



cutting through complexity

New York State of Health

**Performance Audit of
Centers for Medicare and Medicaid Services
(CMS) Rule 9957 Requirements**

March 30, 2016

FINAL REPORT

For the Period October 1, 2013–December 31, 2014

KPMG LLP
515 Broadway
Albany, NY 12207

kpmg.com

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

March 30, 2016

Donna Frescatore
Executive Director
New York State of Health
Corning Tower
Albany, New York 12207

Dear Ms. Frescatore:

This report presents the results of KPMG LLP's (KPMG) work conducted to address the performance audit objectives of Work Order 2014-02, related to New York State of Health's (NYSOH) compliance with the Centers for Medicare and Medicaid Services (CMS) Rule 9957 (45 C.F.R. §155) requirements. We conducted our test work during the period September 22, 2015 through March 30, 2016 and our results, reported herein, are as of the 15 month audit period ended December 31, 2014.

We conducted this performance audit in accordance with Government Auditing Standards (GAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

We have evaluated GAS independence standards for performance audits and affirm that we are independent of NYSOH and the relevant subject matter to perform this engagement.

Attached to this letter is our report detailing the background, objective, scope, approach, findings, recommendations, and limitations as they relate to the performance audit.

Based upon the audit procedures performed and the results obtained, we have met our audit objectives. Due to the exceptions noted in detail in this report, we documented findings which could increase NYSOH's risk of ineffective oversight and program integrity practices.

This audit did not constitute an audit of financial statements in accordance with GAS or U.S. Generally Accepted Auditing Standards. KPMG was not engaged to, and did not, render an opinion on NYSOH's internal controls over financial reporting or over financial management systems.

This report is intended solely for the information and use of NYSOH and CMS, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPMG LLP

Executive Summary

Executive Summary

In this Executive Summary, we provide New York State of Health (NYSOH) with the background, objective, scope, approach, and summary of results related to this performance audit. The remainder of this document details the audit methodology as well as the findings, observations, and recommendations that resulted from our test work.

Background

The Patient Protection and Affordable Care Act (ACA) was enacted by the U.S. Congress on October 23, 2010 and established the framework for the operation of health insurance exchanges. Specific regulations were further detailed in the Centers for Medicare and Medicaid Services (CMS) Final Rule 9957, published July 19, 2013 and incorporated into 45 C.F.R. §155. In accordance with general program integrity and oversight requirements, 45 C.F.R. §155.1200 requires entities operating as state-based marketplaces (SBM) to engage an independent qualifying auditing entity which follows generally accepted governmental auditing standards to perform an annual independent external programmatic audit. The SBM must ensure that the programmatic audit addresses compliance with Rule 9957 generally and specifically with program integrity and oversight requirements; processes and procedures designed to prevent improper eligibility determinations and enrollment transactions; and identification of errors that have resulted in incorrect eligibility determinations. The SBM is required to provide the results of the audit to CMS and publish a public summary of the results.

The New York State Health Benefit Exchange was established on April 12, 2012 when Governor Andrew Cuomo signed Executive Order 42. New York State Health Benefit Exchange is one of the few marketplaces to be established within a state agency.

NYSOH is responsible for facilitating enrollment in health coverage and the purchase and sale of Qualified Health Plans (QHPs) in the individual market in this state, and enrolling individuals in health coverage for which they are eligible in accordance with federal law. NYSOH is responsible for enabling eligible individuals to receive premium tax credits and cost-sharing reductions and to enable eligible small businesses to receive tax credits, in compliance with all applicable federal and state laws and regulations. NYSOH administers ACA programs for QHPs and Qualified Dental Plans (QDPs) for eligible individuals, performs eligibility determinations for federal and state subsidies, administers a Small Business Health Options Program (SHOP) for small businesses, and administers a Navigator program.

NYSOH falls under the umbrella of the New York State Department of Health (DOH) and is therefore held to some of the same legislative actions that to which DOH is subjected. NYSOH is led by an Executive Director who in turn reports directly to the Commissioner of Health.

NYSOH personnel perform various business administration, program oversight, and support functions such as finance, legal, communications, public policy and outreach, plan management, operations and information technology (IT), and member appeals. NYSOH contracts a significant amount of its operations to private vendors (e.g., customer service and call center operations, select financial processing activities, and some IT development and maintenance) and relies on other public agencies and their private vendors to provide other key services relating to core IT systems.

Objective

The objective of this audit was to assess NYSOH's compliance with 45 C.F.R. §155 regulations for the 15 month audit period ended December 31, 2014.

Executive Summary (continued)

KPMG LLP (KPMG) was responsible for performing the programmatic audit in accordance with Government Auditing Standards (GAS) and preparing a written report communicating the results of the audit, including relevant findings and recommendations. These results may include deficiencies in internal controls that are significant within the context of the objective of the audit, any identified instances of fraud or potential illegal acts (unless they are inconsequential within the context of the audit objectives), significant violations of provisions of contracts and grant agreements, and significant abuse that may have been identified as a result of this engagement.

Scope

Program areas subject to audit included processes and controls over:

- IT Privacy and Security
- Eligibility (including Appeals)
- Enrollment
- Financial Processing
- General Exchange functions, including:
 - Call center
 - Governance and oversight functions
 - Data and records management
 - QHP certification
 - Navigators and assisters.

Approach

The audit was conducted in the following phases: Audit Planning, Information Gathering and Analysis, Audit Execution, and Validation and Reporting. Each phase is described below:

- **Audit Planning:** Our audit planning included meeting with representatives of NYSOH to begin the project, introduce the core team, validate our understanding and the overall scope of the audit, confirm functional areas to be included in the audit, and develop a tailored audit program.
- **Information Gathering and Analysis:** This phase included meeting with NYSOH process owners to initiate the audit; refine our understanding of NYSOH's activities, processes, and controls during the audit period; obtain supporting documentation; and conduct preliminary test work.
- **Audit Execution:** This phase consisted of reviewing and testing specific procedures to assess NYSOH's compliance with regulatory criteria and design and operating effectiveness of supporting controls within the IT Privacy and Security, Eligibility, Enrollment, Financial Processing, and General Exchange functions.
- **Validation and Reporting:** This phase consisted of developing draft findings and recommended improvements, validating the draft findings with NYSOH process owners, and discussing NYSOH's plans for corrective action.

Executive Summary (continued)

Summary of Results and Findings

As a result of our audit procedures, KPMG identified the following findings relating to specific controls and processes. These are summarized below. In addition, these findings are explained in greater detail and organized by condition, criteria, cause, effect, and recommendation in the Findings and Recommendations section of this report. NYSOH's response to each of these findings is found in the Management's Response section of the report.

Finding #2014-01 – CMS Reporting Data - NYSOH did not maintain documentation or provide access in support of the following:

- Formal evidence of senior management review and approval of periodic/ad-hoc CMS reports during the audit period, as such review is often performed in person with verbal approvals provided.
- Accuracy and completeness of supporting data used to compile weekly, monthly, quarterly, and ad-hoc reports submitted to CMS.

Finding #2014-02 – Exchange Employee Training - One NYSOH employee, in the sample selected for testing, did not complete all required New York State training courses timely during the 2014 training period.

Finding #2014-03 – Verification of Eligibility - As a result of our sample tests of NYSOH's processes for manual verifications of eligibility applications, we identified an exception where immigration documentation was not verified timely.

Finding #2014-04 – Eligibility Determinations - As a result of our sample tests of NYSOH's processes for eligibility determinations, we identified the following exceptions:

- A consumer's application was flagged as having existing Medicaid coverage, but then was also determined to be eligible for APTC.

Limitations

Given that we conducted our test work during the period September 22, 2015 through March 30, 2016 and our results, reported herein, are as of the 15 month audit period ended December 31, 2014, our scope of procedures was subject to limitations due to the difference in time between the audit period and the period in which test work was conducted.

Background

Background

The ACA was enacted by the U.S. Congress on October 23, 2010 and established the framework for the operation of health insurance exchanges. Specific regulations were further detailed in CMS Final Rule 9957, published July 19, 2013 and incorporated into 45 C.F.R. §155. In accordance with general program integrity and oversight requirements, Rule 9957 requires entities operating as SBMs to engage an independent qualifying auditing entity which follows generally accepted governmental auditing standards to perform an annual independent external programmatic audit. The SBM must ensure that the programmatic audit addresses compliance with Rule 9957 generally and specifically with program integrity and oversight requirements; processes and procedures designed to prevent improper eligibility determinations and enrollment transactions; and identification of errors that have resulted in incorrect eligibility determinations. The SBM is required to provide the results of the annual programmatic audit to CMS; make public a summary of the results of the external audit; and develop and inform CMS of a corrective action plan is required to provide the results of the audit to CMS and publish a public summary of the results.

The New York State Health Benefit Exchange was established on April 12, 2012 when Governor Andrew Cuomo signed Executive Order 42. New York State Health Benefit Exchange is one of the few marketplaces to be established within a state agency. The order stipulates that DOH, in conjunction with the Department of Financial Services (DFS) and other state agencies, will take the required steps to effectuate the exchange and expedite its ability to perform all necessary functional requirements. Due to DOH's current structure as a state agency, there was no need to spend the time or resources to appoint a board of directors and related policies. NYSOH was able to leverage the existing processes and protocols for decision making of DOH to address the multifaceted needs of the exchange. DOH has years of experience managing the State's public health insurance programs and has strong working relationships with DFS and other important state agencies impacted by the implementation of the exchange. NYSOH was able to be created at a much faster rate due to the ability of the exchange to leverage the experience of both DOH and DFS.

NYSOH is responsible for facilitating enrollment in health coverage and the purchase and sale of QHPs in the individual market in this state, and enrolling individuals in health coverage for which they are eligible in accordance with federal law. NYSOH is responsible for enabling eligible individuals to receive premium tax credits and cost-sharing reductions and enabling eligible small businesses to receive tax credits, in compliance with all applicable federal and state laws and regulations. NYSOH administers ACA programs for QHPs and QDPs for eligible individuals, performs eligibility determinations for federal and state subsidies, administers a SHOP for small businesses, and administers a Navigator program.

NYSOH falls under the umbrella of the DOH and is therefore held to some of the same legislative actions to which DOH is subjected. NYSOH is led by an Executive Director who in turn reports directly to the Commissioner of Health.

Objective, Scope, and Approach

Objective, Scope, and Approach

Objective

KPMG was engaged to perform a programmatic audit in accordance with both 45 C.F.R. §155.1200(c) and GAS to assess NYSOH's compliance with 45 C.F.R. §155 regulations for the 15 months ended December 31, 2014.

KPMG was responsible for preparing a written report communicating the results of the audit, including relevant observations and recommendations. These results should include deficiencies in internal controls that are significant within the context of the objectives of the audit, any identified instances of fraud or potential illegal acts (unless they are inconsequential within the context of the audit objectives), and significant abuse that was identified as a result of this engagement.

In accordance with GAS, KPMG was also required in certain circumstances to report fraud, illegal acts, and violations of provisions of contracts or grant agreements, or abuse that we may detect as a result of this engagement, directly to parties outside the auditee.

Scope

KPMG was engaged to assess NYSOH's compliance with 45 C.F.R. §155 regulations for the 15 months ended December 31, 2014 and our procedures were limited to the following:

Audit Area	Representative Tasks	Sample Documentation
IT Privacy and Security	<ul style="list-style-type: none"> » Interview IT privacy and security process owners and review process control documentation. » Conduct process walkthroughs to identify and classify key controls for testing, including: <ul style="list-style-type: none"> - Personally Identifiable Information and the confidentiality, disclosure, maintenance, and use of information - Incident management/reporting procedures - Data loss and security breach incidents. » Select samples to test design and effectiveness of key controls and document any findings and recommendations. 	<ul style="list-style-type: none"> » Internal IT control documentation—such as relevant IT security policies, application business rules, and physical security provisions » Reports—incident reporting, user access, etc.

Objectives, Scope, and Approach (continued)

Audit Area	Representative Tasks	Sample Documentation
Eligibility	<ul style="list-style-type: none"> » Interview process owners and review process control documentation. » Conduct process walkthroughs to identify and classify key controls for testing including verification of basic applicant data, MAGI eligibility, account update procedures, exemption requests, appeals, and reporting to federal and state agencies. » Select samples to test design and effectiveness of key controls and document any findings and recommendations. 	<ul style="list-style-type: none"> » Internal control documentation—such as policies and procedures for eligibility determinations, account updates and terminations, etc. » Management reports—applications and eligibility determinations activity » Member applications—paper, electronic
Enrollment	<ul style="list-style-type: none"> » Interview process owners and review process control documentation. » Conduct process walkthroughs to identify safeguards over enrollment actions such as: <ul style="list-style-type: none"> - Enrolling individuals in QHP offerings - Generating and correctly populating Forms 834 - Reporting. » Select samples to test design and effectiveness of key controls and document any findings and recommendations. 	<ul style="list-style-type: none"> » Internal control documentation—such as policies and procedures for new members, terminations, status changes, etc. » Reconciliations with QHP issuers and CMS
Financial Processing	<ul style="list-style-type: none"> » Interview financial process owners and review process control documentation. » Conduct process walkthroughs to review and understand the calculations and reporting of QHP premiums and payments; federal and state Advanced Premium Tax Credit/Cost Sharing Reduction (APTC/CSR) calculations, payments and associated reconciliation activity, and related reporting. » Select samples to test design and effectiveness of key controls and document any findings and recommendations. 	<ul style="list-style-type: none"> » Internal financial policies and procedures » Financial reports—such as SHOP billing reports, CMS APTC/CSR reconciliations, etc.

Objectives, Scope, and Approach (continued)

Audit Area	Representative Tasks	Sample Documentation
General Exchange Functions	<ul style="list-style-type: none"> » Interview process owners of key roles in the target general exchange functions, e.g., call center, compliance management, training, data/records maintenance. » Review process control documentation for these functions. » Conduct process walkthroughs to identify and classify key controls for testing. » Select samples to test design and effectiveness of key controls and document any findings and recommendations. 	<ul style="list-style-type: none"> » Internal control documentation—policies and procedures on general exchange functions » Customer Service Representative performance reports » NYSOH employee training records

KPMG reviewed documents and performed inquiries, observed processes, conducted walkthroughs, and held interviews with NYSOH management and key process owners who perform select program functions.

KPMG identified controls through our walkthroughs with NYSOH process owners relating to applicable program requirements and identified gaps based on process objectives and associated risks. KPMG conducted Tests of Design to consider whether the control, individually or in combination with other controls, is capable of effectively preventing or detecting and correcting noncompliance as well as Tests of Operating Effectiveness to consider whether the control was implemented and operates in a manner appropriate to accomplish the control objective. We tested identified controls and oversight activities within the audit scope and identified several findings indicating deficiencies in internal control activities.

Specific to 45 C.F.R. §155.1200(c), our scope of work was designed to assess overall compliance with 45 C.F.R. §155, NYSOH's processes and procedures designed to prevent improper eligibility determinations and enrollment transactions, and identification of errors that may have resulted in incorrect eligibility determinations.

Approach

The audit was conducted in the following phases: Audit Planning, Information Gathering and Analysis, Audit Execution, and Validation and Reporting. Each phase is described below.

- **Audit Planning:** The first phase of this project involved embedding performance audit project management protocols to effectively conduct the audit, manage stakeholder expectations, and execute communications protocols from the outset. A formal Project Kickoff Meeting was held to introduce key NYSOH stakeholders to the KPMG engagement team and confirm our mutual understanding of the audit scope and objectives. During the course of the audit, regular status meetings were also conducted with the NYSOH Administrative Officer serving as the principal NYSOH liaison.

Objectives, Scope, and Approach (continued)

- **Information Gathering and Analysis:** Following Audit Planning, this phase involved further developing our understanding of NYSOH's activities, processes, and controls for the audit period and developing our audit approach. Specifically, we performed the following tasks:
 - Reviewed existing documentation: We obtained background documentation from NYSOH process owners including, where applicable, policies and procedures, process flows, sample management reports, and other background documentation. We reviewed this documentation to augment and refine our team's understanding of NYSOH's control environment and control activities.
 - Conducted interviews, walkthroughs, and high-level process reviews: We met with relevant NYSOH process owners, line management, and staff to expand our understanding of the specific and general exchange functions identified in our audit scope. We sought to develop our understanding of the interactions, respective duties, and responsibilities of key roles in targeted general function areas and corresponding key procedures.
- **Audit Execution:** This phase consisted of finalizing our audit program and executing tests of NYSOH's controls and compliance with regulatory requirements within 45 C.F.R. §155. This involved the following activities:
 - Reviewing and testing specific procedures to assess the processes around Financial Processing activities, including premium billing, member payment and refund processing, transaction reporting to health insurance carriers, management review and reconciliation procedures, and exchange sustainability protocols
 - Reviewing and testing specific procedures to assess the processes around high-risk IT Privacy and Security control areas following the Minimum Acceptable Risk Standards for Exchanges control catalog
 - Reviewing and testing safeguards over member eligibility determinations, and appeals
 - Reviewing and testing safeguards over enrollment actions such as enrolling individuals in QHP offerings and generating enrollment reporting forms
 - Reviewing and testing specific procedures relating to oversight and financial integrity responsibilities of general exchange functions, including call center operations and vendor management, governance activities, navigator and assister programs, QHP/QDP certification, and SHOP program oversight.
- **Validation and Reporting:** This phase consisted of validating the draft findings with NYSOH process owners, developing observations and recommendations for improvement, and obtaining NYSOH's plans for corrective action. Our detailed findings are documented further below.

Procedures and Methodology

We reviewed the requirements of 45 C.F.R. §155 to identify performance audit objectives relevant to NYSOH's exchange functions. We performed this engagement in accordance with GAS and developed audit programs and testing procedures in accordance with GAS and KPMG audit methodologies.

- **Document review, interview, and walkthrough procedures** – We reviewed CMS Final Rule 9957 and associated regulations under 45 C.F.R. §155 to identify compliance requirements subject to this performance audit. KPMG worked with NYSOH management to identify process owners for key

Objectives, Scope, and Approach (continued)

activities and performed interviews and walkthroughs to document processes and control activities existing during the audit period. Based on this information, KPMG requested supporting documentation to help confirm our understanding of the process activities and controls identified and developed audit procedures to test the design and operating effectiveness of identified controls.

- *Sample testing approach* – In support of testing the design and effectiveness of selected controls, KPMG made sample selections of transactions and other control activities to perform test procedures. One of the factors that one may consider necessary when determining the extent of evidence necessary to persuade us that the control is effective is the risk of failure of the control. As the risk of failure of the control decreases, the evidence that we obtain also decreases. Conversely, as the risk of failure of the control increases, the evidence we obtain also increases such that we might choose to obtain more persuasive audit evidence or otherwise adjust testing procedures. This allows us to vary the evidence obtained for each individual control based on the risk of failure of the individual control.
- *Consideration of fraud, illegal acts, misconduct, and abuse* – In planning the audit, we had a responsibility to gather and review information to identify and assess the risk of fraud occurring that is significant within the context of performance audit objectives. When fraud risk factors were identified that the engagement team believed were significant within the context of the performance audit objectives, we had the responsibility to design procedures to provide reasonable assurance of detecting if such fraud occurred or is likely to have occurred. Assessing the risk of fraud is an ongoing process throughout the performance audit and relates not only to planning the performance audit but also to evaluating evidence obtained during the performance audit. We considered the risks of potential fraud, misconduct, and abuse within each testing area and adjusted testing procedures and sample sizes accordingly based on potential risks. Examples of approach modifications we applied for higher-risk testing areas included increasing sample size, adjusting timing of testing procedures to focus on higher-risk periods, applying judgmental selection of samples, applying analytic procedures, and applying more precise tests.

Results – Findings and Recommendations

Results – Findings and Recommendations

Introduction

In accordance with GAS, KPMG prepared this report communicating the results of the completed performance audit, including relevant observations and recommendations. The findings presented as part of this engagement are restricted to the use stipulated in our contract. We disclaim any intention or obligation to update or revise the observations whether as a result of new information, future events, or otherwise. Should additional documentation or other information become available that impacts the observations reached in our deliverable, we reserve the right to amend our observations and summary documents accordingly.

Summary of Findings

Our detailed findings are noted below. Please note that each finding is split into five areas:

- **Condition** – Explains the issue found as part of the audit
- **Criteria** – This is an explanation of the requirements related to the issue and a determination of how criteria and processes should be executed
- **Cause** – This is the assessment of the source of the risk area
- **Effect** – Potential result if the condition continues
- **Recommendations** – A short discussion on what should be done to improve the identified condition.

As a result of our audit procedures, we identified findings relating to specific controls and processes that were subject to review. These findings are detailed further below and organized by condition, criteria, cause, effect, and recommended corrective action.

CMS Rule 9957 generally requires state exchanges to perform oversight and financial integrity activities over exchange operations, keep an accurate accounting of receipts and expenditures, and perform monitoring and reporting activities on exchange-related activities. GAS further defines internal controls to include the processes and procedures for planning, organizing, directing, and controlling program operations and management's system for measuring, reporting, and monitoring program performance. KPMG identified controls through our walk-throughs with NYSOH process owners and identified gaps based on process objectives and associated risks. We tested identified controls and oversight activities within the audit scope and identified several findings indicating deficiencies in internal control activities. These deficiencies could increase NYSOH's risks of ineffective oversight and program integrity practices.

Limitations

Given that we conducted our test work during the period September 22, 2015 through March 30, 2016 and our results, reported herein, are as of the 15 month audit period ended December 31, 2014, our scope of procedures was subject to limitations due to difference in time between the audit period and the period in which test work was conducted.

Results – Findings and Recommendations (continued)

Finding #2014-01 – CMS Reporting Data

Condition: NYSOH did not maintain documentation or provide access in support of the following:

- Formal evidence of senior management review and approval of periodic/ad-hoc CMS reports during the audit period, as such review is often performed in person with verbal approvals provided.
- Accuracy and completeness of supporting data used to compile weekly, monthly, quarterly, and ad-hoc reports submitted to CMS.

Criteria: CMS reporting requirements as defined in 45 CFR 155.1200(b) require a State Exchange to collect and report to CMS performance monitoring data and per 45 C.F.R. § 155.1210, the Exchange must maintain documents, records, and other evidence which are sufficient to accommodate periodic auditing of the Exchange.

Cause: NYSOH did not retain evidence of formal management approval of CMS report submissions. Limitations with the current technology supporting the reporting function prevent KPMG's ability to test the completeness and accuracy of audit data when compiling CMS reports. NYSOH, through its technology vendor, does conduct testing of data to ensure reports are accurate.

Effect: Inability to provide evidence and supporting data sufficient for audit puts NYSOH at risk of noncompliance with federal health benefit exchange regulations.

Recommendation: NYSOH should consider the following:

- Retain for audit purposes evidence of management review of CMS report submissions to demonstrate executive approval.
- Revise existing technology platform to allow capability to reperform of data aggregation and report compilation.

Finding #2014-02 – Exchange Employee Training

Condition: One NYSOH employee, in the sample selected for testing, did not complete all required New York State training courses timely during the 2014 training period.

Criteria: As defined in 45 C.F.R. §155.200, the Exchange must perform required functions related to oversight and financial integrity and 45 CFR 155.1200 which requires the exchange to monitor and report on exchange related activities.

Cause: NYSOH does not have either a sufficient IT system or manual procedures to allow for effective monitoring of employee training requirements.

Effect: NYSOH employees may not have received appropriate training to execute specific requirements of their job responsibilities and may be out of compliance with requirements established by the State of New York.

Recommendation: Devise a system of regular reviews and if necessary detailed follow-ups for employees who do not complete required training within the required time period.

Results – Findings and Recommendations

Finding #2014-03 – Verification of Eligibility

Condition: As a result of our sample tests of NYSOH's processes for manual verifications of eligibility applications, we identified an exception where immigration documentation was not verified timely.

Criteria: 45 CFR §155.315 (f) requires the Exchange to provide applicants 90 days to verify inconsistencies between self-attested information and information obtained from automated data sources. If the Exchange is unable to resolve the inconsistency within 90 days it must determine the applicant's eligibility based on information obtained from automated data sources and notify the applicant of the failure to verify the attestation.

Cause: NYSOH was required to rely on the Federal Marketplace Validating Lawful Presence (VLP) service to verify immigration status. However; there were delays in the full functionality of VLP service for steps 2 and 3. NYSOH instructed its vendor not to process immigration documentation since the function was required to be performed by the VLP service.

Effect: While NYSOH temporarily enrolled applicants in plans, immigration status was verified several months after the 90-day clock had expired. To address this issue, a manual workaround was put into effect by NYSOH in December 2014.

Recommendation: Please note that full functionality of the VLP service became available in October 2014 (**Note: The condition has been remediated**).

Finding #2014-04 – Eligibility Determinations

Condition: As a result of our sample tests of NYSOH's processes for eligibility determinations, we identified the following exception:

- A consumer's application was flagged as having existing Medicaid coverage, but then was also determined to be eligible for APTC.

Criteria: 45 CFR §155.305 defines eligibility standards for QHP enrollment, including eligibility for Advanced Premium Tax Credit, which exclude individuals who are eligible for Medicaid coverage from obtaining eligibility to enroll in QHP plans.

Cause: The exception was caused by a system defect.

Effect: Erroneous eligibility determinations increase the risk of members either receiving coverage for which they are unentitled or not receiving coverage in a timely fashion.

Recommendation: KPMG recommends that for those instances where determination issues were caused by system defects that the system issue be identified and remedied.

Management's Response and Corrective Action Plan

Management's Response and Corrective Action Plan

Finding #2014-01 – CMS Reporting Data

Report Recommendation: NYSOH should consider the following:

- Retain for audit purposes evidence of management review of CMS report submissions to demonstrate executive approval.
- Revise existing technology platform to allow capability to reperform of data aggregation and report compilation.

Description of Remediation: Since inception, NYSOH Policy and Planning staff have met with Executive staff to review in detail the data contained in each report before it is submitted to CMS, and to secure executive approval of the submissions. Based on the audit's recommendation, a change in procedure has been put in place to document executive approval by electronic mail which will be retained and available to auditors.

NYSOH produces weekly, monthly and quarterly reports using CMS required templates. Data aggregation and report compilation is compliant with federal reporting requirements and the accuracy, and completeness of the reports is thoroughly tested by both NYSOH Policy & Planning staff, and NYSOH's IT vendor. NYSOH's eligibility and enrollment data is stored in compliance with Federal Maintenance of Records requirements.

Data used to generate the reports is contained in a database and NYSOH uses COGNOS to generate reports from the database. The auditors report that they were able to observe NYSOH staff present a snapshot of weekly and monthly reports, but they were not able to independently run queries to access the source data supporting the report totals. IT enhancements planned for later in 2016 will permit access to source data for future audits.

Milestone, Target to Complete, Actual Completion Date: NYSOH instituted a process to retain written document of executive approval of CMS data submissions in February 2016.

NYSOH will develop functionality during 2016 that will enable manual recreation of quarterly reports.

Plans to Monitor and Validate: NYSOH Policy and Planning staff will work closely with the NYSOH System's staff to monitor the development of functionality that will allow retrospective creation of quarterly reports.

Responsible Person/Entity: NYSOH Director of Policy and Planning

Finding #2014-02 – Exchange Employee Training

Report Recommendation: Devise a system of regular reviews and if necessary detailed follow-ups for employees who do not complete required training within the required time period.

Description of Remediation: The NYSOH now has a monitoring process in place where the human resource liaison/training coordinator (HR) can directly access the Statewide Learning Management System (SLMS) to verify that Marketplace staff have completed mandated trainings. This monitoring process should identify and remediate circumstances like the one found by the audit where one employee did not complete a course.

Milestone, Target to Complete, Actual Completion Date: November 2015

Plans to Monitor and Validate: Reviews of each exchange employee by HR will be conducted at pre-determined intervals, Individual employees determined to have not completed the required training classes

Management's Response and Corrective Action Plan (continued)

will be contacted directly by HR. In addition, HR will contact the individual's supervisor with instructions to follow-up with their staff member. Timely follow-up will be conducted with all contacted parties until all mandatory training courses are completed within the required time period.

Responsible Person/Entity: NYSOH Human Resource Liaison/Training Coordinator.

Finding #2014-03 – Verification of Eligibility

Report Recommendation: Please note that full functionality of the VLP became available in October 2014
(Note: The condition has been remediated).

Description of Remediation: This condition was remediated in October 2014.

Milestone, Target to Complete, Actual Completion Date: This was completed in October 2014.

Finding #2014-04 – Eligibility Determinations

Report Recommendation: KPMG recommends that for those instances where determination issues were caused by system defects that the system issue be identified and remedied.

Description of Remediation: The system issue that caused the error are scheduled to be remediated.

Milestone, Target to Complete, Actual Completion Date: Defect 47557 is targeted for remediation on April 18, 2016.

Plans to Monitor and Validate: Validation of the successful remediation of defect 47557 will be conducted by NYSOH Systems staff. Validation of proper system functionality post-deployment will be conducted by Quality Assurance staff via an end-to-end integrated review process.

Responsible Person/Entity: Operations Manager, Division of Systems

Appendix A – List of Interviewed Personnel

Appendix A – List of Interviewed Personnel

Name	Title
Piper Allport	Outreach Coordinator
Gabrielle Armenia	Director, Bureau of CHPlus Policy and Marketplace Consumer Assistance
Judith Arnold	Director, Division of Eligibility and Marketplace Integration
Alan Ball	Finance Director
Ruchika Bajaj	Project Coordinator
Sue Bannen	Administrative Officer
Kym Bond	Human Resources Manager
Beckie Briggs	Maximus, Director, Call Center
Cheryl Dieter	Accounting Manager
Nils Ekberg	NYSTEC, Principal Consultant – Security
Bill Emery	Project Coordinator
Donna Frescatore	Executive Director
Craig Gallagher	Supervising Hearing Officer
Amy Grabek	Regional Director, SHOP
Erica Heintz	Project Coordinator
Danielle Holahan	Deputy Director
Mark Irlando	Hearing Officer
Margo Janack	Chief Marketing and Outreach Officer
Kathleen Johnson	Director, Bureau of Community Enrollment and WMS Eligibility Processing
Bill Kerr	Director, NYSOH System Development
Kelly Lamendola	Associate Counsel, Office of Exchange Counsel
John Matthews	Principal Accountant, DOH
Mara McCoy	Project Coordinator
Michelle Micheli	Associate Internal Auditor
Marguerite Montysko	Health Program Administrator 2
Joe Muldoon	Director, SHOP
Sara Oberst	Eligibility Program Manager 2
Beth Ostheimer	Director, Requirements, Validation and Quality Assurance
David Pitaneilo	Regional Director, SHOP
Paul Romeo	Security Consultant, NYSOH
Sara Rothstein	Director, Policy and Planning
Jeremy Russell	Chief Budgeting Analyst, Bureau of Budget Management
Lisa Sbrana	Director, Associate Counsel
Ron Schrimp	CSC ISO – NYSOH Marketplace Security, Compliance and Privacy
Sonia Sekhar	Assistant Director, Policy and Planning
Rahul Simarapu	PeopleSoft Specialist
Stephanie Sparhawk	Contract Manager Specialist
Ann Volpel	Director, Bureau of Eligibility Operations Oversight and Support
Daniel Washington	Project Coordinator
PJ Weiner	Assistant Director, Plan Management
Beverly Wojtaszek	Maximus, Senior Director, Operations

Appendix B – Glossary of Terms

Appendix C – Corrective Action Plan (continued)

ACA	Patient Protection and Affordable Care Act
APTC	Advanced Premium Tax Credit
C.F.R.	Code of Federal Regulations
CMS	Centers for Medicare and Medicaid Services
CSR	Cost Sharing Reduction
DFS	Department of Financial Services
DOH	New York State Department of Health
GAS	Government Auditing Standards
IT	Information Technology
NYSOH	New York State of Health
QDP	Qualified Dental Plan
QHP	Qualified Health Plan
SBM	State-based Marketplace
SHOP	Small Business Health Options Program