

December 30, 2021

Keely Martin Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Keely Martin Bosler,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the California Health Benefit Exchange submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2021.

Should you have any questions please contact Thien Lam, Program Integrity Director, at (916) 228-8600, Thien.Lam@covered.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The California Health Benefit Exchange's (Covered California) 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's strategic pillars were designed by the Executive Leadership team and reviewed and approved by the Board of Directors (Board) to guide the organization while making decisions, setting priorities, determining initiatives, and preparing annual budgets with performance goals. Each of the strategic pillars have broad strategies which are assessed on an annual basis.

Covered California's five strategic pillars and the broad strategy behind each are:

Affordable Plans: Consumers purchase and keep Covered California products based on the perception that this is good value for them.

Broad Strategy:

- Actively negotiate rates and benefits with carriers to provide consumers with the best value.
- Invest in marketing and outreach to promote the value of coverage and maintain a healthy risk mix.
- Offer patient-centered benefit designs to make care more affordable by increasing a consumer's understanding of benefits that maximize access to appropriate care.

Assuring Consumers Get Needed Care: Consumers receive the right care at the right time.

Broad Strategy:

- Work with all contracted qualified health plan issuers, in every corner of the state, to ensure

consumers have ready access to doctors, hospitals, and care.

- Hold health insurance companies accountable for improving the care delivered, addressing disparities of care, and moving to a patient-centered system that rewards quality and value, rather than being rewarded for quantity only.

Effective Marketing and Outreach: Consumers understand what we offer and have positive attitude about Covered California.

Broad Strategy:

- Make significant investments in marketing and outreach to motivate consumers to enroll and maintain their insurance coverage.
- Educate and support Covered California's nearly 15,000 sales partners in order to promote enrollment and increase the number of insured Californians.

Positive Consumer Experience: Consumers have a positive experience from initial enrollment to keeping their coverage.

Broad Strategy:

- Operate and staff service centers as well as partner with nearly 15,000 Certified Insurance Agents, enrollers, and Navigators to assist consumers in a variety of languages.
- Continuously enhancing how the consumer receives information from Covered California, such as improving consumer notifications as well as interactions online, over the phone, and in person.
- Map the full "consumer journey" to provide the best opportunities for improved consumer experience.

Organizational Excellence: Covered California has the right tools, processes, and resources to support its team to deliver on our mission.

Broad Strategy:

- Operate as a nimble and responsive enterprise that responds quickly to the changing environment in health care.
- Foster an inclusive growth-based culture, which includes a comprehensive team member engagement program, flexible work practices, development opportunities, and access to best-in-class technology tools.

As Covered California looks to the future and builds upon the Affordable Care Act (ACA), we support and complement our five strategic areas of focus ("pillars") with the following cross-cutting priorities that guide our work:

- Innovation for the long-term and being nimble in the present.
- Trailblazing and sharing our experience to inform policy in California and nationally.
- Working in partnership with others: Department of Health Care Services (DHCS), and other public and private entities to promote changes in health care delivery that benefit all Californians.

Covered California's strategic pillars with its cross-cutting priorities will guide the organization when making decisions, setting priorities, determining initiatives, and preparing annual budgets with performance goals.

Control Environment

Covered California is governed by a five-member Board. The Executive Office develops organizational strategy and provides leadership direction in concert with the Board. The Executive Office provides broad oversight of operations and is tasked with supporting employees as well as a broad community of individuals and groups (including the Board, stakeholders, and the public) with the direction, information, tools, and support they need to achieve our mission. Our control environment is modeled after The Institute of Internal Auditors' Three Lines Model. The first Line is the greatest opportunity to identify risks. All managers are risk managers that monitor and oversee their internal controls imbedded in their day-to-day operations. The second Line includes Enterprise Risk Management, the Information Security Office, and various Compliance units housed within divisions which provide expertise, support, monitoring and assist on related risk matters in concert with the program areas to support the Executive and Senior Leadership. The third Line includes the Office of Audit Services, which provides independent and objective assurance and advisory services to help the program areas reach their goals by testing procedures and providing recommendations to remediate control gaps. This third Line helps assure Executive Leadership, Senior Leadership, and the Board that internal controls are in place, working as intended, and are effective. Each Line works collaboratively on the control environment and risk assurance towards the effective and efficient operations of Covered California and reports relevant risks to the Executive Office and Board.

Covered California embodies integrity and ethical values through its governance structure and processes, which includes the Board's and Executive Leadership's oversight. Leadership takes to heart the mission, vision, strategic pillars, and primary values of the organization. Integrity is one of our primary values: Covered California works to earn the public's trust through its commitment to accountability, responsiveness, transparency, speed, agility, reliability, and cooperation. Leadership demonstrates integrity and ethics in the work they do and the actions they take. These actions reinforce a positive tone at the top that is infused throughout the organization. Covered California promotes integrity and ethical values by modeling them, promoting them, and creating a safe and trusting environment in which to work. Managers model and encourage ethical behavior. Our culture encourages prompt reporting of unethical behavior. This accountability and action to address concerns reinforces Covered California's commitment to integrity and ethical values. To ensure all Covered California team members and contractors are aware of their responsibility and role in maintaining an ethical workplace, management and all officials must complete the mandated state employee ethics training. Management uses policies and various communication strategies (e.g., emails, memos, newsletters, performance appraisals, and meetings) to communicate the standards of conduct to all team members. Team members at all levels are encouraged to report potential risks. Reporting channels include forms available on the intranet for reporting harassment, discriminatory action or practices, information security incidents, privacy incidents, fraud, and risk or internal control concerns. Along with these forms, team members are encouraged to talk with their supervisors or their human resources liaison if they are unsure how to escalate a particular concern. They can also reach out to each area for assistance via email, phone, or Microsoft Teams.

Documentation of internal control systems is developed and maintained at the organization and division

level. Internal controls are communicated to team members through various channels such as written policy and procedures, Covered California University, enterprise-wide communication through task guides, the intranet, emails, and meetings. Documentation is reviewed and updates to the policies and procedures are made as changes in state and federal legislation or regulation occur or as business needs evolve.

In addition, an Enterprise Risk Management infrastructure was developed to foster collaboration across all divisions and share knowledge and resources on sound governance, risk, and compliance management principles and practices. This improves operational performance in order to support Covered California's mission and strategies.

Enterprise Risk Management works to build a risk-intelligent culture by meeting with program areas to discuss current and potential risks, identify gaps or weaknesses in controls, and document internal controls. Enterprise Risk Management holds a weekly risk discussion meeting. This meeting welcomes all areas of the organization to attend, share their voice, and participate in the decision-making process. This meeting focuses on initiative specific risks that impact the organization. Risks are identified, rated on their impact to the organization, likelihood of occurring, and how well the controls mitigate the risk. The risk and controls are then reassessed as the initiative progresses. The Enterprise Risk Management team also proactively reaches out to program areas to offer training and assistance in identifying and documenting potential risks and control gaps. Enterprise Risk Management engages with risk and control owners to complete risk assessments through our risk collaboration process. Enterprise level risks will be brought for assessment to the Risk Alliance comprised of all Division Directors. This allows a forum for enterprise-wide risks to be discussed at the leadership level.

Executive Leadership meets weekly with Directors to discuss escalated issues (e.g., new legislation, organizational goals, etc.), and any current and emerging risk(s). Executive Leadership receives reports which include risk summaries, risk rating criteria, risk assessments, and mitigation strategies.

All program areas encourage accountability, transparency, effectiveness, efficiency, and risk management by independently reviewing key policies, business areas, and operations to comply with federal and state laws, regulations, and policies. Covered California program areas recognize the importance of compliance and accountability. Examples of program level accountability include the Service Center's Quality Assurance program; the Policy, Research, and Eligibility Division's Eligibility Compliance Unit, which ensures we comply with polices and regulations; the Regulatory Compliance unit within the Office of Legal Affairs; and the Data Integrity Section within the Program Integrity Division. In addition to program led accountability, the Enterprise Risk Management Unit works with the program areas to conduct annual enterprise risk assessments. The enterprise risk assessment enhances accountability and partnerships. The results of the annual enterprise risk assessment are shared with Executive and Senior Leadership and the Audit Committee, holding us accountable as an organization.

Information and Communication

Covered California employs many different processes to collect and communicate relevant and reliable information necessary for operational, programmatic, and financial decision making. We are an evidence-based and data-driven organization. The way in which we collect, validate, and reconcile data ensures that it is reliable and in sync when it is transmitted and stored between multiple systems. We collect data through our systems as well as consumer focus groups and surveys. Focus groups and

surveys provide invaluable qualitative and quantitative data to tell us where we may need to reconsider, adjust, or create new policies. They also help us discover where we can develop and improve operational efficiencies.

Partnership is another primary value for Covered California. Partnership efforts are guided by working with consumers, providers, issuers, employers and other purchasers, government partners, and other stakeholders. As mentioned above, we engage with our consumers and also collaborate with the Centers for Medicare and Medicaid Services (CMS), State Controller's Office, Department of Finance, and Department of General Services. In addition, Executive and Senior Leadership meet regularly with the Board to communicate relevant and reliable information to act on important policies that strive to achieve the organization's mission, primary values, and objectives.

We also value the input of many other external partners. The Outreach and Sales Division organizes the Open Enrollment Kick-Off Meetings and are joined by agents, certified enrollers, county partners, elected representatives, and other stakeholders. On a regular basis, Covered California meets with external stakeholders and advocacy groups. Another example of our commitment to partnerships, include our weekly calls to qualified health plan issuers. These calls discuss upcoming changes and priorities so that all parties can ask questions. The goal is to plan accordingly for seamless policy and operational changes that impact the consumer. Additionally, we publish press releases, webinars, and emails to communicate information to external parties.

Relevant and reliable information is communicated to team members through various channels. Executive Leadership hosts monthly meetings to share program updates. Unit, divisional, and project meetings are a normal practice for management and team members to share information on a timely basis. In these meetings risks may be discussed, documented, and rated. Team members understand the importance of reporting risks. Risks are regularly discussed at initiative meetings and cross-divisionally during the risk discussion meetings where risks and mitigations are reviewed.

Covered California believes sharing information in meetings such as the risk discussion is critical to minimize silos and to understand the impact of changes across the organization. These cross-divisional collaborations ensure understanding and program and priority alignment. The Enterprise Risk Management team will also facilitate a Risk Alliance forum to discuss enterprise risks at the Senior Leadership level to ensure all business areas have insight into risks that may impact their area. This forum will allow divisions to be aware of the high-level risks and provide their input into how the risk may impact their business area, what controls they may be able to own to help mitigate the risk, and provide their insight into the impact and likelihood of the risk occurring.

As mentioned previously, Covered California is committed to continuous improvement. We are committed to this in all we do, including nurturing and growing our risk culture. Our development and implementation of risk discussions, education, and training clearly demonstrates our commitment to creating and maintaining a risk-intelligent culture.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the California Health Benefit Exchange monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to:

Thien Lam, Program Integrity Director.

Covered California requires divisions to maintain internal controls to actively monitor day-to-day operations and identify concerns as they arise. Each division of Covered California is responsible for documenting and implementing their ongoing monitoring processes as required by the State Leadership Accountability Act. This involves reviews, evaluations, and continuous improvements to the current monitoring processes to identify potential control opportunities. Each program area must ensure that their processes comply with internal policies and legal requirements as well as effectively mitigate risk. Divisions monitor their processes to ensure they perform as expected by completing internal compliance reviews and may work with Enterprise Risk Management, which can facilitate discussions to identify potential gaps in the process and help the division develop and implement controls to mitigate any gaps. Covered California's Service Center Quality Assurance Unit embodies Covered California's commitment to mitigating risk through effective monitoring processes. This Unit regularly monitors consumer calls to ensure accurate information is provided, monitors training materials to ensure they remain current, and monitors procedures to assess the strength of their controls, along with other monitoring activities. Along with the Office of Legal Affairs, the Policy, Eligibility, and Research Division's Eligibility Compliance Unit monitors relevant legal developments to ensure current processes and procedures comply with rules and regulations. The Carrier Management, Certification, and Contract Branch is another example of Covered California's commitment to risk mitigation. This Branch ensures that qualified health and dental plan issuers are complying and performing to their contractual obligations with Covered California. In addition to the divisions' monitoring efforts, Enterprise Risk Management works with the divisions to identify areas of opportunity to strengthen internal controls.

Along with day-to-day monitoring, the Program Integrity Division oversees the establishment and processes for monitoring internal controls and evaluating the results. The division includes five key assurance areas to evaluate and monitor our internal controls: California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) Testing and Performance Review Section, Data Integrity Section, Office of Audit Services, Integrated Fraud Management Unit, and Enterprise Risk Management Unit.

CalHEERS Testing and Performance Review Section conducts ongoing testing of CalHEERS. CalHEERS is Covered California's real-time online automated eligibility and enrollment system that:

- Serves as the consolidated system support for eligibility, enrollment, and retention for Covered California and Medi-Cal.
- Streamlines resources from which individuals will be able to research, compare, check their eligibility, and purchase health coverage.

This team conducts ongoing testing of CalHEERS through User Acceptance Testing, Baseline Testing, and Post-Implementation Review to confirm that enhancements and other system changes comply with business rules, design documents, and state and federal regulations. The team also specializes in researching and providing recommendations to internal and external organizations regarding issues identified through testing.

The Data Integrity Section is another area within Program Integrity. They manage, monitor, and reconcile consumer data to verify that the qualified health and dental plan issuers have accurate eligibility and enrollment data. This helps consumers access affordable plans and providers that give them the best value.

The Office of Audit Services, directly accountable to the Board, is an independent, objective assurance and consulting unit designed to add value and improve our organization's operations. The Office of Audit Services helps Covered California accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Integrated Fraud Management Unit proactively detects and prevents fraud, waste, and abuse. Its efforts help Covered California comply with applicable federal and state laws and regulations regarding fraud management to combat fraud before it occurs. The Integrated Fraud Management Unit is the central fraud reporting hub for Covered California divisions, external partners, qualified health and dental plan issuers, and stakeholders. When a complaint is brought to our attention, the team performs a variety of data and research analytics. This includes conducting interviews, reviewing applications, monitoring agent and qualified plan issuer websites to confirm resolution. The results are shared with our internal and external partners to inform and promote collaboration on processes and opportunities to educate enrollment channels or take action with the ultimate goal of preventing fraud, waste, and abuse. Complaints are proactively tracked and reviewed to implement preventative measures in the future.

The Enterprise Risk Management Unit provides oversight of risk management to ensure effective integration and coordination of all risk management activities. In addition, they provide the organization with education and services to help identify and assess risks and control activities.

The Enterprise Risk Management Unit maintains a risk database which identifies, documents, prioritizes, and tracks all risks. Risk identification, assessment, and reporting are standard practices throughout the organization. As part of the risk assessment process, Enterprise Risk Management monitors the risks and controls logged in the data base. This activity includes conducting internal reviews of the information and discussing the risk and controls with the owners to ensure the risk is described properly; the controls are valid; and the risk rating criteria for the risk is accurate.

The identification of potential risks and control concerns occur in several ways. Enterprise Risk Management may reach out to divisions, or vice versa, to discuss a potential risk or internal control concern. Covered California encourages all team members to report a potential concern through the risk reporting form housed on the intranet site or by contacting Enterprise Risk Management directly.

Depending on the concern identified, Enterprise Risk Management works in concert with the divisions to identify and document the risk(s); inform affected program areas of the risk; and identify controls, assess the risk(s), and set up a monitoring plan. If a risk impacts multiple program areas or is an enterprise risk, additional discussion and review with a larger audience will occur.

The Enterprise Risk Management Unit facilitates enterprise-wide risk assessments and spearheads the annual enterprise risk assessment process in concert with Executive and Senior Leadership. Furthermore, through two-way communication, risk collaboration and enterprise-wide risk assessments promote transparency across the organization, foster organizational alignment, support resource allocation, and builds partnerships. These collaborations break down silos and create an enterprise-wide view of risks and mitigating controls.

Enterprise Risk Management engages with the organization to promote a risk-intelligent culture, prioritize risk(s), and foster transparency. This occurs through the following actions:

- Weekly risk discussions involving leadership and any interested team members. The risks and controls to major initiatives are discussed in this meeting.
- Risk collaboration meetings focus on a key risk and include the risk and control owners. The group defines the risk, functional objective, risk statement, root causes, current controls, and the necessary controls to mitigate the risk.
- The Risk Alliance will be comprised of Division Directors and their subject matter experts. Enterprise level risks will be brought to this forum for discussion at the organizational level. Newly identified risks or concerns may be raised at this forum to determine the risk owners and next steps. Risks that have been discussed through the risk collaboration process will also be brought to the forum for additional insight and to determine if all impacted program areas have been properly identified. This forum promotes transparency and discussion. It allows all divisions to have a voice in sharing their thoughts of how the risk may impact their program area and the organization.

Covered California works to remediate any identified control deficiencies on a timely basis. Any deficiencies in controls that have been identified through the various channels will be prioritized, measured, and monitored by the Risk Alliance members, team members, and management until the controls to mitigate the risk are fully implemented.

RISK ASSESSMENT PROCESS

The following personnel were involved in the California Health Benefit Exchange risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, questionnaires, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

Enterprise Risk Management oversees and monitors Covered California's risk management assessment and reporting process. The risk management process assists all program areas with their risk analysis and evaluation of operations, internal controls, policies, and procedures. As part of the risk reporting process, divisional managers must assess each identified risk. The assessment requires consideration of likelihood of the occurrence; the impact the risk could potentially have to the organization and its strategic pillars; and an evaluation of the current internal controls or mitigating strategies. Enterprise risks are tracked and monitored on an ongoing basis. These risks will be reviewed by the Risk Alliance to foster and promote transparency, collaboration, communication, and partnership across all divisions and recommend priorities to Executive Leadership and the Audit Committee.

RISKS AND CONTROLS

Risk: New and Changing Legislation (State and Federal)

Failure to successfully implement new and changing legislation will not only jeopardize Covered

California's financial position and potentially impact its operations and reputation, it will also impede its efforts to serve and assist consumers. Covered California's mission is closely tied to compliance with current and future legislation.

Functional objective: To ensure Covered California successfully implements new and changing legislation in a timely manner.

Control: Change Control and Governance Process Over CalHEERS

To implement new legislation and operationalize changes, Covered California creates and prioritizes placeholder system Change Requests. This allows CalHEERS to reserve resources needed to implement changes to ensure timely compliance.

CalHEERS Change Control and Governance Process, comprised of Covered California, DHCS, and CalHEERS, initiates, reviews, and approves all changes that affect the system. A change management system controls the lifecycle of all changes, minimizes disruptions to the production system and records and maintains change approvals. Security impacts are analyzed prior to the Change Advisory Board's (CAB) final review. Major system changes require a Change Notification submission to CMS followed by written CMS approval. Proposed changes are fully tested to validate desired outcomes and ensure security and quality. Upon successful testing, CAB reviews the production change then sets schedules to reduce operation impacts. Change execution is validated to ensure system integrity and security. Business areas further validate testing before system release. Updates to Change Requests include record of final implementation, maintained within the change management system.

Control: Legislation Analysis, Tracking, Monitoring, and Feedback provided to Regulatory Agencies, Congress and Legislature

Covered California tracks and analyzes proposed state and federal legislation, regulations, and executive orders throughout the year. In addition, Covered California also tracks and analyzes administrative guidance which are often issued during an administration change. Monitoring these legal and policy developments allows Covered California to formulate implementation strategies and identify potential impediments. Covered California also offers comments to proposed regulations during public comment periods and provides technical assistance to the state legislature and Congress on proposed legislation. Feedback to regulatory agencies, Congress, and the legislature allows Covered California to articulate how proposed legislation or rules impacts Covered California and potentially resolve operational barriers.

Control: Internal and External Stakeholders Collaboration, and Implementation Workgroups for Impacted Divisions

Covered California coordinates with both internal and external stakeholders to identify challenges with implementing proposed legal and policy changes. Covered California convenes internal workgroups with impacted divisions to discuss implementation challenges; timelines to achieve compliance; and possible technical assistance or public comment to address issues. Covered California also consults with its external partners, including advocates, issuers, state and federal agencies, state exchanges, and enrollment partners. These external communications allow

Covered California to gather feedback on how proposed legislation or regulation affects its external partners who are integral to fulfilling Covered California's mission and, most importantly, its consumers.

Control: Gather Feedback, Inform Internal and External Partners and Participate in Joint Application Design Sessions to Support Changes in Interfacing Partner Systems

Covered California works with the Office of System Integration (OSI) and DHCS to address competing priorities; evaluate impacts to interfacing partner systems; and discuss possible technical assistance. Covered California coordinates with both internal and external stakeholders to inform them of upcoming policy and system changes, especially those with expedited timeframes. Covered California also participates in regular meetings with DHCS, Statewide Automated Welfare Systems (SAWS), California Welfare Directors Association (CWDA), the Center for Consumers Information and Insurance Oversight, and qualified health and dental plan issuers to inform all parties of changes and ensure alignment on priorities. These meetings allow Covered California to gather feedback before system design on how upcoming system changes will affect external partners who play a vital role in fulfilling Covered California's mission and, most importantly, serving its consumers. Additionally, Covered California participates in Joint Application Design (JAD) sessions hosted by CalHEERS to ensure system design meets the needs of all partner state agencies and interfacing systems.

Control: Internal and External Workgroups to Address System Consumer Experience Challenges Due to Different Programs Between Covered California and Medi-Cal

Covered California coordinates with stakeholders such as DHCS, SAWS, CWDA, advocates, state exchanges, certified enrollers, and qualified health and dental plan issuers to inform them of upcoming policy and system changes. Our goal is to evaluate program differences when applying for Insurance Affordability Programs to reduce consumer burden; gather feedback; and develop innovative solutions with all stakeholders and consumers.

Covered California participates in the JAD sessions and the Human Centered Design sessions hosted by CalHEERS to confirm that the system design reduces or eliminates consumer experience challenges and address the needs of all partner agencies and interfacing systems. CalHEERS is designed to dynamically present application questions based on a preliminary program-level evaluation to enhance the consumer journey when applying for Covered California or Medi-Cal through the CalHEERS Single Streamlined Application program.

Covered California provides education through various channels to consumers regarding the differences between Covered California and Medi-Cal programs to alleviate consumer confusion as they apply for Insurance Affordability Programs.

Risk: Workforce Succession Plan. Key Person Dependence

If Covered California fails to retain critical institutional knowledge and information, and turnover or vacancy rates of key positions exceeds acceptable thresholds, Covered California may lose knowledge

and institutional experience. When key persons leave the organization due to retirement or attrition and sufficient knowledge transfer does not occur, there is potential for inadequate continuity of business processes. Additionally, insufficient succession planning and ineffective recruitment and retention strategies could result in increased turnover and vacancy rates for key positions critical to Covered California's mission.

Functional objective: To ensure Covered California maintains the critical knowledge and information necessary to sustain core business processes and advance strategic initiatives.

Control: Administrative Controls to Document and Share Institutional Knowledge

Covered California will continue to implement and maintain systems to facilitate knowledge transfer through job shadowing, cross-training, and the off-boarding process. A system of meaningful knowledge transfer is needed to maintain role continuity, so employees are not reconstructing solutions to problems. To capture and codify institutional knowledge, Covered California develops and refines procedure manuals when necessary. Additionally, in Quarter 4, Fiscal Year (FY) 21-22, Covered California will begin development of a formal mentoring program that pairs experienced team members in higher-level classifications with less experienced team members in lower-level classifications. The goals of this program will be to foster knowledge transfer; build collaborative professional relationships; provide coaching experience to new managers; and enhance team member career development. We anticipate having the mentorship program platform selected and procured by the end of Quarter 4, Fiscal Year (FY) 21-22, with a pilot program developed and implemented by the end of Quarter 1, Fiscal Year (FY) 22-23, and full program launch by the end of Quarter 2, Fiscal Year (FY) 22-23.

Control: Training and Development Programs

Covered California continues to implement and maintain training, development, and our Upward Mobility program for team members of all levels and has also established a dedicated program for the management team. Specifically, Covered California provides managers and executives with the opportunity to participate in multiple leadership development programs including the following:

- Covered California Leadership Academy
- CalHR's Executive Development Program
- CalHR's Manager Development Program
- CalHR's Supervisor Development Program
- LinkedIn Learning
- 360 assessments and executive coaching

These programs successfully prepare our front-line and mid-level managers for the higher-levels of responsibility and policy oversight inherent to the high-level leadership positions within Covered California, and builds a culture where mid-level managers and supervisors feel confident and motivated to take the next step in their careers. Leadership training creates competent, forward-thinking leaders within the Department.

Control: Engagement Surveys

On an annual basis, Covered California conducts a team member engagement survey. This

assessment is designed to evaluate current workplace culture, team member satisfaction, and identify areas where Covered California can improve to become a more effective employer. Covered California also requests feedback from departing team members via an exit survey. This exit survey is designed to assess the overall team member experience within the organization and identify opportunities to improve retention and engagement. Based on the combined survey results, Covered California will continue to determine and develop training programs and strategies to engage and retain team members, while striving to lower team member separations, increase responsiveness to organizational needs, and provide leadership up to date information on the workforce.

Control: Workforce and Succession Plan

Covered California's existing workforce and succession plan expires in June 2022. In Quarter 3, FY 21-22, Covered California will perform a focused review of the existing workforce and future workforce needs and conduct a gap analysis. This analysis will drive the development and implementation of a three-year workforce and succession plan comprised of strategies to ensure effective workforce development and clear succession pathways. This effort will ensure the transfer of knowledge continues, allow Covered California to identify the key positions and classifications most affected by projected vacancies, and determine strategies to develop existing and new team members to effectively step into those positions.

Risk: Information Security

If Covered California fails to protect and secure information assets and sensitive data (including breach of consumer privacy), significant financial loss, damage to Covered California's reputation, system downtime, loss of data, and potential legal action may occur. As a result, our trusted relationship with our consumers and partners as well as our ability to deliver on our mission may be eroded.

Functional objective: To ensure the security of Covered California's information assets, sensitive data, and consumer privacy, specifically personally identifiable information.

Control: Established Frameworks to Meet Security Control Requirements and Mandated Governance and Control Activities

Covered California uses a series of frameworks to limit our risk exposure and protect all business systems within the enterprise from unauthorized access. The primary framework used to protect the agency's systems and assets against unauthorized access includes a series of security control requirements to ensure proper implementation of access controls, information security awareness training, contingency planning, asset management, personnel security, media protection, and configuration management.

Specific state and federal regulations mandate Covered California to include governance and specific control activities to assure compliance and minimize information security risk exposure. Additionally, Covered California performs regular risk assessments based on the CMS Minimum Acceptable Risks and Safeguards for Exchanges (MARS-E) framework as part of an ongoing compliance program to maintain our ability to connect and exchange data with the Federal Services Hub and Internal Revenue Services.

Control: Information Security and Privacy Related Standards in Compliance with ACA Regulations

Covered California has implemented federally mandated information security and privacy-related standards over personally identifiable information. Also, we established required ACA controls as stipulated under CMS' Interconnection Security Agreement (ISA) which governs access to the Federal Data Services Hub. Under the ISA, we contractually agreed with the 295 security and privacy controls selected by CMS for MARS-E. The Federal Department of Health and Human Services (HHS) has exclusive oversight over ACA information security mandates and our compliance with federal ACA standards. To comply with HHS information security requirements, we submit to the HHS both a Security Plan and a tri-annual Security Assessment Report. The Security Plan, also required under the ISA, details how we comply with each information security MARS-E control requirement. In contrast, the Security Assessment requires each of the MARS-E controls to be assessed by an external, independent third-party assessor. Since HHS has exclusive oversight authority over our information security mandates, we minimize potential information security-related risks associated with changes in the regulatory environment by fulfilling our contractual obligations under the ISA.

Control: Roadmap and Technology Lifecycle to Manage Information Systems

Covered California's Information Technology Division is committed to leveraging current technology to safeguard information and other assets within the agency. Covered California's Information Technology Division has developed and maintains a roadmap and technology lifecycle to manage current technology and limit technical debt by retiring aging and non-supported systems. Further, budget forecasting allows Covered California's Information Technology Division to allocate resources to procure the necessary technology to be innovative, current, and effective in meeting business objectives.

Control: Comprehensive Information Technology Change Management Program

Covered California's Information Technology Division has adopted a comprehensive change management program to manage changes within the production operations environment, from inception to completion. Changes within the business environment requiring information technology services are directed through the change management process for assurance that all modifications to the environment are recorded and authorized at the appropriate level. Changes to Covered California's CalHEERS system are governed by CMS and require submission and approval of written security impact analysis and change overview prior to implementation.

Control: Administrative Controls to Manage Third-Party Vulnerabilities

Covered California employs multiple controls to manage third-party vulnerabilities. Covered California's Information Technology Division uses independent assessments to evaluate partners and identify vulnerabilities. Assessments include a secondary phase for the mitigation or remediation of vulnerabilities identified during the assessment. Covered California also employs specific processes and procedures for third parties to provide a regular report on their technology and information security operations, to ensure they are meeting regulatory requirements and performing in accordance with contractual requirements.

Control: Assessment of Risk of Internet of Things and Planned Adoption of Mitigating Controls and Devices

Due to increased exposure to potential attack due to Internet of Things (IoT) connections as well as the recent pandemic, Covered California is accelerating their evaluation of IoT devices. These IoT devices under review include smart sensors to ensure the health and safety of team members while visiting Covered California properties. Adoption of IoT devices will be managed in accordance with Covered California's Information Technology and Information Security policies and adhere to applicable regulations. Implementation and management of IoT devices will include standard non-default configurations, continuous monitoring, and regular updates. Connectivity will be limited to allow least access necessary to function and carry out the business objective(s) of the IoT device. Additional hardening techniques include physical protections to limit IoT device tampering.

Control: Organization-wide Training, Internal Security Safeguards, and Technical Controls

Through annual mandatory Information Security Training and regular email blasts and updates on Information Security educational topics, Covered California empowers and educates its team members. Covered California recognizes that our team members are a critical component to the efficacy of the information security program and ensuring the confidentiality, integrity, and availability of information. Additionally, the Covered California Information Technology Division invests in its team members through ongoing training and subscription services to aid in research and learn about current trends and new technologies.

The Information Security Office is responsible to develop, implement, and manage safeguards to protect information assets from improper employee behavior including, but not limited to, information security policies, technical controls to limit accessibility to sensitive information, and audit and reporting functionality to report on anomalous behavior.

Risk: Returning to the Workplace – Pandemic Response

If Covered California fails to implement an effective hybrid return to the workplace plan and provide proper guidance to its team members on what the work environment will entail as we move forward into the future, the organization may suffer from loss of key persons, reputational risk, and operational inefficiencies.

Functional objective: To ensure Covered California is thoughtful and strategic transitioning from emergency telework to the new hybrid work environment, ensuring the mission and goals of the organization are maintained.

Control: Documentation and Communication of COVID-19 Protocols

Covered California's Office of Legal Affairs along with the Health and Safety Unit will track developments and changes to regulations related to the COVID-19 public health emergency. When required, updates will be made to Covered California's COVID-19 Prevention Program in partnership with the Human Resources Branch. Many preventative measures have been implemented in response to public health mandates and guidance. These are continually assessed

as new guidance is provided. Covered California's top priority will always be the safety of our team members. Covered California closely monitors changes related to COVID-19 prevention in order to implement safety protocols timely.

Control: Communication and Training Plan for Team Members Returning to the Workplace

Covered California has formed an internal committee led by the Covered California University. To prepare our team members to return to the workplace, the committee acknowledges the importance of communication and change management. A Communication and Training Plan has been developed to address impacts of this change. Estimated implementation date is Quarter 1, FY 22-23 and the committee will be continually reviewing the plan for adjustments. We will continuously evaluate and refine our communication strategies based on how they are meeting the needs of Covered California team members.

Control: COVID-19 Workplace Safeguards

Covered California's COVID-19 Prevention Program and COVID-19 Testing Program are in place to reduce breakouts of COVID-19 infection at our worksites. The Health and Safety Unit identified and evaluated COVID-19 hazards at our multiple worksite locations and implemented preventative measures to both reduce the risk of exposure to COVID-19 and increase social distancing. Additionally, all team members use a self-screening application to check for COVID-19 symptoms prior to working onsite. The Health and Safety Unit, along with facility units at our worksites are trained on how to investigate and respond to reports of potential COVID-19 exposure and timely notify affected team members. These teams work closely with the Human Resources Branch when notification is required. In 2020, Covered California evaluated our heating, venting, and air conditioning systems and implemented measures to reduce the risk of COVID-19 transmission at all worksites.

Control: Telework Program Supported by Department-wide Training and Secure Technology

Covered California has implemented an Emergency Telework Program which will be revised and implemented Quarter 3, FY 21-22, to align with the Department of General Services' Statewide Telework Policy while also incorporating the Covered California Future of Work Guiding Principles. Input gained through leadership engagement sessions will support the development and implementation of a hybrid workforce. The Human Resources Branch will provide department-wide training for management and team members Quarter 3, FY 21-22, ensuring all aspects of the Telework Program, including roles, responsibilities, and expectations, are known throughout the organization. The Covered California Information Technology Division has deployed secure, reliable, and high performing internet hardware to teleworkers in order to optimize existing consumer-based home office connections.

Control: Organizational Resources to Enhance Team Member Engagement and Morale

Covered California created the Office of Organizational Culture, Inclusion, and Engagement to

ensure choice, autonomy, fairness, stability, and flexibility are considered in our Future of Work initiatives and workplans to maintain team member morale and engagement. Future planning includes the procurement of tools that virtualize in person collaboration such as brainstorming tools, video conferencing, and gamification of processes for additional engagement. We recognize that as we move to a hybrid work environment where some team members will participate in meetings in person while others will appear virtually, we need to provide effective resources to support mindfulness in order to enable team members to be present and engaged. To this end, we have created and launched a Future of Work SharePoint site that contains robust resources for both managers and team members to provide guidance and tools including telework policies and information, health and safety in the office and at home, tools and resources for hybrid teams, and frequently asked questions. This site will continue to be updated as new tools and resources are developed.

Control: Privacy Safeguards

The State of California and Covered California have established protocols to ensure team member privacy regarding COVID-19 exposure, vaccination status, and test results are safeguarded as required by state and federal law. Access to this information is restricted to individuals who have a business need, and vaccination status is maintained in a file separate from a team member's Official Personnel File.

Control: Administrative and Technical Safeguards over Digital and Physical Equipment

As Covered California moves to a hybrid work environment, we have implemented administrative and technical safeguards to prevent personal use of state equipment. The Covered California Information Technology Division has employed a mobile device management solution to manage, track, and restore device configurations remotely. The Covered California Information Technology Division has enhanced their vulnerability management program to protect Covered California and support the needs of a hybrid workforce. Covered California is incorporating a sustained hybrid work environment as part of their cybersecurity strategy.

CONCLUSION

The California Health Benefit Exchange strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Peter V. Lee, Executive Director

CC: California Legislature [Senate (2), Assembly (1)]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency