



## COVERED CALIFORNIA INDEPENDENT EXTERNAL AUDIT: 2022 AUDIT FINDINGS REPORT SUMMARY OF RESULTS

### INTRODUCTION AND BACKGROUND

Under the federal Patient Protection and Affordable Care Act, states were given the option to create a state-based health insurance exchange or participate in the federal multi-state health insurance exchange. In 2010, California was the first state to adopt legislation to establish a state-based health insurance exchange. The California Legislature established the California Health Benefit Exchange, also known as Covered California, to “reduce the number of uninsured Californians by creating an organized, transparent marketplace for Californians to purchase affordable, quality health care coverage, to claim available tax credits and cost-sharing subsidies, and to meet the personal responsibility requirements imposed under the federal act.”

In 2019, California passed healthcare legislation for a new state subsidy program that built upon the Affordable Care Act. Effective January 1, 2020, California became the first state to offer its residents additional state healthcare subsidies and instituted an individual mandate for minimum essential coverage that required California residents to enroll in and maintain minimum essential coverage or face penalties when they filed their state income taxes. This legislation introduced an individual market assistance program that provided state advanced premium assistance (state subsidies) for California residents with household incomes at or below 600 percent of the federal poverty level. State subsidies were placed on hold due to the expanded federal subsidies discussed below.

In March 2021, the United States Congress enacted the American Rescue Plan Act of 2021 (ARPA) to provide financial relief to millions of Americans who were adversely affected by the global COVID-19 pandemic. ARPA provided approximately \$1.9 trillion to state and local governments and included provisions for additional financial assistance for customers enrolled in state and federal exchanges. ARPA was set to expire in December 2022.

In August 2022, the United States Congress enacted the Inflation Reduction Act (IRA), which extended the increased financial support initially provided by ARPA through the end of 2025. The IRA also capped health insurance premiums at 8.5 percent of household income, provided free Silver-tier plans for people who earned less than 150 percent of the federal poverty level, and extended financial assistance to middle-income consumers.

### AUDIT PURPOSE AND SCOPE

The California Health Benefit Exchange, also known as Covered California, commissioned Sjoberg Evashenk Consulting, Inc. (SEC) to conduct an independent external programmatic audit for the 2022 program year. As required by 45 Code of Federal Regulations (CFR) Part 155 and related guidance issued by the Centers for Medicare and Medicaid Services (CMS), the purpose of this independent external audit is to evaluate:

- Program effectiveness and results
- Compliance with 45 CFR Part 155
- Program efficiencies, including the extent to which programs duplicate, overlap, or conflict with other related programs; and
- The effectiveness of internal controls designed and implemented by Covered California, including those related to preventing improper eligibility determinations and enrollment transactions.

The scope of this external programmatic audit included operational, programmatic, and administrative functions performed pursuant to requirements addressed in subpart C (General Functions), subpart D (Eligibility Determinations), subpart E (Enrollment Functions), and subpart K (Certification of Qualified Health Plans) of 45 CFR Part 155. In addition to assessing compliance with the specified subparts, the audit also focused on the following seven (7) areas:

- The efficiency and effectiveness of Individual Market eligibility and enrollment processes, including eligibility determinations, participation in an Insurance Affordability Program, such as a federal advanced premium tax credit (APTC) and Cost-Sharing Reduction, and related reporting requirements, special enrollments, notices, and tax forms sent to customers, manual verifications of remote identity verification exceptions, and implementation of new program requirements related to ARPA.
- The effectiveness of the controls and policies established by Covered California to protect personally identifiable information and assess compliance with 45 CFR §155.260. In addition, to assess protocols in place to grant and monitor remote access to Covered California networks and practices in place to oversee Covered California's telework program.
- The sufficiency of Covered California's oversight of the service center surge contractor, and the contractor's adherence to contract requirements and meeting Covered California's service performance expectations.
- The accuracy and reliability of Covered California for Small Business (CCSB) enrollment records, including data transmissions to and from carriers and processes to reconcile carrier enrollment records with Covered California enrollment records.
- The effectiveness of the controls and policies established by Covered California to ensure accurate and timely small business agent and general agent commission payments.
- The effectiveness of the controls and processes in place to ensure data warehouse data migrated to the new cloud storage platform was accurate and reliable, including use of exception reports, data validation processes, and testing prior to and after the data migration.
- Follow-up on the status of prior External Programmatic Audit findings.

## AUDIT FINDINGS

This report presents the results from the 2022 External Programmatic Audit, recognizing Covered California's successes, its progress toward addressing prior audit findings and recommendations, and its commitment to continuous improvement. In this report, the auditors present eight (8) findings that relate to Covered California's individual market and other operational programs and functions of the exchange. The first three findings of this report require immediate action from Covered California and pose the greatest risk. The first finding, which is related to eligibility determinations, poses significant risk of not only non-compliance with federal regulations, but the use of public funds for subsidies provided to ineligible consumers. The second finding is related to the process to manually verify consumers for identity, and the risk of inappropriate access to private and sensitive information. The third finding is

related to compliance with IRS Form 1095-A notices, and the impact the accuracy and timeliness of notices has on consumers.

The remaining five findings pose lower risk and are generally areas where Covered California could further enhance and improve its operations to better ensure compliance with federal regulations, where applicable, and internal policies and procedures. Specifically, Sjoberg Evashenk Consulting, Inc. found that:

- Special enrollment period (SEP) unlimited plan selection does not appear to align with federal requirements
- Covered California implemented many leading practices related to network security, but controls related to remote access require improvement
- Opportunities exist to provide better oversight of the individual market service center surge contractor
- Opportunities exist to improve oversight over Agent payments
- Covered California implemented processes to ensure small business records are accurate and reliable, though some challenges with carriers exist

In addition, they reviewed Covered California's implementation of relevant provisions of ARPA, compliance with 45 CFR Part 155 subpart K, individual market terminations, accuracy and timeliness of eligibility notices sent to consumers, and processes and controls in place over the data warehouse refresh. Overall, they found Covered California performed well in these areas and complied with relevant requirements. The results for each are discussed below:

- Covered California complied with American Rescue Plan requirements for cases sampled
- Individual market eligibility notices were generally accurately generated and sent to customers in a timely manner
- Sampled terminations complied with federal regulations and Covered California guidance
- Covered California complied with federal requirements established in 45 CFR 155 Subpart K
- Covered California successfully completed its data warehouse cloud refresh and implemented strong controls to ensure the accuracy and reliability of data

During the 2022 plan year, Covered California reported near record-high enrollment in the individual market. According to Covered California, the record enrollment and healthy consumer pool were key factors in its ability to negotiate a preliminary rate increase of 1.8 percent in 2022 for the individual market.

In addition, below is a list of several accomplishments reported by Covered California management:

- The Privacy and Information Security offices implemented Covered California's newly-formed Data Governance Committee to oversee the internal use and external disclosure of all individually-identifiable consumer records that were used for the Health Evidence Initiative Project.
- The California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) project team, Covered California Policy, Eligibility, and Research Division (PERD), and Covered California Information Technology Division (CCIT) worked together to successfully implement CalHEERS system changes resulting from ARPA and IRA, completed system enhancements to ensure that the CalHEERS system functioned as intended during Covered California's annual renewal period, and implemented other updates such as, functionality related to Medi-Cal transition auto-enrollment and increases to the reasonable compatibility threshold from 25 percent to 50 percent.

- Covered California began an auto-discontinuance batch process in the second quarter of 2022 for individuals with incarceration, deceased, citizenship, and lawful presence designations that had not been validated within the reasonable opportunity period (ROP). In the third quarter of 2022, Covered California successfully cleared the income inconsistency of over 250,000 consumers. Lastly, Covered California successfully removed subsidies for consumers with unverified minimum essential coverage (MEC) and an expired ROP.
- The service center enhanced its escalation process to address concerns raised to service center representatives by creating escalation and supervisor phone queues to support increased first contact resolution.
- The Business Service Branch revised its Procurement and Contracting Manual and its Program Contract Management Handbook and implemented DocuSign to automate and record the contract approval workflow.

## CONCLUSION

Covered California continued efforts to improve its operations and implemented processes to better ensure compliance with federal regulations. While the audit identified several areas where notable improvements were achieved, the audit also found that Covered California should continue to improve upon these efforts, as recommended, and thereby improve operational efficiencies and effectiveness; data integrity; and ensure compliance with federal regulations.

## COVERED CALIFORNIA'S OFFICIAL RESPONSE

Covered California's purpose is to make health insurance more affordable and easier to purchase for small businesses and individuals. Our mission is to increase the number of insured Californians, improve health care quality, lower costs, and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

Covered California entered 2022 with a concentrated lens to build upon the Affordable Care Act through increased coverage and lower costs driven by the American Rescue Plan. We kicked-off the year with 1.7 million enrollees, which represented a record high enrollment for the second consecutive year. The auditor's acknowledged that the high enrollment and healthy consumer pool were key factors in negotiating a preliminary rate increase for California's individual market of just 1.8 percent for 2022, and a three-year average of only 1.1 percent (2020-2022).

We thank the Sjoberg Evashenk Consulting, Inc. team for closely analyzing our operational, programmatic, and administrative functions. Covered California also appreciates the auditor's recognition of areas where notable improvements have been achieved. We acknowledge the importance of the issues identified in the eight specific findings presented in the audit report and look forward to addressing each finding and recommendation in our corrective action plans.

While we agree that improvements can be made, we would like to address the concerns outlined in the audit report under Findings 1 and 4. In response to the COVID-19 pandemic and public health emergency, Covered California extended consumer deadlines for resolving eligibility inconsistencies during the 2020 and 2021 plan years. During 2022, Covered California phased out these extensions and returned to pre-pandemic operations for resolving and acting on eligibility inconsistencies.

In Finding 1, the audit report references approximately 7,000 households conditionally eligible for citizenship and immigration status at the end of plan year 2022. This represents 0.6 percent of California households and three percent of the \$7.9 billion in APTC paid on behalf of Covered California enrollees in 2022. A portion of the households may have been within their statutorily required 95 days to clear their inconsistency. Others may have maintained their coverage because they are part of the Medi-Cal and Covered California mixed household families.

Unfortunately, these nuances were not captured in the data requested by the audit team. Approximately 45,000 individuals were terminated from coverage during 2022 for failure to timely resolve inconsistencies for Qualified Health Plan enrollment (e.g., citizenship and immigration status inconsistencies). Over 50 percent of those terminated from coverage returned to Covered California after their termination was processed to resolve their inconsistency and reestablished their coverage. This outcome identifies opportunities for Covered California to review our internal processes to effectively balance program integrity objectives with our mission to provide exceptional service and access to affordable, high-quality coverage to Californians.

In addition, Covered California looks forward to implementing new federal flexibility for accepting consumer attestation of income afforded in the 2024 Notice of Benefit and Payment Parameters. In promulgating the rule, the Centers for Medicare and Medicaid Services notes the current process “is overly punitive to consumers and burdensome to Exchanges.” 88 Fed. Reg. 25818 (April 27, 2023).

As for Finding 4 regarding unlimited plan selections during a special enrollment period, Covered California disagrees with the finding. We see no prohibition in law (or federal authority) to prevent a consumer to change their plan choice during the open enrollment period or a special enrollment period with a qualifying life event. California state law, furthermore, requires us to automatically enroll individuals losing Medi-Cal into the lowest cost Silver plan and specifically requires us to allow plan changes during the consumers’ special enrollment period.

We appreciate the report’s acknowledgment of Covered California’s significant growth and substantial accomplishments. Specifically, our record-high enrollment in the individual market; successful implementation of CalHEERS system changes resulting from the American Rescue Plan Act and the Inflation Reduction Act; updates in functionality related to Medi-Cal transitions and the auto-enrollment process into Covered California; resolving the income inconsistency of over 250,000 consumers; the service center escalation enhancements; the formation of the Data Governance Committee; and the implementation of DocuSign to automate record and contract approval.

To further underscore our efforts in 2022, we note some additional accomplishments, of which we are particularly proud:

- To promote the final days of open enrollment, Covered California teamed up with the mayors of Los Angeles and San Francisco and aired television ads during the National Football League’s NFC Championship game between the Los Angeles Rams and San Francisco 49ers.
- Covered California celebrated the 12th anniversary of the signing of the Affordable Care Act in March, reminding consumers that they could still sign up for coverage if they had a significant change in their lives — such as losing health coverage, getting married, having a baby, permanently moving to California or moving within the state.
- In June, Covered California approved a \$411 million budget for fiscal year 2022-23, which included ongoing funding for marketing and outreach investments. These investments have helped Covered California continuously achieve one of the best take-up rates and healthiest risk mixes in the nation.

- Covered California won three prestigious Telly Awards for the Spanish-language television ad “Corazón,” which aired during the most recent open-enrollment period. The ad depicted a father watching his daughter grow from a toddler through to her quinceañera, highlighting how important proper health care coverage can be in that journey.
- With concerns rising over a stalemate in Congress regarding the future of the American Rescue Plan Act subsidies, Covered California updated an analysis that showed how the expiration of the landmark law would double premiums for 1 million low-income Californians.
- Covered California unveiled its rates and participating qualified health plan issuers for the 2023 coverage year. The rate increases of 5.6 percent (initially announced as six percent, but revised downward after the passage of the Inflation Reduction Act) was below the national average and reflected a return of medical trends to pre-pandemic levels.
- Covered California added competition by welcoming Aetna/CVS Health to the Marketplace and expanding coverage areas and options for Anthem Blue Cross and Blue Shield of California, giving Californians more options to choose from.
- In November, Covered California launched the 10th open enrollment in Affordable Care Act history with its “10 Years Strong” campaign. The kickoff event in Los Angeles included U.S. Health and Human Services Secretary Xavier Becerra and highlighted the ongoing strength and effectiveness of the law, as well as promoted the continuation of the increased and expanded savings available through the Inflation Reduction Act.
- The “10 Years Strong” campaign traveled the state, visiting San Francisco, Sacramento, San Diego, Fresno, Bakersfield and Northern California.
- Covered California wrapped up the year by holding roundtable events with the state’s diverse population — meeting with African American, Chinese, Korean and Spanish speaking communities — along with a behavioral health event to promote enrollment and improve access to care.

## **SJOBERG EVASHENK CONSULTING’S COMMENTS ON THE RESPONSE FROM COVERED CALIFORNIA**

To provide clarity and perspective, SEC comments on the response to the audit report from Covered California. In finding one they note that as of December 31, 2022, 7,276 households were conditionally eligible due to citizenship, lawful presence, status as a national. These households received more than \$34.9 million in APTC during the 2022 plan year, of which only 157 households were considered mixed households, with one or more member enrolled in the Medi-Cal and Covered California. These households received \$1.4 million in APTC during the 2022 plan year and represented 2.2% of the 7,276 households identified by the audit.

As discussed in finding four, the statement “Unless specifically stated otherwise herein, a qualified individual or enrollee has 60 days from the date of triggering event to select a QHP” suggests that a consumer may only select one QHP during an SEP. Further, because Covered California recently reinterpreted federal regulations, we recommend that California seek guidance from CMS to ensure their interpretation is consistent with federal requirements.

## SUMMARY OF AUDIT FINDINGS, RECOMMENDATIONS, AND CORRECTIVE ACTION PLANS

### Finding 1: Eligibility Verifications Did Not Always Occur Increasing the Risk That Unqualified Individuals Enrolled, Many Receiving Federal Subsidies

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> <li>The auditors sampled 45 cases and determined Covered California's application of the reasonable opportunity period did not comply with federal regulations.</li> <li>As of December 31, 2022, over 188,450 households were conditionally eligible because Covered California was unable to verify the consumer met the required eligibility criteria. These potentially ineligible consumers received more than \$1.7 billion in advance premium tax credits (APTC).</li> <li>Approximately 7,300 households (out of the 188,450 households) received \$34.9 million in APTC whose citizenship or lawful presence was not verified.</li> <li>The consumer's reasonable opportunity period information shown on the CalHEERS Portal or information sent to the consumer in an eligibility notice was not accurate. For example, the reason why a consumer was placed in the reasonable opportunity period and due date to submit documentation were incorrect.</li> </ul>	<ul style="list-style-type: none"> <li>Covered California should ensure extensions granted to the 95-day reasonable opportunity period fully comply with federal regulations.</li> <li>As previously recommended in prior audits, ensure individuals deemed conditionally eligible are re-reviewed at the end of ROP, ensure all required verifications occur in a timely manner, in compliance with state and federal requirements.</li> <li>Covered California should ensure individuals deemed conditionally eligible pending verification of citizenship or, lawful presence, or status as a national are verified by the end of the 95-day ROP. If a customer cannot be verified, the customer should be deemed ineligible and disenrolled in a qualified health plan.</li> <li>Covered California should move forward with plans to implement system fixes to address the defects identified.</li> </ul>	<p><b>Covered California does not agree with this finding due to the following reasons:</b></p> <ul style="list-style-type: none"> <li>In response to the COVID-19 pandemic, Covered California extended consumer deadlines for resolving eligibility inconsistencies during the 2020 and 2021 benefit years. Covered California formally communicated to CMS our plan to use federal flexibility when extending the deadlines, which was supported by CMS. During 2022, Covered California phased out extensions and returned to pre-pandemic operations for resolving and taking action on eligibility inconsistencies.</li> <li>Nuances of the status of the sampled households were not captured by the auditors (e.g., if enrollees were within their reasonable opportunity period or mixed Med-Cal/Covered California families).</li> <li>For income inconsistencies, Covered California will implement new federal flexibility for accepting consumer attestation (and automatically extending the reasonable opportunity period). This is permitted in the 2024 Notice of Benefit and Payment Parameters (the annual federal rulemaking for marketplaces).</li> <li>Covered California will implement system enhancements to ensure information shown in CalHEERS Portal and information contained in eligibility notices are accurate and reliable.</li> </ul> <p>Targeted Implementation: By November 2023</p> <p style="text-align: center;">---</p>

**Finding 1 (continued): Eligibility Verifications Did Not Always Occur Increasing the Risk that Unqualified Individuals Enrolled, Many Receiving Federal Subsidies**

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> <li>Covered California suspended its process to notify employers when an employee attests that they do not receive employer sponsored minimum essential coverage and receives APTC. As such, some employers were not given the opportunity to appeal and may face penalties and some ineligible consumers may have received federal subsidies.</li> </ul>	<ul style="list-style-type: none"> <li>As previously recommended in prior audits, Covered California should implement processes to ensure employers are notified timely when an employee indicates they do not receive minimum essential coverage and receive APTC benefits.</li> </ul>	<p>Covered California does not send employer notifications.</p> <ul style="list-style-type: none"> <li>According to the CMS, the Health and Human Services (HHS) determined this requirement caused substantial confusion among employers. CMS believes this process does not effectively verify whether employees have affordable coverage offered to them that meet minimum value. Additionally, Internal Revenue Service (IRS) currently sends letters to employers to satisfy this requirement. Therefore, Covered California does not send this notification.</li> <li>Covered California informed CMS that employer notifications are not sent. CMS did not express any concerns.</li> </ul> <p>Targeted Implementation: Completed</p>

**Finding 2: Manual Verifications of Remote Identity Verification Exceptions Requires Attention**

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> <li>The auditors sampled 50 cases that could not be electronically verified through the remote identify proofing process and determined Covered California did not comply with state regulations.</li> <li>CalHEERS does not have adequate controls to ensure a person's identity is verified prior to submitting an application.</li> <li>Unacceptable documentation was uploaded and accepted by Covered California as proof</li> </ul>	<ul style="list-style-type: none"> <li>Covered California should proceed with system changes designed to address gaps in CalHEERS system controls for identity verification.</li> <li>Covered California should implement a process to validate documentation uploaded as legitimate and valid proof of identification.</li> <li>Covered California should update internal procedures and external guidance related to visual verification to specify that documentation submitted</li> </ul>	<ul style="list-style-type: none"> <li>Covered California implemented system enhancements to ensure an applicant's identity is electronically verified prior to submitting an application.</li> </ul> <p>Targeted Implementation: Completed in April 2023</p> <p>---</p> <ul style="list-style-type: none"> <li>Covered California will implement system enhancements to include a document verification service. This will prevent the system from accepting invalid documents during verification process.</li> </ul> <p>Targeted Implementation: By June</p>



**Finding 2 (continued): Manual Verifications of Remote Identity Verification Exceptions Requires Attention**

Finding	Recommendation	Summary of Corrective Action Plans
<p>of identification when their identify could not be electronically verified.</p>	<p>for identity proofing must be of sufficient quality to be independently verified.</p> <ul style="list-style-type: none"> <li>Covered California should update State Regulations (CCR § 6464) to specify county eligibility workers as allowable application assisters during the identify proofing process.</li> </ul>	<p>2024</p> <p>---</p> <ul style="list-style-type: none"> <li>Covered California will review and update internal procedures and external guidance related to visual verification.</li> </ul> <p>Targeted Implementation: By December 2024</p> <p>---</p> <ul style="list-style-type: none"> <li>Covered California will update State Regulations (CCR § 6464) to specify county eligibility workers as allowable application assisters during the identify proofing process.</li> </ul> <ul style="list-style-type: none"> <li>Targeted Implementation: By June 2024</li> </ul>

**Finding 3: Continued Improvements are Needed to Ensure Full Compliance with IRS Form 1095-A Requirements**

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> <li>The auditors sampled 15 cases. The auditors determined that the IRS Tax Form 1095-A did not align with the billing statements that the carriers sent to the consumers or with data maintained in the CalHEERS system.</li> <li>The auditors determined there were issues when regenerating IRS Tax Form 1095-A for consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Recognizing CalHEERS is the system of record, ensure that the final IRS Tax Form 1095-A issued to consumers align with the consumers' actual experience. Continue monthly reconciliation activities with carriers to identify and resolve discrepancies between carrier and Covered California enrollment records in a timely manner.</li> <li>Covered California should work with the CalHEERS to identify the universe of IRS Tax Form 1095-As where the total premium and/or total APTC is incorrectly reported and reissue</li> </ul>	<ul style="list-style-type: none"> <li>Covered California will continue to conduct monthly reconciliation with the carriers. In addition, Covered California has a dispute process in place when carriers disagrees with a consumer's enrollment information to resolve the issue.</li> </ul> <p>Targeted Implementation: Ongoing</p> <p>---</p> <ul style="list-style-type: none"> <li>Covered California will implement system enhances to its daily, monthly, and annual batch processes to increase the accuracy of the IRS Tax Form 1095-As.</li> </ul> <p>Targeted Implementation: Completed</p> <p>---</p> <ul style="list-style-type: none"> <li>Covered California will develop a policy regarding when and how to reissue the IRS Tax Form 1095-As.</li> </ul>

**Finding 3 (continued): Continued Improvements are Needed to Ensure Full Compliance with IRS Form 1095-A Requirements**

Finding	Recommendation	Summary of Corrective Action Plans
	<p>corrected IRS Form 1095-As to impacted consumers.</p> <p>---</p> <p>To reduce the risk of multiple notices being generated and potential consumer confusion, Covered California should ensure corrected IRS Tax Form 1095-As are sent to the consumer prior to the federal tax filing deadline. Covered California should:</p> <ul style="list-style-type: none"> <li>• Ensure required eligibility verifications, such as social security number, are completed during the reasonable opportunity period.</li> <li>• Ensure that the IRS Tax Form 1095-As are properly voided when appropriate, prior to re-issuing a new tax form. In addition, when sending a revised IRS Tax Form, ensure that the revised form is distinguished as a “Corrected” form. Establish a formal policy on when a reissued IRS Tax Form 1095-A should be considered “Corrected” vs. “Original,” and when a “Void” form is required.</li> </ul>	<p>Targeted Implementation: By December 2024</p>

**Finding 4: Special Enrollment Multiple Plan Selection Functionality Does Not Appear to Align with Federal Requirements**

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> <li>• Covered California allows consumers to make an unlimited number of plan changes during the special</li> </ul>	<ul style="list-style-type: none"> <li>• Covered California should seek written guidance from CMS for obtain additional clarification on the accuracy</li> </ul>	<p><b>Covered California does not agree with this finding due to the following reasons:</b></p> <ul style="list-style-type: none"> <li>• Covered California determined that</li> </ul>

**Finding 4 (continued): Special Enrollment Multiple Plan Selection Functionality Does Not Appear to Align with Federal Requirements**

Finding	Recommendation	Summary of Corrective Action Plans
<p>enrollment period. The auditors determined that this is inconsistent with federal regulations.</p>	<p>of its interpretation of 45 CFR 155.420(c)(1). Until formal guidance is obtained, Covered California should consider pausing system functionality that allows for unlimited plan selections during a special enrollment period.</p>	<p>there is no prohibition in regulation or federal authority that prevents a consumer to change their plan choice during the open enrollment or special enrollment period with a qualifying life event.</p> <ul style="list-style-type: none"> <li>In addition, state law requires Covered California to automatically enroll individuals losing Medi-Cal into the lowest cost Silver plan and requires us to allow plan changes during the consumers' special enrollment period.</li> </ul>

**Finding 5: Controls Related to Authorizing and Monitoring Remote Access to Covered California's Network Requires Improvement**

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> <li>The auditors sampled over 190 individuals. They determined over 90 contractors, consultants, student aids, and board members were inappropriately granted access to Covered California's network.</li> <li>Covered California did not have any records demonstrating contractors completed the required Acceptable Use Statement form.</li> <li>Covered California did not retain records necessary to verify the required Acceptable Use Statement was completed by all current employees.</li> <li>One hundred and eleven (111) telework agreements were completed between 31 and 248 days after the effective date. There is no</li> </ul>	<p>Covered California should ensure established policies are followed, and required forms completed. To ensure remote access is only granted to those contractors, consultants, and other non-civil service workers that need access to perform their duties, Covered California should:</p> <ul style="list-style-type: none"> <li>Conduct a detailed review of policies and procedures to grant and remove remote access.</li> <li>Develop formal, written processes for overseeing access granted to users assigned to the Executive Operating Unit and processes to off-board board members in a timely manner.</li> <li>Ensure consistent language related to the acceptable use policy is used across</li> </ul>	<ul style="list-style-type: none"> <li>Covered California will review our policies and procedures to grant and remove access.</li> </ul> <p>Targeted Implementation: By December 2023</p> <p>---</p> <ul style="list-style-type: none"> <li>The Executive Operating Unit (including board members' access) will be transferred to the Information Technology (IT) Access team and will follow their standards. The IT Access team will update their master process guide for on/off-boarding executives and board members.</li> </ul> <p>Targeted Implementation: Completed</p> <p>---</p> <ul style="list-style-type: none"> <li>Covered California's IT Division will be the designated group that will retain all acceptable use statement forms for contractors (except for the surge vendor and Pinnacle). This will eliminate the need to revise the contract templates. In addition, contract managers will be trained on</li> </ul>

**Finding 5 (continued): Controls Related to Authorizing and Monitoring Remote Access to Covered California’s Network Requires Improvement**

Finding	Recommendation	Summary of Corrective Action Plans
<p>formal policy for when telework agreements must be completed.</p>	<p>contracts.</p> <ul style="list-style-type: none"> <li>• Provide a refresher training of expectations to contract managers and establish a policy requiring contract managers or another designated group within Covered California to retain documentation demonstrating the requirement was fulfilled, such as retaining copies of signed acceptable use statements for all contractor staff.</li> </ul> <p>---</p> <p>Covered California should ensure established policies are followed, and required forms completed. To ensure remote access is only granted to employees that need access to perform their duties, Covered California should:</p> <ul style="list-style-type: none"> <li>• Identify current employees where a completed acceptable use statement form is not on file, and require these employees to re-submit the form for record retention in the new system.</li> <li>• Establish processes to ensure all employees with remote access complete either a telework agreement or remote access agreement.</li> <li>• Ensure remote access is necessary and was requested by the employee’s supervisor or manager prior to providing this provision when</li> </ul>	<p>how to on-board contractors.</p> <p>Targeted Implementation: By December 2023</p> <p>---</p> <ul style="list-style-type: none"> <li>• All Covered California employees will have a signed telework agreement or remote access agreement, as well as the acceptable use statement form on file. New employees will sign the forms upon hardware delivery.</li> </ul> <p>Targeted Implementation: By December 2023</p> <p>---</p> <ul style="list-style-type: none"> <li>• New Covered California employees will sign the Acceptable Use Statement form during the on-boarding process. These efforts will be coordinated between Covered California's Human Resources Branch and the Information Technology Division.</li> </ul> <p>Targeted Implementation: By December 2023</p> <p>---</p> <ul style="list-style-type: none"> <li>• New employee Telework Agreements must be completed within two business days of the telework start date. The Human Resources Branch will continue to monitor the on-boarding calendars to ensure timely submission signed Agreements and will follow-up with division leadership as needed.</li> </ul> <p>Targeted Implementation: By December 2023</p>

**Finding 5 (continued): Controls Related to Authorizing and Monitoring Remote Access to Covered California’s Network Requires Improvement**

Finding	Recommendation	Summary of Corrective Action Plans
	<ul style="list-style-type: none"> <li>establishing new user accounts.</li> <li>• Ensure telework agreements are completed in a timely manner and establish formal, written timeframes for when the agreement must be completed.</li> </ul>	

**Finding 6: While Covered California Improved Its Oversight of the Individual Market Service Center Surge Contractor, Additional Opportunities for Improvement Remain**

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> <li>• Covered California implemented many strong controls to ensure the surge contractor complied with most contract provisions.</li> <li>• However, the auditors determined that Covered California did not ensure the surge contractor consistently complied with all information technology and security requirements sampled.</li> <li>• In addition, Covered California has not established formal deadlines for implementing recommendations from an independent security audit.</li> <li>• The surge contractor did not always meet bilingual staff requirements and total staffing requirements. In those instances, Covered California appropriately applied penalties.</li> <li>• However, Covered California was not able to provide written approval for</li> </ul>	<ul style="list-style-type: none"> <li>• Covered California should ensure all contract provisions and reporting expectations are enforced.</li> <li>• In addition, the Service Center should work with the Information Security Office to establish timelines for implementing the remaining recommendations from the August 2021 security audit.</li> <li>• To ensure access to Covered California’s active directory is only granted for current surge contractor employees and reduce the risk of Personal Identifiable Information is being inappropriately accessed, the Information Technology (IT) division should implement a process to compare staffing reports provided by the surge contractor to active users in the active directory each month. The IT Division should work with the surge contractor to identify discrepancies and promptly</li> </ul>	<ul style="list-style-type: none"> <li>• The Service Center will develop a formal oversight process to ensure information technology and security reporting requirements are being met by the Surge Contractor.</li> </ul> <p>Targeted Implementation: By December 2023</p> <p style="text-align: center;">---</p> <ul style="list-style-type: none"> <li>• The Service Center will also work with the Information Security Office to establish deadlines for the Surge Contractor to implement recommendations from the 2021 security audit and a process for staff to sign Covered California’s Acceptable Use Policy.</li> </ul> <p>Targeted Implementation: By December 2023</p> <p style="text-align: center;">---</p> <ul style="list-style-type: none"> <li>• The IT Division will develop a process to conduct monthly reviews to compare staffing reports provided by the Surge Contractor and will address discrepancies.</li> </ul> <p>Targeted Implementation: By December 2023</p> <p style="text-align: center;">---</p>

**Finding 6 (continued): While Covered California Improved Its Oversight of the Individual Market Service Center Surge Contractor, Additional Opportunities for Improvement Remain**

Finding	Recommendation	Summary of Corrective Action Plans
<p>overtime invoiced by the surge contractor, as required by the contract.</p> <ul style="list-style-type: none"> <li>The bilingual rates charged by the surge contractor could not be validated. Prior to June 2022, the contractor was not required to include language information in the invoices.</li> </ul>	<p>remove access for former employees.</p> <ul style="list-style-type: none"> <li>Covered California should ensure contract provisions related to overtime are enforced. If Covered California deems the current overtime provisions do not align with its expectations, the contract language should be updated.</li> <li>In the next contract amendment, Covered California should update contract language to reflect agreed upon changes and ensure language related to performance penalties is consistent throughout the agreement. On a go forward basis, if deliverables are added to the contract, Covered California should specify when the deliverables must be completed.</li> </ul>	<ul style="list-style-type: none"> <li>For the next contract amendment, Covered California will review the overtime contract language for potential updates and alignment.</li> </ul> <p>Targeted Implementation: By December 2023</p> <p>---</p> <ul style="list-style-type: none"> <li>For the next contract amendment, Covered California will improve the contractual language related to the maximum penalty for non-compliance with key performance indicators, identify deadlines when deliverables must be completed, and update language to reflect required positions.</li> </ul> <p>Targeted Implementation: By December 2023</p>

**Finding 7: Covered California Implemented Processes and Controls to Ensure Small Business Enrollment Records Are Accurate and Reliable; However, Challenges with Some Carriers Exist**

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> <li>The auditors sampled 60 records and determined that carriers did not always implement corrections to resolve discrepancies identified in a timely manner.</li> </ul>	<ul style="list-style-type: none"> <li>Covered California Small Business (CCSB) should continue efforts to work with a specific carrier to establish a process to ensure the start dates assigned for future newborn enrollments align with CCSB records.</li> <li>Covered California should work with carriers to ensure carriers understand</li> </ul>	<ul style="list-style-type: none"> <li>Covered California will continue to work closely with the carrier to resolve discrepancies. The carrier is in the process of performing a root cause analysis and will implement improvements which will resolve the issue. Covered California will continue to monitor the issue until it is resolved.</li> </ul> <p>Targeted Implementation: By March 2024</p>

**Finding 7 (continued): Covered California Implemented Processes and Controls to Ensure Small Business Enrollment Records Are Accurate and Reliable; However, Challenges with Some Carriers Exist**

Finding	Recommendation	Summary of Corrective Action Plans
	<p>Covered California’s expectations for resolving discrepancies identified as part of the CCSB monthly reconciliation process in a timely manner.</p> <ul style="list-style-type: none"> <li>In addition, Covered California should incorporate language into future Small Business carrier agreements that clearly outlines timelines and expectations for resolving enrollment discrepancies identified during the monthly CCSB reconciliation process.</li> </ul>	<p style="text-align: center;">---</p> <ul style="list-style-type: none"> <li>Covered California will include contractual terms which outlines expectations and timelines for resolving enrollment discrepancies identified during the reconciliation process by the carriers. This will be considered for the plan year 2025.</li> </ul> <p>Targeted Implementation: By December 2024</p>

**Finding 8: Covered California Implemented Strong Controls Over Agent Payments; However, Opportunities for Improvement Exist in Two Areas**

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> <li>The auditors sampled agent commission payments, totaling more than \$10.9 million, tied to underlying reports provided by National Financial Partners Health Services Administrators, LLC (NFP Health), as well as the total amounts recorded in Fi\$CAL. The auditors determined that Covered California followed processes described to verify the accuracy of reports and ensured amounts paid tied to revenues received.</li> <li>The auditors sampled 4 months of payments and</li> </ul>	<ul style="list-style-type: none"> <li>To collect the remaining amounts owed from agent commission overpayments and reduce the risk of future over payments not being recouped, Covered California should move forward with it plans to establish and implement a formal policy and process for handling small business agent and general agent commission overpayments for inactive agents or general agents.</li> <li>Covered California should continue to work with NFP Health to implement a software solution update that allows NFP Health to</li> </ul>	<ul style="list-style-type: none"> <li>Covered California will continue to move forward with its plans to establish and implement a formal policy and process for handling small business agent and general agent commission overpayments for inactive agents and general agents.</li> </ul> <p>Targeted Implementation: By January 2024</p> <p style="text-align: center;">---</p> <p>Covered California will continue to work with NFP Health to implement a software solution update that allows NFP Health to capture and report the tax withholding for out-of-state agents to the FTB.</p> <p>Targeted Implementation: By January 2024</p>

**Finding 8 (continued): Covered California Implemented Strong Controls Over Agent Payments; However, Opportunities for Improvement Exist in Two Areas**

Finding	Recommendation	Summary of Corrective Action Plans
<p>determined that a formal process to recoup agent commission overpayments has not been established for inactive or decertified agents. Covered California began the process of recouping payments, though \$24,583 in overpayments still needs to be recovered.</p> <ul style="list-style-type: none"> <li>CCSB system limitations impact Covered California's ability to report out-of-state agent California tax withholdings to the Franchise Tax Board (FTB).</li> </ul>	<p>capture and report the tax withholding for out-of-state agents to the FTB.</p>	