



COVERED CALIFORNIA INDEPENDENT EXTERNAL AUDIT: 2018 AUDIT FINDINGS REPORT SUMMARY OF RESULTS

AUDIT PURPOSE AND SCOPE

Covered California commissioned Sjoberg Evashenk Consulting, Inc. (SEC) to conduct an independent external programmatic audit for the 2018 program year. As required by 45 Code of Federal Regulations (CFR) § 155.1200 and related guidance issued by the Centers for Medicare and Medicaid Services (CMS), the purpose of this independent external audit was to evaluate:

- Program effectiveness and results;
- Compliance with 45 CFR Part 155;
- Program efficiencies, including the extent to which programs duplicate, overlap, or conflict with other related programs; and
- The effectiveness of the systems of internal controls designed and implemented by Covered California, including those related to preventing improper eligibility determinations and enrollment transactions.

The Scope of this external programmatic audit included operational, programmatic, and administrative functions performed pursuant to 45 CFR Part 155, specifically requirements addressed in subpart C (General Functions), subpart D (Eligibility Determinations), subpart E (Enrollment Functions), and subpart K (Certification of Qualified Health Plans). In addition to assessing compliance with the specified subparts, the audit also focused on the following eight (8) areas:

- Evaluate the efficiency and effectiveness of Individual Market eligibility and enrollment processes, including eligibility determinations, participation in insurance affordability programs (IAP) and related reporting requirements, special enrollments, notices sent to customers, and processes to prevent inappropriate dual enrollments in a Covered California IAP and Medi-Cal coverage;
- Assess whether processes employed by Covered California are adequate to ensure information reported by Qualified Health Plans for Individual Market System for Electronic Rates and Forms Filing templates is accurate and reliable;

- Determine whether Covered California management implemented sound monitoring and oversight practices to ensure compliance with 45 CFR 155 Subpart M, accurate program reporting, and optimal program performance;
- Assess the effectiveness and efficiency of the processes employed by Covered California to oversee the Help Desk ticketing process;
- Assess whether oversight provided by Covered California adequately ensures the Service Center Surge Contractor adheres to contract requirements and meets Covered California's service performance expectations;
- Assess the efficiency and effectiveness of Covered California's Agent Services Program, including agent on-boarding processes and protocols, training, and on-going support provided;
- Assess whether controls and policies established by Covered California to protect personally identifiable information (PII) from being inappropriately accessed, used, and/or distributed are consistently followed by Covered California staff, with a focus on Covered California employee's access to eligibility and enrollment systems; and
- Follow-up on the status of prior External Programmatic Audit findings.

AUDIT FINDINGS

Under the federal Patient Protection and Affordable Care Act (PPACA), states were given the option to create a state-based health insurance exchange or participate in the federal multi-state health insurance exchange. In 2010, California was the first state to adopt legislation to establish a state-based health insurance exchange. The California Legislature established the California Health Benefit Exchange, known as Covered California, to "reduce the number of uninsured Californians by creating an organized, transparent marketplace for Californians to purchase affordable, quality health care coverage, to claim available tax credits and cost-sharing subsidies, and to meet the personal responsibility requirements imposed under the federal act."

Since September 2014, Covered California Individual Market enrollment has increased nearly 18 percent, from more than 1.1 million enrollments to over 1.3 million enrollments as of September 2018. Of the more than 1.3 million enrollments in 2018, nearly 1.2 million, or 88 percent, were subsidized enrollees participating in a Covered California Insurance Affordability Program (IAP) and receiving government subsidized benefits. In addition, Covered California for Small Business (CCSB) reported nearly 49,000 members as of September 30, 2018, with a 35 percent over a year net membership growth rate.

During the 2018 benefit year, Covered California continued its effort to improve and build upon existing processes; implemented internal controls to better ensure information reported to external entities, including Centers for Medicare and Medicaid Services (CMS) and customers, was accurate and reliable; and took steps to better ensure compliance with federal requirements.¹ For instance, although prior External Programmatic Audits found that IRS Form 1095-As were not always accurate or generated timely, the auditor's reviewed samples of IRS Form 1095-As generated in 2018 for the 2017 benefit year found that forms were generally sent to customers by the January 31st deadline, and amounts reported agreed with underlying data. In another example, the auditor's review of notices sent for enrollments during the 2018 benefit year found that notices were sent within timelines required by federal regulations, included required information, and were generally accurate.

In addition, among many other accomplishments, Covered California reports the following:

- Both the Centers for Disease Control (CDC) and the U.S. Census Bureau show California's uninsured rate at a historic low. The CDC shows California's uninsured rate dropped from 17 percent in 2013 to 6.8 percent by the end of 2017.
- An analysis conducted by a health care actuarial consulting firm and Covered California, found that California continues to benefit from attracting a healthy mix of enrollees to its Individual Market, resulting in more stable rates and enrollment.
- The Covered California Navigator Program reported that it designed and implemented the Salesforce Customer Relationship Management Information System for its Certification Services Section, which included mandatory and regulatory training integration, oversight, and compliance functionality for all enrollment partners as well as contract payment invoicing, contract oversight, activity reporting, progress reporting, and contract compliance functionality for the Navigator Program partners.
- CCSB launched EaseCentral, an integrated software platform, to give small businesses and their employees' access to CCSB's plan choices, which Covered California anticipates will lead to better efficiencies for consumers' access to care.
- The Covered California Program Integrity Division implemented improvements for the Covered California integrated enterprise-wide fraud management program to help detect, prevent, and deter potential fraud, waste, and abuse.

¹ A customer is defined as an individual applying for coverage or enrolled in a qualified health plan offered by Covered California.

While Covered California improved its many processes and internal controls, the auditors found that the opportunities for further enhancements still exist. In its report, the auditors present six (6) findings that relate to Covered California's Individual and Small Business Markets. The first finding addresses the security of personally identified information (PII) and processes in place to grant, change, and remove employee access to certain information systems. The second finding emphasizes Covered California's compliance with federal requirements related to Individual Market eligibility and enrollment. The third and fourth findings are follow-up reviews to prior audit findings related to Covered California's management and oversight of Help Desk ticketing and call center services provided by a third-party vendor. The remaining two findings address Covered California oversight management of its Agent Services Program and the integrity and accuracy of data maintained in the Data Warehouse.

CONCLUSION

Since the prior external programmatic audit, Covered California continued efforts to improve its operations and implemented processes to better ensure compliance with federal regulations. While the audit identified several areas where notable improvements were achieved, the audit also found that Covered California should continue to improve upon these efforts, as recommended, and thereby improve operational efficiencies and effectiveness, data integrity, and ensure compliance with federal regulations.

COVERED CALIFORNIA'S OFFICIAL RESPONSE

Covered California is an important part of the foundation of the health care system in our state, one that provides millions of Californians access to a competitive health insurance marketplace; the "one stop" shop where consumers can compare health insurance plans and choose the plan that works best for them. Covered California keeps delivering on its promise of care by ensuring health care plans are affordable and provide value for the consumer and that California residents receive the right health care at the right time. Another year ended with major changes in federal policy which continued to raise significant uncertainty, yet Covered California continued to remain focused on doing the work of fostering a competitive marketplace that works for California's consumers. Covered California continues to be flexible, agile and strives to maintain sustainability in the face of potential further changes in federal and state policies.

Covered California agrees with the overall observations presented in the report that we have continued our efforts "to improve and build upon existing processes; implemented internal controls to better ensure information reported to external entities was accurate and reliable; and took steps to better ensure compliance with federal requirements." We appreciate the recognition of improvements in many areas. We also agree that opportunities exist to further improve Covered California's operational efficiency and effectiveness, data integrity, and ensure compliance with federal regulations. We

acknowledge the importance of the issues identified in the six (6) specific findings presented in the draft audit report and look forward to addressing all.

It is worthwhile noting that the observations mentioned above occurred in yet another year during which Covered California achieved more growth and substantial accomplishments. Some of those highlights are mentioned in the audit report and a few others are listed below:

- By the end of its 2017-18 open-enrollment period, Covered California has served more than 3.4 million consumers since 2014.
- Covered California finished its fifth open enrollment strong – 457,558 consumers newly enrolled and selected insurance plans. New enrollments during open-enrollment period surpassed the initial forecast by more than 50,000. Covered California had two percent more enrollees at the end of the fifth open-enrollment compared to prior year.
- Covered California continues to provide affordable health care options to California residents. While nationally across federal and state-based marketplaces health care premium rates have gone up significantly, Covered California, over the past four years, kept premium increases to about seven percent.
- All 11 health insurance plans returned to the Covered California marketplace in 2018, and 82 percent of consumers could choose from three plans or more.
- In September 2018, Covered California won a national award for its outreach, education, and communications efforts to inform the public about critical health care issues:
 - Covered California won in the External Publications category for its work on “issue briefs” that outline the agency’s practices and the implications of federal policy changes on health care.
 - Covered California was also honored in three additional categories for its outreach and education efforts to help consumers get health insurance. Two nominations were for the Media Event category and the WOW! Award for the agency’s outreach and education work during the "Covered in Art" bus tour and mural campaign. The statewide campaign promoted enrollment and illustrated that health care is part of the fabric of every community in California.
 - Covered California’s in-house communications team was also recognized in the category of Multicultural Campaign for its targeted outreach and media activities to reach Latinos, African Americans, Asian/Pacific Islanders and LGBTQ communities throughout the state.

The auditor’s observations and recommendations will be given great consideration as Covered California continues to re-evaluate controls that ensure federal compliance, investigate additional data management best practices, and strive for process improvements in all areas across the organization. Covered California developed appropriate corrective action plan (CAP) to address the auditor’s recommendations. The CAP summary is presented in the table below.

RECOMMENDATIONS AND CORRECTIVE ACTION PLAN

Audit Findings for Program Year 2018 and Covered California’s Responses and Intended Corrective Action Plan	
Finding 1. Additional Controls Are Necessary to Ensure Information System Access Granted is Appropriate	
1.1	<p>Recommendation: To review processes for giving and monitoring access to the information systems, particularly California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) and Health Claims Processing System (HCPS).</p> <p>Response: Covered California agrees with the recommendation. Covered California Information Technology Division (CC IT) believes that the provision process for CalHEERS is already very strong. The example given in the audit was due to three main issues: a weakness in the Accenture CalHEERS 60-day disable process, blank roles in CalHEERS from Accenture, and user errors when submitting on- and off-boards. Covered California is working to address and correct these issues. Accenture has changed the 60-day disable to remove gaps and is correcting the issues with the blank roles in CalHEERS. Covered California was also given access to add/modify/disable staff in CalHEERS and this process reduced errors made previously when two entities worked on the tickets. The 60-day disable and Management Information Retrieval System (MIRS) report helps manage the errors when users are not submitting offboard requests and changes.</p> <p>Outreach and Sales Division agrees that more stringent guidelines and processes for granting access and monitoring access of Covered California associates to the HCPS system is necessary. Covered California HCPS users are granted read-only access to HCPS. The access to view enrollment, eligibility, and financial tracking is imperative in the oversight function that Covered California must perform with the Covered California for Small Business (CCSB) vendor, Pinnacle Claims Management. Beginning in February 2019, CCSB created a detailed policy and procedure to manage and monitor HCPS access for Covered California associates.</p>
1.2	<p>Recommendation: To further refine the entitlement catalog for CalHEERS system access to include all Covered California program areas by unit and role and expand the catalog to include HCPS access.</p> <p>Response: Covered California partially agrees with the recommendation and agrees to enhance our entitlement catalog. CC IT will update the existing entitlement catalog</p>

**Audit Findings for Program Year 2018 and
Covered California's Responses and Intended Corrective Action Plan**

	<p>to include the Exposition and Response locations. CC IT will not combine the entitlement catalog with HCPS at this time. Outreach and Sales CCSB team will continue to manage HCPS access.</p>
1.3	<p>Recommendation: To work with program managers and supervisors to ensure they understand protocols and expectations for giving access to information systems. As part of this process, to work with program managers to ensure program areas are following established offboarding procedures.</p> <p>Response: Covered California agrees with the recommendation. CC IT will work on the communication to the business partners regarding on/offboarding. CC IT will work with Human Resources (HR) and Information Security Office (ISO) to review all existing policies and communicate them to the Covered California Leadership.</p>
1.4	<p>Recommendation: To ensure both CC IT and CCSB are notified when an employee transfers within the organization, and CC IT and CCSB to implement a process to contact the prior and new manager or supervisor of the employee to verify that the level of access granted to CalHEERS and HCPS is still appropriate.</p> <p>Response: Covered California CC IT disagrees with the recommendation. Managers of offboarding and transferring staff are responsible to submit changes. CC IT has documented their change provisioning process and it is currently in place. During the corrective action plan implementation for Recommendation 1.3, CC IT will communicate the requirements for the change request submission. It is required that managers and the Division Single Point of Contact (SPOC) correctly submit changes through the ticket process.</p>
1.5	<p>Recommendation: For Covered California CC IT to disable the active CalHEERS accounts for prior employees, as identified during the audit.</p> <p>Response: Covered California agrees with the recommendation. CC IT disabled the active CalHEERS accounts for prior employees, as identified during the audit.</p>
1.6	<p>Recommendation: To ensure CC IT and CCSB are a part of the offboarding process and are removing access to CalHEERS and HCPS in a timely manner.</p> <p>Response: Covered California agrees with the recommendation. CC IT verifies that all users are removed from CalHEERS during offboarding process. The users identified in the audit were offboarded prior to the change in the process, which occurred in 2017. The updated CalHEERS 60-day disable feature will identify any outliers if errors are made in the future.</p> <p>Also, in December 2018, CC IT started receiving monthly Management Information Retrieval System report from Human Resources and use the report to confirm that all offboards are completed. Starting in March 2019, CC IT added the following:</p>

**Audit Findings for Program Year 2018 and
Covered California's Responses and Intended Corrective Action Plan**

	<p>1) Verify that tickets were received for any staff that transferred internally; 2) Track all staff for which CC IT did not receive a ticket, for audit purpose; 3) Plan on auditing the errors from submitters monthly.</p>
1.7	<p>Recommendation: To implement a process to disable erroneous CalHEERS accounts when a new account is created. This same principle would apply if there was a name change for an employee, their prior account should be disabled when their new account is created.</p> <p>Response: Covered California agrees with the recommendation. CC IT discussed this issue with its vendor in February 2019. The vendor will work on submitting change provisioning requests instead of new requests in the future.</p>
1.8	<p>Recommendation: To consider consolidating CalHEERS and HCPS access and management to one unit within Covered California.</p> <p>Response: Covered California does not agree with the recommendation. HCPS is a system operated and maintained by a third-party administrator, and as such, the administrator is responsible for managing access. Delegating the function of provisioning may diminish the liability to the administrator and reduce security posture of the application. If the solution was brought in-house in the future, this will be revisited.</p>
1.9	<p>Recommendation: To develop and implement a process to periodically review and reconcile employee access to all information systems containing customer Personally Identifiable Information (PII).</p> <p>Response: Covered California agrees with the recommendation. Covered California performs monthly review of employee access to all information system containing PII. Covered California requires that a ticket is opened when employment status changes occur. The IT Service Desk/Provisioning team receives a notification and processes changes appropriately. As a safeguard, Covered California receives a monthly report from Human Resources, which lists out Covered California staff separations, transfers, and new appointments. The Service Desk/Provisioning team has been assigned and is responsible to confirm and validate that the access management processes have been completed successfully.</p>
1.10	<p>Recommendation: To work with the CalHEERS project team to ensure CalHEERS system functionality to automatically disable user accounts exceeding the established 60-day threshold are working as intended and expand CalHEERS system functionality to automatically disable all user roles where inactivity exceeds established thresholds. In addition, to work with Pinnacle to ensure the HCPS controls in place to disable accounts that exceed the established inactivity threshold are working as intended.</p>

**Audit Findings for Program Year 2018 and
Covered California's Responses and Intended Corrective Action Plan**

Response: Covered California partially agrees with the recommendation. Covered California discussed with Accenture to improve a 60-day disable function. Please refer to the Recommendation 1.1 and the respective corrective action plan. Outreach and Sales Division agrees that more stringent guidelines and processes for monitoring access of Covered California associates to HCPS is needed. In February 2019, CCSB created a detailed policy and procedure to manage and monitor HCPS access for Covered California associates.

Finding 2. Continued Improvements are Warranted to Ensure Full Compliance with Federal Requirements for Individual Market Eligibility Determinations and Enrollment

2.1 Recommendation: To continue efforts to develop and implement CalHEERS system functionality to automatically discontinue enrollees that have not provided documentation demonstrating eligibility at the end of the Reasonable Opportunity Period (ROP), as required by federal regulations. In addition, as previously recommended in prior audits, to develop a manual process to conduct timely verifications in the interim.

Response: Covered California agrees with the recommendation. Covered California and CalHEERS are currently working to resolve the issues identified with the ROP Auto-Discontinuance Batch using a new system functionality change and design process that adopts Agile methodologies. With the Agile methodology, we anticipate incremental updates/fixes to the ROP Auto-Discontinuance Batch to be delivered throughout 2019. The Policy, Eligibility and Research Division met with the Service Center leadership team and concluded that at this time we will not re-establish a manual verification process. Covered California is accepting the risks of this decision.

2.2 Recommendation: As recommended in prior audits:

- Move forward with the design and implementation of planned change requests;
- Implement a process in the interim to identify and review cases where individuals are deemed eligible for both Medi-Cal and Advanced Premium Tax Credit (APTC)/Cost Sharing Reduction (CSR);
- Ensure manual verifications are conducted timely; and
- Implement a process similar to the Federal Health Exchange, where the customer is sent a warning notification and requested to update their application or end their financial assistance in instances where dual enrollment exists. If the customer does not take required action, to terminate financial assistance.

Response: Covered California agrees with the recommendation. Covered California will continue to work with our state Medicaid agency to facilitate seamless transitions and eliminate unnecessary coverage overlaps. Covered California and CalHEERS are currently working to resolve the issues identified through a change in CalHEERS to ensure our system is fully integrated.

**Audit Findings for Program Year 2018 and
Covered California's Responses and Intended Corrective Action Plan**

Finding 3. Although the Help Desk Ticketing Process Improved, Opportunities Exist for Additional Improvements

3.1	<p>Recommendation: To work with the CalHEERS project team to implement the incident ticket process improvements identified by the CalHEERS project team.</p> <p>Response: Covered California agrees with the recommendation. CalHEERS is now providing the number of impacted cases on each ticket. Additional tracking will be added in the help desk tool for the ticket resolution in a release based on the defect resolution status.</p>
3.2	<p>Recommendation: To assess whether the established timelines are reasonable and consider implementing separate timelines for resolving the ticket and the cases impacted by the ticket issue.</p> <p>Response: Covered California agrees with the recommendation. The established timelines (Service Level Agreements) are reasonable for the Severity 1-5 system issues. The lengthy timelines are mostly related to the non-warranty and Severity 6 system issues which must follow the change request process timelines. The improvements described in the corrective action plan for Recommendation 3.1 will help to reduce some of the time it takes to close a ticket.</p>

Finding 4. Although Surge Contractor Met Many Contract Provisions, The Contract Continues to Lack Defined Performance Measurements and Covered California Oversight Should Be Enhanced

4.1	<p>Recommendation: To work with the Surge Contractor to revise the contract to more clearly define Covered California's expectations in a measurable and verifiable manner, and tie compensation to satisfactory completion of services and deliverables. In addition, to document steps taken to address areas of non-compliance and timelines for corrective action; to begin requesting and using the optional reports included in the contract to assess the Surge Contractor's performance.</p> <p>Response: Covered California agrees with the recommendation. In 2019, the Service Center will release a Request for Proposal that will include clearly defined and measurable performance expectations, as well as provisions for enforcing non-compliance. While formal expectations are not in the current contract, the Service Center meets with the vendor weekly to address all performance standards (quality assurance, language support, adherence, staffing numbers, training, etc.). All recommendations for improvements and corrective action plans, including timelines, are documented and submitted to the Service Center. The optional reports referenced in the contract are not available because of system changes implemented in 2017. The Service Center will work with CC IT to identify reports that will be used to assess the Surge Contractor's performance.</p>
-----	---

**Audit Findings for Program Year 2018 and
Covered California's Responses and Intended Corrective Action Plan**

4.2	<p>Recommendation: To review contract provisions related to compensation for overtime and ensure it is paying the surge vendor in accordance to contract overtime payment provisions.</p> <p>Response: Covered California agrees with the recommendation. Covered California will review the contract provisions related to compensation for overtime and create a process to ensure that overtime is paid in accordance to the contract overtime payment provisions.</p>
-----	---

Finding 5. Agents and General Agents Are Generally Satisfied with Agents Services Program; however, Opportunities for Some Improvement

5.1	<p>Recommendation: To continue its efforts to develop and implement a process to periodically review the license status of active Covered California Agents.</p> <p>Response: Covered California agrees with the recommendation. Monitoring the license status of Certified Insurance Agents (CIAs) is a priority to ensure that consumers receive assistance from qualified and compliant CIAs. Covered California began reconciling the data received from California Department of Insurance (CDI) in quarterly reports against the list of current CIAs to identify agents not currently in an active license status. In addition to this effort, Covered California is developing a data field in Salesforce for CIAs license expiration date, which will allow regular reports to be pulled to monitor compliance with license renewals.</p>
-----	--

5.2	<p>Recommendation: To consider the feasibility of offering a same-day call-back feature.</p> <p>Response: Covered California agrees with the recommendation. Enrollers need assistance from the Agent and Certified Enrollment Counselor Service Center in a timely manner to complete their work. The proposed action to offer a same-day call-back feature to mitigate wait times that exceed the six-minute service level expectation may improve the satisfaction of Agents and Certified Enrollers. Covered California will explore the feasibility of implementing this call center enhancement.</p>
-----	--

Finding 6. Data Warehouse and CalHEERS Data Generally Aligned for Attributes Tested

6.1	<p>Recommendation: To continue to monitor the Data Warehouse Dashboard Discrepancy Reporting and continue efforts to identify the root cause when and if discrepancy rates increase. In addition, to move forward with plans to resolve the two defects identified and conduct user acceptance testing prior to releasing the new system updates, to ensure the system changes fully address and resolve the issues identified.</p>
-----	--

**Audit Findings for Program Year 2018 and
Covered California's Responses and Intended Corrective Action Plan**

	<p>Response: Covered California agrees with the recommendation. We will continue to monitor the Data Warehouse Dashboard Discrepancy Report. If discrepancy rates increase, Covered California will identify the root cause and implement plans to correct the discrepancy. The solutions to two system issues identified during the audit were implemented by February 2019. The CalHEERS team will continue to monitor and help ensure there are no further issues.</p>
--	--