



Advance Payments of the Premium Tax Credit (APTC) and Federally-facilitated Exchange (FFE) User Fee Program Assessment Report

for

Quartz Health Plan Corporation

June 22, 2022

I. EXECUTIVE SUMMARY

Sections 1401 and 1412 of the Affordable Care Act (ACA) established the advance payments of the premium tax credit (APTC) program to support the provision of affordable health care coverage to individuals. Additionally, section 1311 of the ACA allows the Federally-facilitated Exchanges (FFE) to charge participating issuers user fees to support FFE operations.

Under title 45 of the Code of Federal Regulations (CFR), sections §§ 156.480 and 156.705, the Department of Health and Human Services (HHS) may audit issuers that offer a Qualified Health Plan (QHP) in the individual market through an Exchange to assess the degree of compliance with the APTC and FFE user fee program requirements. The Centers for Medicare & Medicaid Services (CMS) established an audit protocol to assess health insurance issuers' compliance with the following regulations governing APTC and FFE user fee programs and other related applicable Exchange operational standards:

- 45 CFR § 155.400: Enrollment of qualified individuals into QHPs;
- 45 CFR § 155.430: Termination of Exchange enrollment or coverage;
- 45 CFR § 156.50: Financial support;
- 45 CFR § 156.270: Termination of coverage or enrollment for qualified individuals;
- 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; and
- 45 CFR § 156.705: Maintenance of records for Federally-facilitated Exchanges.

This report is an assessment of Quartz Health Plan Corporation (Quartz)'s compliance with the APTC and FFE user fee programs. Quartz is a health insurance issuer that offered QHPs in the individual market on the FFE in Illinois during the 2019 benefit year. The issuer received a total of \$4,569,350.34 in APTC from CMS and paid a total of \$195,703.69 in FFE user fees to CMS for the 2019 benefit year. The payment amounts were calculated using CMS's automated payment system, policy-based payments (PBP).

Based on the assessment of Quartz's program participation, if CMS found any instances of issuer non-compliance with APTC and FFE user fee program requirements that requires correction to payment, then CMS classified it as a *finding* in section III. If CMS found a deviation from APTC and FFE user fee program requirements that does not require correction to payment, then CMS categorized it as an *observation* in section IV in order to call management's attention to the issue(s) for purposes of improving compliance in future program years.

II. BACKGROUND AND AUDIT METHODOLOGY

A. PBP Background

Starting in 2016, CMS implemented an automated PBP system to support the collection of FFE user fees and to make monthly payments of APTC. The PBP system calculates the payment and charge amounts based on enrollment information at the policy level. CMS and issuers use the X12 standard 834 enrollment transaction in real time to exchange FFE enrollment data. To confirm the accuracy and consistency of the FFE enrollment data that CMS uses to make automated payments, CMS also conducts a monthly enrollment reconciliation process. CMS provides a Pre-Audit File to issuers containing a snapshot of the FFE database for the benefit year, and issuers respond by submitting an Inbound Reconciliation (RCNI) File to CMS that contains the benefit year's enrollment data as reflected in the issuer's systems. As a part of the reconciliation processes, CMS reconciles the RCNI file with the Pre-Audit File using a set of business rules that reflect CMS's enrollment policy to determine whether updates were required. This process implements a complex set of business rules to determine which issuer enrollment updates are accepted or rejected. The output of the comparison, the Outbound Reconciliation (RCNO) File, is sent to issuers to show which records CMS anticipates updating in the FFE database and which records CMS is directing the issuer to update in their systems. CMS conducted this enrollment reconciliation process for the 2019 benefit year from December 2018 through March 2020.

CMS provided a final opportunity for issuers to compare their 2019 FFE individual enrollment data with the current 2019 enrollment data in the FFE database, via an optional off-cycle enrollment reconciliation process. Unlike typical enrollment reconciliation runs, CMS did not update FFE enrollment data based on the off-cycle enrollment reconciliation. Instead, issuers were encouraged to submit disputes for any outstanding discrepancies resulting from the off-cycle enrollment reconciliation processes that required updates to FFE data.

B. Audit Methodology

On January 22, 2021, Quartz was notified by CMS that they were selected for audit for the 2019 benefit year. Once selected, CMS required the submission of a new RCNI file that contained the 2019 benefit year individual market enrollment data as currently reflected in the issuer's systems. CMS also required the submission of policies and procedures, policy documentation for selected samples of policies, and a Premium Payment Data Extract containing premium payment data from the issuer's system for a selected sample of policies. Using the issuer provided data files and documentation, the following audit procedures were performed to assess compliance with APTC and FFE user fee program rules and regulations.

Validations of PBP Payments/Charges based on Data Reported in CMS's Systems through Enrollment Reconciliation

For purposes of the audit, the issuer submitted an updated RCNI file that reflected a current snapshot of individual market enrollment data for the 2019 benefit year. During the audit, CMS reconciled the issuer provided RCNI file with the Pre-Audit File representing the most recent FFE data as of the beginning of the audit to identify any data differences and used the output of the comparison (the audit RCNO file) as the basis for performing the checks in its audit procedures to validate PBP payments. CMS executed audit procedures to identify the policies that have a financial impact listed in section III of this report. CMS referred to its enrollment policy and PBP requirements to develop the audit protocols that determine whether the discrepancies identified through these reviews and comparisons required adjustment to

payment¹. In the audit RCNO file, data differences identified between the issuer's enrollment records and the FFE data were reviewed and communicated to the issuer for resolution or confirmation as part of the audit process. Any policies with the following remaining confirmed data differences that required adjustment to payment after the completion of this process are detailed in an Excel file provided to Quartz in conjunction with the draft report:

- 1) Coverage status: Policies that were effectuated in CMS's data but not the issuer's data or vice-versa (referred to as "CMS Unreconciled" or "Issuer Unreconciled", respectively);
- 2) Coverage dates: Policies where the dates of coverage did not align between CMS and the issuer (referred to as "CMS Extra Coverage" or "Issuer Extra Coverage"); and/or
- 3) Financial differences: Policies where premium and resulting FFE user fee and/or APTC amounts differed between CMS's data and the issuer's data (referred to as "Financial Differences with/without Coverage Differences").

Validations of the Correct Application of CMS Enrollment Policy

Using the policy documentation, data files, and policies and procedures provided by the issuer, CMS executed audit procedures to identify the observations listed in section IV of this report. The reviews include the Forty-Five (45) Subscriber Sample Policy-level Documentation Review, Premium Payment Data Extract Validation, and Policies and Procedures Review.

CMS conducted a discrepancy phase following execution of the audit procedures detailed above to work with the issuer to resolve or reduce data differences identified. CMS adjudicated the issuer follow-up and, after the analysis, issued this report.

¹ [Enrollment Reconciliation rules](https://regtap.cms.gov). For additional information visit <https://regtap.cms.gov>.

III. SUMMARY OF FINDINGS WITH FINANCIAL IMPACT

A finding is the identification of an instance of issuer non-compliance with APTC and FFE user fee program requirements that requires correction to payment. CMS's audit procedures identified data differences that resulted in a change to the total APTC payment made to Quartz and the total FFE user fees collected from Quartz for individual market plans during the 2019 benefit year. The APTC and FFE user fee financial impact is shown in the following table.

APTC Payment and FFE User Fee Collection Financial Impact

	Number of Policies Impacted	APTC Payment	FFE User Fee Payment	Total
Policies where CMS owes the Issuer APTC	1	\$860.58	\$(37.92)	\$822.66
Policies where the Issuer owes CMS APTC	0	\$0.00	\$0.00	\$(0.00)
User Fee Only Policies where CMS owes the Issuer FFE UF	0	N/A	\$0.00	\$0.00
User Fee Only Policies where the Issuer owes CMS FFE UF	0	N/A	\$(0.00)	\$(0.00)
Total Impact	1	\$860.58	\$(37.92)	\$822.66

Note: Positive values indicate funds owed to the issuer; negative values indicate amounts owed to CMS.

The net financial impact is a payment from CMS to Quartz of \$822.66, which consists of \$860.58 in APTC paid to Quartz and \$37.92 in FFE user fees paid to CMS. The policies impacted and the associated financial impact are detailed in an Excel file provided to Quartz in conjunction with the draft report.

The APTC payment and user fee payment adjustments will be processed in the monthly payment cycle and netted against any other payments or charges as indicated by CMS's netting rules.²

² For more information on CMS's payment and collections processes, please visit <https://www.ecfr.gov/current/title-45/subtitle-A/subchapter-B/part-156/subpart-M/section-156.1215>.

IV. SUMMARY OF OBSERVATIONS

An observation is a deviation from APTC and FFE user fee program requirements that is called to the attention of management for purposes of improving compliance in future program years but that does not require correction to payment. While CMS is not adjusting APTC payment, we note issuer deviations from CMS's enrollment regulations or guidance where applicable. CMS's audit procedures identified the following four (4) observations:

- Quartz provided coverage but did not receive a binder payment in full for two (2) policies reviewed in the Forty-Five (45) Subscriber Sample Policy-level Documentation Review. The issuer indicated, "The full amount owed per the binder letter was not paid." The issuer further indicated, "The process for reviewing payments received and effectuating coverage requires manual intervention. These policies were erroneously effectuated by manual error without the full binder payment being received. As with any manual process, our success rate is not 100% so there could have been other policies impacted by an error in manual processing. We are currently working to eliminate manual processes from our billing and premium collection functions with an automated solution which would resolve any manual processing mistakes." Pursuant to 45 CFR § 155.400(e), the FFE requires payment of the first month's premium to effectuate an enrollment.
- Quartz continued to provide coverage despite not receiving the full outstanding premium balance within the three (3) month grace period, for one (1) policy reviewed in the Forty-Five (45) Subscriber Sample Policy-level Documentation Review and one (1) of the thirty-three (33) policies reviewed in the Premium Payment Data Extract Validations. The issuer indicated the following:
 - For the policy in the Forty-five (45) Subscriber Sample Policy-level Documentation Review, the issuer indicated, "Member did not pay for months 2-3. They weren't billed until March for January thru March due to timing of when we invoiced. This member paid to effectuate their coverage on January 17th and payment was posted after the February invoice cycle was run. Only members in active coverage status hit the invoice cycle, so aside from the invoice received with their welcome packet, this member did not receive another invoice until mid-February when the March invoice cycle ran. They did not pay for February and March coverage by the 3/1/2019 due date and were moved through the delinquency process at that time. Because we didn't notify the member of their delinquent status until missing the March premium due date, the 90-day grace period started on March 1, 2019. Other members who pay their binder payment within the allotted time, but after the next invoice cycle has run, and then default on premiums would all be treated the same way." Therefore, CMS noted any systematic invoicing issues may impact additional enrollments in the issuer's systems.
 - For the policy in the Premium Payment Data Extract Validations, the issuer indicated, "Due to reporting issues, member was not placed in delinquency until in December. This allowed the member time to pay for premiums."

Pursuant to 45 CFR 156.270(g), If an enrollee receiving APTC exhausts the three (3) month grace without paying all outstanding premiums, the QHP issuer must terminate the enrollee's coverage through the Exchange on the last day of the first month of the three (3) month grace period.

- Quartz provided coverage and received the full outstanding premium balance, but did not receive the premium balance within the three (3) month grace period, for one (1) of the thirty-three (33)

policies reviewed in the Premium Payment Data Extract Validations. The issuer indicated, “Member did not show up in our delinquency reports and did not enter grace for these months, and member was able to pay for overdue premiums. Member paid in late-June to exit 90-day grace for April, May and June. Unfortunately, the member was erroneously missed for re-entering the grace period on July 1st. This allowed the member time to pay for premiums beyond the end of September, which would have been the cut-off had the member correctly been placed in grace at the beginning of July.” The issuer further indicated, “This systematic issue could have resulted in more than just this one member being impacted in 2019.” Pursuant to 45 CFR 156.270(g), if an enrollee receiving APTC exhausts the three (3) month grace period without paying all outstanding premiums, the QHP issuer must terminate the enrollee’s coverage through the Exchange on the last day of the first month of the three (3) month grace period..

- Quartz’s internal procedures are inconsistent with CMS requirements and guidance surrounding termination of enrollments following the exhaustion of the three (3) month grace period. The issuer’s internal procedures and system configurations assess payments and apply grace period reporting requirements based on the timing of invoice cycles and not based on the timeliness of the payments for each month of enrollment, regardless of when the member was invoiced. The issuer indicated “Other members who pay their binder payment within the allotted time, but after the next invoice cycle has run, and then default on premiums would all be treated the same way.” CMS notes the issuer’s procedures and system configurations should be updated to be consistent with CMS requirements. Pursuant to 45 CFR § 156.270, if an enrollee receiving advance payments of the premium tax credit exhausts the three (3) month grace period without paying all outstanding premiums, the QHP issuer must terminate the enrollee’s enrollment through the Exchange on the last day of the first month of the three (3) month grace period.

Appendix 1 – Issuer Management Response to Net Financial Adjustment

Issuer HIOS ID: 33235

Issuer Name: Quartz Health Plan Corporation (Quartz)

The undersigned Chief Executive Officer (CEO), Chief Financial Officer (CFO) or other authorized official who can legally and financially bind this issuer has reviewed the information included in the audit report of the issuer's 2019 benefit year APTC and FFE user fee program, resulting in a payment to Quartz of \$822.66, consisting of \$860.58 in APTC paid to Quartz and \$37.92 in FFE user fees paid to CMS, and:

(INITIAL) JH Agrees with the audit net adjustment amount above, confirming the audit financial impact and observation(s), if applicable, and as such this report will be considered final and published.

Or

(INITIAL) _____ Disagrees and requests a review of additional information that may impact the audit net adjustment amount resulting from the audit. As you requested a review, CMS will consider this draft only a preliminary audit report. As the review option was selected, you must provide a written explanation with any additional documentation when you return this response within thirty (30) calendar days of the date of this draft audit report. CMS will review the written explanation 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.

DocuSigned by:
Signed: Jim Hiveley
(Signature of authorized official acting on behalf of the Issuer)

Printed Name: Jim Hiveley
(Print name of signature)

Position Title: VP, Treasurer & CFO
(Title of authorized official acting on behalf of the Issuer)

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Date: July 15, 2022 | 11:27 AM CST

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