



*Audit Report*

*for*

*Blue Cross Blue Shield of Oklahoma*

*May 14, 2018*

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# I. EXECUTIVE SUMMARY

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## Background

Blue Cross Blue Shield of Oklahoma (BCBSOK) is a Federally-facilitated Exchange (FFE) issuer that offered Preferred Provider Organization (PPO), Health Maintenance Organization (HMO) and other qualified health plans (QHPs) in the individual market in Oklahoma during the 2014 benefit year. BCBSOK submitted their final restated 2014 benefit year data in their November 2015 Enrollment and Payment Data Workbook (EPDW). The issuer received a total of \$111,907,296.18 in advance premium tax credit (APTC) and advance cost sharing reductions (CSR) payments and paid a total of \$4,956,273.49 in FFE user fees for its 2014 benefit year individual market plans.

This report presents the results of the work performed to assess BCBSOK's compliance with the APTC, advance CSR, and FFE user fee programs established in sections 1311, 1401 and 1402 of the Patient Protection and Affordable Care Act (Pub. L. 111-148) enacted on March 23, 2010 and further amended and revised by the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152) enacted on March 30, 2010 and implementing regulations (collectively referred to throughout as PPACA).

## Audits to Determine Compliance with the Administration of APTC, Advance CSR, and FFE User Fee Programs

Title 45 of the Code of Federal Regulations (CFR), sections 156.480 and 156.705, allow the Department of Health and Human Services (HHS) to conduct audits of issuers that offer a QHP in the individual market through an Exchange to assess compliance with the APTC, advance CSR, and FFE user fee program requirements. The audit supports the Centers for Medicare & Medicaid Services (CMS) objectives to:

- Safeguard Federal funds;
- Instill confidence amongst regulated entities of data quality, soundness, and robustness;
- Evaluate health insurance issuer compliance with program rules and regulations; and
- Develop a successful and coordinated risk-based, multi-year audit program that maximizes resources.

This audit<sup>1</sup> is part of a program established by CMS to validate the enrollment and payment data reported on the final 2014 EPDW and analyze controls and policies of selected issuers pursuant to the authority defined in the regulations.

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<sup>1</sup> To provide the flexibility needed when standing up a new oversight program and to ensure that issuers are able to provide CMS with their most accurate data, audit protocols allow for dialog between auditor and issuer to identify and correct errors in data submission that differ somewhat from some independence and reporting standards laid out under Generally Accepted Government Auditing Standards (GAGAS). These procedures were defined and executed consistent with the competence, integrity, and analytical discipline required for performance audits as defined by GAGAS.

## **Results of Review**

CMS's procedures identified five findings for BCBSOK. The findings involve the following:

- Premium/FFE user fee, APTC and advance CSR differences identified as a result of the comparison of the data included in the EPDW against an APTC/CSR Desk Audit File containing subscriber level data from the issuer's systems;
- Inclusion of enrollment and full month payment data for subscribers who were reported more than once in the same month;
- Inclusion of enrollment and payment data for subscribers who were not effectuated or who had off-exchange enrollments in the issuer's systems;
- Inclusion of incorrect advance CSR amounts for one of the 45 selected subscribers; and
- Exclusion of enrollment and payment data for one of the 15 selected subscribers during the first month of the subscriber's grace period.

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## II. BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

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### A. Background

Sections 1401 and 1402 of the PPACA established the APTC and advance CSR programs to support the provision of affordable health care coverage to individuals. Additionally, section 1311 of the PPACA allowed the FFE to charge participating issuers user fees to support FFE operations.

CMS has the responsibility to confirm successful implementation of, and adherence to, the PPACA provisions and implementing regulations governing the APTC, advance CSR, and FFE user fee programs. As such, CMS established this audit program.

### Interim Payment Process

For the 2014 benefit year, CMS implemented a temporary process (“interim payment process”) to calculate and make monthly payments of APTC and advance CSR amounts and to calculate and collect monthly FFE user fee amounts based on data submitted by issuers at the QHP level. On a monthly basis, CMS required submitters to use a standard template, *i.e.* the EPDW that CMS staff created and maintained, to submit payment data. The EPDW was preprogrammed with individual submitter data that allowed the submitter to self-validate data prior to submission to CMS. The EPDW included the option to restate prior months’ data or indicate no change in data since the last submission. CMS required submitters to send the following information at the QHP plan variant level via the password-protected template:

1. State
2. Tax Identification Number (TIN)
3. Health Insurance Oversight System (HIOS) ID
4. QHP ID
5. Total premium amount for all enrollments
6. Total APTC amount
7. Total advance CSR amount
8. Total FFE User Fee amount
9. Total effectuated enrollment groups
10. Total effectuated enrollment groups with APTC
11. Total effectuated enrollment groups with CSR
12. Total effectuated members
13. Total effectuated members with APTC
14. Total effectuated members with CSR

Issuers and State-based Exchanges (SBEs) on behalf of issuers were required to calculate the QHP level enrollment and payment amounts submitted on the EPDW using their internal source data.

## **B. Audits to Determine Compliance with the Administration of APTC, Advance CSR, and FFE User Fee Programs**

CMS established an audit protocol that is organized around the following regulations governing APTC, advance CSR, and FFE user fee programs, and the procedures required to assess compliance with these applicable regulations:

- 45 CFR 156.50: Financial Support;
- 45 CFR 156.460: Reduction of enrollee's share of premium to account for advance payments of the premium tax credit;
- 45 CFR 156.480: Oversight of the administration of the cost-sharing reductions and advance payments of the premium tax credit programs;
- 45 CFR 156.705: Maintenance of records for Federally-facilitated Exchanges.

Refer to Appendix 1 for the specific requirements established under the authorities listed above.

## **C. Objectives**

The objectives of these audits are to:

- (1) Evaluate the accuracy and integrity of issuer-generated EPDW data reported for the APTC, advance CSR, and FFE user fee programs;
- (2) Identify potential CMS payment errors resulting from issuer data reporting errors; and
- (3) Test accuracy and integrity of processes for reducing an enrollee's share of premium to account for APTCs (45 CFR 156.460).

## **D. Scope and Methodology**

CMS selected BCBSOK for an audit under the above-mentioned regulation(s). As established by CMS, the audit centered on evaluating activity at BCBSOK related to the 2014 benefit year (January 1, 2014, through December 31, 2014), individual market data reported on the final EPDW(s) submitted by the issuer to support APTC and advance CSR payments, and FFE user fee collections.

CMS informed BCBSOK via electronic letter on November 16, 2016, that it would be audited. BCBSOK then received a letter on November 18, 2016, from CMS's audit contractor, identifying data requirements required to conduct the audit. CMS's audit contractor reviewed BCBSOK's information provided and performed the procedures to assess compliance with APTC, advance CSR and FFE user fee program rules and regulations as defined in the CMS protocols.

CMS's audit contractor applied audit protocol procedures to obtain sufficient and appropriate evidence to establish reasonable bases for the findings related to the audit objectives identified in section II.C of this report. CMS's audit contractor performed the following procedures:

- Validations of the APTC/CSR Desk Audit File<sup>2</sup> data submitted to CMS:
  - EPDW Validations: Comparison of the final 2014 EPDW submitted to CMS to the APTC/CSR Desk Audit File from BCBSOK's systems.
  - Duplicate Check: Review of the APTC/CSR Desk Audit File containing subscriber level data from BCBSOK's systems to verify that duplicate Exchange-assigned subscriber IDs (i.e. Exchange-assigned subscriber IDs that were reported on the file twice in the same month) were not reported on the file.
  - Unreconciled Subscribers Review: Review and comparison of the subscribers reported on the APTC/CSR Desk Audit File to the subscribers included in CMS's systems to determine if the subscribers existed and were effectuated (i.e. the amount the subscriber is responsible to pay toward the first month's total premium amount has been paid in full by the subscriber) in CMS's systems.
- Validations on samples of issuer system data:
  - 45 Subscriber Review: Review and comparison of the data from the issuer's systems to the corresponding data included in CMS's systems for a selected sample of 45 subscribers.
  - 15 Subscriber Review: Analysis and review of data and documentation from the issuer's systems to verify effectuation and the appropriate application of premium and APTC amounts to policies for a selected sample of 15 subscribers.
- Policy and Procedure Review: Review of issuer APTC policies and procedures for completeness and clarity.

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<sup>2</sup> The APTC/CSR Desk Audit File is CMS's standard document for issuers to provide information in support of this audit.

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### **III. RESULTS OF REVIEW**

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#### **EPDW Validations**

One finding resulted from the comparison of the final 2014 EPDW to BCBSOK's APTC/CSR Desk Audit File. Refer to Finding No. 1 included in section IV for details on the finding.

#### **Duplicate Check**

One finding resulted from the review of BCBSOK's APTC/CSR Desk Audit File to verify duplicate Exchange-assigned subscriber IDs were not reported on the file. Refer to Finding No. 2 included in section IV for details on the finding.

#### **Unreconciled Subscribers Review**

One finding resulted from the review of BCBSOK's APTC/CSR Desk Audit File to determine if the subscribers reported on the file existed and were effectuated in CMS's systems. Refer to Finding No. 3 included in section IV for details on the finding.

#### **45 Subscriber Review**

One finding resulted from the review and comparison of the data from BCBSOK's systems to the corresponding data included in CMS's systems for a selected sample of 45 subscribers. Refer to Finding No. 4 included in section IV for details on the finding.

#### **15 Subscriber Review**

One finding resulted from the analysis and review of the data and documentation from BCBSOK's systems to verify effectuation and the appropriate application of premium and APTC amounts to policies for a selected sample of 15 subscribers. Refer to Finding No. 5 included in section IV for details on the finding.

#### **Policy and Procedure Review**

No findings resulted from the review of BCBSOK's APTC policies and procedures.

## IV. FINDINGS

A finding is an identification of an instance of issuer non-compliance with CMS requirements that requires corrective action. CMS's audit procedures identified five findings. The five findings resulted in a change to BCBSOK's reported EPDW for individual market plans for the 2014 benefit year. In light of the five findings, the adjusted 2014 benefit year EPDW APTC and advance CSR payments and FFE user fee amounts for individual market plans are shown in the following table.

### Recalculated EPDW for Benefit Year 2014

|  | FFE User Fees    | APTC            | Advance CSR Payments* |
|--|------------------|-----------------|-----------------------|
| EPDW As Filed in November 2015             | \$(4,956,273.49) | \$86,476,598.46 | \$25,430,697.72       |
| EPDW Validations Adjustment                | \$7,942.43       | \$(125,880.32)  | \$(1,039,765.27)*     |
| Duplicate Check Adjustment                 | \$675.24         | \$(16,298.84)   | \$(2,017.15)*         |
| Unreconciled Subscribers Review Adjustment | \$156.16         | \$(606.00)      | \$(413.82)*           |
| 45 Subscriber Review Adjustment            | \$0.00           | \$0.00          | \$758.67*             |
| 15 Subscriber Review Adjustment            | \$(5.64)         | \$137.00        | \$0.00                |
| EPDW As Recalculated                       | \$(4,947,505.30) | \$86,333,950.30 | \$24,389,260.15*      |
| <b>(Refund) from CMS / Payment to CMS</b>  | \$(8,768.19)     | \$142,648.16    |                       |

\* Note: The advance CSR financial impact is for informational purposes only.

The net financial impact of the five audit findings is a payment due to CMS of \$133,879.97 consisting of \$(8,768.19) in FFE user fees and \$142,648.16 in APTC. The five findings along with the criteria, cause, effect, corrective actions and BCBSOK’s responses are as follows:

|  |                          |   |
|--|--------------------------|---|
| <p><b>Finding No. 1 - EPDW Validations</b></p> | <p><b>Condition:</b></p> | <p><b>Premium and FFE User Fee Differences -</b> For 50 QHPs and applicable months of benefit year 2014, the "Total premium amount by QHP ID for effectuated enrollments" included on BCBSOK’s EPDW did not match the total premium amount included on BCBSOK’s APTC/CSR Desk Audit File, resulting in a total net difference of \$226,926.59 in premiums. This net premium difference translates to a net difference of \$7,942.43 in FFE user fees. For the 50 QHPs and applicable months of benefit year 2014, there was a corresponding net difference of 677 enrollment groups and 936 members.</p> <p><b>APTC Differences –</b> For 34 QHPs and applicable months of benefit year 2014, the "Total APTC Amount by QHP ID for effectuated enrollments" included on BCBSOK’s EPDW did not match the total APTC amount included on BCBSOK’s APTC/CSR Desk Audit File, resulting in a total net difference of \$125,880.32 in APTC. For the 34 QHPs and applicable months of benefit year 2014, there was a corresponding net difference of 429 APTC enrollment groups and 618 APTC members.</p> <p><b>Advance CSR Differences -</b> For 56 QHPs and applicable months of benefit year 2014, the "Total CSR amount by QHP ID for effectuated enrollments" included on BCBSOK’s EPDW did not match the total advance CSR amount included on BCBSOK’s APTC/CSR Desk Audit File, resulting in a total net difference of \$1,039,765.27 in advance CSR. For the 56 QHPs and applicable months of benefit year 2014, there was a corresponding net difference of 8,855 CSR enrollment groups and 12,827 CSR members.</p> |
|--|--------------------------|---|

|  |   |  |
|--|---|--|
|  | <p><b>Criteria:</b></p>                   | <p>Per CMS guidance and EPDW submission requirements:</p> <p>The “Total premium amount by QHP ID for effectuated enrollments” submitted on the EPDW is the "total premium amount for the health coverage for all effectuated enrollments within that plan” and the Total User Fee Amount by QHP ID is "the total FFM user fee amount the issuer can expect to incur for participation in the Federally-facilitated Marketplace."</p> <p>The “Total APTC amount by QHP ID for effectuated enrollments” submitted on the EPDW is the "total APTC toward the total premium amount for effectuated enrollments within a 16-digit QHP ID."</p> <p>The “Total CSR amount by QHP ID for effectuated enrollments” submitted on the EPDW is the "total monthly advance CSR amount the issuer can expect to receive for all effectuated enrollments within a 16-digit QHP ID."</p> |
|  | <p><b>Cause:</b></p>                      | <p>The issuer indicated “the discrepancies are due to a retroactive change in the coverage start or end dates in our membership system after the final submission in 2015.”</p>  |
|  | <p><b>Effect:</b></p>                     | <p>The premium/user fee, APTC and advance CSR differences resulted in a change to BCBSOK’s final, restated benefit year 2014 EPDW data.</p>  |
|  | <p><b>Corrective Action Required:</b></p> | <p>The net financial impact for this finding is a payment due to CMS of \$117,937.89 consisting of \$(7,942.43) in FFE user fees and \$125,880.32 in APTC. BCBSOK should confirm this financial impact and coordinate with CMS on resolution.</p> <p>The advance CSR payment impact for this finding is an overstatement of \$1,039,765.27; however, this</p>  |

|  |                                    |   |
|--|------------------------------------|---|
|  |                                    | is for informational purposes only as CSR reconciliation is outside the scope of the audits.  |
|  | <b>Issuer Management Response:</b> | BCBSOK agrees with this finding. As noted in the draft audit report, the information regarding advance CSR payments is for informational purposes only as CSR reconciliation is outside the scope of the audits. Consistent with the scope of the audits, it is our understanding that, based on a review of a sample of the subscribers identified as discrepancies in the audits, the amounts noted above as advance CSR payments would have been reconciled as part of the Reconciliation of the Cost Sharing Reduction Component of Advance Payments for Benefit Years 2014 and 2015 that was filed with CMS for Trading Partner ID 70670H. |

|  |                   |  |
|--|-------------------|--|
| <b>Finding No. 2 - Duplicate Check</b> | <b>Condition:</b> | BCBSOK overstated benefit year 2014 premiums by reporting enrollment and full month payment data for 25 duplicate subscribers, i.e. subscribers who were reported more than once in the same month. Additionally, BCBSOK overstated benefit year 2014 premiums, APTC and advance CSR (as applicable) by reporting enrollment and full month payment data for seven duplicate subscribers.  |
|  | <b>Criteria:</b>  | Issuers cannot request payment from CMS for the same subscriber twice within a month.  |
|  | <b>Cause:</b>     | <p>The issuer indicated the following explanation for 30 of the 32 subscribers:</p> <ul style="list-style-type: none"> <li>• “This member existed twice in the system under different member IDs.”</li> </ul> <p>The issuer indicated the following explanation for two of the 32 subscribers:</p> <ul style="list-style-type: none"> <li>• “These entries were duplicated in the desk audit file due to a matching error.”</li> </ul> |
|  | <b>Effect:</b>    | The inclusion of enrollment and payment data for the 32 duplicate subscribers resulted in a change to  |

|  |                                    |  |
|--|------------------------------------|--|
|  |                                    | BCBSOK's final, restated benefit year 2014 EPDW data.  |
|  | <b>Corrective Action Required:</b> | <p>The net financial impact for this finding is a payment due to CMS of \$15,623.60 consisting of \$(675.24) in FFE user fees and \$16,298.84 in APTC. BCBSOK should confirm this financial impact and coordinate with CMS on resolution.</p> <p>The advance CSR payment impact for this finding is an overstatement of \$2,017.15; however, this is for informational purposes only as CSR reconciliation is outside the scope of the audits.</p>   |
|  | <b>Issuer Management Response:</b> | <p>BCBSOK agrees with this finding. As noted in the draft audit report, the information regarding advance CSR payments is for informational purposes only as CSR reconciliation is outside the scope of the audits. Consistent with the scope of the audits, it is our understanding that, based on a review of a sample of the subscribers identified as discrepancies in the audits, the amounts noted above as advance CSR payments would have been reconciled as part of the Reconciliation of the Cost Sharing Reduction Component of Advance Payments for Benefit Years 2014 and 2015 that was filed with CMS for Trading Partner ID 70670H.</p> |

|  |                   |   |
|--|-------------------|---|
| <b>Finding No. 3 - Unreconciled Subscribers Review</b> | <b>Condition:</b> | <p>BCBSOK overstated benefit year 2014 premiums by reporting enrollment and payment data for two subscribers who were not effectuated and by reporting enrollment and payment data for four subscribers who had off-exchange enrollments. Additionally, BCBSOK overstated benefit year 2014 premiums, APTC and advance CSR by reporting enrollment and payment data for one subscriber who was not effectuated.</p> |
|  | <b>Criteria:</b>  | <p>Per CMS guidance and EPDW submission requirements, the EPDW should include data for effectuated enrollments where an effectuated enrollment is defined as "any enrollment in which the amount the enrollment group is responsible to</p>   |

|  |                                    |   |
|--|------------------------------------|---|
|  |                                    | pay toward the total premium amount has been paid in full by the enrollment group.”   |
|  | <b>Cause:</b>                      | The issuer indicated for the three non-effectuated subscribers that “The FFM rejected our IC 834 transactions and subsequent updates in enrollment baselining.” For the four off-exchange subscribers, the issuer indicated “This is an OFF Exchange enrollment that was incorrectly attributed to ON Exchange market type.”  |
|  | <b>Effect:</b>                     | The inclusion of the three non-effectuated enrollments and the four off-exchange enrollments resulted in a change to BCBSOK’s final, restated benefit year 2014 EPDW data.  |
|  | <b>Corrective Action Required:</b> | The net financial impact for this finding is a payment due to CMS of \$449.84 consisting of \$(156.16) in FFE user fees and \$606.00 in APTC. BCBSOK should confirm this financial impact and coordinate with CMS on resolution.<br><br>The advance CSR payment impact for this finding is an overstatement of \$413.82; however, this is for informational purposes only as CSR reconciliation is outside the scope of the audits.   |
|  | <b>Issuer Management Response:</b> | BCBSOK agrees with this finding. As noted in the draft audit report, the information regarding advance CSR payments is for informational purposes only as CSR reconciliation is outside the scope of the audits. Consistent with the scope of the audits, it is our understanding that, based on a review of a sample of the subscribers identified as discrepancies in the audits, the amounts noted above as advance CSR payments would have been reconciled as part of the Reconciliation of the Cost Sharing Reduction Component of Advance Payments for Benefit Years 2014 and 2015 that was filed with CMS for Trading Partner ID 70670H. |

|   |                   |   |
|---|-------------------|---|
| <b>Finding No. 4 - 45 Subscriber Review</b> | <b>Condition:</b> | BCBSOK understated the advance CSR amounts reported on the APTC/CSR Desk Audit File for one of the 45 selected subscribers. |
|---|-------------------|---|

|  |                                    |   |
|--|------------------------------------|---|
|  | <b>Criteria:</b>                   | Per CMS guidance, the issuer must create a single Inbound APTC/CSR Desk Audit File consisting of detailed enrollment group effectuated enrollment records (one per enrollment group, per month) with the corresponding "CSR," "CSR Effective Date" and "CSR APTC End Date".   |
|  | <b>Cause:</b>                      | The issuer indicated “This member's CSR record was inadvertently omitted from the Issuer's Desk Audit File originally submitted. The Issuer's records currently reflect the CSR amount of \$68.97.”   |
|  | <b>Effect:</b>                     | The inclusion of the incorrect advance CSR amounts for the one subscriber resulted in a change to BCBSOK’s final, restated benefit year 2014 EPDW data.   |
|  | <b>Corrective Action Required:</b> | The advance CSR payment impact for this finding is an understatement of \$758.67; however, this is for informational purposes only as CSR reconciliation is outside the scope of the audits.  |
|  | <b>Issuer Management Response:</b> | BCBSOK agrees with this finding. As noted in the draft audit report, the information regarding advance CSR payments is for informational purposes only as CSR reconciliation is outside the scope of the audits. Consistent with the scope of the audits, it is our understanding that, based on a review of a sample of the subscribers identified as discrepancies in the audits, the amounts noted above as advance CSR payments would have been reconciled as part of the Reconciliation of the Cost Sharing Reduction Component of Advance Payments for Benefit Years 2014 and 2015 that was filed with CMS for Trading Partner ID 70670H. |

|  |                   |  |
|--|-------------------|--|
|  | <b>Condition:</b> | BCBSOK understated the premium and APTC amounts reported on the APTC/CSR Desk Audit File for one of the 15 selected subscribers by |
|--|-------------------|--|

|   |                                    |   |
|---|------------------------------------|---|
| <b>Finding No. 5 -<br/>15 Subscriber<br/>Review</b> |                                    | excluding enrollment and payment data for the first month of the subscriber's grace period.   |
|   | <b>Criteria:</b>                   | Per CMS guidance, the issuer must create a single Inbound APTC/CSR Desk Audit File consisting of detailed enrollment group effectuated enrollment records (one per enrollment group, per month) with the corresponding payment data.  |
|   | <b>Cause:</b>                      | The issuer indicated "Subscriber 2's coverage end date was 10/31/14 and they were terminated for non-payment with a paid-thru date was 9/30/14. Coverage was extended an additional month to accommodate the coverage in the first month of their grace period."  |
|   | <b>Effect:</b>                     | The exclusion of enrollment and payment data for the subscriber's first month of the grace period resulted in a change to BCBSOK's final, restated benefit year 2014 EPDW data.   |
|   | <b>Corrective Action Required:</b> | The net financial impact for this finding is a refund from CMS of \$(131.36) consisting of \$5.64 in FFE user fees and \$(137.00) in APTC. BCBSOK should confirm this financial impact and coordinate with CMS on resolution.   |
|   | <b>Issuer Management Response:</b> | BCBSOK agrees with this finding. As noted in the draft audit report, the information regarding advance CSR payments is for informational purposes only as CSR reconciliation is outside the scope of the audits. Consistent with the scope of the audits, it is our understanding that, based on a review of a sample of the subscribers identified as discrepancies in the audits, the amounts noted above as advance CSR payments would have been reconciled as part of the Reconciliation of the Cost Sharing Reduction Component of Advance Payments for Benefit Years 2014 and 2015 that was filed with CMS for Trading Partner ID 70670H. |

**Issuer Management Response to the Draft Audit Report Findings (See Appendix 3)**

Please provide management's response to the findings identified in the draft audit report and complete the attached Appendix 3, Issuer Management Response to Net Financial Adjustment, within 30 calendar days from the draft audit report date. Management's response should indicate agreement or disagreement.

### **Agreement**

If management agrees with the five findings, complete the "Issuer Management Response" field of the finding in the draft audit report, and initial "Agree" and sign the attached Appendix 3 Issuer Response to Net Financial Adjustment. Return the draft audit report including Appendix 3 within 30 calendar days from the draft audit report date. Upon receipt of the signed Issuer Response to Net Financial Adjustment, CMS will finalize and publish the report. CMS will process the final adjustment amount in the next available monthly payment cycle.<sup>3</sup>

### **Disagreement**

If management disagrees with the five findings and corrective actions, complete the "Issuer Management Response" field of the finding in the draft audit report, and initial "Disagree" and sign the attached Appendix 3 Issuer Response to Net Financial Adjustment. Return the draft audit report including Appendix 3 and any supporting documentation that substantiates management's response within 30 calendar days from the draft audit report date. This will be the final opportunity to provide information or supporting documentation to correct any inaccuracies in the report before it is finalized.

CMS will review the written explanation in the "Issuer Management Response" field of the findings and any supporting documentation to determine if the report can be amended in a mutually-acceptable manner. If you and CMS are unable to come to a mutually-acceptable result, your response to this report will be included in the final published audit report.

CMS will provide a final audit report, including the stated final adjustment amount along with an updated Appendix 3 - Issuer Response to Net Financial Adjustment within 30 calendar days after receipt of management's response. Please return the updated Appendix 3 - Issuer Response to Net Financial Adjustment Draft Response within 15 calendar days. Upon receipt of the signed Issuer Response to Net Financial Adjustment Draft Response, CMS will finalize and publish the report. CMS will process the final adjustment amount in the next available monthly payment cycle.<sup>3</sup>

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<sup>3</sup> CSR payments are prohibited unless and until a valid appropriation exists.

## Appendix 1 – Applicable Regulations

The following table identifies the specific regulatory requirements around which CMS has organized its audits.

| Regulation   | Guidance  |
|--|---|
| 45 CFR §156.50 – Financial Support   | <p><b>(a) Definitions.</b> The following definitions apply for the purposes of this section:<br/> <i>Participating issuer</i> means any issuer offering a plan that participates in the specific function that is funded by user fees. This term may include: health insurance issuers, QHP issuers, issuers of multi-State plans (as defined in § 155.1000(a) of this subchapter), issuers of stand-alone dental plans (as described in § <a href="#">155.1065</a> of this subtitle), or other issuers identified by an Exchange.</p> <p><b>(b) Requirement for State-based Exchange user fees.</b> A participating issuer must remit user fee payments, or any other payments, charges, or fees, if assessed by a State-based Exchange under § 155.160 of this subchapter.</p> <p><b>(c) Requirement for Federally-facilitated Exchange user fee.</b> To support the functions of Federally-facilitated Exchanges, a participating issuer offering a plan through a Federally-facilitated Exchange must remit a user fee to HHS each month, in the timeframe and manner established by HHS, equal to the product of the monthly user fee rate specified in the annual HHS notice of benefit and payment parameters for the applicable benefit year and the monthly premium charged by the issuer for each policy under the plan where enrollment is through a Federally-facilitated Exchange.</p> |
| 45 CFR §156.460 - Reduction of enrollee's share of premium to account for advance payments of the premium tax credit | <p><b>(a) Reduction of enrollee's share of premium to account for advance payments of the premium tax credit.</b> A QHP issuer that receives notice from the Exchange that an individual enrolled in the issuer's QHP is eligible for an advance payment of the premium tax credit must—</p> <ol style="list-style-type: none"> <li>(1) Reduce the portion of the premium charged to or for the individual for the applicable month(s) by the amount of the advance payment of the premium tax credit;</li> <li>(2) Notify the Exchange of the reduction in the portion of the premium charged to the individual in accordance with § 156.265(g); and</li> <li>(3) Include with each billing statement, as applicable, to or for the individual the amount of the advance payment of the premium tax credit for the applicable month(s), and the remaining premium owed.</li> </ol>   |
| 45 CFR § 156.480: Oversight of the administration of the cost-sharing reductions and advance                         | <p><b>(a) Maintenance of records.</b> An issuer that offers a QHP in the individual market through a State Exchange must adhere to, and ensure that any relevant delegated entities and downstream</p>  |

|   |   |
|---|---|
| <p>payments of the premium tax credit programs.</p>                             | <p>entities adhere to, the standards set forth in § 156.705 concerning maintenance of documents and records, whether paper, electronic, or in other media, by issuers offering QHPs in a Federally-facilitated Exchange, in connection with cost-sharing reductions and advance payments of the premium tax credit.</p> <p><b>(b) Annual reporting requirements.</b> For each benefit year, an issuer that offers a QHP in the individual market through an Exchange must report to HHS, in the manner and timeframe required by HHS, summary statistics specified by HHS with respect to administration of cost-sharing reduction and advance payments of the premium tax credit programs, including any failure to adhere to the standards set forth under § 156.410(a) through (d), § 156.425(a) through (b), and § 156.460(a) through (c) of this Part.</p> <p><b>(c) Audits.</b> HHS or its designee may audit an issuer that offers a QHP in the individual market through an Exchange to assess compliance with the requirements of this subpart.</p>  |
| <p>45 §156.705 – Maintenance of records for Federally-facilitated Exchanges</p> | <p><b>(a) General standard.</b> Issuers offering QHPs in a Federally-facilitated Exchange must maintain all documents and records (whether paper, electronic, or other media) and other evidence of accounting procedures and practices, necessary for HHS to do the following:</p> <p><b>(1)</b> Periodically assess financial records related to QHP issuers' participation in a Federally-facilitated Exchange, and evaluate the ability of QHP issuers to bear the risk of potential financial losses; and</p> <p><b>(2)</b> Conduct compliance reviews or otherwise monitor QHP issuers' compliance with all Exchange standards applicable to issuers offering QHPs in a federally-facilitated Exchange as listed in this part.</p> <p><b>(b) Records.</b> The records described in paragraph (a) of this section include the sources listed in § 155.1210(b)(2), (3), and (5) of this subchapter.</p> <p><b>(c) Record retention timeframe.</b> Issuers offering QHPs in a Federally-facilitated Exchange must maintain all records referenced in paragraph (a) of this section for 10 years.</p> <p><b>(d) Record availability.</b> Issuers offering QHPs in a Federally-facilitated Exchange must make all records in paragraph (a) of this section available to HHS, the OIG, the Comptroller General, or their designees, upon request.</p> |

## Appendix 2 – Acronyms

| <b>Terms &amp; Acronyms</b> | <b>Definition</b>                                |
|-----------------------------|--|
| <b>APTC</b>                 | Advance Premium Tax Credit                       |
| <b>CFR</b>                  | Code of Federal Regulations                      |
| <b>CMS</b>                  | Centers for Medicare & Medicaid Services         |
| <b>CSR</b>                  | Cost-sharing Reduction                           |
| <b>EPDW</b>                 | Enrollment and Payment Data Workbook             |
| <b>FFE</b>                  | Federally-facilitated Exchange                   |
| <b>GAGAS</b>                | Generally Accepted Government Auditing Standards |
| <b>HHS</b>                  | Department of Health and Human Services          |
| <b>HMO</b>                  | Health Maintenance Organization                  |
| <b>PPACA</b>                | Patient Protection and Affordable Care Act       |
| <b>PPO</b>                  | Preferred Provider Organization                  |
| <b>QHP</b>                  | Qualified Health Plan                            |
| <b>SBE</b>                  | State-based Exchange                             |

