other forms of evidence that training is effectively provided and completed.

Cover Oregon Response to Issue and Recommendation #2:

Cover Oregon understands and concurs with the issue as cited. Pending abolition of Cover Oregon in June, 2015, management will take appropriate steps to communicate the finding and recommendation to DCBS for their further consideration.

Auditor’s Comments on the Response to Issue and Recommendation 2:

We appreciate the position of Cover Oregon and believe the response is appropriate in the circumstance.

Breaches of Security or Privacy by a Navigator Grantee

- Criteria: Cover Oregon should provide for appropriate security and privacy of information as relates to navigator grantees in accordance with 45 CFR part 155, Subpart C.



Finding: This requirement under 45 CFR part 155, Subpart C is deemed to be not applicable as there were no navigator grantees under the exchange. Cover Oregon utilized other forms of outreach as alternatives to a formal navigator program. There was representative language included in Cover Oregon’s contract with OHA, but no formal grantees.

Standards Designed to Prevent and Mitigate any Conflicts of Interest, Financial or Otherwise

Criteria: Cover Oregon should develop and maintain policies and procedures to ensure compliance with 45 CFR part 155, Subpart C, specifically as relates to potential conflicts of interest, financial or otherwise, relating to navigators.

Finding: Cover Oregon outsourced the coordination of navigators within the terms of its contract with OHA. OHA implemented policies and procedures specifically relating to potential conflicts of interest involving community partners and required signed certifications disclosing any known conflicts. As such, the responsibilities over conflicts of interest involving navigators is in compliance with the requirements of 45 CFR part 155, Subpart C.

Confirmation that Assures Funding For Navigator Grants Does Not Come From Federal Funds

Criteria: Cover Oregon should employ measures to ensure that funding for navigator grants does not come from Federal funds in accordance with 45 CFR part 155, Subpart C.

Finding: This requirement under 45 CFR part 155, Subpart C is deemed to be not applicable, as there were no navigator grantees under the exchange. Cover Oregon utilized other forms of outreach as alternatives to a formal navigator program. There was representative language included in Cover Oregon’s contract with OHA, but no formal grantees.

Privacy and Security Safeguards

Criteria: Cover Oregon should establish and implement policies and procedures for privacy and security of personally identifiable information (PII) and the general operations of the exchange as specified by 45 CFR part 155, subpart C.

Finding: Cover Oregon developed and implemented appropriate policies and procedures as well as training for all employees involved with applicants and their information. As such, privacy and security practices are in compliance with requirements of 45 CFR part 155, Subpart C.



Call Center Information Provided to Applicants in Plain Language and in a Manner That Is Accessible to Individuals with Disabilities and Individuals with Limited English Proficiency

- Criteria: Cover Oregon should ensure that call center operations provide applicants information in plain language and so that they are accessible to individuals with disabilities, and to individuals with limited English proficiency in accordance with 45 CFR part 155, Subpart C.
- Finding: Cover Oregon had formal policies and procedures in place during the year under audit to deal with applicants using the exchange with cultural and language challenges or disabilities. Management employed professional translation services and call centers and provided application templates and instructions in a variety of languages. Information and assistance was also made available for hearing and sight impaired individuals, as well as those with other disabilities. As such, Cover Oregon is in compliance with the requirements in this area, as specified in 45 CFR part 155, Subpart C.



Internal Controls over Eligibility Determinations for Exchange Participation and Insurance Affordability Programs (Subpart D)

Standard operating procedures and processes for making accurate eligibility determinations in compliance with Federal regulations (including resolution of inconsistencies)

Criteria: Cover Oregon should establish and implement processes and procedures to ensure eligibility determinations comply with Federal regulations, in accordance with 45 CFR part 155, Subpart D.

Finding: Cover Oregon had formal policies and procedures in place during the year under audit as well as job aids to guide employees through the eligibility determination process with respect to applicants. Specific eligibility standards, the application process and related appeals are addressed in Oregon Administrative Rule (OAR) 945-040-0010 through 945-040-0180. As such, Cover Oregon is in compliance with the requirements in this area, as specified in 45 CFR part 155, Subpart D.

Management review/internal controls associated with the prevention of improper eligibility determinations (prevention/detection and correction)

Criteria: Cover Oregon should have in place an effective system of internal controls to ensure the prevention of, and/or the detection and correction of improper eligibility determinations and enrollment transactions, and ensuring compliance with 45 CFR part 155, Subparts D and E.

Finding: During our review of Cover Oregon's internal controls and related compliance with requirements under 45 CFR part 155, Subparts D and E, we noted that there was no formalized management review over eligibility determinations performed on enrollment, or other consistent controls in place to effectively prevent, or detect and correct, improper eligibility determinations and enrollment.

Cover Oregon had policies and procedures in place, and provided training to employees performing the eligibility determination and enrollment processes. It was noted that during the open enrollment period, errors were made in the eligibility determination process and subsequently discovered, and efforts were made to correct those errors. Similarly, there were known errors in the calculations of Advance Payment of Premium Tax Credits (APTC), and subsequent efforts were made to correct those errors. The subsequent detection and correction of errors resulted primarily through complaints and appeals filed, and testing of systems, rather than through established systems of review and approval of the eligibility determination or enrollment processes.



- Cause: It appears that Cover Oregon did not dedicate sufficient resources or consideration to the development and implementation of internal controls aimed at the prevention or timely detection and correction of improper eligibility determinations and enrollment transactions and calculations, in part due to competing priorities, information technology challenges, and lack of sufficient staff resources.
- Effect: Cover Oregon experienced errors in determination of initial eligibility and enrollment and APTC calculations.

Recommendation #3:

Cover Oregon should develop and implement formal, written policies and procedures providing for an effective level of management review over eligibility determinations and the enrollment process to better ensure errors are prevented or timely detected and corrected.

Cover Oregon Response to Issue and Recommendation #3:

Cover Oregon understands and concurs with the issue as cited. Pending abolition of Cover Oregon in June 2015 and the use of healthcare.gov for enrollments beginning with the 2015 plan year, management will take appropriate steps to communicate the finding and recommendation to DCBS for their further consideration.

Auditor's Comments on the Response to Issue and Recommendation #3:

We appreciate the position of Cover Oregon and believe the response is appropriate in the circumstance.

Management review/internal controls associated with compliance with the requirements regarding confidentiality, disclosure, maintenance, and use of information

- Criteria: Cover Oregon should have in place an effective system of internal controls to ensure the proper handling of personally identifiable information including confidentiality, disclosure, maintenance, and use of that information in accordance with 45 CFR part 155, Subpart D.
- Finding: During our review of Cover Oregon's internal controls and related compliance with requirements under 45 CFR part 155, Subpart D, we noted that Cover Oregon developed training materials and forms to document employee understanding of proper handling of personally identifiable information. Cover Oregon employees participating in the eligibility and enrollment process were trained on the proper handling of personally identifiable information and required to sign off on their understanding. From a sample of 50, Cover Oregon was unable to produce signed certifications for 23 employees, resulting in an error rate of 46%. Beyond the



training provided and signed certifications there was no formal plan for management review of practices to ensure those practices were followed as prescribed, though informal reviews occurred on an ad hoc basis.

- Cause: It appears that Cover Oregon did not dedicate sufficient resources or consideration to the development, implementation, and documentation of internal controls and compliance with requirements over the proper handling of personally identifiable information, in part due to competing priorities and lack of sufficient staff resources.
- Effect: Without proper controls over confidentiality, disclosure, maintenance and use of personally identifiable information by employees, Cover Oregon may be at risk of that information being improperly disseminated or used by employees for purposes other than intended.

Recommendation #4:

Cover Oregon should develop and implement formal, written policies and procedures providing for an effective level of management review over eligibility determinations and the enrollment process to better ensure proper handling and use of personally identifiable information.

Cover Oregon Response to Issue and Recommendation #4:

Cover Oregon understands and concurs with the issue as cited. Pending abolition of Cover Oregon in June 2015 and the use of healthcare.gov for enrollments beginning with the 2015 plan year, management will take appropriate steps to communicate the finding and recommendation to DCBS for their further consideration.

Auditor's Comments on the Response to Issue and Recommendation #4:

We appreciate the position of Cover Oregon, and believe the response is appropriate in the circumstance.

Correct and fully executed agreements with other entities specifying their respective responsibilities in connection with eligibility determinations, including (if appropriate) those related to exemptions

- Criteria: Cover Oregon should maintain and retain fully executed agreements with other entities the fully reflect respective responsibilities in connection with eligibility determinations in accordance with 45 CFR part 155, Subpart D.
- Finding: Cover Oregon had a fully-executed agreement in place with OHA relating to eligibility determinations. Review of the agreement and related amendments indicated that roles and responsibilities of the parties appear to be clearly



identified as well as the objectives of compliance with Federal requirements. In our review of the agreement and related amendments, we identified no specific language relating to exemptions. Cover Oregon is in compliance with the requirements in this area, as specified in 45 CFR part 155, Subpart D.

Data and records maintenance relating to eligibility verifications and determinations

Criteria: Cover Oregon should provide for appropriate maintenance and retention of data and records relating to eligibility verifications and determinations in accordance with 45 CFR part 155, Subpart D.

Finding: The standards for data records and maintenance related to eligibility verifications and determinations are laid out in the Affordable Care Act, 45 CFR part 155. Cover Oregon had no other formal policies or procedures in place with regard to records management or retention beyond the Federal requirements as stated. Testing performed over eligibility indicates that the case files maintained for applicants were complete with respect to required documentation in support of eligibility determinations made. Cover Oregon is in compliance with the requirements in this area, as specified in 45 CFR part 155, Subpart D.



Internal Controls over Enrollment in Qualified Health Plans (Subpart E)

Standard operating procedures and processes for making enrollments in compliance with Federal regulations

Criteria: Cover Oregon should establish and implement procedures and processes to ensure enrollments comply with applicable Federal regulations.

Finding: Cover Oregon developed and implemented detailed procedures for enrollment, and job aids to assist personnel involved in the enrollment transactions. Review of the materials indicates that the steps for enrollment, including the calculation of APTC's and premiums are aligned with Federal requirements. Cover Oregon is in compliance with the requirements in this area, as specified in 45 CFR part 155, Subpart E.

Management review/internal controls associated with the prevention of improper enrollment transactions, including processes to ensure that enrollees are receiving accurate advance premium tax credits (APTC's), cost-sharing reductions (CSR's), and premiums (and for correction of any discrepancies)

Criteria: Cover Oregon should have in place an effective system of internal controls to ensure the prevention of, and/or the detection and correction of improper eligibility determinations and enrollment transactions, and ensuring compliance with 45 CFR part 155, Subparts D and E.

Finding: During our review of Cover Oregon's internal controls and related compliance with requirements under 45 CFR part 155, Subparts D and E, we noted that there was no formalized management review over eligibility determinations performed on enrollment, or other consistent controls in place to effectively prevent, or detect and correct, improper eligibility determinations and enrollment.

Cover Oregon had policies and procedures in place, and provided training to employees performing the eligibility determination and enrollment processes. It was noted that during the open enrollment period, errors were made in the eligibility determination process and subsequently discovered, and efforts were made to correct those errors. Similarly, there were known errors in the calculations of Advance Payment of Premium Tax Credits (APTC), and subsequent efforts were made to correct those errors. The subsequent detection and correction of errors resulted primarily through complaints and appeals filed, and testing of systems, rather than through established systems of review and approval of the eligibility determination or enrollment processes.



- Cause: It appears that Cover Oregon did not dedicate sufficient resources or consideration to the development and implementation of internal controls aimed at the prevention or timely detection and correction of improper eligibility determinations and enrollment transactions and calculations, in part due to competing priorities, information technology challenges, and lack of sufficient staff resources.
- Effect: Cover Oregon experienced errors in determination of initial eligibility and enrollment and APTC calculations.

Recommendation #5:

Cover Oregon should develop and implement formal, written policies and procedures providing for an effective level of management review over eligibility determinations and the enrollment process to better ensure errors are prevented or timely detected and corrected.

Cover Oregon Response to Issue and Recommendation #5:

Cover Oregon understands and concurs with the issue as cited. Pending abolition of Cover Oregon in June 2015 and the use of healthcare.gov for enrollments beginning with the 2015 plan year, management will take appropriate steps to communicate the finding and recommendation to DCBS for their further consideration.

Auditor's Comments on the Response to Issue and Recommendation #5:

We appreciate the position of Cover Oregon and believe the response is appropriate in the circumstance.

Compliance with Centers for Medicaid and Medicare Services (CMS)-issued Standard Companion Guides (e.g., ASC X12 820 and 834)

- Criteria: Cover Oregon is required to maintain compliance with applicable guidance as contained in the Centers for Medicaid and Medicare Services issued Standard Companion Guides accordance with 45 CFR part 155, Subpart E.
- Finding: During our review of policies, procedures, and practices governing enrollment, we noted that Cover Oregon was not utilizing the standard requirements of Section 834 of the Standard Companion Guides relating to the transmittal of information necessary to enable the issuer to enroll the applicant.
- Cause: It appears that Cover Oregon did not implement the standard requirements of Section 834 of the Standard Companion Guides for transmittal of enrollment information to issuers, but rather implemented a manual process to facilitate



transmittal of enrollment information, in part due to competing priorities and lack of sufficient staff resources, and information technology challenges.

Effect: Cover Oregon is technically out of compliance with this requirement under 45 CFR part 155, Subpart E.

Recommendation #6:

Cover Oregon should develop and implement formal, written policies and procedures to ensure compliance with requirements as stated in the CMS-issued Standard Companion Guides as applicable to Cover Oregon.

Cover Oregon Response to Issue and Recommendation #6:

Cover Oregon understands and concurs with the issue as cited. Pending abolition of Cover Oregon in June 2015 and the use of healthcare.gov for enrollments beginning with the 2015 plan year, management will take appropriate steps to communicate the finding and recommendation to DCBS for their further consideration.

Auditor's Comments on the Response to Issue and Recommendation #6:

We appreciate the position of Cover Oregon and believe the response is appropriate in the circumstance.

Processes to reconcile enrollment information with qualified health plan (QHP) issuers and CMS no less than on a monthly basis

Criteria: Cover Oregon is required to reconcile enrollment information with qualified health plan issuers and Centers for Medicaid and Medicare Services (CMS) no less than on a monthly basis in accordance with 45 CFR part 155, Subpart E.

Finding: During our review of Cover Oregon's enrollment practices, we noted that while reconciliation occurs through the transmission of enrollment information to issuers and subsequent communications with issuers and CMS, that process has occasionally occurred less frequently than monthly as required.

Cause: It appears that a lack of sufficient staff resources and partially functioning information technology systems contributed to the timing and manual aspect of reconciliation of enrollment information.

Effect: Cover Oregon is technically out of compliance with this requirement under 45 CFR part 155, Subpart E with respect to the untimely reconciliation of enrollment information.



Recommendation #7:

We recommend Cover Oregon develop and implement formal, written policies and procedures to provide for timely, effective reconciliation of enrollment transactions as required.

Cover Oregon Response to Issue and Recommendation #7:

Cover Oregon understands and concurs with the issue as cited. Pending abolition of Cover Oregon in June 2015 and the use of healthcare.gov for enrollments beginning with the 2015 plan year, management will take appropriate steps to communicate the finding and recommendation to DCBS for their further consideration.

Auditor's Comments on the Response to Issue and Recommendation #7:

We appreciate the position of Cover Oregon and believe the response is appropriate in the circumstance.

Data and records maintenance related to enrollments

Criteria: Cover Oregon should provide for appropriate maintenance and retention of data and records relating to enrollments in accordance with 45 CFR part 155, Subpart E.

Finding: The standards for data records and maintenance related to eligibility verifications and determinations are laid out in the Affordable Care Act, 45 CFR part 155. Cover Oregon had no other formal policies or procedures in place with regard to records management or retention beyond the Federal requirements as stated. Testing performed over eligibility indicates that the case files maintained for applicants were complete with respect to required documentation in support of eligibility determinations made. Cover Oregon is in compliance with the requirements in this area, as specified in 45 CFR part 155, Subpart D.



Internal Controls over Processes for Certification of Qualified Health Plans (Subpart K)

Policies and procedures for certification (and recertification) of health plans

- Criteria:** Cover Oregon should effective policies and procedures to ensure proper certification (and recertification) of qualified health plans in accordance with 45 CFR part 155, Subpart E.
- Finding:** Cover Oregon developed and implemented policies and procedures for the certification of QHP's. Based on our review of the policies and procedures, they appear to be clearly written and implementable to meet the objectives for certification of QHP's. The certification requirements for QHP's are set out in OAR 945-020-0010 through 945-020-0040. Cover Oregon's established and implemented process for recertification of QHP's mirrors that for initial certification.

Process for decertification of QHP's

- Criteria:** Cover Oregon should establish and implement processes for proper decertification of qualified health plans in accordance with 45 CFR part 155, Subpart E.
- Finding:** Cover Oregon established and implemented policies and procedures for decertification of QHP. Based on our review, the policies and procedures in place were clearly written and supported the proper decertification of QHP's as appropriate or required. As such, Cover Oregon is in compliance with requirements as stated.

