

# Audit Committee Meeting

August 17, 2023



*Presented by*  
Thien Lam, Director of Program Integrity

# AGENDA

Presentation	Slides
<b>Audit Results</b>	
<b>External Audit</b> <ul style="list-style-type: none"><li>Monthly Reconciliation Process of Enrollment Data with Carriers &amp; Advanced Premium Tax Credit Payment Report to the Centers for Medicare &amp; Medicaid Services (CMS)</li></ul>	3 – 10
<b>Internal Audit</b> <ul style="list-style-type: none"><li>Service Center's Surge Vendor Employee Access to Information</li></ul>	11 – 21
<b>Updates on Federal Programs:</b> <ul style="list-style-type: none"><li>State Exchange Improper Payment Measurement (SEIPM)</li><li>Improper Payment Pre-Testing and Assessment (IPPTA)</li></ul>	22 – 27
<b>Wrap-Up and Next Steps</b>	28

**MONTHLY RECONCILIATION PROCESS  
OF ENROLLMENT DATA WITH CARRIERS &  
ADVANCED PREMIUM TAX CREDIT PAYMENT REPORT TO  
THE CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS)**

# BACKGROUND

Sjoberg Evashenk Consulting, Inc. (Sjoberg) was hired by Covered California to conduct an independent audit. Sjoberg audited Covered California's monthly reconciliation process with carriers for the 2022 Benefit Year. This reconciliation process is required by Federal and State Regulations to ensure Covered California's and the carriers' enrollment records are aligned. Examples of data reconciled include consumers' start and end date of coverage, financial subsidy amounts, premium and enrollment information. During the 2022 Benefit Year, Covered California had nearly 1.7 million enrollments in the individual market.

In addition, Sjoberg also audited the accuracy of the Policy-Based Payment reports which are submitted to the Center for Medicare & Medicaid Services (CMS). These monthly reports are used by CMS to make advanced premium tax credit payments to carriers for consumers who effectuated their coverage. For the 2022 Benefit Year, over \$8 billion in advance premium tax credits were reported to CMS.

## Audit Objectives:

1. Determine whether insurance carriers' current practices ensure accurate and reliable Individual 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.

# HIGH-LEVEL SUMMARY OF AUDIT FINDINGS, RECOMMENDATIONS & CORRECTIVE ACTION PLANS

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

Finding	Recommendation	Summary Of Corrective Action Plans
<p>The reconciliation process performed by carriers were generally consistent with Covered California’s expectations. Three (3) of the four (4) carriers sampled have sufficient reconciliation processes.</p> <p>However, for one (1) carrier, although their process implemented identified discrepancies between Covered California and carrier enrollment records, the process did not align with the intent of Covered California’s monthly reconciliation process.</p>	<p>Work with this specific carrier to ensure they understand Covered California’s expectations for the reconciliation process. Specifically for the following:</p> <ul style="list-style-type: none"> <li>• Notify Covered California when exceptions are identified between the carrier’s records and Covered California records so that root-cause analysis can occur and be addressed in a timely manner.</li> <li>• Additionally, for the carrier’s sampled case, determine why the consumer continued to be blocked from the reconciliation updates after the consumer was determined fully eligible for a plan. Covered California should make updates to the enrollment and correct the termination date of coverage.</li> </ul>	<p>During our weekly meetings with the carrier, Covered California is working with the carrier to:</p> <ul style="list-style-type: none"> <li>• Ensure they understand Covered California’s intent and expectations of the reconciliation process;</li> <li>• Identify issues timely; and</li> <li>• Help them identify the root cause and assist them with their corrective action plan when discrepancies occur.</li> </ul> <p>Targeted Implementation Date – September 29, 2023</p> <p>---</p> <p>Covered California is working with CalHEERS to determine why the enrollment was blocked during the reconciliation process. The consumer’s termination date of coverage will also be corrected in CalHEERS.</p> <p>Targeted Implementation Date – August 31, 2023</p>

# HIGH-LEVEL SUMMARY OF AUDIT FINDINGS, RECOMMENDATIONS & CORRECTIVE ACTION PLANS

Finding 2: Carrier Individual Enrollment Records Generally Aligned with Covered California Enrollment Records		
Finding	Recommendation	Summary Of Corrective Action Plans
<p>Carriers’ records generally aligned with Covered California. However, for three (3) 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.</p>	<ul style="list-style-type: none"> <li>• Work with this specific carrier on these sampled cases to ensure the carrier has appropriately updated their records and implemented sufficient controls to address the root-cause of the discrepancies identified.</li> <li>• Work with the specific carrier to have them correct the consumer’s policy with the accurate termination date in their system, rather than identifying the consumer being cancelled for non-payment.</li> </ul>	<p>Covered California will work with the carrier to have them correctly update their records for these sampled cases.</p> <p>Targeted Implementation Date – August 31, 2023</p> <p>---</p> <p>During our weekly meetings with the carrier, Covered California is working with the carrier to:</p> <ul style="list-style-type: none"> <li>• Review the carrier’s process on how they conduct their root cause analysis and make corrections in their system; and</li> <li>• Continue to discuss cases where the carriers may not agree with the outcome of the reconciliation process.</li> </ul> <p>Targeted Implementation Date – September 29, 2023</p>

# HIGH-LEVEL SUMMARY OF AUDIT FINDINGS, RECOMMENDATIONS & CORRECTIVE ACTION PLANS

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

Finding	Recommendation	Summary Of Corrective Action Plans
<p>Overall, information reported in the November 2022 Policy-Based Payment report generally aligned with information reflected in the CalHEERS system.</p> <p>However, the auditors determined that in certain instances the Policy-Based Payment reports did not include enrollment records (or information reported did reflect an enrollment change) because the carriers did not confirm coverage.</p>	<ul style="list-style-type: none"> <li>• Work with CalHEERS to update the enrollment status of a particular case; and once updated, ensure the Policy-Based Payment report reflects the enrollment period.</li> <li>• Work with the CalHEERS team and the carriers impacted by a system issue to determine why the confirmation 834 electronic enrollment transactions were rejected by CalHEERS.</li> <li>• 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. Covered California should also communicate with the carriers the importance of submitting confirmation transactions in a timely manner, as this impacts Policy-Based Payment reporting too.</li> </ul>	<p>Covered California will correct the enrollment status for this specific case and will confirm that the corrected information is reflected in the Policy-Based Payment report.</p> <p>Targeted Implementation Date – August 31, 2023</p> <p>---</p> <p>In addition, during our weekly meetings with the carriers, Covered California will:</p> <ul style="list-style-type: none"> <li>• Ensure carriers understand the expectation of them submitting confirmation 834 transactions to Covered California; and how this significantly impacts the monthly Policy-Based Payment reporting to CMS.</li> <li>• Encourage the carriers to immediately communicate any issues they identify when submitting the confirmation 834 transactions to Covered California.</li> </ul> <p>Targeted Implementation Date – September 29, 2023</p>

# HIGH-LEVEL SUMMARY OF AUDIT FINDINGS, RECOMMENDATIONS & CORRECTIVE ACTION PLANS

Finding 4: Advance Premium Tax Credits (APTC) Provided to Consumers Generally Aligned with APTC Amounts Reflected in the Policy-Based Payment Reports		
Finding	Recommendation	Summary Of Corrective Action Plans
The Advance Premium Tax Credit (APTC) amounts provided to consumers by carriers generally aligned with the APTC amount reflected in Policy-Based Payment reports sent to the Center for Medicare & Medicaid Services.	Not Applicable No Recommendation Provided	Not Applicable No Recommendation Provided





# Questions

# PUBLIC COMMENT

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# SERVICE CENTER'S SURGE VENDOR EMPLOYEE ACCESS TO INFORMATION AUDIT RESULTS

# BACKGROUND

The Office of Audit Services conducted an audit of Service Center Division administrative controls (internal controls) over the Service Center's Surge Vendor contractor (TTEC, formerly known as Faneuil) user access. The audit period was from January 1, 2021 through December 31, 2022. The auditors determined that the administration of internal controls is carried out by different supporting divisions. In addition to the Service Center, internal controls over user access are also administered by the Information Technology Division. Internal controls over the required privacy and information security training are also administered by Covered California University, under the Administrative Services Division.

The purpose of this audit was to obtain reasonable assurance that internal controls over the monitoring and oversight of the Surge Vendor user access are in place and operating as designed, in accordance with the applicable federal, state, and department rules, regulations, and statutes.

## Audit Objectives:

1. To determine, document, and evaluate the system of internal control over user access.
2. User access is provisioned and deprovisioned appropriately and timely.
3. All required training and security policies are provided.
4. User access controls are in place and monitored appropriately.
5. The administration of the program materially conforms to applicable federal, state, and department rules, regulations, and statutes.

# AUDITORS' ACKNOWLEDGEMENT OF CONTINUED IMPROVEMENTS

While the auditors identified reportable findings, they also acknowledged continued improvements made by the Service Center Division, Information Technology Division, and Covered California University when managing the Surge Vendor contract. This includes all onboarding/offboarding performed under this large contract. During the audit, the auditors recognized the following improvements:

- The Information Technology Division refined the user access service ticket process, specifically for deprovisioning system access. This change should help mitigate the risk of unauthorized individuals having access to Personally Identifiable Information and Federal Tax Information after their termination date.
- Covered California University enhanced the Learning Management System to include a monthly reconciliation process. This process was established to help ensure the Learning Management System records accurately reflect Surge Vendor active users.
- Service Center management is currently in the process of mapping out offboarding processes with the Surge Vendor to better enforce offboarding contract requirements.

# AUDIT FINDINGS, IMPLICATIONS, & SUMMARY OF CORRECTIVE ACTION PLANS

Finding 1: System User Access Deprovisioning Requests Are Not Processed Timely		
Finding	Implications	Summary of Corrective Action Plans
<p>a) The Service Center does not have controls in place to ensure the Surge Vendor is submitting offboard requests within one (1) business day of Surge Vendor staff departure, as required per contract.</p> <p>b) The Information Technology Division does not clearly define and document policies, standards, or procedures, to ensure contractor staff system access is removed timely in relation to their termination date.</p>	<p>a) Without the Service Center implementing controls to ensure Surge Vendor is submitting offboarding requests within the required one (1) business day of staff departure, there is a risk of unauthorized individuals continuing to have access to Personally Identifiable Information and Federal Tax Information if not timely deprovisioned.</p> <p>b) Without documented policies, standards, or procedures there is a risk that Personally Identifiable Information and Federal Tax Information is not protected when contractor staff is no longer employed by the contractor. This may result in individuals continuing to have unauthorized system access beyond their termination date.</p>	<p>a) The Service Center will develop a formal process to validate that the Surge Vendor is submitting offboarding requests within contractual requirements.</p> <p>Targeted Implementation Date – Q4 Calendar Year 2023</p> <p>b) The Information Technology Division and Information Security Office will provide a guide and policy for offboarding.</p> <p>Targeted Implementation Date – Q2 Calendar Year 2024</p>

# AUDIT FINDINGS, IMPLICATIONS, & SUMMARY OF CORRECTIVE ACTION PLANS

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

Finding	Implications	Summary of Corrective Action Plans
<p>a) While the Service Center gets 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 they process.</p> <p>b) The Service Center does not review the appropriate access levels shown in provisioning requests due to the lack of detailed procedures and design of controls.</p>	<p>Without the Service Center implementing controls and having clearly defined written procedures to ensure (1) provisioning requests are submitted to the Information Technology Division only for Surge Vendor staff that have passed the required background clearance; and (2) the appropriate level of access is being requested and approved for Surge Vendor staff, there is a risk of Surge Vendor users having inappropriate system access and access to Personally Identifiable Information and Federal Tax Information, including inappropriate level of access (i.e., too much or too little access).</p>	<p>The Service Center will develop a formal process to include validation of background checks and level of access as part of the provisioning process.</p> <p>Targeted Implementation Date – Q4 Calendar Year 2023</p>

# AUDIT FINDINGS, IMPLICATIONS, & SUMMARY OF CORRECTIVE ACTION PLANS

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

Finding	Implications	Summary of Corrective Action Plans
<p>a) 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.</p> <p>b) Service Center and Information Technology Division rely on the Surge Vendor performing an annual active user reconciliation; instead of performing an independent reconciliation, as required.</p>	<p>There is a risk of inappropriate access to Personally Identifiable Information and Federal Tax Information if Surge Vendor employees remain active in the system and not being disabled timely or not at all, or they have inappropriate level of access granted.</p>	<p>a) To assist in the facilitation of the review process, the Service Center 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 complete monthly.</p> <p>Targeted Implementation Date – Q4 Calendar Year 2023</p> <p>b) The Information Technology Division will develop processes based on the Information Security system user policy. As processes are developed, the Service Center will implement them with the Surge Vendor.</p> <p>Targeted Implementation Date – Q4 Calendar Year 2023</p>



# AUDIT FINDINGS, IMPLICATIONS, & SUMMARY OF CORRECTIVE ACTION PLANS

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

Finding	Implications	Summary of Corrective Action Plans
<p>c) The Surge Vendor did not always submit deprovisioning requests for Surge Vendor staff system users who were on a Leave of Absence.</p> <p>d) Both the Service Center and Information Technology Division administer access control for the Surge Vendor. They also provide oversight and monitor the performance of the Surge Vendor’s user access audit functions, which is conducted annually. This structure does not comply with the separation of duties requirements under MARS-E and Covered California Information Security Policy. MARS-E and Covered California Information Security Policy require that audit functions are not performed by security personnel responsible for administering access control.</p>	<p>There is a risk of Service Center and Information Technology Division being non-compliant with MARS-E requirements, contract requirements, and Covered California Information Security Policy.</p>	<p>User Access review functions will move to the Information Security Office. As user access review processes are developed, the Service Center will implement them with the Surge Vendor.</p> <p>Targeted Implementation Date – Q4 Calendar Year 2023</p>

# AUDIT FINDINGS, IMPLICATIONS, & SUMMARY OF CORRECTIVE ACTION PLANS

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

Finding	Implications	Summary of Corrective Action Plans
<p>a) The Service Center does not verify Privacy and Information Security trainings completion prior to provisioning system access for Surge Vendor new hires.</p> <p>b) 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.</p>	<p>If Surge Vendor staff are not always properly trained on critical topics such as privacy and information security laws, rules, standards, and policies, there is a risk that Personally Identifiable Information and Federal Tax Information may not be adequately protected</p>	<p>a) The Service Center Division will partner with Covered California University and the Information Security Office to develop a process to validate training was completed.</p> <p>Targeted Implementation Date – Q4 Calendar Year 2023</p> <p>b) The Service Center Division will partner with Covered California University to develop a process to validate training completion.</p> <p>Targeted Implementation Date – Q4 Calendar Year 2023</p>

# AUDIT FINDINGS, IMPLICATIONS, & SUMMARY OF CORRECTIVE ACTION PLANS

## Finding 4: Covered California’s Required Privacy and Information Security Training Are Not Always Completed Prior to Provisioning System Access (continued)

Finding	Implications	Summary of Corrective Action Plans
<p>c) 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.</p> <p>d) Surge Vendor staff do not sign Covered California’s Acceptable Use Policy, per contract requirements.</p>	<p>If Surge Vendor staff that have access to Personally Identifiable Information and Federal Tax Information are not always properly trained on critical topics such as privacy and information security laws, rules, standards, policies, and do not acknowledge and sign Covered California’s Acceptable Use Policy, there is a risk that Personally Identifiable Information and Federal Tax Information may not be adequately protected.</p>	<p>c) 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. Targeted Implementation Date – Q4 Calendar Year 2023</p> <p>d) 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. Targeted Implementation Date – Q4 Calendar Year 2023</p>



# Questions

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# UPDATES ON FEDERAL PROGRAMS

State Exchange Improper Payment Measurement (SEIPM)  
Improper Payment Pre-Testing and Assessment (IPPTA)

# STATE EXCHANGE IMPROPER PAYMENT MEASUREMENT (SEIPM)

**AUTHORITY:** 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 Advance Premium Tax Credits (APTC), as administered by the State Exchanges. The SEIPM is designed to reduce and recover improper payments.

**COVERED CALIFORNIA SEIPM ENGAGEMENT:** SEIPM was designed as a **voluntary** process for state exchanges to participate in testing activities in preparation for official improper payment measurement.

- The Centers for Medicare & Medicaid Services (CMS) offered three levels of pre-measurement engagement.
- Ten of eighteen state-based exchanges participated at different levels of engagement.
- Official measurement was initially planned to begin in 2024 using data from the 2023 benefit year.
- Covered California opted for the highest level of engagement: Pilot Testing (August and September 2023).
- CMS plans to issue a Program Analysis Report of Observations (December 2023).

# SEIPM AREAS OF EVALUATION

The SEIPM program evaluates Covered California's eligibility and enrollment processes to estimate improper Advance Premium Tax Credit (APTC) payments. Examples of review areas include the following:

REVIEW AREA:	BRIEF DESCRIPTION:
<b>Electronic Verification of Applications</b>	Determine whether the Exchange appropriately verified attestations made by the consumers that are included in a tax household requesting financial assistance. If the attestations could not be electronically verified through internal or external sources, then an inconsistency should have been triggered for manual verification.
<b>Inconsistency Adjudication and Conclusion</b>	Testing of improper payments stemming from inconsistencies generated by the Exchange.
<b>Eligibility Determination and Calculations</b>	Verify that the Qualified Health Plan (QHP) residency eligibility, QHP eligibility, APTC eligibility and Special Enrollment Period (SEP) eligibility were determined properly based on attestations and verifications.
<b>Enrollment Redeterminations</b>	Verify whether modifications in an application were processed appropriately and if the changes have been reflected properly in the consumers' QHP and APTC eligibility re-determination and enrollment processes.
<b>Enrollment Reconciliations</b>	Determine whether the issuer provided data was reconciled in the reconciliation process and whether the data was reflected properly in the consumer's APTC eligibility and enrollment information.
<b>Payments</b>	Verify APTC payments were made properly based on Exchange eligibility and enrollment determinations.
<b>Plan Management</b>	Analyze plan de-certification and suppression dates to determine whether application members are properly enrolled in a certified QHP.



# IMPROPER PAYMENT PRE-TESTING AND ASSESSMENT (IPPTA)

- IPPTA is a new mandate by the Centers for Medicare & Medicaid Services as the pre-testing and assessment period prior to the official measurement of improper payments.
- The IPPTA program was introduced in December 2022 in the Notice of Benefit and Payment Parameters and later finalized in Federal Regulations in April 2023.
- The final Federal Regulations state IPPTA will replace the SEIPM program.
- While IPPTA is similar to SEIPM, below are the noted differences:
  - IPPTA is mandatory for all state exchanges (SEIPM was voluntary).
  - All state exchanges must participate in full engagement (SEIPM offered optional levels of engagement).
  - The timeline for the pre-testing period will now be two years (compared to one year for SEIPM).
- According to the Center for Medicare & Medicaid Services (CMS), exchanges who have engaged in the SEIPM program will satisfy IPPTA requirements, where applicable. Additional CMS guidance is forthcoming.



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# WRAP-UP AND NEXT STEPS

## Future Meeting Dates:

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