



California Health
Insurance Exchange
(dba Covered
California)

PROGRAMMATIC COMPLIANCE REPORT

Year Ended December 31, 2023
With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
California Health Insurance Exchange d/b/a Covered California

Report on Compliance

We have examined California Health Insurance Exchange's d/b/a Covered California (the Exchange), an independent public entity within state government, assertion that the Exchange operated in compliance with the requirements in Title 45, Code of Federal Regulations, Part 155 (45 CFR 155), Subparts C, D, E, K, and M during the plan year January 1, 2023 to December 31, 2023, including renewal and open enrollment actions for plan year 2023 that occurred prior to the beginning of the plan year. The Exchange's management is responsible for its assertion. Our responsibility is to express an opinion on the Exchange's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Exchange's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about the Exchange's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Exchange's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Exchange's compliance with specified requirements.

Our examination disclosed material noncompliance with 45 CFR Part 155, Subparts C, D, E, K, and M applicable to the Exchange during the year ended December 31, 2023, as disclosed in the accompanying schedule of findings as Findings 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, and 2023-008.

In our opinion, except for the material noncompliance described in the accompanying schedule of findings, the Exchange complied with the requirements of 45 CFR 155, Subparts C, D, E, K, and M during the year ended December 31, 2023, in all material respects.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024, on our consideration of the Exchange's internal control over compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Exchange's internal control over compliance. That report is an integral part of an examination performed in accordance with *Government Auditing Standards* in considering the Exchange's internal control over compliance.

Board of Directors and Management
California Health Insurance Exchange d/b/a Covered California

Intended Use

This report is intended to describe the scope of our examination of compliance and the results of the examination based on attestation standards established by the AICPA and *Government Auditing Standards* and it is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
April 26, 2024



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER COMPLIANCE WITH REQUIREMENTS OF TITLE 45, PART 155,
SUBPARTS C, D, E, K, AND M OF THE CODE OF FEDERAL REGULATIONS**

Board of Directors and Management
California Health Insurance Exchange d/b/a Covered California

We have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the assertion that the Exchange operated in compliance with the requirements in Title 45, Code of Federal Regulations, Part 155 (45 CFR 155), Subparts C, D, E, K, and M during the plan year January 1, 2023 to December 31, 2023, including renewal and open enrollment actions for plan year 2023 that occurred prior to the beginning of the plan year. We have issued our report on the Exchange's assertion of compliance with the above stated requirements dated April 26, 2024, which contained a qualified opinion due to material noncompliance with the specified requirements.

Management of the Exchange is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements described in 45 CFR 155, Subparts C, D, E, K, and M. In planning and performing our examination of the Exchange's assertion of compliance, we considered the Exchange's internal control over compliance with the requirements described above as a basis for designing examination procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Exchange's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings as Findings 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, and 2023-008 that we consider to be material weaknesses.

The Exchange's responses to the internal control over compliance findings identified in our examination are described in the accompanying schedule of findings. The Exchange's responses were not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on the responses.

Board of Directors and Management
California Health Insurance Exchange d/b/a Covered California

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Government Auditing Standards*. Accordingly, this report is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
April 26, 2024



SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2023

Finding #2023-001

Criteria:

45 CFR § 155.320(c)(3)(iii)(F) stipulates: If, at the conclusion of the period specified in § 155.315(f)(2)(ii), the Exchange remains unable to verify the applicant's attestation and the information described in paragraph (c)(3)(ii)(A) of this section is unavailable, the Exchange must determine the tax filer ineligible for advance payments of the premium tax credit and cost-sharing reductions, notify the applicant of such determination in accordance with the notice requirements specified in § 155.310(g), and discontinue any advance payments of the premium tax credit and cost-sharing reductions in accordance with the effective dates specified in § 155.330(f).

Condition and Context:

During the audit period, Covered California did not discontinue financial assistance for applicants who failed to respond to a conditional eligibility notice for income within the 95 day reasonable opportunity period (ROP). Per Covered California policy, applicants are provided a 5 day processing time in addition to the 90 days required by federal regulations, for a total of 95 days. When income cannot be verified, Covered California's policy is to send a notice and provide the consumer with 95 days to clear the inconsistency. If the verification is still pending after 95 days, the ROP discontinuance batch process is used to update eligibility and provide notice to the consumer. In the 2022 SMART Submission to CMS, Covered California reported that mixed households, defined as households with both QHP and Medi-Cal coverage, would not be included in the ROP discontinuance batch during the public health emergency (PHE) unwinding. CMS provided a response letter acknowledging Covered California's decision to implement a process to resolve all verification requirement inconsistencies by the end of 2023. During testing, BerryDunn identified that 10 out of 125 sampled cases did not have financial assistance discontinued after their ROP expired and did not meet the definition of a mixed household. These cases should have been included in the ROP discontinuance batch, as reported in Covered California's 2022 SMART Submission to CMS.

Cause:

Covered California did not consistently implement the discontinuance batch process for income verification. The cause of this issue has not been identified; however, Covered California stated that there were difficulties implementing the ROP discontinuance batch for income during the PHE.

Effect:

Applicants were conditionally eligible for a longer period than stipulated by state and federal requirements. Ineligible applicants could have received financial assistance because Covered California did not take action to remove coverage for applicants who did not provide supporting documentation in a timely manner.

Recommendation:

BerryDunn recommends that Covered California ensure system functionality is designed to remove financial assistance for applicants that do not provide supporting evidence to resolve an income inconsistency within the ROP.

Exchange Response:

Covered California agrees with the finding.

Corrective Action Plan:

Covered California has taken proactive measures to address and reduce cases with income inconsistency. Following the enhancements made in release 24.2, which include updates to the reasonable compatibility test and increased flexibility in accepting attested income in the absence of IRS data, we have initiated a targeted process. This process is designed to identify and reevaluate cases with pending income verification that might now meet eligibility criteria due to the recent system improvements.

Through this initiative, our goal is to accurately redetermine eligibility when applicable and also to reassess and determine next steps for effectively addressing conditional eligibility issues arising from outstanding income verifications.

Targeted Completion Date: 12/31/2024

Responsible Exchange Official:

Linda Ly
Eligibility & Enrollment Compliance Senior Manager
Policy, Eligibility & Research Division

Finding #2023-002

Criteria:

45 CFR § 155.315(f)(2) stipulates: If unable to resolve the inconsistency through the process described in paragraph (f)(1) of this section, must— (i) Provide notice to the applicant regarding the inconsistency; and (ii) Provide the applicant with a period of 90 days from the date on which the notice described in paragraph (f)(2)(i) of this section is sent to the applicant to either present satisfactory documentary evidence via the channels available for the submission of an application, as described in § 155.405(c), except for by telephone through a call center, or otherwise resolve the inconsistency.

Condition and Context:

During the audit period, some applicants who were determined conditionally eligible due to outstanding income verification did not receive notices alerting them of the inconsistency and requesting further documentation. BerryDunn identified 2 out of 125 sample cases that were conditionally eligible for income in the eligibility system but were not provided with a notice requesting supporting documents. BerryDunn confirmed with the CalHEERs team that a notice should have been generated and sent to the applicant in both of the sample cases noted. The applicants retained conditional eligibility and did not receive any communication from Covered California about that determination. Covered California stated that a system enhancement will be implemented to fix this issue in 2024.

Cause:

Covered California stated that the system is working as intended, however due to a design gap, applicants were not provided with a notice requesting supporting documents.

Effect:

Applicants failing the income verification test were not notified, and therefore not given an opportunity to provide a verification document to resolve the income inconsistency. Ineligible applicants may have received financial assistance.

Recommendation:

BerryDunn recommends Covered California identify the cause of the notice suppression and implement system or policy changes to ensure conditionally eligible applicants receive the appropriate eligibility notice.

Exchange Response:

Covered California agrees with the finding.

Corrective Action Plan:

This finding aligns with a design gap already slated for correction in release 24.6.
Targeted Completion Date: 6/30/2024

Responsible Exchange Official:

Linda Ly
Eligibility & Enrollment Compliance Senior Manager
Policy, Eligibility & Research Division

Finding #2023-003

Criteria:

45 CFR § 155.315(c)(3) stipulates: For an applicant who attests to citizenship, status as a national, or lawful presence, and for whom the Exchange cannot verify such attestation through the Social Security Administration or the Department of Homeland Security, the Exchange must follow the procedures specified in paragraph (f) of this section, except that the Exchange must provide the applicant with a period of 90 days from the date on which the notice described in paragraph (f)(2)(i) of this section is received for the applicant to provide satisfactory documentary evidence or resolve the inconsistency with the Social Security Administration or the Department of Homeland Security, as applicable.

Condition and Context:

BerryDunn identified 2 out of 125 sample cases that were conditionally eligible due to outstanding lawful presence verification but did not have coverage discontinued after the ROP expired. Both of the two noncompliant applications were U.S. Department of Homeland Security (DHS) cases. For DHS cases, Covered California's process to verify an applicant's lawful presence status includes three steps:

- Step 1 – Initial verification: Immigration information entered in the application is sent to DHS for verification.
- Step 2 – Comments for verification: DHS requires additional verification information be provided.
- Step 3 – Add document for verification: DHS requires an immigration document to be submitted for further verification.

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When an application does not include documentation for lawful presence, Covered California sends a notice to the applicant requesting supporting evidence. If a document is uploaded by a consumer, it will be provided to DHS for electronic verification. If the applicant does not provide documentation after the 95 days, Covered California terminates coverage through an ROP discontinuance batch.

Covered California stated that Step 3 was not completed for the two noncompliant cases identified during testing. Both applicants received conditional eligibility notices and were provided 95 days to respond. Neither applicant provided satisfactory documentation within the ROP. However, Covered California did not take action to discontinue unsubsidized coverage for these individuals and they stayed conditionally eligible for a longer period than stipulated by federal regulation.

Cause:

Covered California did not complete all the necessary steps to verify lawful presence. The cause of this issue has not been identified.

Effect:

Applicants were conditionally eligible for a longer period than stipulated by state and federal regulations. As a result, ineligible applicants could have received coverage.

Recommendation:

BerryDunn recommends that Covered California ensure that all procedures for verification of lawful presence are followed. BerryDunn also recommends that Covered California discontinue coverage for any applicant whose ROP for providing documentation has expired.

Exchange Response:

Covered California agrees with the finding.

Corrective Action Plan:

Covered California is reviewing the lawful presence verification process, focusing on cases needing extra information from the Department of Homeland Security which may extend beyond the standard reasonable opportunity period (ROP). We aim to identify and implement improvements to balance compliance with flexibility for exceptional circumstances.

Targeted Completion Date: 12/31/2025

Responsible Exchange Official:

Linda Ly
Eligibility & Enrollment Compliance Senior Manager
Policy, Eligibility & Research Division

Finding #2023-004

Criteria:

45 CFR § 155.260(a)(3)(vii) stipulates: Personally identifiable information should be protected with reasonable operational, administrative, technical, and physical safeguards to ensure its confidentiality, integrity, and availability and to prevent unauthorized or inappropriate access, use, or disclosure.

Additionally, the Covered California Administrative Manual requires that all users “shall agree to, acknowledge and follow the security protocols outlined in the Acceptable Use Statement.”

Condition and Context:

BerryDunn reviewed prior year audit findings identified by Covered California’s previous auditor and assessed whether the condition still existed during the plan year January 1, 2023 to December 31, 2023. The prior auditor identified instances where employees, contractors, consultants, student aids, and Board members with VPN access had not completed a Telework Agreement or Remote Access Agreement. Additionally, we were not provided with evidence demonstrating that users had completed the required Acceptable Use Statement.

The prior year finding was identified as 2022 #5. Covered California noted that this finding had not been remediated as of December 31, 2023. However, the Covered California Information Technology (CCIT) Division has implemented a verification process to ensure that remote access requests address a legitimate need and have been properly requested by the employee or contractor’s supervisor or manager, prior to establishing new remote access user accounts. The Covered California Human Resources Branch (HRB) has implemented a policy requiring all employees to complete a Telework Agreement that is approved within two business days of the individual’s start date. The Covered California Information Technology Division plans to implement a formal process by September 1, 2024 to ensure that all contractors, consultants and other active non-civil service workers have a signed Remote Access Agreement or Telework Agreement no later than two business days after beginning a telework or remote access assignment, and a signed Acceptable Use Statement completed by the end of their onboarding.

Cause:

CCIT did not have a formal policy that required employees to complete a Remote Access Agreement before obtaining remote access to Covered California systems. CCIT did not coordinate with HRB to verify that a Telework Agreement was completed prior to granting remote access to employees, and no processes were in place to validate remote access users with the HRB telework database. Vendor contracts did not include consistent language requiring contractor staff to acknowledge and sign an Acceptable Use Statement by the end of their onboarding. Additionally, records were not maintained to verify that the required acknowledgements and forms were completed.

Effect:

The lack of proper remote access policies and procedures could allow inappropriate access to Personally Identifiable Information (PII) of applicants and enrolled members whose information is maintained in Covered California systems.

Recommendation:

BerryDunn recommends that CCIT continue progress on implementation of a formal process by September 1, 2024 to ensure that all contractors, consultants and other non-civil service workers sign a Remote Access Agreement or Telework Agreement no later than two business days after beginning a telework or remote access assignment, and sign an Acceptable Use Statement by the end of their onboarding. BerryDunn recommends that CCIT continue to work with HRB to implement a formal process to ensure that remote access is granted on a timely basis to employees and contractors following the completion of all required forms, agreements, and training. Additionally, BerryDunn recommends that Covered California conduct a detailed review of vendor contracts to ensure that all contracts include consistent language requiring contractor staff to acknowledge and assign an Acceptable Use Statement.

Exchange Response:

Covered California agrees with the finding.

Corrective Action Plan:

Covered California is working to implement a formal process to ensure that remote access is granted on a timely basis to employees and contractors following the completion of all required forms and agreements, while also addressing the other aspects of the recommendation.

Targeted Completion Date: 9/1/2024

Responsible Exchange Official:

Finding #2023-005

Criteria:

45 CFR § 155.260 (3) stipulates: The Exchange must establish and implement privacy and security standards that are consistent with the following principles:

(vii) Safeguards. Personally identifiable information should be protected with reasonable operational, administrative, technical, and physical safeguards to ensure its confidentiality, integrity, and availability and to prevent unauthorized or inappropriate access, use, or disclosure; and,

(viii) Accountability. These principles should be implemented, and adherence assured, through appropriate monitoring and other means and methods should be in place to report and mitigate non-adherence and breaches.

Condition and Context:

BerryDunn reviewed prior audit findings identified by Covered California's previous auditor and assessed whether the condition still existed during the plan year January 1, 2023 to December 31, 2023. A prior audit finding noted that service center surge contractor staff did not sign a Covered California Remote Access Agreement and Acceptable Use Statement, as required by Covered California's privacy and security standards and the executed contract between Covered California and the surge contractor. Further, Covered California did not monitor contractors' compliance with the requirement that all staff must sign a Covered California Remote Access Agreement and Acceptable Use Statement.

The prior audit finding was identified as 2022 #6. Covered California noted that this finding had not been fully remediated as of December 31, 2023. However, Covered California noted that the service center has developed oversight processes to ensure the surge contractor is meeting information technology and security reporting requirements. The Covered California Information Security Office (ISO) implemented a formal process by March 1, 2024, to conduct monthly access monitoring reviews of all active contractors, consultants, and other non-civil service workers.

Cause:

Covered California does not have processes in place to monitor contractors' compliance with the requirement that all staff sign a Covered California Remote Access Agreement no later than two business days after beginning a remote access assignment, and sign an Acceptable Use Statement by the end of their onboarding.

Effect:

Personally identifiable information could be accessed by or disclosed to unauthorized individuals.

Recommendation:

BerryDunn recommends that the Covered California Information Technology Division (ITD) work with other CCA divisions to continue progress on implementation of a formal process by September 1, 2024 to monitor that all active contractors, consultants, and other non-civil service workers have a signed Remote Access Agreement no later than two business days after beginning a remote access assignment, and a signed Acceptable Use Statement completed by the end of their onboarding.

Exchange Response:

Covered California agrees with the finding.

Corrective Action Plan:

Covered California is working to implement a formal process to monitor that all active contractors, consultants, and other non-civil service workers have a signed Remote Access Agreement no later than two business days after beginning a remote access assignment, and a signed Acceptable Use Statement completed by the end of their onboarding.

Targeted Completion Date: 9/1/2024

Responsible Exchange Official:

Tina Mitchell
Chief Information Security Officer
Information Technology Division

Finding #2023-006

Criteria:

45 C.F.R § 155.400 (d) stipulates: The Exchange must reconcile enrollment information with QHP issuers and HHS no less than on a monthly basis.

Condition and Context:

BerryDunn reviewed prior year audit findings identified by Covered California's previous auditor and assessed whether the condition still existed during the plan year January 1, 2023 to December 31, 2023. The prior auditor performed individual market enrollment testing, and identified instances where financial attributes reported by carriers, such as net premium amount and APTC amount, did not match Covered California's records. These discrepancies were not identified or corrected by the existing monthly reconciliation process.

The relevant prior year findings were identified as 2022 #7, 2020 #2, 2020 #1, 2019 #5, and 2017 #2. Covered California stated that this finding had not been remediated as of December 31, 2023. However, Covered California noted that the corrective action plan response for this finding was partially implemented as of December 31, 2023, and is now fully implemented. Starting in 2019, Covered California implemented a multi-tiered data validation process and provides carriers with a reconciliation process guide, reconciliation dispute process guide, reconciliation data reports, and hosts carrier engagement meetings to ensure carriers are aware of identified performance issues. On October 1, 2022, Covered California formalized contract language in carrier agreements that clearly outlines timelines and expectations for resolving enrollment discrepancies identified during the carrier reconciliation process. Following carrier feedback, in late 2023 the CCDU developed reports to highlight ongoing issues at the individual record level. These reports are currently utilized to relay persistent concerns back to carriers. In January 2024, the Covered California Data Integrity Unit (CCDU) fully implemented a formal process for carriers to upload their data reconciliation processes by March 30, 2024, and informed carriers that this documentation will be required to be submitted annually with a due date provided by the CCDU. Starting February 9, 2024, the CCDU initiated requests for written analyses and mitigation plans from carriers regarding persistent data issues, with a deadline for receipt by April 5th, 2024. The team is currently evaluating the responses and will collaborate with carriers during weekly engagement calls to address any identified issues, inquire about root causes, and track the progress of tickets opened to resolve the issues.

Cause:

Two factors were identified as the cause for this noncompliance:

1. During the audit period, Covered California had not taken steps to verify the reconciliation processes used by carriers to reconcile their records to those of Covered California are reliable, consistent, and meet Covered California's expectations.
2. During a portion of the audit period, the reconciliation process did not address the consistency of financial and individual attributes between carrier and Covered California records.

Effect:

Enrollment data discrepancies could cause incorrect premium amounts to be invoiced to enrolled households and impact the amount of available APTC to consumers, creating a burden for consumers and resulting in noncompliance with monthly enrollment information reconciliation requirements.

Recommendation:

BerryDunn recommends that the Covered California Data Integrity Unit (CCDU) continue to monitor carrier reconciliation processes to ensure that they meet the expectations outlined in the process guides and continue to monitor carrier resolution of deficiencies to help ensure the remediations are effective.

Exchange Response:

Covered California agrees with the finding.

Corrective Action Plan:

Covered California will continue to monitor the reconciliation process to ensure effectiveness.

Responsible Exchange Official:

Surpeet Kaur
Data Integrity Unit
Program Integrity Division

Finding #2023-007

Criteria:

According to California Code of Regulations (CCR) Title 10, § 6464 - Identity Verification Requirement (CCR § 6464), Certified Representatives are defined as:

- Service Center Representative: an Exchange employee operating in a call center as set forth in 45 C.F.R. section 155.205(a);
- (B) Certified Enrollment Counselor as defined in section 6650;
- (C) Certified Application Counselor as defined in 45 C.F.R. section 155.225;
- (D) Certified Insurance Agent as defined in section 6800;
- (E) Certified Plan-Based Enroller as defined in section 6410.

CCR § 6464 also stipulates:

1. An applicant shall mail, present in person, or electronically transmit through CalHEERS to the Exchange or to a Certified Representative acceptable proof of identity [...]
2. If submitted in person or by mail, a Certified Representative shall upload a copy of the identity documents to CalHEERS.

Condition and Context:

BerryDunn reviewed prior audit findings identified by Covered California's previous auditor and assessed whether the condition still existed during the plan year January 1, 2023 to December 31, 2023. During the plan year 2022 audit, the prior auditor tested a sample of 50 households that failed the Remote Identify Proofing (RIDP) process and therefore required verification by an alternative method prior to approval of enrollment into a QHP. The prior year test included an assessment of whether appropriate documentation had been uploaded into the CalHEERS Portal. Through this testing the prior auditor identified that for two (2) of 50 sampled households, proof of identity documentation was uploaded by county eligibility workers. CCR § 6464 indicates that only Certified Representatives can verify and upload customer identify verification documents. County eligibility workers are not defined as Certified Representatives according to the CCR.

The prior year finding was identified as 2022 #2. Covered California has noted that this finding had not been remediated as of December 31, 2023. In 2024, Covered California plans to update CCR § 6464 to

specify county eligibility workers as allowable application assisters during the identity proofing process when verifying an applicant's identity.

Cause:

The CCR has not been updated to include county eligibility workers as Certified Representatives who can assist customers with the identify verification process.

Effect:

County eligibility workers that operate as application assisters are not in compliance with current California regulations. Counties provide their own identify proofing guidance that may differ from Covered California's guidance. County workers may lack access to the specific guidance and ongoing support readily available to Exchange-certified representatives. County workers also may not be subject to the same level of direct oversight as Exchange-certified representatives, increasing potential for missed irregularities or errors.

Recommendation:

BerryDunn recommends that Covered California continue to work to update CCR § 6464 in 2024 to specify that county eligibility workers are allowable application assisters during the identity proofing process. This would align the CCR with Covered California's current processes.

Exchange Response:

Covered California agrees with the finding.

Corrective Action Plan:

While Covered California will continue its work to make the appropriate updates. We need to extend the project deadline from Q4 2024 to Q4 2025, due to the increased scope of work and coordination needed. Targeted Completion Date: 12/31/2025

Responsible Exchange Official:

Linda Ly
Eligibility & Enrollment Compliance Senior Manager
Policy, Eligibility & Research Division

Finding #2023-008

Criteria:

45 CFR § 155.315(a) stipulates: Unless a request for modification is granted in accordance with paragraph (h) of this section, the Exchange must verify or obtain information as provided in this section in order to determine that an applicant is eligible for enrollment in a QHP through the Exchange.

45 CFR § 155.315(f) stipulates: [...] for an applicant for whom the Exchange cannot verify information required to determine eligibility for enrollment in a QHP through the Exchange, advance payments of the premium tax credit, and cost-sharing reductions, including when electronic data is required in accordance with this subpart but data for individuals relevant to the eligibility determination are not included in such

data sources or when electronic data from IRS, DHS, or SSA is required but it is not reasonably expected that data sources will be available within 1 day of the initial request to the data source, the Exchange:

1. Must make a reasonable effort to identify and address the causes of such inconsistency, including through typographical or other clerical errors, by contacting the application filer to confirm the accuracy of the information submitted by the application filer.

Condition and Context:

BerryDunn reviewed prior audit findings reported by Covered California's previous auditor and assessed whether the condition still existed during the plan year January 1, 2023 to December 31, 2023. The prior auditor tested a sample of 50 households that failed the remote identity proofing (RIDP) process and needed to be verified by an alternative method prior to enrollment into a QHP. Issues identified during testing include three households that were able to enroll in coverage before Covered California verified the applicants' identities; eleven households where CalHEERS administrative users and agents submitted non-allowable identity documentation, and five households where agents submitted illegible or non-identifiable identity documentation.

The prior year finding was identified as 2022 #2. Covered California noted that this finding had not been remediated as of December 31, 2023. CalHEERS is in the process of designing new system functionality within the CalHEERS portal to include identity documents in the document verification service in order to prevent acceptance of invalid documents. CalHEERS estimates implementation of the system functionality in 2025. The Policy Eligibility and Research Division (PERD) is in the process of reviewing and updating Covered California's internal procedures and external guidance on visual verification of identity documentation to ensure this guidance specifies that submitted documentation must be of sufficient quality to allow independent verification. PERD estimates that Covered California's internal procedures and external guidance related to visual verification of identity documentation will be updated by the end of the 2024 plan year.

Cause:

Applicants were able to enroll in a QHP prior to the completion of identity verification. Additionally, service center representatives uploaded blank, inappropriate, or illegible documentation as support for identity verification. Internal procedures and external guidance provided by Covered California on visual verification of identity documentation does not specify that submitted documentation must be of sufficient quality to be independently verified.

Effect:

Applicants whose identity information has not been adequately verified could be determined eligible and enrolled in a QHP.

Recommendation:

BerryDunn recommends that CalHEERS continue progress on implementation of system functionality that includes identity documents in the document verification service in order to prevent acceptance of invalid documents. BerryDunn recommends that PERD continue to work to update Covered California's internal procedures and external guidance on visual verification of identity documentation by the end of the 2024 plan year, to ensure this guidance specifies that submitted documentation must be of sufficient quality to be independently verified. BerryDunn recommends that Covered California provide additional training for CalHEERS administrative users and agents on acceptable identity documentation.

Exchange Response:

Covered California agrees with the finding.

Corrective Action Plan:

Covered California is researching available technology solutions for Remote Identity Proofing (RIDP). There are numerous initiatives currently prioritized to implement an enhanced RIDP solution to the system, and to allow consumers to upload Identity documents as a means to validate their identity. These solutions will be implemented in 2025.

Responsible Exchange Official:

David Krause
Deputy, Chief Information Officer
Information Technology Division