



COVERED CALIFORNIA

INDEPENDENT EXTERNAL AUDIT: 2017 AUDIT FINDINGS REPORT

SUMMARY OF RESULTS

BACKGROUND

Under the federal Patient Protection and Affordable Care Act (PPACA), 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, 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.”

To achieve the intent of the State’s legislation, Covered California identified its mission 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. To achieve its vision and mission, Covered California continuously develops annual goals and departmental objectives that are mapped to our strategic pillars - all to help ensure our activities and resources continue to align with Covered California’s mission. Since 2013, the uninsured rate in California has continued to decline, and at a rate greater than the national average.

In the first half of 2017, the Covered California Individual Market reported more than 1.3 million enrollments, nearly 1.2 million households received advance premium tax credits (APTC) and nearly 0.7 million received cost-sharing reductions. As of November 30, 2017, for the 2018 open enrollment period, approximately 102,000 individuals had selected healthcare plans, an increase of 28 percent when compared to the same period in 2016. Covered California Small Business (CCSB) experienced positive growth in retention and membership. As of October 31, 2017, CCSB noted an 85 percent retention rate, reporting approximately 37,000 members and more than 4,700 groups, a net membership growth of 21 percent in 2017.

In 2017 Covered California achieved the following accomplishments:

- Covered California Outreach and Sales Division managed the Navigator grant program composed of 47 grantees, which assisted over 45,000 consumers with enrollment and renewals for Covered California.
- Sixty percent of consumers could enroll in the Bronze metal tier plan for less than \$10 per month, and 50 percent of consumers were able to enroll in the Silver metal tier plan for less than \$100 per month.
- California's risk score improved from 2016 to 2017, indicating a healthier risk mix of consumers who have enrolled in coverage.
- Covered California completed an expansion of customized sites for 10,000+ agents, carriers and consumers, while adding new features and functions to enhance business-to-business operations and overall consumer experience for appeals, IRS Form 1095-A's and special enrollment.
- To ensure enrollees received quality care, the Covered California Plan Management Division required health plan issuers to ensure all enrollees either selected or were assigned a primary care clinician within 60 days of plan effectuation.

AUDIT SCOPE AND OBJECTIVES

Covered California commissioned Sjoberg Evashenk Consulting, Inc. (SEC) to conduct an independent external programmatic audit for the 2017 program year, as required by 45 Code of Federal Regulations (CFR) § 155.1200 and related guidance issued by the Centers for Medicare and Medicaid Services (CMS). The Scope of this external programmatic audit included operational, programmatic, and administrative functions performed pursuant to 45 CFR Part 155, specifically requirements addressed in subpart C (General Functions), subpart D (Eligibility Determinations), subpart E (Enrollment Functions), subpart F (Individual Market Appeals), and subpart K (Certification of Qualified Health Plans). In addition to assessing compliance with the specified subparts, the audit also focused on the following areas:

- Determining whether controls are in place to help ensure enrollment records maintained in the Individual Market California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) and its component systems, Accenture Health Benefit Exchange and Get Insured, are effective and to determine whether records maintained are accurate and reliable;
- Assessing the efficiency and effectiveness of Individual Market eligibility and enrollment processes; participation in insurance affordability programs (IAP) and related reporting requirements, special enrollments, accuracy and timeliness of

notices sent to customers; processes that prevent inappropriate dual enrollments in a Covered California IAP and Medi-Cal coverage;

- Determining the accuracy of Qualified Health Plans (referred to as “carriers” throughout this report) Individual Market agent of record designations and compliance with Covered California Individual Market contractual requirements for agent compensation;
- Evaluating Covered California’s oversight of the accuracy and reliability of Covered California Small Business enrollment records, including data transmissions to and from carriers (via 834 and 820 transaction files) and processes to reconcile carrier enrollment records to Covered California enrollment records;
- Determining the cost of change requests since inception and assess whether Covered California has established practices to validate the reasonableness of change requests cost estimates provided by the developer;
- Assessing whether the user acceptance testing practices employed for CalHEERS’ updates are in-line with industry best-practices and, for a sample of CalHEERS change requests, determine whether identified system tests were conducted in a timely manner;
- Assessing whether controls and policies established by Covered California to protect personally identifiable information from being inappropriately accessed, used, and/or distributed are consistently followed by Covered California staff and evaluate Covered California’s monitoring of staff and contractor compliance with privacy requirements.

AUDIT FINDINGS, RECOMMENDATIONS AND CORRECTIVE ACTIONS

During the 2017 plan year, Covered California continued to build upon existing processes and implemented system enhancements to improve its oversight of operations, enhance the integrity and reliability of data, and better ensure compliance with federal and state requirements. For example, in the CalHEERS Release 16.9, business rules for generating Internal Revenue Service (IRS) Form 1095-As were updated to include required reporting of the one-month grace period, where the customer did not pay their share of the monthly premium and received APTC benefits. In addition, Covered California expanded the internal CalHEERS reconciliation process and Covered California Individual Market reconciliation process with carriers to include several financial fields.

While Covered California implemented many process and internal control improvements, SEC auditors found that more opportunities still exist to ensure full regulatory compliance, data integrity and reliability, and oversight of contractors and non-exchange entities. In its report, SEC presents eight (8) findings that relate

specifically to Covered California’s Individual and Small Business Markets. The first four (4) findings address the accuracy and reliability of data maintained in CalHEERS and compliance with federal requirements. The other four (4) findings relate to Covered California’s oversight of small business enrollment, carrier payments to agents that facilitated the enrollment of individual market plan members, the protection of personally identifiable information, and the administration and processing of appeals.

Covered California reviewed the findings and agrees that even though improvements in its control environment have been made, opportunities to improve remain. SEC’s observations and recommendations will be given great weight as Covered California continues to strive for process improvements in functional areas across the organization, investigates additional data management best practices, and re-evaluates controls that ensure federal compliance. Covered California developed appropriate corrective action plan (CAP) to address the auditor’s recommendations. The CAP summary is presented in the table below.

	Auditors’ Recommendation	Covered California’s Responses and Intended Corrective Actions Plan
Finding 1: While Change Control Practices Include Many Industry Best Practices, Additional Opportunities for Improvement Exist		
1.1	Covered California should document independent cost estimates completed and maintain documentation detailing the record of negotiation for change requests, including analysis conducted and rationale for changes made.	Covered California Integrated Technology (CC IT) will create a process to perform independent cost estimates to provide to California Healthcare Eligibility, Enrollment & Retention System (CalHEERS). The cost estimates will be attached to change request in Rational Team Concert (RTC), which is an International Business Machines Corporation (IBM) tool that the CalHEERS team uses to track change requests, decision items, action items, and risks. Documentation of analysis and negotiations will also be attached to the change request in RTC. Completion Date: December 31, 2018
1.2	To avoid overlapping system testing and user acceptance testing and compressed testing durations, Covered California and the CalHEERS project team should ensure that build and design schedules are closely adhered to.	Covered California and CalHEERS acknowledge the risk that is inherent in overlapping various test phases. Covered California continues to work with CalHEERS to identify high risks change requests so they can be managed through the CalHEERS risk management process. CC IT will continue to work with CalHEERS to avoid overlap, wherever possible. Completion Date: December 31, 2018
1.3	Covered California should continue to work with the CalHEERS project team to ensure	CC IT Deputy Director, Chief Project Manager, and a Business Analyst meet with the CalHEERS Independent Verification and Validation (IV&V) team

	Auditors' Recommendation	Covered California's Responses and Intended Corrective Actions Plan
	<p>observations and recommendations identified by independent oversight contractors are prioritized and implemented in a timely manner and issues are fully resolved.</p>	<p>weekly to review reports, recommendations, and statuses. Covered California works with the CalHEERS project team to review and prioritize recommendations. Once change requests are scheduled into a release, CC IT monitors the recommendation and/or change request through the process to assure recommendations are implemented and fully resolved.</p> <p>Completion Date: Weekly meetings with IV&V team began on December 1, 2017 and are on-going.</p>
<p>1.4</p>	<p>Covered California should consider centralizing project oversight, including User Acceptance Testing (UAT), change request oversight and verification, and defect management in CC IT, while shifting the role of the Program Integrity Division (PID) to providing independent, third-party testing and examination of system functionality and to evaluate the effectiveness and efficiency of the systems of internal controls established to oversee CalHEERS.</p>	<p>CC IT agrees that Covered California UAT should be coordinated by CC IT. Covered California is in the process of standing up an Enterprise Test Office; the UAT oversight could reside in this area. Additional resources will be needed and CC IT is in the process of reorganization within the Business Analyst/Project Manager and Enterprise Project Management Office (EPMO) areas. Covered California is seeking to combine the two areas to gain efficiencies.</p> <p>CC IT currently provides change request oversight. CC IT adopted the responsibility of Sev 6 and Non-Warranty defects. Covered California agrees that all defect mitigation should be coordinated by CC IT. CC IT will work with PID to establish roles and responsibilities across our groups. Covered California will develop a strategy to transition UAT oversight and defect mitigation from PID to CC IT. PID will continue to perform UAT and CC IT will coordinate UAT activities.</p> <p>Completion Date: December 31, 2018</p>
<p>Finding 2: Continued Monitoring of the Integrity of CalHEERS Data and System Generated Reports is Required</p>		
<p>2.1</p>	<p>Covered California should continue efforts to identify discrepancies between Get Insured (GI) and Accenture Health Benefit Exchange (AHBX) data and practices to conduct root-cause analysis to resolve discrepancies identified and</p>	<p>CalHEERS believes that most of the discrepancies identified were a byproduct of the way the data extracts from GI and AHBX were created. In parallel to performing the root cause analysis based on the additional information provided by the auditor, the CalHEERS team will broaden the existing Data Integrity monitoring efforts, which consists of the CalHEERS Data Integrity Batch and the weekly</p>

	Auditors' Recommendation	Covered California's Responses and Intended Corrective Actions Plan
	ensure the underlying problem causing the discrepancy is resolved.	<p>reports that are reviewed by Covered California PID Data Integrity, to include all of the data attributes compared by the auditor. CalHEERS also acknowledges that the way the extract was provided was a key component that impacted this determination.</p> <p>CR119170 (Account Transfer Phase 1) and CR119171 (Account Transfer Phase 2) will eliminate the duplicate storage of enrollment records in AHBX and GI (with the enrollment records being stored only in GI after Phase 2 implementation).</p> <p>Completion Date: -Full Root Cause of discrepancies identified in the audit: Within one month of receiving the requested supporting data from the auditor. -Expanded Data Integrity Monitoring changes deployed: Release (R)18.7 on July 22, 2018 -Improved Extract Methodology for future auditor request: September 14, 2018 -Elimination of duplicated data between AHBX and GI: June 2019 with the implementation of CR119171.</p>
2.2	Prior to changing information in CalHEERS, Covered California should conduct root-cause analysis to ensure the problem is fully resolved and ensure that changes are accurate prior to updating the system, and should continue to work with carriers to ensure carriers provide accurate responses during the reconciliation process.	<p>Covered California makes every effort to safeguard the integrity of the data to ensure a seamless consumer experience. Covered California acknowledges and agrees the number of data fixes appears to be unnecessarily high. However, the recommendation to conduct root cause analysis prior to executing data fixes is not feasible within the monthly California Reconciliation of Enrollment and Membership (REM) process, where a significant number of data fixes originate. In lieu of a proactive root cause analysis process, Covered California REM initiated a pilot program to review data fixes post implementation to determine the root cause, by grouping fixes in logical groups to identify the system user or function, such as Service Center, Agents, Appeals, or CalHEERS, potentially responsible for creating the data anomaly requiring a fix. Covered California REM monitors carrier submitted data quality and related data fix trends.</p>

	Auditors' Recommendation	Covered California's Responses and Intended Corrective Actions Plan
		Completion Date: June 30, 2019
Finding 3: Continued Weaknesses Exist in Controls Over Individual Market Eligibility Determinations and Enrollments		
3.1	<p>As recommended in the 2015 and 2016 External Programmatic Audits, Covered California should continue efforts to ensure individuals deemed conditionally eligible are re-reviewed at the end of the reasonable opportunity period, ensure all required verifications occur in a timely manner, and only qualified individuals are allowed to enroll during the special enrollment period, in compliance with state and federal requirements. Covered California should move forward with its plans to resolve defects identified for automated verification functionality and should implement a manual process to complete required verifications until automated functionality is complete for cases exceeding the 95-day ROP.</p>	<p>Covered California will continue efforts and work towards enhancing our automated verification process. Defects were cleared and automation was restored for those inconsistencies with the electronic data available. Covered California is working through some systematic limitations that make complete automation difficult. For instance, GI customizations will need to be made to allow for smooth, consumer friendly reenrollment after a reasonable opportunity period (ROP) has expired. Covered California is currently checking Minimum Essential Coverage (MEC) through the Federal Data Services Hub and utilizes data from the Office of Personnel Management. We are also evaluating expansion of our current Federal Data Services Hub calls for Medicare, Tricare, Veterans care and Peace Corps.</p> <p>Covered California conducts outreach, notifications and manual cleanup for those inconsistencies that are not part of the automated process and/or do not have a trusted data source available. For Plan Year 2019, Covered California will electronically verify individuals for MEC entering the Exchange through a special enrollment period (SEP).</p> <p>Completion Date: December 2020</p>
3.2	<p>In instances where a customer is unable to provide substantiating documentation for the special enrollment, Covered California should deny the special enrollment. Further, Covered California should consider implementing a verification process that is similar to the Federal Exchange.</p>	<p>Covered California does not fully agree with this audit recommendation. Covered California executed a contract with Health Management Systems, Inc. (HMS) in December of 2017. HMS is in the process of developing an electronic verification solution for the Qualifying Life Event (QLE) loss of Health Insurance Coverage. The electronic verification solution should be implemented by April 2019. This process is similar to the Federal Exchange Special Enrollment Period (SEP) verification. Covered California is also engaged in a random sampling process based on California's State regulations. By April 2019, we will have systems in place to implement a more robust verification</p>

	Auditors' Recommendation	Covered California's Responses and Intended Corrective Actions Plan
		<p>process immediately, should we discover that costs are increasing.</p> <p>Completion Date: April 2019 with ongoing monitoring of data</p>
3.3	<p>Covered California should review system noticing functionality to ensure notices generated are accurate and timely. In addition, Covered California should consider updating notice language to include the benefit year that the notice applies to.</p>	<p>Covered California reviews and updates notices on a continuous basis. We evaluate notices throughout the year for regulatory changes, consumer friendly revisions, and clarity of information. These changes take place during the regularly scheduled CalHEERS change request process. Covered California differentiates between benefit years in the NOD01 (eligibility notice). In this notice, we identify the consumer's eligibility and applicable benefit year. Covered California's CalHEERS Program Monitoring and Oversight (CPMO) branch regularly conducts User Acceptance Testing on notices and snippets that are planned to be implemented into the system.</p> <p>Completion Date: Benefit year was added to the NOD01 with change request (CR) 81795 in release (R)17.9, which went live into production on September 24, 2017. The review is being regularly performed on notices and snippets.</p>
3.4	<p>Covered California should implement a process to identify potential overlaps in coverage between a Covered California Insurance Affordability Program and Medi-Cal. Covered California should consider implementing a process similar to the Federal Exchange whereby the customer is sent a warning notification and requested to update their application or end their financial assistance when overlaps in coverage are identified.</p>	<p>Covered California will continue to work on the automated process of semiannual data matching now planned for Plan Year 2020. As we work to implement this function, Covered California will continue to send out monthly warning letters to Medicare eligible consumers. We will also continue to work with our state Medicaid agency to facilitate seamless transitions and eliminate unnecessary coverage overlaps.</p> <p>Completion Date: December 2019</p>
3.5	<p>Covered California should update the Advance Payment of Premium Tax Credit (APTC) calculation in CalHEERS to round the</p>	<p>CC IT will work with the Policy and CalHEERS teams to determine regulatory requirements regarding the APTC and Federal Poverty Level (FPL) formulas and calculations, then create and prioritize a change</p>

	Auditors' Recommendation	Covered California's Responses and Intended Corrective Actions Plan
	applicable percentage to the nearest one-hundredth percent.	request that will align CalHEERS with these requirements. Completion Date: December 31, 2019
Finding 4: Covered California Improved the IRS Form 1095-A Reporting Process; however, Additional Opportunities Exist		
4.1	Covered California should continue efforts to implement a process to validate that carriers are accurately applying APTC amounts to customers. If the carrier did not apply the correct amount of APTC, Covered California should either work with the carrier to refund the customer the amount that was under-applied by the carrier or issue a revised IRS Form 1095-A to reflect benefits actually received by the customer.	Covered California agrees that on-going efforts need to continue to ensure that APTC values are being applied and reported correctly. Covered California will develop a comprehensive action plan to systematically mitigate the finding by the close of 2018. This includes the pursuit of a CalHEERS change that will allow for automation of the process, eliminating the need for the current manual process by June 2019. The Plan Management Division (PMD) will continue to sample carrier invoices and work with PID to identify possible areas of concern, as well as to address and resolve any identified carrier issues to ensure the appropriate APTC amount is applied. Completion Date: June 2019
4.2	Covered California should identify the universe of cases where the one-month grace period was inappropriately applied and send a corrected report to CMS and issue revised IRS Form 1095-As to impacted households for the 2016 tax year. In addition, Covered California should work with carriers to ensure carriers are correctly applying rules for effectuating enrollments and terminating coverage.	Covered California acknowledges and appreciates the auditor's recommendation to reissue 1095-A's to consumers for whom the amended three-month grace period rule was applied earlier than required by regulation. However, Covered California notes that the Department of Health and Human Services (HHS), in both its proposed and final versions of the 2017 Benefit and Payment Parameter Rule, clarified that the amended grace period rule is more consumer protective and more closely aligns with HHS's interpretation that binder payments are unnecessary when a consumer renews into a plan within the same insurance product. As such, reissuing 1095-As to consumers in 2018 under a less consumer protective grace-period dating back to 2016, would only serve to create consumer confusion and frustration and would not align with HHS's intent to make the grace-period rule more consumer friendly and protective. Completed: No action required.

	Auditors' Recommendation	Covered California's Responses and Intended Corrective Actions Plan
4.3	Covered California should send corrected IRS Form 1095-As to the 482 households where a corrected IRS Form 1095-A was not generated and sent to households for the 2016 tax year.	The corrected 2016 IRS Form 1095-As for the 482 households were generated in the system on May 10, 2018. Covered California began sending correction notices for this population on May 10, 2018. Completed: May 10, 2018
Finding 5: Covered California's Oversight of Small Business Enrollment Data Requires Improvement		
5.1	<p>To better ensure the accuracy and reliability of CCSB enrollment data, Covered California should:</p> <ul style="list-style-type: none"> A) Continue to work with carriers to facilitate the timely and accurate transmission of acknowledgement files. B) Enforce contract provisions requiring Pinnacle to reconcile carrier records with the Health Claims Processing System (HCPS) records and generate regular exception reports notifying Covered California (both Plan Management Division and Financial Management Division) of all identified discrepancies and exceptions based on the results of monthly reconciliations and Pinnacle's monitoring of acknowledgement files. <p>Enforce contract provisions requiring carriers to reconcile their enrollment records with HCPS records submitted by Pinnacle and transfer required acknowledgement files to</p>	<p>Covered California for Small Business (CCSB) is in an agreement with the recommendations from the auditor. Below are specific actions that will be taken to comply with relevant federal regulations, to increase cost effectiveness, and to better ensure the accuracy and reliability of CCSB enrollment data.</p> <ul style="list-style-type: none"> • CCSB will work with Pinnacle on updating the Companion Guide that is specific to CCSB pertaining to transaction files (i.e., 834, 820, and XML files). • Pinnacle will document current state of the Electronic Data Interface (EDI) acknowledgement process. • CCSB will document future state of the EDI acknowledgement process and reconciliation. • CCSB and Pinnacle will review current and future state, and develop plans to get to future state. • CCSB will review current contract provisions with Pinnacle and carriers to ensure timely submissions of the acknowledgement files and eligibility reconciliation. <p>HCPS reconciliation will include the following processes:</p> <ul style="list-style-type: none"> • Eligibility reconciliation • Financial Reconciliation • Create new provision in QHP/QDP (qualified health/dental plan) Contract • Create new provision in Vendor (PCMI) contract

	Auditors' Recommendation	Covered California's Responses and Intended Corrective Actions Plan
	Pinnacle in response to 834 and 820-transaction files.	Completion Date: September 30, 2018
Finding 6: Agents May Not Have Been Appropriately Compensated for Individual Market Enrollments		
6.1	Covered California should work with carriers to ensure carriers maintain accurate records, including agent delegations and premium amounts. In addition, Covered California Plan Management Division should continue efforts to increase the level of oversight provided to carriers.	<p>Prior to the audit finding, Covered California's Outreach and Sales Division (OSD) began research on commission issues being reported by Agents. The common theme in the reported issues occurred when they compare their carrier commission statements to their current Book of Business report. When doing so, there was a significant number of cases where the carrier had not paid commission to the agent. Based on the research conducted by OSD and CalHEERS, it has been verified that Agent of Record information is currently provided accurately in the 834 file sent to the carrier. However, this has not always been the case and the agent data has never been reconciled with our carriers. Lack of reconciliation has resulted in significant data discrepancies which were confirmed by this audit finding. PMD has committed to continue random sampling of carrier invoices to verify accuracy with Covered California premium data. The corrective action plan for this audit finding will take a significant amount of coordination with at minimum five divisions and our carrier partners. A high-level project plan will be developed with the participating divisions.</p> <p>Completion Date: July 1, 2019</p>
6.2	Covered California should begin reconciling carrier agent delegation information to Covered California CalHEERS records. This could be achieved through the Covered California REM reconciliation process.	<p>Prior to the audit finding, OSD began research on commission issues being reported by Agents. The common theme in the reported issues occurred when they compare their carrier commission statements to their current Book of Business report. When doing so, there was a significant number of cases that the carrier had not credited to the agent. Based on the research conducted by OSD and CalHEERS, it has been verified that Agent of Record information is currently provided accurately in the 834 file sent to the carrier. However, this has not always been the case and the agent data has never been reconciled with our carriers. Lack of reconciliation has resulted in significant data discrepancies which were confirmed by this audit finding. The corrective action plan for this</p>

	Auditors' Recommendation	Covered California's Responses and Intended Corrective Actions Plan
		<p>audit finding will take a significant amount of coordination with at minimum five divisions and our carrier partners. A high-level project plan will be developed with the participating divisions.</p> <p>Completion Date: July 1, 2019</p>
6.3	<p>Covered California PMD should consider working with Covered California Internal Audit to implement periodic reviews of carrier records and agent compensation to ensure carriers are following approved Agent Compensation Programs and adhering to contract requirements.</p>	<p>Covered California PMD will work with Covered California Internal Audit Services (IAS) to explore the development and implementation of a carrier contract monitoring and oversight process to help ensure carrier compliance with contract requirements pertaining to carrier records and agent compensation. PMD will meet with IAS in September 2018 to establish a workgroup to begin the initial discussion and brainstorming to determine requirements for the development of the process.</p> <p>Completion Date: December 2018</p>

Finding 7: Continued Oversight of Privacy and Security of Personally Identifiable Information is Warranted

7.1	<p>The Privacy Office should work with Covered California management to incorporate reviews of areas identified as higher risk for non-compliance or risk to the organization as it relates to the protection of PII. If the Privacy Office determines that it does not have the resources to perform periodic independent reviews of staff, management, and program compliance with the Privacy Standards Guide, it should work with Covered California management to identify appropriate resources. This could include third-party assistance, assistance provided through an independent internal resource such as PID and Internal Audit, or other alternatives.</p>	<p>The Privacy Office identified key areas of risks regarding the protection of consumer PII using its Incident Management System (IMS). Through its IMS, the Privacy Office can generate and provide Covered California management with customized reports to identify trends, as well as key areas of vulnerability for targeted remedial measures.</p> <p>The Privacy Office will address the recommendation by conducting a privacy training seminar for Executive Leadership. Topics covered through the training seminar will include, among other things, a department-wide review of risks identified by the Privacy and Information Security Offices pertaining to consumer PII. The Privacy Office will work closely with the Information Security Office in the development of the training materials and recommendations for the remediation of specifically-identified privacy risks.</p> <p>Completion Date: September 30, 2018</p>
7.2	<p>Covered California management should communicate the</p>	<p>The privacy training referenced in Finding 7.2 relates to MARS-E Privacy Controls [MARS-E, AR-1 and AR-</p>

	Auditors' Recommendation	Covered California's Responses and Intended Corrective Actions Plan
	importance of the training to all staff and lead by example by completing the training annually.	5]. The requirements of these and other privacy-related legal requirements will be discussed during the training seminar referenced in 7.1 above. Completion Date: September 30, 2018
Finding 8: Timelines for Appeals Processing Are Not Always Met		
8.1	Covered California should continue to monitor and measure whether staff are adhering to established policies and procedures and contacting appellants in a timely manner.	<p>The Service Center has established processes to continuously monitor appeals. The Appeals Guidelines Tool is used by a manager to review an Appeal case/incident and provide feedback to the assigned analyst. It also aids in identifying areas where training may be needed. The tool can be used to review cases which are in progress as well as closed cases.</p> <p>The Service Center implemented automatically generated email notifications to appellants. This email is sent to the Appellant within three (3) business days of receipt of the Appeal as part of the intake process. Management will continue to monitor timeliness through this and other processes.</p> <p>Completion Date: Appeals Guidelines Tool completed on January 3, 2018. Automatic email implementation completed on October 18, 2017.</p>
8.2	Covered California management should continue efforts to monitor appeals analyst caseload and ensure appeals analyst are meeting interim timelines.	<p>The Service Center has established processes to continuously monitor appeals. The Service Center developed a workload mitigation plan (Plan). Using historical data, workload thresholds and risk protocols were identified. The Plan is used to forecast spikes in appeals, the need for additional resources and backlog mitigation.</p> <p>The Appeals Guidelines Tool is used by a manager to review an Appeal case/incident and provide feedback to the assigned analyst. Management will continue to monitor timeliness through this and other processes.</p> <p>Completion Date: Workload Mitigation Plan completed on November 14, 2017. Appeals Guidelines Tool completed on January 3, 2018.</p>

	Auditors' Recommendation	Covered California's Responses and Intended Corrective Actions Plan
8.3	Covered California should continue efforts to monitor the number of appeals filed for both workload purposes and to identify trends and areas where there may be underlying issue contributing to the increased number of appeals. As trends are identified, Covered California should work with CalHEERS to resolve any underlying system issues.	<p>The Service Center has established processes to continuously monitor appeals. The Appeals Workgroup was formed with the purpose of identifying reasons for appeals being filed, developing and defining appeals data reporting elements, creating a dashboard to display staff progress, and identifying process improvements that would increase efficiencies in the processing of appeals therefore improving the consumers' experience/journey. The Service Center developed a workload mitigation plan (Plan). The Plan is used to forecast spikes in appeals and the need for additional resources and backlog mitigation.</p> <p>The Service Center transitioned Administrative Law Judge (ALJ) decisions implementation to the Covered California Ombuds Office. This change streamlines the overall appeals process, reduces the workload of the Appeals team and improves the consumers' journey.</p> <p>Completion Date: Appeals Workgroup formed on August 26, 2016. Workload Mitigation Plan completed on November 14, 2017. Transitioned ALJ Decision Implementation to Office of the Ombuds on November 7, 2017.</p>
8.4	Covered California should consider working with the California Department of Social Services (CDSS) to develop consistent criteria to accurately identify appeals that should not move through Covered California's appeals process.	<p>The Service Center has established a process to validate appeals at the time of intake. In partnership with CDSS, the Service Center is providing training to CDSS to help ensure consistency during the intake process.</p> <p>Completion Date: November 30, 2018</p>

COVERED CALIFORNIA'S COMMENTS ON THE AUDIT

Covered California has become a vital part of the fabric of California's health care system, one that ensures all Californians have access to a health insurance marketplace where they can compare health insurance plans and choose the plan that works best for their health needs and budget. Covered California seeks to be nimble and proactive in the face of potential changes to federal or state policy to maintain sustainability, while seeking to continue to share with policy-makers in California, and nationally, the lessons and experiences of a market that is working. We agree both with

the overall finding that Covered California has “several areas where notable improvements were achieved” and that there are further opportunities to improve its operations.

It is worthwhile noting that these findings occurred in a year in which Covered California achieved extraordinary growth and accomplishments:

- California’s uninsured rate dropped to 6.8 percent in the first six months of 2017—down from 17 percent in 2013—a new record low.
- Covered California for Small Business achieved a new membership growth of 24 percent to 4,468 groups and 34,002 members from May 31, 2016 to May 31, 2017. As of December 1, 2017, small business enrollment exceeded 40,000 members.
- Covered California was recognized by the Center for Digital Government for two Best of California Awards for 2017:
 - “Most Innovative Use of Social Media/Citizen Engagement” award for helping the exchange engage a social media audience with stories to which they may relate.
 - “Best Application Serving the Public” award for Covered California’s Enrollment Partner Portal. The portal helped more than 5,000 insurance agents and Certified Enrollment Counselors assist consumers in receiving coverage.

CONCLUSION

Since the prior external programmatic audit, Covered California has continued efforts to improve its operations and implemented processes to better ensure compliance with federal regulations, while continuing to achieve its mission to reduce the number of uninsured individuals in California. While SEC’s audit identified several areas where notable improvements were achieved, the audit also found that Covered California can continue to improve upon these efforts, as recommended, and thereby improve operational efficiencies and effectiveness, data integrity, and ensure compliance with federal regulations.