

03/28/2018  
CCIIO/SEG



# FINAL REPORT

Independent External Audit:  
2017 Audit Findings Report  
State of Nevada  
Silver State Health Insurance Exchange



# INDEPENDENT EXTERNAL AUDIT:

## 2017 FINDINGS REPORT

**TO:** CCHIO STATE EXCHANGE GROUP

**FROM:** MILLIMAN, INC.

**DATE:** MARCH 28, 2018

**SUBJECT:** AUDIT FINDINGS REPORT FOR SILVER STATE HEALTH INSURANCE EXCHANGE (NEVADA) (45 CFR PART 155 SUBPARTS C AND K)

### **I. EXECUTIVE SUMMARY**

#### **PURPOSE**

The purpose of this independent external audit was to ensure that the Silver State Health Insurance Exchange (SSHIX) in the State of Nevada was in compliance with the programmatic requirements set forth in Section 45 Part 155, Subparts C and K of the Code of Federal Regulations (CFR) during the 2017 plan year. These audit findings are limited to this scope. SSHIX's compliance with financial requirements and other programmatic requirements were not within the scope of this audit.

**Name of State-Based Marketplace:** Silver State Health Insurance Exchange

**State of State-Based Marketplace:** Nevada

**Name of Auditing Firm:** Milliman, Inc., Seattle, Washington.

The Program Integrity Rule Part II (PI Reg II) authorizes the U.S. Department of Health and Human Services (HHS) to require every State-based Marketplace (SBM) to perform an annual financial and programmatic independent external audit and provide an intended corrective action plan, if necessary, based on the results of the audit. PI Reg II also states that "The State Marketplace must engage an independent qualified auditing entity which follows generally accepted governmental auditing standards (GAGAS) to perform an annual independent external financial and programmatic audit and must make such information available to the U.S. Department of Health and Human Services for review."

Milliman's responsibility was to perform a programmatic audit to report on SSHIX's compliance with 45 CFR Part 155, Subparts C and K as described in the Department of Health and Human Services, CMS memo dated March 5, 2014 and updated on June 18, 2014, 'Frequently Asked Questions about the Annual Independent External Audit of State-based Marketplaces (SBMs).' In conducting the audit and preparing this report, Milliman also relied on CMS guidance in the document, "State-based Marketplace Independent External Audit Technical Assistance" dated October 29, 2014.

## SCOPE

The scope of this audit was to determine the SSHIX's compliance with the requirements described in 45 CFR 155, Subparts C and K, which are summarized below. As described in the Auditors Notes in Section II. Audit Findings, SSHIX transitioned from a "State Based Marketplace" to a "Federally Supported State-Based Marketplace" – also referred to as a "State-Based Marketplace on the Federal Platform" (SPM-FP) – in 2015. This move shifted responsibility from SSHIX to Healthcare.gov for certain exchange functions, including enrollment functions.

### Subpart C- General Functions of the Exchange

- Processes and procedures for privacy and security of navigators.
- Processes and procedures for addressing complaints.
- Processes and procedure for providing assistance in culturally and linguistic appropriate manner.
- Training standards.
- Breaches of Security or Privacy by a navigator grantee.
- Standards designed to prevent and mitigate any conflicts of interest, financial or otherwise.
- Confirmation that assures funding for navigator grants does not come from federal funds.
- Privacy and Security Safeguards.
- Call center information provided to applicants in plain language and in a manner that is accessible to individuals with disabilities and individuals with limited English proficiency.

### Subpart K- Exchange Functions: Certification of Qualified Health Plans:

- Processes for recertification of Qualified Health Plans (QHP).
- Processes for decertification of QHPs.
- Policies and procedures for certification of health plans.

Milliman conducted this audit in accordance with GAGAS as described in the publication *Generally Accepted Government Auditing Standards*, also referred to as the "Yellow Book," issued by the Comptroller General of the United States through the U.S. Government Accountability Office (GAO).

Milliman performed inquiries, made observations, conducted testing, and conducted staff interviews to determine whether SSHIX was in compliance with 45 CFR Part 155, Subparts C and K for the plan year ending December 31, 2017. We also reviewed process and procedure documentation related to the pertinent general functions of the SSHIX and to the certification, decertification, and recertification of Qualified Health Plans in Nevada, including available oversight and monitoring policies and procedures.

SSHIX separately obtained audit services for other CMS-required audits of eligibility, financial transactions, and internal controls (e.g., 45 CFR Part 155, Subparts B, D, E, F, G, H, M, N, and O). As such, Milliman did not audit, nor are we providing attestation regarding, SSHIX's performance or compliance against these other requirements in this report. In addition, Milliman did not evaluate SSHIX's compliance with requirements for which Healthcare.gov has assumed responsibility under the SPM-FP operating agreement. Milliman relied on SSHIX to identify these "not applicable" requirements.

## METHODOLOGY

### Audit Firm Background

Milliman, Inc., is one of the world's largest independent professional services firms. Founded in Seattle in 1947 as Milliman & Robertson, the company currently employs over 3,000 people in key locations worldwide. The firm's consulting practices in healthcare, employee benefits, property & casualty insurance, and life insurance and financial services conduct thousands of client engagements annually. Milliman has broad experience with audits, including CMS audits, following the standards applicable to programmatic audits in accordance with GAGAS.

### Audit Period

Milliman audited SSHIX's compliance with the applicable requirements described in 45 CFR Part 155 Subparts C and K for the period January 1, 2017 through December 31, 2017.

### Management's Responsibility

SSHIX management is responsible for compliance with the laws, regulations, contracts, and grants applicable to 45 CFR Part 155 Subparts C and K.

### Auditor's Responsibility

Milliman conducted an audit of compliance with 45 CFR Part 155 Subparts C and K in accordance with GAGAS auditing standards. GAGAS standards require the auditor to plan and perform the audit to obtain reasonable assurance whether noncompliance which could have a direct and material effect on the program occurred. The audit includes examining evidence about SSHIX's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Milliman believes that this audit provides a reasonable basis for our opinion on compliance with 45 CFR Part 155 Subparts C and K. This audit does not however, provide a legal determination of SSHIX's compliance with these two subparts.

### Summary of Programmatic Procedures

This audit consisted of specific procedures and objectives to evaluate SSHIX's compliance (or lack thereof) with applicable sections of 45 CFR Part 155, Subparts C and K. In conducting this audit, Milliman reviewed documentation provided by SSHIX, including:

- Description of division of responsibilities between SSHIX and Healthcare.gov
- Memorandum of Understanding coordinating responsibilities between SSHIX, the Nevada Department of Business and Industry, and the Nevada Division of Insurance
- CCIIO and CMS Letter to Issuers in the Federally-facilitated Marketplaces
- Nevada Division of Internal Audits Fiscal Review
- Internet Website Requirements
- SSHIX Accessibility Policy
- SSHIX and Nevada Health Link (2016) Website Content
- Outreach and Education Plans and Reports
- Consumer Assistance Materials

- Navigator Program Descriptions
- Navigator Grant Applications
- Navigator and Non-Navigator Entity Training Materials
- Broker Training Materials
- Training Logs for Exchange Enrollment Facilitators
- Exchange Enrollment Facilitator Licensure Policy
- Consumer Assistance Forms
- Consumer Consent Forms
- Call Center Policies and Plans
- Operator Agreements
- Plan Management and Certification Process Policies
- Criteria for Qualified Health Plan
- Criteria for Qualified Dental Plan
- Network Adequacy Standards and Reports
- Information Technology Security Policies and Plans
- Sample Communications and Notices
- Privacy Policies
- Subcontractor contract for Dignity Health – St. Rose Dominican
- Subcontractor contract for State of Nevada Office of Consumer Health Assistance
- Educational and Informational Materials and Advertisements
- Navigator Entities Financial Reports on Funding
- Conflict of Interest Policies
- Navigator, Producers, Outreach Specialists and Certified Application Consultant Policies
- Authorized Enrollment Forms and Policies

In addition to the documentation and samples listed above, Milliman selected one QHP to test compliance with 45 CFR 155, Subpart K, Certification of Health Plans.

Milliman conducted interviews with staff from SSHIX, the Nevada Department of Insurance, the SSHIX Exchange Consumer Assistance Center (ECAC) call center, SSHIX's navigator and certified application counselor subcontractors, and the Nevada broker community. Individuals interviewed were:

**SSHIX Staff**

- Executive Director
- Chief Operations Officer
- Compliance Officer
- Plan Management Coordinator
- Navigator Program Manager
- Information Technology Officer
- Broker Liaison

***Other Staff***

- Analyst/Reviewer, Health Benefit Plans, Nevada Department of Insurance
- Call Center Manager, Exchange Consumer Assistance Center
- In-Person Assistor, Community Health Alliance
- Governor's Consumer Health Advocate, Office of Consumer Health Assistance
- Broker, Kamo Insurance Agency
- Broker, Carothers Insurance Agency, Inc.

Milliman conducted video teleconferences with staff in the SSHIX office and the Exchange Consumer Assistance Center to discuss management and staff responsibilities as they relate to compliance with 45 CFR 155 Subparts C and K.

**CONFIDENTIAL INFORMATION OMITTED**

N/A

## II. AUDIT FINDINGS

### *Auditors Notes:*

1. *SSHIX transitioned from a “State Based Marketplace” to a “Federally Supported State-Based Marketplace” – also referred to as a “State-Based Marketplace on the Federal Platform” (SPM-FP) – in 2015. This change remained in effect for plan year 2017, and impacted the audit parameters because SSHIX was no longer responsible for selected operational functions such as the exchange enrollment platform.*

*Per the Kaiser Family Foundation,<sup>1</sup> states with this type of marketplace are considered to be a state-based marketplace and are responsible for all functions with the exception that the state will rely on the federally-facilitated marketplace IT platform referred to as “healthcare.gov.” Consumers in these states apply for and enroll in coverage through healthcare.gov.*

*As part of this change, SSHIX migrated from a state contracted and managed business operations solution provided by an externally contracted vendor to the healthcare.gov platform. In addition to moving to healthcare.gov for member enrollment functions, SSHIX elected to develop internally managed capabilities to support selected business functions previously provided by a vendor, e.g. customer service. SSHIX also transitioned responsibility for premium billing and collection to the individual QHPs.*

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<sup>1</sup> State Health Insurance Marketplace Types, 2016. *The Henry J. Kaiser Family Foundation*. Retrieved March 15, 2017, from <http://kff.org/health-reform/state-indicator/state-health-insurance-marketplace-types/>.

## KEY FINDINGS

### Finding #2017 – 01

**Condition:** SSHIX did not ensure that a QHP issuer that submits a justification for a rate increase has prominently posted the justification on its web site as required under 45 CFR Part 155 Subpart K §156.210 (a).

**Criteria:** Under 45 CFR Part 155 Subpart K – Exchange Functions: Certification of Qualified Health Plans, §155.1020 QHP Issuer Rate and Benefit Information, the Exchange must ensure that a QHP issuer submits a justification for a rate increase for a QHP prior to the implementation of such an increase, except for multi-State plans, for which the U.S. Office of Personnel Management will provide a process for the submission of rate increase justifications. The Exchange must ensure that the QHP issuer has prominently posted the justification on its Web site as required under §156.210 (a). To ensure consumer transparency, the Exchange must also provide access to the justification on its Internet Web site described in §155.205(b).

**Cause:** The SSHIX QHP issuer attestation includes a requirement that a QHP issuer that submits a justification for rate increase will prominently post the justification on its web site. However, SSHIX did not ensure that a QHP issuer that submits a justification for rate increase has actually posted the justification prominently on its web site.

**Effect:** If SSHIX does not ensure that rate increase justifications are prominently posted on the QHP issuer's website, enrollees may not have convenient access to this information.

**AUDITOR'S OPINION**

Based on the Key Findings above, it is Milliman, Inc.'s opinion that the programmatic standards reviewed during the 2017 independent external audit are:

QUALIFIED       UNQUALIFIED       ADVERSE       DISCLAIMER

**ADDITIONAL COMMENTS**

Milliman's audit of 45 CFR Part 155 Subparts C and K is a programmatic audit, not a financial audit. The selection of "Disclaimer" indicates that the auditor does not express an opinion on the SSHIX financial statements.

**III. RECOMMENDATIONS****Finding #2017-01**

SSHIX should develop a process for ensuring that if a QHP issuer submits a justification for a rate increase, the rate increase justification is prominently posted on the QHP issuer's web site.

**IV. CONCLUSION**

We confirm to the best of our knowledge that the information included in this Audit Findings Report is accurate and based on a thorough review of the documentation required for this report.

SIGNATURE OF AUDIT FIRM:



COMPLETION DATE OF AUDIT FINDINGS  
REPORT:

March 28, 2018

## **APPENDIX A: TYPES OF AUDITOR'S OPINIONS**

An audit opinion is expressed on audited financial statements. An auditor must state in his or her opinion that generally accepted accounting principles (GAAP) have been followed and that they have been applied on a basis consistent with that used the previous year. The four common types of auditor's opinions as defined by the American Institute of Certified Public Accountants (Reports on Audited Financial Statements, AU §508.10) are outlined below.

Unqualified opinion: States that the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles.

Explanatory language added to the auditor's standard report: Certain circumstances, while not affecting the auditor's unqualified opinion on the financial statements, may require that the auditor add an explanatory paragraph (or other explanatory language) to his or her report.

Qualified opinion: States that, except for the effects of the matter(s) to which the qualification relates, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles.

Adverse opinion: States that the financial statements do not present fairly the financial position, results of operations, or cash flows of the entity in conformity with generally accepted accounting principles.

Disclaimer of opinion: States that the auditor does not express an opinion on the financial statements.