



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued January 16, 2018

Commonwealth Health Insurance Connector Authority

For the period July 1, 2014 through June 30, 2016





Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

January 16, 2018

Mr. Louis Gutierrez, Executive Director
Commonwealth Health Insurance Connector Authority
100 City Hall Plaza
Boston, MA 02108

Dear Mr. Gutierrez:

I am pleased to provide this performance audit of the Commonwealth Health Insurance Connector Authority. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2014 through June 30, 2016. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Commonwealth Health Insurance Connector Authority for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

cc: Marylou Sudders, Chair

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
OVERVIEW OF AUDITED ENTITY	2
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	6
DETAILED AUDIT FINDINGS WITH AUDITEE’S RESPONSE.....	9
1. The Commonwealth Health Insurance Connector Authority did not ensure that its database was accurate.....	9
2. CCA did not ensure that adequate customer service was provided.....	11
APPENDIX	15

LIST OF ABBREVIATIONS

APTC	Advance Premium Tax Credit
CCA	Commonwealth Health Insurance Connector Authority
CMR	Code of Massachusetts Regulations
CSR	cost-sharing reduction
RFI	request for information
SLA	service-level agreement

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Commonwealth Health Insurance Connector Authority (CCA) for the period July 1, 2014 through June 30, 2016. In this performance audit, we determined whether CCA was properly verifying the eligibility of applicants and individuals/families currently receiving benefits and whether CCA was providing a sufficient level of customer service.

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 Page 9	CCA did not ensure that its database was accurate.
Recommendations Page 10	<ol style="list-style-type: none">1. CCA should review its verification process and ensure that adequate controls (policies and procedures) exist that require information in its database to be reviewed for completeness and accuracy and updated appropriately on a regular basis to keep its database accurate and to better ensure that only eligible participants receive benefits.2. CCA should immediately take the measures necessary to update the information in its database.
Finding 2 Page 11	CCA did not ensure that adequate customer service was provided.
Recommendations Page 13	<ol style="list-style-type: none">1. CCA should implement internal controls to allow it to monitor performance metrics to determine Dell Marketing LP's compliance with the service-level agreements.2. CCA should provide adequate cross-training of key personnel who are responsible for reviewing invoices for accuracy.

OVERVIEW OF AUDITED ENTITY

The Commonwealth Health Insurance Connector Authority (CCA) was established in 2006 by Chapter 58 of the Acts of 2006 and by Section 2 of Chapter 176Q of the Massachusetts General Laws to provide affordable health insurance to the citizens of Massachusetts. People who do not meet the required income eligibility levels to participate in the Commonwealth's Medicaid program (MassHealth) are referred to CCA, whose function is to help them obtain affordable health insurance. To this end, CCA operates a variety of programs that offer subsidized and/or unsubsidized assistance to help people obtain health insurance. A description of each of the programs administered by CCA appears in the appendix to this report. The table below summarizes participation in CCA's subsidized and unsubsidized programs.

CCA Enrollment

Calendar Year*	Subsidized Members	Unsubsidized Members	Total Members
2014	80,718	28,829	109,547
2015	175,539	54,057	229,596
2016	203,852	51,905	255,757

* Figures for 2014 are from a December 2014 year-end report; figures for 2015 include data from January 2015 through December 2015; and figures for 2016 include data from January 2016 through June 2016.

The number of subsidized members as a percentage of total members increased from 76% in 2015 to 80% in 2016.

Massachusetts residents apply for health insurance through CCA by first submitting an application that requires information such as applicant name, Social Security number, date of birth, household income, family size, and place of residence. CCA uses the same regulations as MassHealth, Title 130 of the Code of Massachusetts Regulations, in determining whether an applicant is eligible to participate in the program and verifying information provided by applicants.

According to its website, CCA offers insurance from 13 health and dental providers: Altus Dental, Ambetter from CeltiCare Health, Blue Cross Blue Shield of Massachusetts, Boston Medical Center HealthNet Plan, Delta Dental, Dental Blue, Fallon Health, Guardian Dental, Harvard Pilgrim Health Care, Health New England, Neighborhood Health Plan, Minuteman Health, and Tufts Health Plan.

CCA is governed by an 11-member board that includes the Secretary of the Executive Office of Health and Human Services, who is the chair; the Secretary for Administration and Finance; the Commissioner of Insurance; the executive director of the Group Insurance Commission; four members appointed by the Governor; and three members appointed by the Attorney General.

Advance Premium Tax Credits and Subsidies

Massachusetts residents can receive financial assistance to pay for healthcare if they are United States citizens or can verify that their presence in the United States is lawful and they meet the applicable income eligibility requirements. Residents are ineligible for financial assistance if they can obtain coverage through Medicare or Medicaid, are currently in jail, or are offered affordable health insurance through their employers.

Financial assistance is provided in the form of the federal Advance Premium Tax Credit (APTC) and through other subsidies, including federal and state cost-sharing reductions (CSRs) and a state subsidy known as a state wrap.

The APTC is available to applicants with household incomes at or below 400% of the federal poverty level.¹ The amount of the APTC is calculated by CCA based on a member's projected annual household income and is applied by CCA to the member's monthly insurance premium. When a member files his/her federal income tax return, the member may be required to pay the excess APTC used if his/her actual annual household income exceeded the projected annual income, since the applied APTC would have been higher than what s/he was entitled to receive. A member would receive a tax refund if s/he overestimated his/her projected annual household income.

Federal and state CSRs are subsidies designed to lower an individual's out-of-pocket costs and are advanced throughout the year to the insurance carriers operating in Massachusetts. The federal and state governments may be reimbursed at the end of the year if actual expenditures were less than what was advanced to the carriers. These subsidies are calculated and applied by CCA.

A state wrap is a subsidy based on an annual affordability schedule that corresponds to federal poverty levels. This subsidy is applied to a member's monthly health insurance premium to further reduce it to

1. The United States Department of Health and Human Services annually publishes federal poverty guidelines based on family size and income that are used by various state and federal agencies to determine income eligibility for benefits. For example, for 2017 the federal poverty level was \$20,290 for a family of two and \$30,750 for a family of four.

an amount the state finds acceptable given the member’s income level. For example, a married couple living in Boston with a combined household income of \$50,000 would qualify for a monthly tax credit of \$75 to help reduce their monthly premium. The table below summarizes the subsidies provided by CCA during the audit period.

Health Insurance Subsidies by Type

Calendar Year*	APTC	State Wrap	State CSR	Federal CSR
2015	\$230,290,157	\$86,877,652	\$63,808,336	\$61,464,122
2016	\$176,195,142	\$56,833,178	\$47,531,769	\$46,607,310

* Figures for 2014 were unavailable because of a change in CCA’s online system. Figures for 2015 include data from January 2015 through December 2015; figures for 2016 include data from January 2016 through June 2016.

APTCs accounted for approximately 53% of total subsidies in 2015 and 2016.

Online Portal

People applying for healthcare through CCA can do so via its Health Connector online portal, by completing a paper application in person, or by completing an application with CCA over the telephone. The applicant’s household information—which includes family size, projected yearly incomes of working household members, proof of Massachusetts residency, and whether any household members currently have health insurance—is entered in CCA’s database. CCA verifies an applicant’s reported income with the Internal Revenue Service and, starting in February 2016, the Massachusetts Department of Revenue. CCA verifies applicants’ residency using an online research tool called LexisNexis. If there are discrepancies between an applicant’s reported income or residency and CCA’s data, CCA sends the applicant a request for additional documentation to support his/her application.

Customer Service Contract with Dell Marketing LP

CCA entered into a contract with Dell Marketing LP in 2013. CCA hired Dell to create and operate a customer-service program for its Health Connector portal that consists of operating a call center, educating applicants about enrolling in health insurance plans, and processing bills that are paid online. Dell is accountable for 25 performance metrics, called service-level agreements (SLAs), 5 of which are directly related to customer service. These SLAs are based on daily, monthly, or quarterly data, which

Dell tabulates and provides to CCA as stipulated in the contract. If Dell does not meet these SLAs, the contract states that CCA can assess penalties, which are to be applied to Dell's monthly invoices and reduce the amount CCA owes to Dell. Conversely, the contract provides monetary incentives to Dell for exceeding the SLAs.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Commonwealth Health Insurance Connector Authority (CCA) for the period July 1, 2014 through June 30, 2016.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer, the conclusion we reached regarding each objective, and where each objective is discussed in the audit findings.

Objective	Conclusion
1. Does CCA conduct residency requirement tests to ensure that all applicants receiving benefits meet the criteria established by Section 502.000 of Title 130 of the Code of Massachusetts Regulations?	No; see Finding <u>1</u>
2. Has CCA established a system to monitor and measure customer service to satisfy the requirements for availability, choice, and adoption of private health insurance plans to eligible individuals and groups?	No; see Finding <u>2</u>

To achieve our audit objectives, we gained an understanding of the internal controls we determined to be relevant to our audit objectives and tested the controls' operating effectiveness over customer service provided under Dell Marketing LP's service contract at the call center. We conducted further audit testing as described in the following subsections.

Customer Service

We obtained and reviewed policies and procedures related to call center operations and CCA's walk-in centers, where potential members can receive assistance to enroll in health insurance plans. We visited one of these sites to obtain an understanding of the role of the employees at these locations.

Through meetings with CCA officials, we learned about the agency's contract with Dell and the customer service Dell provides to CCA. We requested and reviewed the contract between CCA and Dell and reviewed the contract's change orders that occurred during the audit period. We visited a walk-in center and met with Dell personnel to discuss Dell's billing process.

Dell submits a monthly report to CCA containing data regarding service-level agreements (SLAs), along with an invoice for payment. We examined the five SLAs related to customer service that were in place during the audit period. For each of the four SLAs that were calculated on a monthly basis, we chose a nonstatistical judgmental sample of 5 of the 24 monthly invoices from the audit period, which represented peak and off-peak enrollment in CCA's health insurance plans, to test the accuracy of the charges, penalties, and incentives itemized on each invoice. For the SLA that was calculated on a quarterly basis, we tested the only two quarters for which data were available from the audit period and tested the accuracy of the charges, penalties, and incentives itemized on both invoices.

Residency Requirement

Our data analytics team used Data Ladder software to compare the home addresses of people who had enrolled in an insurance program through CCA, and whom the agency had indicated as verified in its database, to the addresses in Massachusetts ArcGIS, an interactive property map used by the Commonwealth. We performed queries of this data-matching and identified 5,026 home addresses that appeared to be invalid. We selected a nonstatistical random sample of 307 members to test the validity of CCA's residency verification. We compared each address in our sample to data sources such as Google Maps and the United States Postal Service to determine the validity of each address.

We performed a query of the CCA database to identify the amounts of federal and state subsidies and applied Advance Premium Tax Credits (APTCs). Of the 5,026 members whose addresses are mentioned above, 2,006 had invalid addresses; these 2,006 members were receiving a total of \$299,412 in APTCs and a total of \$228,561 in state and federal subsidies.

We used nonstatistical sampling to help us achieve our audit objectives and therefore did not project our results to the various populations.

Data Reliability

We obtained a full copy of CCA's Massachusetts Health Insurance Exchange and Integrated Eligibility System database and assessed the reliability of the data we obtained from it. We reviewed the controls for access to programs and data, program changes, and security settings. We also performed additional validity and integrity tests, including testing the accuracy of manually entered data, by selecting a nonstatistical random sample of paper applications and tracing the applications to the data in the database. We determined that the data from this system were sufficiently reliable for the purposes of our audit.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Commonwealth Health Insurance Connector Authority did not ensure that its database was accurate.

The Commonwealth Health Insurance Connector Authority (CCA) did not ensure that it had accurate home address information in its database for all program participants. Using data-matching software, our data analytics team identified 5,026 members whose addresses appeared to be invalid. From these members, we chose a random sample of 307 addresses to test to determine whether they were in fact erroneous. We determined that 103 of the 307 addresses in our sample were invalid. In some instances, the home addresses were commercial properties, not residences, including a church and a warehouse in Hyannis, a strip mall in Middleborough, and a check-casher/tax-preparer business in Salem. In other instances, although CCA's database indicated that the person's address had been verified, this was not possible, since complete address information was not available in the database we tested. For example, the only address information for one program participant in the database was 47 West Roxbury (with no street name provided). By not performing periodic verifications of program participants' addresses and then using the addresses to update its database, CCA may be providing participants with benefits or a level of benefits to which they are not entitled.

Authoritative Guidance

Title 130 of the Code of Massachusetts Regulations (CMR) sets forth requirements that apply to both MassHealth and CCA as MassHealth agencies.

According to 130 CMR 502.003, "The MassHealth agency requires verification of eligibility factors including income, residency, citizenship, immigration status, and identity."

And 130 CMR 503.002 states,

As a condition of eligibility, an applicant or member must be a resident of the Commonwealth of Massachusetts. . . .

(E)(1) The individual's residency is considered verified if the individual has attested to Massachusetts residency and the residency has been confirmed by electronic data matching with federal or state agencies or information services.

In order to effectively ensure that program participants continue to meet the residency requirement, CCA should have a process in place that requires its staff to periodically verify the residency of all

program participants, investigate any discrepancies, and update the information in its database promptly. It should also have internal controls in place, including monitoring controls, to ensure that this process is followed.

Reasons for Issue

CCA officials asserted that the agency attempts to validate participants' address information using LexisNexis, an online research tool, and that when a discrepancy is noted, CCA issues a request for information² (RFI) to the participant/s to clarify it. During our audit, they could not provide an explanation of why, if address validation was being done, CCA was not updating the information in its database to make sure it was accurate.

Recommendations

1. CCA should review its verification process and ensure that adequate controls (policies and procedures) exist that require information in its database to be reviewed for completeness and accuracy and updated appropriately on a regular basis to keep its database accurate and to better ensure that only eligible participants receive benefits.
2. CCA should immediately take the measures necessary to update the information in its database.

Auditee's Response

CCA employs a procedure to verify information provided by applicants for health coverage, including residential address and other personal information within the hCentive database ("HIX"). This process is governed by federal regulation governing health insurance exchanges like CCA. . . . Residential addresses provided by applicants are validated against external data bases to determine if the addresses are valid residential addresses. In instances where this validation process identifies discrepancies, applicants are sent a request for information (RFI) to provide documentary verification of the address within 90 days. Information that is verified by this manual process is then updated in the database. . . .

Between January 1, 2015 through June 30, 2016, the HIX database contained approximately 810,554 individuals with addresses. The number of addresses that showed discrepancies represents a small percentage of that number. The CCA database reviewed for this audit represents an extract from the HIX database, which is the database used for eligibility determinations. The identified address discrepancies could be the result of the translation of the data received from the HIX database that occurred during that extraction process, or timing, from when the data extract was received and when it was provided to the auditors. In response

2. An RFI is issued to customers to corroborate and verify information from the application. The applicant has 90 days from receipt of the RFI to respond.

to this audit finding, CCA will validate residential address data to reflect the ongoing verification process in databases that are used for eligibility related determinations and transactions.

Auditor’s Reply

As noted above, we found that CCA did not adequately ensure that it had accurate home address information in its database for all program participants. Moreover, in some instances the home addresses were clearly not residences, and in other instances, although CCA’s database indicated that the person’s address had been verified, this was not possible because complete address information was not available in the database we tested. Although there may be a number of possible reasons for these discrepancies, we believe that CCA needs to do a better job of ensuring that the information in its database is current and accurate. Based on its response, CCA is taking measures to address our concerns in this area.

2. CCA did not ensure that adequate customer service was provided.

CCA did not ensure that Dell Marketing LP met all of the customer service standards and service-level agreements (SLAs) that were established in CCA’s contract with Dell. Specifically, CCA did not properly monitor the quality of customer service provided by Dell and did not impose contractually agreed-upon penalties when Dell did not meet certain customer service standards. The table below summarizes the customer service standards in CCA’s contract with Dell.

SLAs Related to Customer Service

SLA	Definition	Penalties	Incentives	Evaluation Frequency	Measurement Method
SLA-2	Maintain a maximum monthly average time to answer of 60 seconds	\$5,000 if monthly average time to answer exceeds 60 seconds	N/A	Monthly	Calls Report
SLA-3	Maintain a monthly average percentage of calls answered in 30 seconds or less at 70% or higher	\$2,500 if monthly percentage of calls answered in 30 seconds or less is below 65%	\$2,500 if monthly percentage of calls answered in 30 seconds or less is above 80%	Monthly	Health Connector Audit
SLA-4	Maintain a maximum monthly average abandoned call rate of 3%	\$2,500 if monthly average abandoned call rates exceed 3%; \$5,000 if monthly average abandoned call rates exceed 5%	\$2,500 if monthly average abandoned call rate is less than 1.5%	Monthly	Calls Report

SLA	Definition	Penalties	Incentives	Evaluation Frequency	Measurement Method
SLA-5	Maintain a maximum time to answer of 2 minutes	\$2,500 if 10% or more of calls exceed 2 minutes; \$5,000 if 30% or more of calls exceed 2 minutes	N/A	Monthly	Calls Report
SLA-8	Receive a top-two rating (on a five-point scale) in 85% of total customer surveys for customer satisfaction on CCA-approved customer surveys	\$2,500 if quarterly average overall customer satisfaction scores are less than 85%; \$5,000 for each time quarterly average overall customer satisfaction scores are less than 75%	\$2,500 if quarterly average overall customer satisfaction scores are greater than 90%	Quarterly	Customer Satisfaction Report

We reviewed samples of the monthly call reports and the quarterly customer satisfaction reports provided to CCA by Dell and noted that Dell did not meet the customer service standards for SLA-5 in February and May 2016 or for SLA-8 in the first two quarters of 2016.

Although CCA did properly assess the penalty for SLA-5 for May 2016, CCA did not assess all \$15,000 of the penalties it was entitled to assess under the contract; it assessed only \$2,500, as detailed below.

Findings from SLA Sample Testing

Data Tabulation Period	SLA-5	SLA-8	Penalty
August 2015	5%	N/A	\$0
November 2016	0%	N/A	\$0
January 2016	23%*	N/A	\$0
February 2016	30%	N/A	\$5,000
May 2016	14%	N/A	\$2,500 [†]
First Quarter 2016	N/A	73%	\$5,000
Second Quarter 2016	N/A	76%	\$2,500

* The SLA was waived during open enrollment (November through January).

† Dell was properly penalized for not meeting the requirements of this SLA.

Authoritative Guidance

CCA’s contract with Dell (Agreement by and between Commonwealth Health Insurance Connector Authority and Dell Marketing L.P. for Customer Service Contract Center and Business Operations

Services) requires CCA to designate a customer services agreement officer who will be responsible for reviewing and approving Dell's payment vouchers and for verifying Dell's compliance with the contract by reviewing the performance metrics. The contract specifies penalties CCA will assess to Dell for not meeting the performance metrics. (See the SLAs Related to Customer Service table for a detailed breakdown of the contractually required penalties.)

CCA management is responsible for making sure that the agency complies with all the terms and conditions of this contract and, in particular, that the responsibilities of the customer services agreement officer are performed effectively.

Reasons for Issue

CCA did not have controls in place to effectively monitor Dell's compliance with the contractual terms and conditions related to the achievement of the specified customer service metrics. Specifically, although CCA did have policies in place requiring review of all vendor invoices by the customer services agreement officer before approval, there was no system in place to ensure that this review was performed before payment. Further, because of a lack of cross-training, Dell's payment vouchers were not reviewed when the customer services agreement officer was unavailable.

Recommendations

1. CCA should implement internal controls to allow it to monitor performance metrics to determine Dell's compliance with the SLAs.
2. CCA should provide adequate cross-training of key personnel who are responsible for reviewing invoices for accuracy.

Auditee's Response

The total contract awarded to Dell amounted to \$47,637,422 . . . for the period of July 1, 2014 through June 30, 2016. The agreement did contain incentives and penalties that were in place and enforced during this time period. On November 29, 2016 the CCA notified the State Auditor that it had identified an error in how Dell was assessed for a violation of Service Level Agreement (SLA) SLA-8, and issued a corrective memo identifying that an additional \$5,000 should have been assessed at that time. The CCA took corrective actions and added these penalties to a December 2016 invoice, bringing the total assessed penalty for SLA-8 to \$7,500.

In an effort to ensure vendor compliance and management, the CCA was actively seeking a Vendor Relations and Strategy Manager prior to and during the time of this audit to oversee and manage this contract. That person was hired on February 13, 2017. Among other responsibilities, the Vendor Relations and Strategy Manager ensures that SLAs are calculated correctly, that the

vendor is held to the terms of the agreement, and that invoices are calculated by the vendor correctly. As a result of this control, CCA believes that the discrepancies identified by the audit will not recur.

Auditor's Reply

In its response, CCA points out that it identified at least one instance in which it did not assess a penalty for Dell's noncompliance with the SLAs that we included in our analysis. CCA states that it made the appropriate adjustment in this instance, and we believe it should continue to resolve the issue of any outstanding unassessed fines. However, as noted above, our concern is that CCA did not have controls in place to effectively monitor Dell's compliance with the contractual terms and conditions related to the achievement of the specified customer service metrics. Without such controls, this problem could keep occurring and go undetected. Based on its response, CCA is taking measures to address our concerns in this area.

APPENDIX

People who use Health Connector to shop for healthcare can choose plans from four “metallic” tiers: Platinum, Gold, Silver, or Bronze. Platinum plans offer the highest premiums but the lowest copays and deductibles. Gold and Silver plans have lower premiums but higher copays and deductibles than Platinum plans. Bronze plans offer the lowest premiums but have the highest copays and deductibles of any metallic tier. Additionally, there is a Catastrophic plan available to people who are under 30 years old or have a qualifying exemption from the federal government; this plan has very high deductibles.

Enrollment by Health Connector Coverage Level

Calendar Year*	Platinum	Gold	Silver	Bronze	Catastrophic	Total
2015	9,045	10,717	194,666	13,172	1,996	<u>229,596</u>
2016	6,486	11,525	228,437	8,526	783	<u>255,757</u>

* Fewer than 0.5% of members were enrolled in metallic tiers in 2014. Figures for 2015 include data from January 2015 through December 2015; figures for 2016 include data from January 2016 through June 2016.

Members enrolled in the Silver tier accounted for 85% of all members in 2015 and 89% of all members in 2016.