

COVERED CALIFORNIA AUDIT COMMITTEE MINUTES
Thursday, December 18, 2024

Main Location:

Covered California Tahoe Auditorium
1601 Exposition Blvd.
Sacramento, CA 95815

Alternate Location:

Lafayette Library and Learning Center
Arts & Science Center
3491 Mt. Diablo Boulevard
Lafayette, CA 94549

Agenda Item I: Call to Order, Roll Call, and Welcome

Kirk Marston, Chief Audit Executive, Office of Audit Services at Covered California, welcomed everyone to the meeting.

Mr. Marston called the meeting to order at 2:34 PM.

Audit Committee Members Present During Roll Call:

Jerry Fleming
Mayra Alvarez

Conflict Disclosure: A conflict disclosure was performed and there were no conflicts from the Committee members that needed to be disclosed.

Agenda Item II: August 15, 2024 – Audit Committee Meeting Minutes

Discussion: None

Motion/Action: Mayra Alvarez moved to approve the Audit Committee Meeting Minutes for August 15, 2024. Jerry Fleming seconded the motion.

Public Comment: None

Vote: The motion was approved by unanimous vote.

Agenda Item III: Internal Audit Charter

Mr. Marston presented the proposed changes to the Internal Audit Charter, stemming from the introduction of new audit standards by the Institute of Internal Auditors (IIA). IIA's new standards are called the Global Internal Audit Standards (Standards) and will be effective January 9, 2025. Mr. Marston outlined the transition from having separate charters for Covered California's Office of Audit Services (OAS) and the Audit Committee to a unified Internal Audit Charter. The new standards require a more comprehensive Internal Audit Charter that incorporates the Audit Committee's roles and responsibilities. It thereby eliminates the need for a separate Audit Committee charter.

The revised Internal Audit Charter emphasizes increased collaboration between the Chief Audit Executive, the Audit Committee, and Covered California's executive management. This aims to ensure the audit functions align with and support the organization's goals and strategic objectives.

OAS will enhance its strategic alignment of audit activities with Covered California's strategic plan and objectives. This involves assessing risks and tying audit efforts to those risks and strategic pillars. Mr. Marston stressed the importance of these changes in enhancing the internal audit function's contribution to Covered California's overall mission and strategic goals.

Committee Members' Comments:

Ms. Alvarez asked about the practical changes accompanying the formal collaboration between the Chief Audit Executive and the Committee, beyond the documented procedures. She asked if any shifts in practice support the intended goals of the collaboration.

Mr. Marston described the need for audit shops to now develop their own strategic goals and objectives. He said it is important for there to be alignment between an audit shop's goals with the organization's broader strategic objectives. The introduction of performance measures is also a new requirement for audit shops. Mr. Marston mentioned that he will solicit the Audit Committee's input when OAS' strategic goals, objectives and performance measures are being created. The collaboration with the Audit Committee will help ensure the work performed by OAS continues to bring value and supports Covered California's mission, strategy, and objectives. In addition, the IIA new standards also require audit findings be assigned risk levels (e.g., high, medium, low). Mr. Marston further explained that, at the end of the year, the Committee may prioritize corrective action plans especially for high-risk findings.

Motion/Action: A motion to approve the revised Internal Audit Charter was made by Mayra Alvarez and seconded by Jerry Fleming.

Public Comment: None

Vote: The motion was approved by unanimous vote.

Agenda Item IV: Audit Results

External Audits - Medi-Cal to Covered California Transition Senate Bill 260 Performance Audit

Ms. Vanessa Maybury, Senior Manager, and Mr. Elliott Simpson, Manager from BerryDunn presented their findings on the Senate Bill 260 Performance Audit. BerryDunn conducted research and collaborated with management to understand risks associated with the SB260 program. The focus of the audit was on evaluating the program as a whole and identifying process inconsistencies or areas for improvement,

rather than strictly on compliance with federal regulations. Detailed findings and recommendations were presented.

Committee Members' Comments:

Cancellation Notices

Ms. Alvarez asked Covered California for clarification on why they disagreed with BerryDunn's finding/recommendation that they should consistently send cancellation notices to individuals who opt out, ensuring applicants are informed and policies are consistently applied.

Katie Ravel, Director, Policy, Eligibility, and Research Division (PERD) explained that cancellation notices are optional letters. They were initially implemented as a helpful reminder for consumers regarding their remaining time in the Special Enrollment Period (SEP). Concerns arose that these notices might deter enrollment, with people possibly misunderstanding them as indicating they had missed their chance to enroll. A decision was made to test whether suppressing these notices would lead to increased enrollment, as consumers would still receive other marketing outreach notices. The results of the test were mixed, indicating that the notices neither significantly discouraged nor encouraged enrollment. The experiment did not include any required notices.

Ms. Alvarez asked how the results of the experiment changed procedures.

Ms. Ravel described Covered California's ongoing effort to refine their approach. Ms. Ravel's explained that PERD and the marketing team are collaborating when sending required notices and outreach. They are re-evaluating the effectiveness of their current outreach strategies. This evaluation may result in experiments to determine the optimal frequency of emails. The goal is to find the right balance that maximizes enrollment without causing consumer confusion.

Retrieval of Data in the CalHEERS Portal

Ms. Alvarez requested clarification on the impact of a non-efficient system of data retrieval.

Mr. Elliot explained that not having the data presented in a concise manner could potentially complicate program oversight and integrity efforts. This is a performance-based finding that assessed program operations and efficiencies. Mr. Elliot further elaborated that this is not a non-compliance finding. He reiterated that Covered California disagreed with the finding.

Incorrect Advanced Premium Tax Credit (APTC) Amounts

Ms. Alvarez asked if consumers received more or less than their authorized APTC amount.

Ms. Ravel explained that it can be more or less, but the general approach is to rectify the issue as quickly as possible.

Executive Director Jessica Altman highlighted that APTC discrepancies are reconciled at tax time, and that Covered California strongly encourages consumers to provide timely updates to their income.

Absence of Precise Effectuation Rate Data

Ms. Alvarez asked for clarification on the two impacted population subgroups, as they were not noted in BerryDunn's slide presentation.

Mr. Simpson said the populations were consumers who (1) passively opt-out due to existing coverage and (2) consumers who actively opt-out due to existing coverage.

Ms. Alvarez praised Covered California's success in providing "no wrong door" for consumers seeking coverage.

Ms. Altman thanked Ms. Alvarez and reminded the Committee that consumers that come over through SB260, but do not enroll in Covered California, are not necessarily uninsured. It would be beneficial to know more about consumers' coverage, but that information is not available.

Disagreements with Audit Findings

Mr. Fleming commented on the complexity of the program, the many involved parties, and the many moving parts. He expressed concern regarding situations where there is disagreement between BerryDunn's findings and Covered California's stance. He questioned if there is a process in place to improve alignment over time to decrease disagreement. He asked if there is a general agreement on how the process should work and the dynamics of the relationship between the parties involved.

Ms. Maybury said that while alignment is desirable, sometimes there are differences of opinion on the operations and effectiveness of the operations.

Ms. Altman emphasized the importance of transparency, especially in situations where there might be disagreements with audit findings. She believes it is crucial for disagreements or agreements with audits to be communicated to herself, Covered California leadership, the Audit Committee, and Board members. She highlighted that it is not typically the facts of the audits that are in question, but the interpretation and the actions that should follow from those facts.

Praise for Covered California's SB260 Work

Ms. Alvarez congratulated Covered California on the incredible SB260 work and the audit.

Ms. Maybury expressed her regret that their audit could not include the many great things found at Covered California while performing their SB260 audit. While the audit was focused on improvement, they recognized many great things within the program.

External Audits - Payroll Process and Transactions Audit

This item was not discussed at this meeting.

Public Comment: None

Internal Audits - Business Continuity Plan Audit

Kevin Cathy, Branch Chief, Office of Audit Services at Covered California, presented this item. The audit focused on assessing whether the plan included all necessary elements to ensure the organization could continue its critical operations during a disaster or emergency. The audit found that Covered California has a robust Business Continuity Plan identifying essential functions and leadership successions to maintain operations in emergencies. Additionally, the Business Services Branch was commended for its procedures, including the annual review of the plan. A low-risk issue was identified regarding the lack of formal certification by senior leaders that they have reviewed and approved the plan. A corrective action to develop a senior leader sign-off process is underway, with full implementation expected by mid-next year.

Committee Members' Comments:

Mr. Fleming highlighted the importance of the relationship between Covered California and the health plans and suggests exploring joint testing initiatives to enhance overall business continuity strategies. He asked whether there had been consideration or planning to work collaboratively with partner health plans to conduct testing.

Mr. Cathy replied that there is consideration to holistically evaluate the health plans' business continuity plan. This would be inclusive of data that Covered California wants to protect. We want to ensure that, in the event of an emergency that affects those plans, the data is backed up and retrievable.

Public Comment: None

Internal Audits - CalHEERS Help Desk Ticket Audit

Kevin Cathy, Branch Chief, Office of Audit Services at Covered California, presented this item. This audit aimed to verify the efficiency and compliance of the CalHEERS Help Desk ticket function, acting as a follow-up to ensure that previous audit recommendations were effectively implemented. The audit revealed no new issues, highlighting positive findings instead. The audit noted that the CalHEERS and Covered California's Information Technology (CCIT) teams excelled in quickly addressing and resolving Help Desk tickets, a significant improvement over previous concerns regarding timeliness. Additionally, the teams effectively managed system defects

without compromising personally identifiable information (PII). Mr. Cathy commended CCIT and CalHEERS for their successful resolution of past Programmatic Audit findings, indicating a well-functioning support process.

Committee Members' Comments:

Ms. Alvarez asked what warrants an internal vs an external audit.

Mr. Cathy explained that external audits are mandated by government regulations, such as the Affordable Care Act (ACA), which requires periodic programmatic audits to ensure program compliance. For instance, the organization hires firms like BerryDunn to review various operational aspects to ensure adherence to the ACA requirements. Similarly, the State Personnel Board (SPB) conducts audits every three years to verify that the organization's hiring practices align with regulatory expectations. These external audits are largely out of the organization's control, with the auditors determining the scope and requirements.

On the other hand, internal audits are initiated by the organization itself, following a comprehensive risk assessment process that spans months. This process involves extensive consultations and analysis of current risks, trends, and potential future changes. These findings are then presented to the Audit Committee, which decides on the audits to be conducted based on this risk assessment. Mr. Cathy further explained that some audits are carry-overs from previous audit plans approved by past Committees. He emphasized the ongoing nature of internal audit activities designed to address and mitigate key organizational risks.

Ms. Altman added that Covered California's internal audits strategically focus on areas not covered by external audits to avoid duplication and address specific, in-depth concerns.

Public Comment: None

Agenda Item V: Wrap-Up and Next Steps

Mr. Marston outlined the potential dates for future meetings as well as the potential meeting topics.

Ms. Altman noted that the proposed schedule included a presentation to the Board on the Committee's behalf following the close of the fiscal and audit year.

The meeting adjourned at 3:30 PM.