

COVERED CALIFORNIA AUDIT COMMITTEE MINUTES  
Thursday, August 17, 2023

**Main Location:**  
1601 Exposition Blvd.  
Sacramento, CA 95815

**Alternate Location:**  
700 South Flower St., Suite 1000  
Los Angeles, CA 90017

**Agenda Item I: Call to Order, Roll Call, and Welcome**

Thien Lam, Director of Covered California's Program Integrity Division, called the meeting to order at 9:01 AM.

**Audit Committee Members Present During Roll Call:**

Jerry Fleming  
Mayra Alvarez

**Conflict Disclosure:**

A conflict disclosure was performed and there were no conflicts from the committee members that needed to be disclosed.

**Agenda Item II: November 21, 2022 - Audit Committee Meeting Minutes**

**Discussion:** None

**Motion/Action:** Jerry Fleming moved to approve the Audit Committee Meeting Minutes for November 21, 2022. Mayra Alvarez seconded the motion.

**Public Comment:** None

**Vote:** The motion was approved by unanimous vote.

Ms. Lam explained that she was presenting all agenda items due to the recent retirement of Covered California's Chief Audit Executive. She stated that Covered California is experiencing a high volume of audit management vacancies and filling those vacancies is a priority.

Ms. Lam announced that Kevin Cathy joined Covered California as the new Supervising Management Auditor and was present at the meeting on what was his first day in the position.

## **Agenda Item III: Audit Results**

### **A. External Audits**

- **Monthly Reconciliation Process of Enrollment Data with Carriers & Advanced Premium Tax Credit Payment Report to the Centers for Medicare & Medicaid Services (CMS)**

This external audit was conducted by an independent firm, Sjoberg Evashenk Consulting, Inc (SEC). The reporting period was for the 2022 benefit year. SEC was hired by Covered California to evaluate the monthly reconciliation process that Covered California performs with all carriers. This is required under federal and state regulatory provisions. Nearly 1.7 million records were reconciled for this period. This audit also included a review of the accuracy of the Policy-Based Payment Reports submitted by Covered California to CMS.

#### **Audit Objectives:**

1. Determine whether insurance carriers' current practices ensure accurate and reliable Market enrollment records.
2. Evaluate whether Covered California implemented appropriate controls to ensure accurate, reliable, and timely reporting of the Policy-Based Payment Reports to CMS.

The auditors identified four findings. Covered California, overall, agreed with the findings.

#### **Finding 1: The Monthly Reconciliation is Working as Intended**

The reconciliation process performed by carriers were generally consistent with Covered California's expectations. Three of the four carriers sampled have sufficient reconciliation processes. Discrepancies between Covered California's and one carrier's enrollment records were identified. The carrier's process did not align with the intent of Covered California's monthly reconciliation process.

Mr. Fleming asked if the term "generally" was well-defined.

Ms. Lam explained that in this case, "generally," in the lens of the audit report, is a reflection that the data aligned overall.

The auditors recommended that Covered California work with the carrier to improve their process. Work is underway with an expected corrective action plan by September 29, 2023.

The auditors recommended Covered CA determine why the consumer continued to be blocked from the reconciliation updates after the consumer was determined fully eligible for a plan. Covered California is working with CalHEERS to determine the cause. The

consumer's termination date of coverage will be corrected in CalHEERS. The targeted implementation date was scheduled for August 31, 2023.

Ms. Alvarez asked for clarification on the ownership of the corrective action plan.

Ms. Lam explained that the carrier needs to improve their process. The auditors are suggesting Covered California provide feedback and input to help the carriers in their root cause analysis. It is an opportunity for Covered California to work collaboratively with the carriers to identify and improve processes.

Ms. Jessica Altman, Executive Director of Covered California, added clarification that Covered California's contracts with Qualified Health Plan state that carriers must comply with all of the processes, procedures, and expectations around the reconciliation process. It is the carrier who must make the changes to their processes related to the finding. It is Covered California's role to provide accountability.

Mr. Fleming asked what is known for the other carriers regarding this element.

Ms. Lam responded that this is a specific sample, but day-to-day operations include close monitoring of carrier performance. There is monthly reconciliation and day-to-day transactional exchange of information between Covered California and carriers. Covered California has weekly meetings with all carriers and ensures progress is made to update and correct issues. The auditors randomly selected the carriers for this audit which included some large, moderate, and small carriers.

## **Finding 2: Carrier Individual Enrollment Records Generally Aligned with Covered California Enrollment Records**

Carriers' records generally aligned with Covered California. However, for three sampled cases, the carrier invoice and/or payment records did not align with Covered California's records. These sampled cases also did not align with the carrier's reconciliation files submitted during the monthly reconciliation process.

The auditors recommended Covered California ensure the carriers update the consumer's information for these three specific cases. This update is scheduled to be completed by August 31, 2023. Covered California is working with the carriers to perform a root cause analysis. The targeted implementation date is September 29, 2023.

## **Finding 3: Policy-Based Payment Reports Sent to the Center for Medicare & Medicaid Services Generally Aligned with CalHEERS Data**

Overall, information reported in the November 2022 Policy-Based Payment Report generally aligned with information reflected in the CalHEERS system. However, the auditors determined that, in certain instances, the Policy-Based Payment Reports did

not include enrollment records (or information reported did not reflect an enrollment change) because the carriers did not confirm coverage.

The auditors recommended Covered California update the case to ensure enrollment information is accurate and included in the federal report. The targeted implementation date is August 31, 2023.

The auditors recommended Covered California work with the CalHEERS project team and the carriers impacted to determine why the confirmation 834 transactions were rejected by CalHEERS. In addition, for those carriers that had not submitted confirmation 834 transactions, Covered California should work with the carriers to determine why the transactions were not submitted and communicate with carriers the importance of submitting confirmation transactions in a timely manner. The targeted implementation date is September 29, 2023.

#### **Finding 4: Advance Premium Tax Credits (APTC) Provided to Consumers Generally Aligned with APTC Amounts Reflected in the Policy-Based Payment Reports**

The APTC amounts provided to consumers by carriers generally aligned with the APTC amount reflected in Policy-Based Payment Reports sent to CMS. The auditors did not have recommendations for this finding.

### **B. Internal Audits**

- **Service Center's Surge Vendor Employee Access to Information**

The Office of Audit Services conducted an internal audit over the Service Center Division's Surge Vendor contractor user access. The Surge Vendor provides additional call center support to help consumers. The audit period was from January 1, 2021, through December 31, 2022. The purpose of this audit was to obtain reasonable assurance that internal controls were in place to oversee the vendor's employee access and that the procedures were operating as designed.

Multiple Covered California divisions support the administration of internal controls: Service Center Division, Information Technology Division, and Covered California University (under the Administrative Services Division).

#### **Audit Objectives:**

1. Evaluate internal controls of the vendor's user access.
2. Determine if the user access is provisioned and de-provisioned appropriately and timely.
3. Verify that required training and security policies are provided.
4. Determine whether user access controls are in place and monitored appropriately.

5. Confirm that the administration of the program materially conforms to applicable federal, state, and department rules, regulations, and statutes.

### **Auditor's Acknowledgement of Continued Improvements**

Covered California's Information Technology Division refined the user access de-provisioning process. This helps mitigate the risk of unauthorized individuals having access to information.

Covered California University enhanced the Learning Management System to include a monthly reconciliation process. This will help ensure the Learning Management System records accurately reflect the Surge Vendor active users.

Covered California's Service Center Division is mapping out the offboarding process with the Surge Vendor to better enforce offboarding contract requirements.

### **Finding 1: System User Access Deprovisioning Requests Are Not Processed Timely**

The auditors determined that the user access was not de-provisioned or removed timely. The Service Center Division did not have controls in place to ensure the Surge Vendor is submitting offboarding requests within one business day of the vendor's departure, as required per the contract. There is a risk of unauthorized individuals having access to information.

Corrective Action: The Service Center will develop a formal process to validate that the Surge Vendor submits the offboarding requests within the time period required by the contract. This will be implemented in the fourth quarter of 2023.

The auditors determined that the Information Technology Division does not clearly define and document policies and procedures to ensure access is removed timely. There is a risk that individuals will continue to have unauthorized access beyond the employee's termination date.

Corrective Action: The Information Technology Division will provide a guide and policy for offboarding. This will be implemented in the second quarter of 2024.

### **Finding 2: Required Background Checks and Requested Access Levels Are Not Verified Prior to Provisioning System Access**

The auditors determined that while the Service Center Division obtains information on background checks of Surge Vendor staff from the Office of Legal Affairs, they do not compare the background check information to the Surge Vendor staff system access requests that they process. The Service Center Division also does not review the appropriate access levels shown in provisioning requests due to the lack of detailed

procedures and design of controls. There is a risk of Surge Vendor users having inappropriate access as well as access to personally identifiable information (PII).

Corrective Action: The Service Center will develop a formal process to include validation of background checks and level of access as part of the provisioning process. This will be implemented in the fourth quarter of 2023.

### **Finding 3: System User Access is Not Effectively Monitored and Does Not Comply with Segregation of Duties Control Requirements**

The auditors determined that the Information Technology Division and Service Center Division do not review or reconcile all Surge Vendor staff accounts at least quarterly according to Covered California Information Security Policy or monthly according to the contract. There is a risk of inappropriate access to PII if the Surge Vendor employees remain active in the system and are not being disabled timely.

Corrective Action: To assist in the facilitation of the review process, the Service Center Division will ensure the Surge Vendor is providing active user reports according to contractual requirements. User access review functions will move to the Information Security Office to be completed monthly. This will be implemented in the fourth quarter of 2023.

The auditors determined that the Information Technology Division and Service Center Division rely on the Surge Vendor performing an annual active user reconciliation instead of performing an independent reconciliation, as required. There is a risk of inappropriate access to PII if the Surge Vendor employees remain active in the system and are not being disabled timely.

Corrective Action: The Information Technology Division will develop processes based on the Information Security system user policy. As processes are developed, the Service Center Division will implement them with the Surge Vendor. This will be implemented in the fourth quarter of 2023.

### **Finding 4: Covered California's Required Privacy and Information Security Training Are Not Always Completed Prior to Provisioning System Access**

The auditors determined that the Service Center Division does not verify Privacy and Information Security trainings completion prior to provisioning system access for Surge Vendor new hires. There is a risk that PII may not be adequately protected if staff are not properly trained on critical topics such as Privacy and Information Security laws, rules, standards, and policies.

Corrective Action: The Service Center Division will partner with Covered California University and the Information Security Office to develop a process to validate training was completed. This will be implemented in the fourth quarter of 2023.

Surge Vendor staff do not always complete the required Privacy and Information Security training timely or complete them at all during initial onboarding and annually thereafter. There is a risk that PII may not be adequately protected if staff are not properly trained on critical topics such as Privacy and Information Security laws, rules, standards, and policies.

Corrective Action: The Service Center Division will partner with Covered California University to develop a process to validate training completion. This will be implemented in the fourth quarter of 2023.

The auditors determined that Covered California University training compliance reports used for tracking and monitoring training compliance are not accurate and are missing critical data elements. Therefore, the training compliance report is an unreliable internal control to track and follow-up on training completion and compliance. There is a risk that PII may not be adequately protected if staff are not properly trained on critical topics such as Privacy and Information Security laws, rules, standards, and policies.

Corrective Action: The Service Center Division will ensure the Surge Vendor is providing active user reports according to contractual requirements. Covered California University will review the Weekly Training Compliance Report for enhancements. This will be implemented in the fourth quarter of 2023.

Surge Vendor staff do not sign Covered California's Acceptable Use Policy, per contract requirements. There is a risk that PII may not be adequately protected if staff are not properly trained on critical topics such as Privacy and Information Security laws, rules, standards, and policies and do not acknowledge and sign Covered California's Acceptable Use Policy.

Corrective Action: The Service Center Division will partner with the Information Security Office to ensure Surge Vendor staff acknowledge and sign Covered California's Acceptable Use Policy/Agreement. This will be implemented in the fourth quarter of 2023.

### **Committee Members' Comments:**

Ms. Alvarez commented that it was her first meeting and asked if these findings are reflective of past audits.

Ms. Lam answered that an annual risk-based audit plan is reviewed and approved by the Committee. In preparing the plan, the Office of Audit Services examines areas of vulnerability and potential risk as well as identifying areas with opportunities for improvement. This is an area that has been looked at in the past. There is an external audit firm that looks at privacy, security, and access. The intent of this audit was to compliment the efforts done by an external auditor that looked at privacy and security for other employees, such as Covered California employees.

Ms. Altman asked if this has been looked at previously at a higher level and if it was determined that a deeper dive of the Surge Vendor was appropriate.

Ms. Lam responded that this was accurate.

Mr. Fleming stated that this is a new finding with a long list of significant issues. He asked if there have been connections between Covered California leadership and the Surge Vendor making this a priority.

Ms. Lam replied that Covered California and the Surge Vendor have been in communication regarding the priority status of this issue. From an organizational perspective, some corrective actions will be implemented at a later date to ensure they are done correctly. The Service Center Division is actively mapping the process to ensure opportunities for improvement are correctly identified and risk is minimized.

**Public Comment:** None

## **Agenda Item IV: Updates on Federal Programs**

### **A. State Exchange Improper Payment Measurement (SEIPM)**

The Payment Integrity Information Act of 2019 requires federal agencies to periodically review programs it administers, identify programs that may be susceptible to significant improper payments, estimate the amount of improper payments, and report on the improper payment estimates and the Agency's actions to reduce improper payments. This federal mandate is not solely limited to the Affordable Care Act and its Exchanges. Other federally administered programs such as Medicare, Medicaid, and Children's Health Insurance Program (CHIP) have implemented improper payment measurement programs. The SEIPM program measures improper payments for APTC, as administered by the State Exchanges. The SEIPM is designed to reduce and recover improper payments.

Participation in this program is voluntary. CMS offered three levels of pre-measurement engagement. Ten of eighteen state-based exchanges participated at different levels of engagement. Covered California opted for the highest level of engagement: Pilot Testing. Official measurement was initially planned to begin in 2024 using data from the 2023 benefit year. CMS plans to issue a Program Analysis Report of Observations (December 2023).

Ms. Altman further explained that this is a really high standard of auditing. CMS has been working hard to understand how they can apply this law to Exchanges and to APTC. CMS has been heavily reliant on states that were willing to participate in their pilot process as they find a method that is workable. Ms. Altman added that the team at Covered California has stepped up to this challenge and CMS has said very kind and appreciative things about the team and the work. Ms. Altman also stated that this is a



“hot topic” in the Exchange world because of the level of work that is going to come from this audit and this will definitely be a better process due to the work that Program Integrity Division’s SEIPM Project Team has put into this.

Ms. Alvarez congratulated Covered California for providing that type of partnership with CMS and for demonstrating how much California is leading the way.

Ms. Lam confirmed that Covered California is the proving ground. She thanked Ms. Altman and Ms. Alvarez.

Ms. Lam stated that the SEIPM program evaluates Covered California’s eligibility and enrollment processes to estimate improper APTC payments. The SEIPM areas of evaluation include electronic verification of applications, inconsistency adjudication and conclusion, eligibility determination and calculations, enrollment redeterminations, enrollment reconciliations, payments, and plan management.

## **B. Improper Payment Pre-Testing and Assessment (IPPTA)**

IPPTA is a new mandate by CMS that will replace SEIPM as the pre-testing and assessment period prior to official measurement of improper payments. All states are required to participate in IPPTA. This was codified in April of 2023. This will be a two-year process. States that have participated in SEIPM will be given credit towards IPPTA. The work that Covered California completed through SEIPM has positioned Covered California to have a more successful formal compliance review. Covered California was the only state to reach the pilot phase of SEIPM. CMS stated that the work done by Covered California has helped them further refine their processes and improve their IPPTA approach. CMS commended Covered California for positively impacting their work and their approach to IPPTA. The SEIPM Team anticipates that IPPTA will kick off for California in 2024, but CMS has not provided an exact date. Additional guidance from CMS is forthcoming.

**Committee Members’ Comments:** None

**Public Comments:** None

## **Agenda Item V: Wrap-Up and Next Steps**

### **Future Meeting Dates:**

- November 16, 2023
- March 14, 2024
- June 20, 2024
- September 19, 2024
- November 21, 2024

The meeting adjourned at 9:44 AM.