

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NOT ALL OF THE COLORADO
MARKETPLACE'S INTERNAL CONTROLS
WERE EFFECTIVE IN ENSURING THAT
INDIVIDUALS WERE ENROLLED IN
QUALIFIED HEALTH PLANS ACCORDING
TO FEDERAL REQUIREMENTS**

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EXECUTIVE SUMMARY

Not all of the Colorado marketplace's internal controls were effective in ensuring that individuals were enrolled in qualified health plans according to Federal requirements.

WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA) requires the establishment of a health insurance exchange (marketplace) in each State and the District of Columbia. A marketplace is designed to serve as a “one-stop shop” at which individuals get information about their health insurance options; are evaluated for eligibility for a qualified health plan (QHP) and, when applicable, eligibility for insurance affordability programs; and enroll in the QHP of their choice. As of October 1, 2013, Colorado was 1 of 15 States that had established State-based marketplaces (State marketplaces).

A previous Office of Inspector General review found that not all internal controls implemented by the federally facilitated marketplace (Federal marketplace) and the State marketplaces in California and Connecticut were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements. This review of Connect for Health Colorado (Colorado marketplace) is part of an ongoing series of reviews of seven State marketplaces across the Nation. We selected the individual State marketplaces to cover States in different parts of the country. Our nationwide audit of State marketplace eligibility determinations is part of a larger body of ACA work, which also includes audits of how costs incurred to create State marketplaces were allocated to establishment grants.

Our objective was to determine whether the Colorado marketplace's internal controls were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements.

BACKGROUND

Qualified Health Plans and Insurance Affordability Programs

QHPs are private health insurance plans that each marketplace recognizes and certifies as meeting certain participation standards and covering a core set of benefits. To lower individuals' insurance premiums or out-of-pocket costs for QHPs, the ACA provides for two types of insurance affordability programs: the premium tax credit and cost-sharing reductions. The premium tax credit reduces the cost of a plan's premium and is available at tax filing time or in advance. When paid in advance, the credit is referred to as the “advance premium tax credit.” Cost-sharing reductions help individuals with out-of-pocket costs, such as deductibles, coinsurance, and copayments. Depending on an individual's income, he or she may be eligible for either or both types of insurance affordability programs.

To be eligible to enroll in a QHP, an individual must be a U.S. citizen, a U.S. national, or lawfully present in the United States; not be incarcerated; and meet applicable residency standards. To be eligible for insurance affordability programs, the individual must meet

additional requirements for annual household income. An individual is not eligible for these programs if he or she is eligible for minimum essential coverage that is not offered through a marketplace. Minimum essential coverage consists of employer-sponsored insurance (ESI) and non-ESI. The latter includes Government-sponsored programs (such as Medicare and Medicaid), grandfathered plans, and other plans.

Application and Enrollment Process for Qualified Health Plans and Insurance Affordability Programs for All Marketplaces

An applicant may submit an application to enroll in a QHP during an open enrollment period. An applicant may also enroll in a QHP during a special enrollment period outside of the open enrollment period if the applicant experiences certain life changes, such as marriage or the birth of a child.

To enroll in a QHP, an applicant must complete an application and meet eligibility requirements defined by the ACA. An applicant can enroll in a QHP through the Federal or a State marketplace, depending on the applicant's State of residence. Applicants can enroll through a Web site, by phone, by mail, in person, or directly with a broker or an agent of a health insurance company. For online and phone applications, the marketplace verifies the applicant's identity through an identity-proofing process. For paper applications, the marketplace requires the applicant's signature before the marketplace processes the application. When completing any type of application, the applicant attests that answers to all questions are true and that the applicant is subject to the penalty of perjury.

After reviewing the applicant's information, the marketplace determines whether the applicant is eligible for a QHP and, when applicable, eligible for insurance affordability programs. To verify the information submitted by the applicant, the marketplace uses multiple electronic data sources, including sources available through the Federal Data Services Hub (Data Hub). The data sources available through the Data Hub are the U.S. Department of Health and Human Services, the Social Security Administration, the U.S. Department of Homeland Security, and the Internal Revenue Service, among others.

State marketplaces can access additional sources of data to verify applicant information. For example, the Colorado marketplace can use data from Colorado's Small Business Health Options Program (SHOP) to verify whether applicants are eligible for ESI. (The SHOP marketplace enables small businesses to access health coverage for their employees.) If the marketplace determines that the applicant is eligible to enroll in a QHP, the applicant selects a QHP, and the marketplace transmits the enrollment information to the insurance company, i.e., the QHP issuer.

Generally, when a marketplace cannot verify information that the applicant submitted or the information is inconsistent with information available through the Data Hub or other sources, the marketplace must attempt to resolve the inconsistency. If the marketplace is unable to resolve an inconsistency through reasonable efforts, it must generally provide the applicant 90 days to submit satisfactory documentation or, otherwise, resolve the inconsistency. (This 90-day period is referred to as "the inconsistency period.") The marketplace may extend the inconsistency period if the applicant demonstrates that a good-faith effort has been made to obtain required

documentation. During the inconsistency period, the applicant may still enroll in a QHP and, when applicable, may choose to receive the advance premium tax credit and cost-sharing reductions. After the inconsistency period, if the marketplace is unable to resolve the inconsistency, it determines the applicant's eligibility on the basis of available data sources and, in certain circumstances, the applicant's attestation.

HOW WE CONDUCTED THIS REVIEW

We reviewed the internal controls that were in place at the Colorado marketplace during the open enrollment period (October 1, 2013, through March 31, 2014) for insurance coverage effective in calendar year 2014. We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Colorado marketplace's operations and compliance with applicable Federal requirements.

We limited our review to those internal controls related to (1) verifying applicants' identities, (2) determining applicants' eligibility for enrollment in QHPs and eligibility for insurance affordability programs, and (3) maintaining and updating eligibility and enrollment data. To determine the effectiveness of the internal controls, we (1) reviewed a sample of 45 applicants randomly selected from applicants who enrolled in QHPs from February 22 to March 31, 2014 (a total of 37,964 applicants), which included a review of supporting documentation to evaluate whether the marketplace determined the applicants' eligibility in accordance with Federal requirements and (2) performed other audit procedures, which included interviews with marketplace management, staff, and contractors and reviews of supporting documentation and enrollment records. We used the period February 22 to March 31, 2014, because effective February 21, 2014, the Colorado marketplace changed the data source used to make eligibility determinations from State sources to the Data Hub. Therefore, we included only those participants who enrolled in a QHP after that date to ensure that we audited the then-current internal control process in effect during our audit period. Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

WHAT WE FOUND

Not all of the Colorado marketplace's internal controls were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements.

On the basis of our review of 45 sample applicants from the enrollment period for insurance coverage effective in calendar year 2014, we determined that certain internal controls were effective, such as the controls for verifying annual household income. However, the internal controls were not effective for:

- performing required eligibility verifications for applicants who opted not to participate in the insurance affordability programs,
- obtaining Office of Personnel Management (OPM) or other data through the Data Hub to determine whether the applicant was a Federal employee and therefore was enrolled in or

qualified for coverage through an ESI plan or whether applicants were eligible for minimum essential coverage through non-ESI, or

- resolving inconsistencies in eligibility data.

The presence of an internal control deficiency does not necessarily mean that the Colorado marketplace improperly enrolled an applicant in a QHP or improperly determined eligibility for insurance affordability programs. Other mechanisms exist that may remedy the internal control deficiency, such as the resolution process during the inconsistency period. For example, if a marketplace did not have a control in place to verify an applicant's citizenship through the Social Security Administration, as required, the marketplace may still have been able to verify citizenship with satisfactory documentation provided by the applicant during the inconsistency period.

The deficiencies that we identified occurred because the Colorado marketplace did not (1) design its enrollment system to verify applicants who voluntarily chose not to participate in the insurance affordability program, (2) design its enrollment system to obtain the OPM data that would allow the marketplace to identify those applicants who were Federal employees and thus to verify their coverage through an ESI plan, or (3) have effective policies and procedures to ensure that inconsistencies in eligibility data were always resolved.

WHAT WE RECOMMEND

We recommend that the Colorado marketplace:

- improve the design of its enrollment system to verify the eligibility of applicants who opted not to participate in the insurance affordability programs and who enrolled in a QHP;
- improve the design of its enrollment system to verify eligibility by obtaining OPM or non-ESI data through the Data Hub; and
- ensure that it develops, implements, and follows its policies and procedures to resolve all inconsistencies in eligibility data.

AUDITEE COMMENTS

In written comments on our draft report, the Colorado marketplace concurred with our recommendations. Regarding our first and second recommendations, Colorado marketplace officials stated that they were “currently evaluating options for implementing” the verifications “as part of our technology roadmap.” Regarding our third recommendation, the officials stated that they were “in the process of developing and refining the inconsistency verification policies and processes during the time covered by this audit” and that they had made significant improvements in this area.

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INTRODUCTION

WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA)¹ requires the establishment of a health insurance exchange (marketplace) in each State and the District of Columbia. A marketplace is designed to serve as a “one-stop shop” at which individuals get information about their health insurance options; are evaluated for eligibility for a qualified health plan (QHP) and, when applicable, eligibility for insurance affordability programs; and enroll in the QHP of their choice.² As of October 1, 2013, Colorado was 1 of 15 States that had established State-based marketplaces (State marketplaces).

A previous Office of Inspector General (OIG) review found that not all internal controls implemented by the federally facilitated marketplace (Federal marketplace) and the State marketplaces in California and Connecticut were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements (A-09-14-01000, issued June 30, 2014).³ This review of the Connect for Health Colorado (Colorado marketplace) is part of an ongoing series of reviews of seven State marketplaces across the Nation.⁴ We selected the individual State marketplaces to cover States in different parts of the country.

This report, in part, responds to a Congressional request for information on how the State marketplaces use the Internal Revenue Service’s (IRS) household income data and self-reported, third-party, and other income data in eligibility determinations.

Our nationwide audit of State marketplace eligibility determinations is part of a larger body of ACA work, which also includes audits of how costs incurred to create State marketplaces were allocated to establishment grants. (See “Affordable Care Act Reviews” on the OIG Web site for a list of related OIG reports on marketplace operations.⁵)

OBJECTIVE

Our objective was to determine whether the Colorado marketplace’s internal controls were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements.

¹ P.L. No. 111-148 (March 23, 2010), as amended by the Health Care and Education Reconciliation Act of 2010, P.L. No. 111-152 (March 30, 2010).

² An individual is considered to be enrolled in a QHP when he or she has been determined eligible and has paid the first monthly insurance premium. An individual may also obtain information from a marketplace about Medicaid and the Children’s Health Insurance Program (CHIP) (ACA § 1413 and 45 CFR § 155.405).

³ Our previous review covered the internal controls in place during the first 3 months of the open enrollment period for applicants enrolling in QHPs (October to December 2013).

⁴ The other six State marketplaces we reviewed were the District of Columbia, Kentucky, Minnesota, New York, Vermont, and Washington.

⁵ Available at <http://oig.hhs.gov/reports-and-publications/aca/>.

BACKGROUND

Patient Protection and Affordable Care Act

The ACA established marketplaces to allow individuals and small businesses to shop for health insurance in all 50 States and the District of Columbia.⁶ A goal of the ACA is to provide more Americans with access to affordable health care by, for example, providing financial assistance through insurance affordability programs for people who cannot afford insurance without it.

Health Insurance Marketplaces

The three types of marketplaces operational as of October 1, 2013, were the Federal, State, and State-partnership marketplaces:

- **Federal marketplace:** The U.S. Department of Health and Human Services (HHS) operates the Federal marketplace in States that did not establish their own marketplaces. Individuals in these States enroll in QHPs through the Federal marketplace.
- **State marketplace:** A State may establish and operate its own marketplace. A State marketplace may use Federal services (e.g., the system that provides Federal data) to assist with certain functions, such as eligibility determinations for insurance affordability programs.
- **State-partnership marketplace:** A State may establish a State-partnership marketplace, in which HHS and the State share responsibilities for core functions. For example, HHS may perform certain functions, such as eligibility determinations, and the State may perform other functions, such as insurance plan management and consumer outreach. A key distinction between a State-partnership marketplace and a State marketplace is that the former uses the Federal marketplace Web site (HealthCare.gov) to enroll individuals in QHPs, and the latter uses its own Web site for that purpose.

As of October 1, 2013, 36 States, including 7 State-partnership marketplaces, used the Federal marketplace, and 15 States, including the District of Columbia, had established State marketplaces. During our audit period, these were the types of marketplaces approved by the Centers for Medicare & Medicaid Services (CMS).

Qualified Health Plans and Insurance Affordability Programs

Qualified Health Plans

QHPs are private health insurance plans that each marketplace recognizes and certifies as meeting certain participation standards. QHPs are required to cover a core set of benefits (known as “essential health benefits”). QHPs are classified into “metal” levels: bronze, silver,

⁶ Each State can have an individual marketplace and a Small Business Health Options Program (SHOP) marketplace, which enables small businesses to access health coverage for their employees. This report does not cover applicants who enrolled in QHPs through Colorado’s SHOP marketplace.

gold, and platinum.⁷ These levels are determined by the percentage that each QHP expects to pay, on average, for the total allowable costs of providing essential health benefits.

Insurance Affordability Programs: Premium Tax Credit and Cost-Sharing Reductions

The ACA provides for two types of insurance affordability programs to lower individuals' insurance premiums or out-of-pocket costs for QHPs: the premium tax credit and cost-sharing reductions.⁸

- **Premium tax credit:** The premium tax credit reduces the cost of a QHP's premium and is available at income tax filing time or in advance. Generally, the premium tax credit is available on a sliding scale to an individual or a family with annual household income from 100 percent through 400 percent of the Federal poverty level. When paid in advance, the credit is referred to as the "advance premium tax credit" (APTC).⁹ The Federal Government pays the APTC amount monthly to the QHP issuer on behalf of the taxpayer to offset a portion of the cost of the premium of any metal-level plan. For example, if an individual who selects a QHP with a \$500 monthly insurance premium qualifies for a \$400 monthly APTC (and chooses to use it all), the individual pays only \$100 to the QHP issuer. The Federal Government pays the remaining \$400 to the QHP issuer. Starting in January 2015, taxpayers were required to include on their calendar year (CY) 2014 tax returns (and subsequent years' tax returns) the amount of any APTC made on their behalf. IRS reconciles the APTC payments with the maximum allowable amount of the credit.
- **Cost-sharing reductions:** Cost-sharing reductions help qualifying individuals with out-of-pocket costs, such as deductibles, coinsurance, and copayments.¹⁰ For example, an individual who visits a physician may be responsible for a \$30 copayment. If the individual qualifies for a cost-sharing reduction of \$20 for the copayment, the individual pays only \$10. In most cases, an individual must select a silver-level QHP to qualify for cost-sharing reductions. Generally, cost-sharing reductions are available to an individual or a family with annual household income from 100 percent through 250 percent of the Federal poverty level. The Federal Government makes monthly payments to QHP issuers to cover estimated costs of cost-sharing reductions provided to individuals. At the end of each year, HHS plans to reconcile the total amount of estimated payments of cost-

⁷ An individual who is under 30 years old or qualifies for a hardship exemption may also choose a catastrophic plan, which requires the individual to pay all of his or her medical expenses until the deductible amount is met (ACA § 1302(e) and 45 CFR §§ 156.155 and 156.440).

⁸ We did not review other types of insurance affordability programs, such as Medicaid and CHIP. An individual or a family with income below 100 percent of the Federal poverty level may be eligible for Medicaid under the State's Medicaid rules but would not qualify for the premium tax credit or cost-sharing reductions.

⁹ ACA § 1401 and 45 CFR § 155.20.

¹⁰ ACA § 1402 and 45 CFR § 155.20.

sharing reductions made to QHP issuers with the actual costs of cost-sharing reductions incurred.¹¹

An individual may be eligible for either or both types of insurance affordability programs if he or she meets specified Federal requirements.

Federal Eligibility Requirements for Qualified Health Plans and Insurance Affordability Programs

To be eligible to enroll in a QHP, an individual must be a U.S. citizen, a U.S. national, or lawfully present in the United States;¹² not be incarcerated;¹³ and meet applicable residency standards.¹⁴

To be eligible for insurance affordability programs, an individual must meet additional requirements for annual household income.¹⁵ Additionally, an individual is not eligible for these programs if he or she is eligible for minimum essential coverage that is not offered through a marketplace.¹⁶

To determine an individual's eligibility for enrollment in a QHP and for insurance affordability programs, marketplaces verify information submitted by the applicant using available electronic data sources. Through this verification process, marketplaces can determine whether the applicant's information matches the information from available electronic data sources in accordance with certain Federal requirements.

Marketplaces must verify the following, as appropriate, when determining eligibility for QHPs and insurance affordability programs:

- Social Security number,
- citizenship,

¹¹ CMS issued guidance to delay reconciliation of cost-sharing reductions provided in CY 2014 and will reconcile 2014 cost-sharing reductions for all issuers beginning in April 2016 (*Timing of Reconciliations of Cost-Sharing Reductions for the 2014 Benefit Year* (February 13, 2015)).

¹² An individual may be considered "lawfully present" if his or her immigration status meets any of the categories defined in 45 CFR § 152.2.

¹³ An individual must not be incarcerated, other than incarceration pending the disposition of charges (45 CFR § 155.305(a)(2)).

¹⁴ ACA §§ 1312(f) and 1411(b) and 45 CFR § 155.305(a)(3).

¹⁵ ACA §§ 1401 and 1402 and 45 CFR §§ 155.305(f) and (g).

¹⁶ 45 CFR § 155.20 and 26 U.S.C. § 5000A(f). Minimum essential coverage consists of employer-sponsored insurance (ESI) and non-ESI. For the purpose of this report, we use the term "non-ESI" to include Government-sponsored programs (e.g., Medicare, Medicaid, TRICARE, and Peace Corps), grandfathered plans, and other plans.

- status as a national,¹⁷
- lawful presence,
- incarceration status (e.g., whether an individual is serving a term in prison or jail),
- residency,
- whether an individual is an Indian,¹⁸
- family size,
- annual household income,
- eligibility for minimum essential coverage through ESI, and
- eligibility for minimum essential coverage through non-ESI.¹⁹

Application and Enrollment Process for Qualified Health Plans and Insurance Affordability Programs for All Marketplaces

An applicant²⁰ may submit an application to enroll in a QHP during an open enrollment period. An applicant may also enroll in a QHP during a special enrollment period outside of the open enrollment period if the applicant experiences certain life changes, such as marriage or the birth of a child.²¹

¹⁷ The term “national” may refer to a person who, though not a citizen of the United States, owes permanent allegiance to the United States. All U.S. citizens are U.S. nationals, but only a relatively small number of people acquire U.S. nationality without becoming U.S. citizens (8 U.S.C. § 1101(a)).

¹⁸ “Indian” is defined as an individual who meets the definition in section 4(d) of the Indian Self-Determination and Education Assistance Act (ISDEAA), P.L. No. 93-638. Under section 4(d), “Indian” is a person who is a member of an Indian tribe. The ISDEAA defines “Indian tribes” as “any Indian tribe, Band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians” (25 U.S.C. § 450b(e)).

¹⁹ 45 CFR §§ 155.315 and 155.320.

²⁰ For the purpose of this report, the term “applicant” refers to both the person who completes the application (application filer) and the person who seeks coverage in a QHP. The application filer may or may not be an applicant seeking coverage in a QHP (45 CFR § 155.20). For example, an application filer may be a parent seeking coverage for a child, who is the applicant.

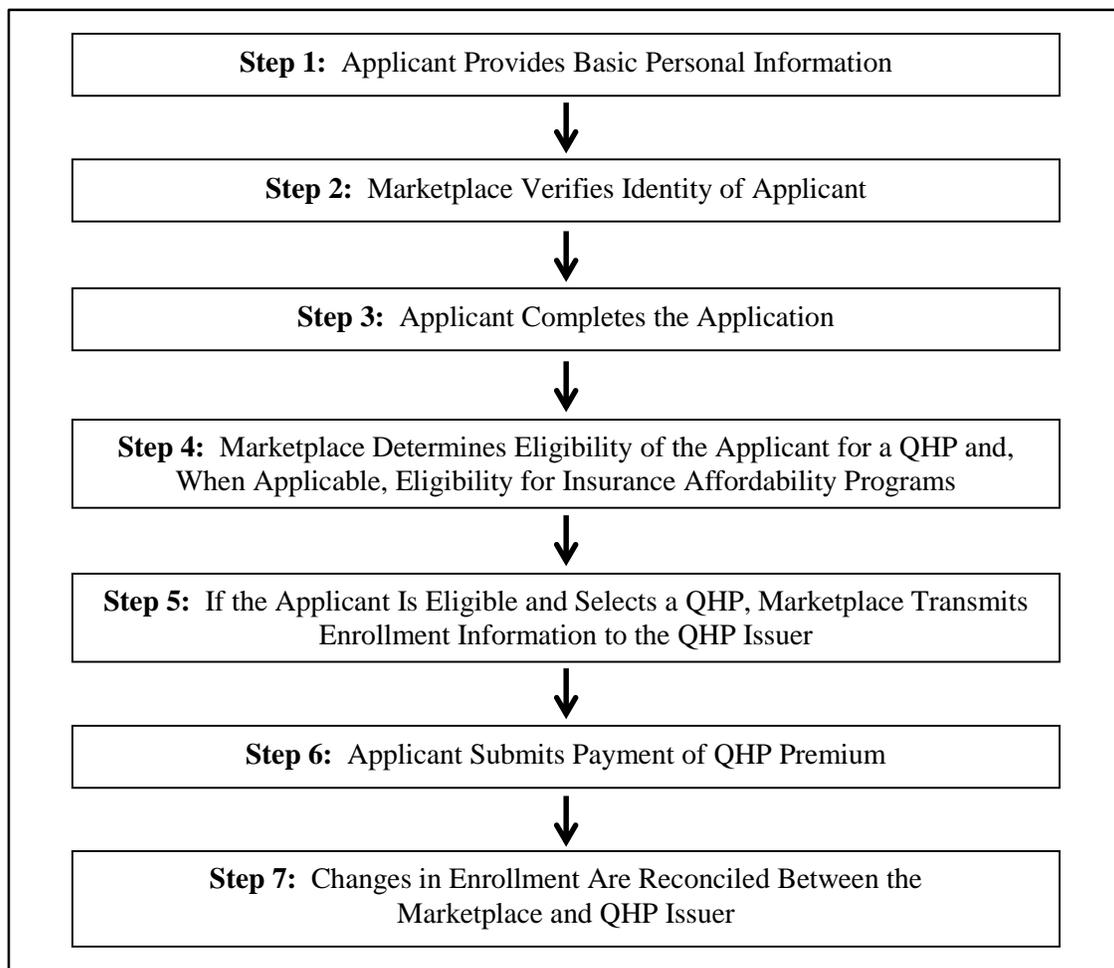
²¹ ACA § 1311(c)(6)(C) and 45 CFR § 155.420.

For insurance coverage effective in CY 2014, Colorado marketplace's open enrollment period was October 1, 2013, through March 31, 2014.

To enroll in a QHP, an applicant must complete an application and meet eligibility requirements defined by the ACA. An applicant can enroll in a QHP through the Federal or a State marketplace, depending on the applicant's State of residence. Applicants can enroll through a Web site, by phone, by mail, in person, or directly with a QHP issuer's broker or agent.

The figure below shows a summary of the steps in the application and enrollment process, and the sections that follow describe in more detail the key steps in the process.

Figure: Seven Steps in the Application and Enrollment Process for a Qualified Health Plan



Verification of Applicant's Identity (Figure: Steps 1 through 3)

An applicant begins the enrollment process in a QHP by providing basic personal information, such as name, birth date, and Social Security number. Before an applicant can submit an online or phone application, the marketplace must verify the applicant's identity through identity

proofing. The purpose of identity proofing is to (1) prevent an unauthorized individual from creating a marketplace account for another individual and applying for health coverage without the individual's knowledge and (2) safeguard personally identifiable information created, collected, and used by the marketplace. For paper applications, the marketplace requires the applicant's signature before the marketplace processes the application.²²

When completing any type of application, the applicant attests that answers to all questions are true and that the applicant is subject to the penalty of perjury.²³

Verification of Applicant's Eligibility (Figure: Step 4)

After reviewing the applicant's information, the marketplace determines whether the applicant is eligible for a QHP and, when applicable, eligible for insurance affordability programs.²⁴ To verify the information submitted by the applicant, the marketplace uses multiple electronic data sources, including sources available through the Federal Data Services Hub (Data Hub).²⁵ The Data Hub is a single conduit for marketplaces to send electronic data to and receive electronic data from multiple Federal agencies; it does not store data. Federal agencies connected to the Data Hub are HHS, the Social Security Administration, the U.S. Department of Homeland Security, and the IRS, among others (ACA § 1411(c)).²⁶ The marketplace can also verify an applicant's eligibility for ESI through Federal employment with the U.S. Office of Personnel Management (OPM) through the Data Hub.

Resolution of Inconsistencies in Applicant Information (Figure: Step 4)

Generally, when a marketplace cannot verify information that the applicant submitted or when the information is inconsistent with information available through the Data Hub or other sources, the marketplace must attempt to resolve the inconsistencies. For these purposes, applicant information is considered to be consistent with information from other sources if it is reasonably compatible.²⁷ Information is considered reasonably compatible if any difference between the applicant information and that from other sources does not affect the eligibility of the applicant. Inconsistencies do not necessarily indicate that an applicant provided inaccurate information or is

²² CMS's *Guidance Regarding Identity Proofing for the Marketplace, Medicaid, and CHIP, and the Disclosure of Certain Data Obtained through the Data Services Hub*, June 11, 2013.

²³ Any person who fails to provide correct information may be subject to a civil monetary penalty (ACA § 1411(h)).

²⁴ An applicant can apply for enrollment in a QHP without applying for insurance affordability programs.

²⁵ State marketplaces can access additional sources of data to verify applicant information. For example, the Colorado marketplace can use SHOP data to verify whether applicants are eligible for ESI.

²⁶ See Appendix A for information on the Colorado marketplace's eligibility verification process for applicants' annual household income and eligibility for minimum essential coverage through ESI and non-ESI.

²⁷ 45 CFR § 155.300(d). For purposes of determining reasonable compatibility, "other sources" include information obtained through electronic data sources, other information provided by the applicant, or other information in the records of the marketplace.

enrolled in a QHP or receiving financial assistance through insurance affordability programs inappropriately.

A marketplace must make a reasonable effort to identify and address the causes of an inconsistency by contacting the applicant to confirm the accuracy of the information on the application. If the marketplace is unable to resolve the inconsistency through reasonable efforts, it must generally give the applicant 90 days to submit satisfactory documentation or otherwise resolve the inconsistency. (This 90-day period is referred to as “the inconsistency period.”)²⁸ The marketplace may extend the inconsistency period if the applicant demonstrates that a good-faith effort has been made to obtain required documentation.²⁹

During the inconsistency period, the applicant may still enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions.³⁰ An applicant may choose to enroll during the period only if the applicant is otherwise eligible to enroll in a QHP and may receive the APTC and cost-sharing reductions if (1) the applicant meets other eligibility requirements and (2) the tax filer³¹ attests that he or she understands that the APTC is subject to reconciliation.³² After the inconsistency period, if the marketplace is unable to resolve the inconsistency, it determines the applicant’s eligibility on the basis of available data sources and, in certain circumstances, the applicant’s attestation.³³ For example, if the marketplace is unable to resolve an inconsistency related to citizenship, it should determine the applicant ineligible for a QHP and terminate the applicant’s enrollment from the QHP if the applicant is already enrolled.

For more information on how marketplaces may resolve inconsistencies, see Appendix B. For specific information on the Colorado marketplace’s inconsistency resolution process, see Appendix C.

Transmission of Applicant’s Enrollment Information to the Qualified Health Plan Issuer (Figure: Steps 5 through 7)

If an applicant is determined to be eligible and selects a QHP, a marketplace transmits enrollment information to the QHP issuer (45 CFR § 155.400). Generally, an applicant must pay the first month’s QHP premium for the insurance coverage to be effective. If a change to the enrollee’s³⁴

²⁸ 45 CFR § 155.315(f).

²⁹ 45 CFR § 155.315(f)(3).

³⁰ 45 CFR § 155.315(f)(4).

³¹ Generally, a “tax filer” is an individual or a married couple who indicate that they are filing an income tax return for the benefit year (45 CFR § 155.300(a)).

³² 45 CFR § 155.315(f)(4).

³³ 45 CFR §§ 155.315(f)(5), (f)(6), and (g).

³⁴ For the purpose of this report, the term “enrollee” refers to an applicant who (1) completed an application, (2) was determined eligible, and (3) selected a QHP and whose enrollment information was sent to a QHP issuer.

coverage occurs after the coverage becomes effective, the marketplace and the QHP issuer must reconcile the revised enrollment records (45 CFR § 155.400).

CMS's Oversight of Marketplaces

CMS oversees implementation of certain ACA provisions related to marketplaces.³⁵ CMS also works with States to establish State and State-partnership marketplaces, including oversight functions such as performing onsite reviews of system functionality for eligibility determinations, enrollment of applicants, and consumer assistance.³⁶

The Colorado Marketplace

Colorado established a State marketplace by State law.³⁷ The entity known as Connect for Health Colorado established and operates the Colorado marketplace.³⁸ For insurance coverage effective in CY 2014, the Colorado marketplace had contracts with 10 insurance companies to offer QHPs to individuals.

The Colorado marketplace uses its enrollment system to determine applicants' eligibility for enrollment in QHPs and, when applicable, eligibility for insurance affordability programs. The applicants can use the Colorado marketplace's Web site (ConnectforHealthCo.com) for enrollment.

HOW WE CONDUCTED THIS REVIEW

We reviewed the internal controls that were in place at the Colorado marketplace during the open enrollment period (October 1, 2013, through March 31, 2014) for insurance coverage effective in CY 2014. We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Colorado marketplace's operations and its compliance with applicable Federal requirements. Appendix D provides general information on internal controls.

We limited our review to those internal controls related to (1) verifying applicants' identities, (2) determining applicants' eligibility for enrollment in QHPs and eligibility for insurance affordability programs, and (3) maintaining and updating eligibility and enrollment data. To determine the effectiveness of the internal controls, we:

- reviewed a sample of 45 applicants randomly selected from applicants who enrolled in QHPs from February 22 to March 31, 2014 (a total of 37,964 applicants), which included

³⁵ The Center for Consumer Information and Insurance Oversight, within CMS, oversees implementation of the ACA with respect to marketplaces.

³⁶ ACA § 1313 and 45 CFR §§ 155.110 and 155.1200.

³⁷ Colorado Senate Bill 11-200 (June 1, 2011).

³⁸ Colorado Revised Statutes § 10-22-104.

a review of supporting documentation to evaluate whether the marketplace determined the applicants' eligibility in accordance with Federal requirements,³⁹ and

- performed other audit procedures, which included interviews with marketplace management, staff, and contractors and reviews of supporting documentation and enrollment records.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

Our attribute sampling approach is commonly used to test the effectiveness of internal controls for compliance with laws, regulations, and policies. According to the Government Accountability Office and the President's Council on Integrity and Efficiency's *Financial Audit Manual* (July 2008), section 450, auditors may use a randomly selected sample of 45 items when testing internal controls. If all sample items are determined to be in compliance with requirements, a conclusion that the controls are effective can be made. If one or more sample items are determined not to be in compliance with requirements, a conclusion that the controls are ineffective can be made. Because our objective was limited to forming an opinion about whether the Colorado marketplace's internal controls were effective, our sampling methodology was not designed to estimate the percentage of applicants for whom the marketplace did not perform the required eligibility verifications.

Although the first open enrollment period for applicants to enroll in QHPs ended on March 31, 2014, an applicant could also have enrolled in a QHP during a special enrollment period if the applicant experienced certain life changes, such as marriage or the birth of a child. We did not review the Colorado marketplace's determinations of applicants' eligibility that resulted from changes in applicant information reported by applicants after March 31, 2014.

We performed fieldwork from June to September 2014 at the Colorado marketplace office in Denver, Colorado.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix E contains the details of our audit scope and methodology.

³⁹ Effective February 21, 2014, the Colorado marketplace changed from using State sources for eligibility determinations to using the Data Hub to make the determinations. Therefore, we included only those participants who enrolled in a QHP after that date to ensure that we audited the then-current internal control process in effect during our audit period.

FINDINGS

Not all of the Colorado marketplace's internal controls were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements.

On the basis of our review of 45 sample applicants from the enrollment period for insurance coverage effective in CY 2014, determined that certain internal controls were effective, such as the controls for verifying annual household income. However, the internal controls were not effective for:

- performing required eligibility verifications for applicants who opted not to participate in the insurance affordability programs,
- obtaining OPM or other data through the Data Hub to determine whether the applicant was a Federal employee and therefore was enrolled in or qualified for coverage through an ESI plan or whether applicants were eligible for minimum essential coverage through non-ESI, or
- resolving inconsistencies in eligibility data.

The presence of an internal control deficiency does not necessarily mean that the Colorado marketplace improperly enrolled an applicant in a QHP or improperly determined eligibility for insurance affordability programs. Other mechanisms exist that may remedy the internal control deficiency, such as the resolution process during the inconsistency period. For example, if a marketplace did not have a control in place to verify an applicant's citizenship through the Social Security Administration, as required, the marketplace may still have been able to verify citizenship with satisfactory documentation provided by the applicant during the inconsistency period.

The deficiencies that we identified occurred because the Colorado marketplace did not (1) design its enrollment system to verify applicants who voluntarily chose not to participate in the insurance affordability program, (2) design its enrollment system to obtain the OPM data that would allow the marketplace to identify those applicants who were Federal employees and thus to verify their coverage through an ESI plan, or (3) have effective policies and procedures to ensure that inconsistencies in eligibility data were always resolved.

THE COLORADO MARKETPLACE DID NOT VERIFY ELIGIBILITY FOR APPLICANTS WHO OPTED NOT TO PARTICIPATE IN THE INSURANCE AFFORDABILITY PROGRAMS

The marketplace must determine that an applicant is eligible for enrollment in a QHP through the exchange if the applicant meets the following Federal eligibility requirements: (1) is a U.S. citizen, a U.S. national, or lawfully present in the United States; (2) is not incarcerated; and (3) meets applicable residency standards (45 CFR § 155.305(a)).

The Colorado marketplace did not verify eligibility for applicants who opted not to participate in the insurance affordability programs. For 14 of 14 sample applicants,⁴⁰ the Colorado marketplace did not determine their eligibility when the applicants chose not to participate in the insurance affordability programs. For example, the marketplace did not verify these applicants' citizenship, incarceration status, or residency. Without performing the required verifications, the marketplace cannot ensure that the applicant meets eligibility requirements for enrollment in a QHP.

The Colorado marketplace did not design its enrollment system to perform the required eligibility verifications for applicants who voluntarily chose not to participate in the insurance affordability programs. Contrary to Federal requirements, the Colorado marketplace enrolled these applicants in a QHP without obtaining the required verifications. During our site visit, marketplace officials stated that, starting with the open enrollment period for insurance coverage in CY 2015, changes to the system design of the Colorado marketplace would require all applicants, regardless of participation in the insurance affordability programs, to go through the verification process—a requirement that would allow the Colorado marketplace to determine whether each applicant was eligible to enroll in a QHP. In email correspondence sent to us on February 11, 2015, Colorado marketplace officials stated (in response to a followup question from us) that the system had not been ready to run these applicants through the verification process at the start of the CY 2015 open enrollment period (November 15, 2014) because other system issues had to take a higher priority. The officials added that once the system is capable, the Colorado marketplace plans to run these applicants through the verification process in batches.

THE COLORADO MARKETPLACE DID NOT VERIFY APPLICANTS' ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE WITH ALL AVAILABLE DATA SOURCES

To be eligible for insurance affordability programs, an applicant must not be eligible for minimum essential coverage, with the exception of coverage in the individual market (45 CFR §§ 155.305(f)(1)(ii)(B) and (g)(1)(i)(B)). Federal regulations define “minimum essential coverage” as having the meaning given in 26 U.S.C. § 5000A(f) (45 CFR § 155.20). As described in 26 U.S.C. § 5000A(f), specified government-sponsored programs, eligible ESI plans, grandfathered health plans, and certain other health benefits coverage are minimum essential coverage (26 CFR § 1.36B-2(c)).

The marketplace must verify whether an applicant reasonably expects to be enrolled in or is eligible for minimum essential coverage in an eligible ESI plan for the benefit year for which coverage is requested (45 CFR § 155.320(d)(1)). This includes verifying whether the applicant has coverage through Federal employment by transmitting through the Data Hub identifying information (45 CFR § 155.320(d)(2)(ii)) and obtaining available data from Colorado's SHOP (45 CFR § 155.320(d)(2)(iii)). Generally, the marketplace must verify an applicant's eligibility for ESI through Federal employment with OPM. In addition, the marketplace must verify whether an applicant is eligible for minimum essential coverage other than through an eligible

⁴⁰ We reviewed 14 of the 45 sample applicants for this deficiency because 31 sample applicants applied for insurance affordability programs.

ESI plan, Medicaid, CHIP, or basic health plan using information obtained by transmitting identifying information specified for verification purposes (45 CFR § 155.320(b)).

The Colorado marketplace did not verify using all available data sources whether an applicant was eligible for minimum essential coverage through ESI or non-ESI. For all 31 sample applicants,⁴¹ the Colorado marketplace did not obtain either the OPM data through the Data Hub or the non-ESI data necessary to make this determination.

The Colorado marketplace did not design its enrollment system to obtain OPM data to determine whether applicants were Federal employees and therefore were eligible for coverage through an ESI plan; however, the Colorado marketplace did obtain the SHOP data.⁴² In addition, the marketplace did not design its enrollment system to obtain data to determine whether applicants were eligible for minimum essential coverage through non-ESI, such as Medicare or insurance through the U.S. Department of Veterans Affairs. Without verifying an applicant's eligibility for ESI or non-ESI with all available data sources, the marketplace cannot ensure that the applicant meets eligibility requirements for enrollment in a QHP.

THE COLORADO MARKETPLACE DID NOT ALWAYS RESOLVE INCONSISTENCIES IN ELIGIBILITY DATA

Marketplaces must make a reasonable effort to identify and address the causes of inconsistencies in eligibility data. If a marketplace is unable to resolve an inconsistency, it must notify the applicant of the inconsistency and generally must give the applicant 90 days from the date on which the notice was sent to either present satisfactory documentary evidence or otherwise resolve the inconsistency (45 CFR § 155.315(f)). The marketplace may extend the inconsistency period when an applicant demonstrates a good-faith effort to obtain sufficient documentation to resolve the inconsistency (45 CFR § 155.315(f)(3)). During the inconsistency period, an applicant who is otherwise qualified is eligible to enroll in a QHP and, when applicable, eligible for insurance affordability programs (45 CFR § 155.315(f)(4)). After the inconsistency period, if the marketplace is unable to resolve the inconsistency, it determines the applicant's eligibility on the basis of available data sources and, in certain circumstances, the applicant's attestation (45 CFR §§ 155.315(f)(5), (f)(6), and (g)). At the State level, the Colorado marketplace has policies and procedures governing its inconsistency resolution process (detailed description in Appendix C).

⁴¹ We reviewed 31 of the 45 sample applicants for this deficiency because 14 sample applicants did not apply for insurance affordability programs, and thus, no eligibility verifications were conducted; see preceding finding and footnote 40.

⁴² The Colorado marketplace can use SHOP data to verify whether applicants are eligible for ESI provided by small businesses to their employees.

The Colorado marketplace did not always resolve inconsistencies in applicants' eligibility data. Specifically, for 6 of 25 sample applicants⁴³ who had inconsistencies in their eligibility data, the Colorado marketplace did not resolve the inconsistencies. For example, on March 25, 2014, the marketplace (1) determined that an applicant was eligible for a QHP and the premium tax credit and (2) notified the applicant of an inconsistency related to annual household income. The marketplace requested that the applicant provide supporting documentation. The applicant did not provide supporting documentation by June 24, 2014 (the conclusion of the 90-day inconsistency period). As of January 3, 2015, the Colorado marketplace had not received the requested documentation and thus had not resolved this inconsistency, but it allowed the applicant to remain eligible to receive a premium tax credit.

The deficiencies that we identified with respect to inconsistencies in eligibility data occurred because although the Colorado marketplace had policies and procedures to resolve inconsistencies (Appendix C), those policies and procedures were not always effective to ensure that the inconsistencies were resolved. Without resolving inconsistencies in an applicant's eligibility data, the marketplace cannot ensure that the applicant meets each of the eligibility requirements for enrollment in a QHP and, when applicable, for insurance affordability programs.

Colorado marketplace officials said that for the enrollment period for insurance coverage in CY 2015, the Colorado marketplace, in coordination with the Colorado Department of Health Care Policy & Financing (the State's Medicaid agency), had created a shared eligibility system to manage inconsistency periods and enrollment verifications. The shared eligibility system changed the inconsistency resolution design after the audit period had ended; therefore, we did not test the effectiveness of the new inconsistency resolution design.

RECOMMENDATIONS

We recommend that the Colorado marketplace:

- improve the design of its enrollment system to verify the eligibility of applicants who opted not to participate in the insurance affordability programs and who enrolled in a QHP;
- improve the design of its enrollment system to verify eligibility by obtaining OPM or non-ESI data through the Data Hub; and
- ensure that it develops, implements, and follows the policies and procedures to resolve all inconsistencies in eligibility data.

AUDITEE COMMENTS

In written comments on our draft report, the Colorado marketplace concurred with our recommendations. Regarding our first and second recommendations, Colorado marketplace

⁴³ Of the 45 sample applicants, the marketplace performed eligibility verifications for 31 sample applicants (as explained in footnote 41). Of the 31 sample applicants, 25 had inconsistencies.

officials stated that they were “currently evaluating options for implementing” the verifications as part of [our] technology roadmap. Regarding our third recommendation, the officials stated that they were “in the process of developing and refining the inconsistency verification policies and processes during the time covered by this audit” and that they had made significant improvements in this area.

The Colorado marketplace’s comments are included in their entirety as Appendix F.

APPENDIX A: THE COLORADO MARKETPLACE’S PROCESSES FOR VERIFYING ANNUAL HOUSEHOLD INCOME AND ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH EMPLOYER-SPONSORED AND NON-EMPLOYER-SPONSORED INSURANCE

The following describes how the Colorado marketplace used data on annual household income and eligibility for minimum essential coverage through ESI and non-ESI to determine eligibility for the APTC and cost-sharing reductions for insurance coverage effective in CY 2014.

ANNUAL HOUSEHOLD INCOME

1. An applicant applies for the APTC and cost-sharing reductions.
2. The applicant enters his or her projected annual household income on an application (attested income).
3. The applicant is identification-proofed.
4. The attested income is compared with data available from the IRS.
 - a. If the attested income is higher than the income reflected in IRS data, the attested income is considered verified.
 - b. If the attested income is lower than the income reflected in IRS data but is within 10 percent of that amount, the attested income is considered verified.
 - c. If the attested income is more than 10 percent lower than the income reflected in IRS data, the applicant is asked for a reason for the difference and is provided with a list of “Reasonable Explanations”⁴⁴ and a data field in which to enter “Other Reasons.”
 - i. If the applicant selects one of the provided “Reasonable Explanations,” the participant’s income is considered verified.
 - ii. If the applicant selects the “Other Reasons” data field, then the income is not considered verified and a manual verification process takes place.
5. If the attested income cannot be verified using IRS data, the applicant must provide documentation for the exchange to manually verify the attested income.
6. If the applicant’s income must be manually verified, the marketplace initiates an inconsistency period for that applicant and sends a letter to the applicant requesting an explanation or additional documentation to substantiate the attested income.

⁴⁴ The “Reasonable Explanations” are (1) stopped working at a job; (2) hours changed at a job; (3) wage or salary changed at a job; (4) changes in employment; (5) marriage, legal separation, or divorce; or (6) death in family.

7. If the applicant submits acceptable supporting documentation (e.g., copies of Form W-2) reflecting that annual household income is within 10 percent of the attested income, the marketplace determines that the attested income is verified.
8. If the applicant does not submit the requested documentation within the specified timeframe, the marketplace determines the applicant's eligibility for the APTC and cost-sharing reductions on the basis of data available.

ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH EMPLOYER-SPONSORED INSURANCE

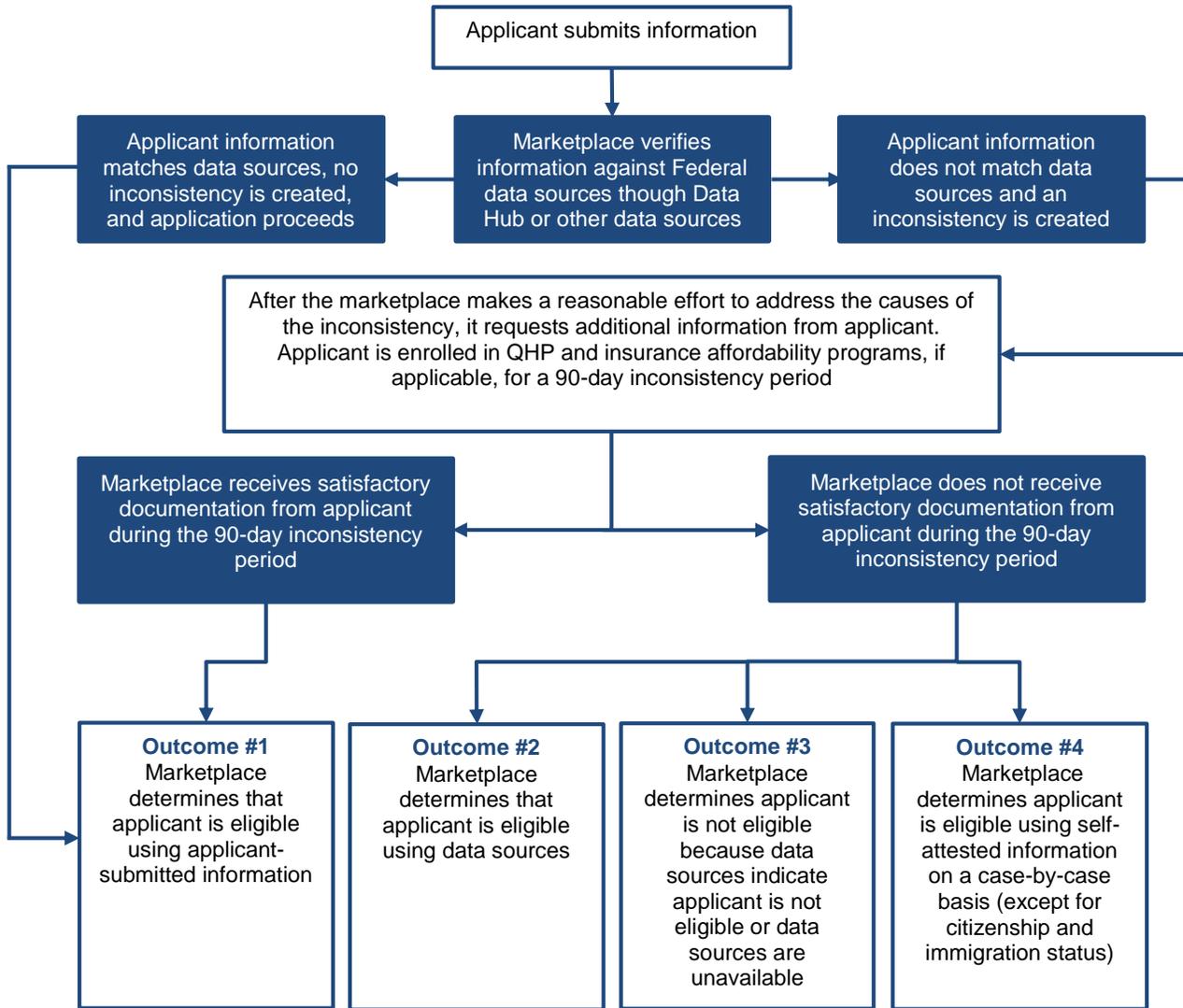
1. The Colorado marketplace accepts applicants' self-attestation for ESI.⁴⁵
2. The applicants' self-attestation for ESI is verified with the SHOP data maintained by the Colorado marketplace.

ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH NON-EMPLOYER-SPONSORED INSURANCE

The Colorado marketplace must be provided a denial code from the State's Medicaid application that shows that the applicant was not accepted into Medicaid or CHIP. For the application to be processed, the applicant must input the Medicaid denial code into the application.

⁴⁵ During our audit period, the Colorado marketplace did not always verify whether an applicant was eligible for non-ESI, as noted in the "Findings" section of this report.

APPENDIX B: STEPS AND OUTCOMES FOR RESOLVING INCONSISTENCIES



APPENDIX C: THE COLORADO MARKETPLACE'S INCONSISTENCY RESOLUTION PROCESS

Inconsistencies are generated when an applicant's attested information cannot be verified through electronic data sources. For attested information related to residency and family size, the marketplace accepts the applicant's attestation without further verification. The steps below describe the Colorado marketplace's inconsistency resolution process according to its policies and procedures. Because the Colorado marketplace did not always follow its policies and procedures, it did not always resolve inconsistencies in our audit period, as noted in the "Findings" section of this report.

1. If the applicant's attested information cannot be verified through electronic data sources, the marketplace sends a letter to the applicant requesting an explanation or supporting documentation to resolve the inconsistency. The applicant is given 90 days from the date of the initial eligibility determination shown in the letter to provide the requested documentation. During the inconsistency period, the applicant may still enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions. An applicant may choose to enroll during the period only if the applicant is otherwise eligible to enroll in a QHP and may receive the APTC and cost-sharing reductions if (1) the applicant meets other eligibility requirements and (2) the tax filer attests that he or she understands that the APTC is subject to reconciliation. An applicant can provide the explanation or documentation by mail or upload the documentation through the marketplace Web site.
2. If the applicant does not provide any explanation or supporting documentation by the end of the 90-day inconsistency period, the marketplace determines the applicant's eligibility on the basis of data available from electronic data sources and the inconsistency is resolved. If no data are available from electronic sources, the applicant's enrollment may be terminated, or the applicant may be determined ineligible for the APTC and cost-sharing reductions, as appropriate.
3. If the applicant provides documentation to support the attested information, the inconsistency is resolved.
4. If the applicant provides supporting documentation that is not sufficient to support the attested information, the inconsistency is considered unresolved. The marketplace sends a letter to the applicant indicating that the documentation was insufficient and requests that the applicant provide sufficient supporting documentation within 30 days of the letter. If the applicant provides sufficient supporting documentation within 30 days, the inconsistency is resolved. If the supporting documentation does not resolve the inconsistency or the applicant does not provide any documentation, the marketplace determines the applicant's eligibility on the basis of data from electronic sources.

APPENDIX D: OVERVIEW OF INTERNAL CONTROLS

INTERNAL CONTROLS IN THE GOVERNMENT⁴⁶

Internal controls, an integral component of an organization's management, provide reasonable, not absolute, assurance that the following objectives of an agency are being achieved:

(1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

Internal controls are the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. They include processes and procedures for planning, organizing, directing, and controlling program operations and management's systems for measuring, reporting, and monitoring program performance.

A deficiency in an internal control exists when the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing assigned functions, to achieve control objectives and address related risks.

FIVE COMPONENTS OF INTERNAL CONTROL⁴⁷

Internal control consists of five interrelated components:

- **Control Environment:** The standards and processes that provide the foundation for carrying out internal control across the organization. The control environment includes factors such as the organizational structure, assignment of authority and responsibilities, and ethical values.
- **Risk Assessment:** The process for identifying and evaluating risks to achieve objectives.
- **Control Activities:** The actions established through policies and procedures to help ensure that management's directives to reduce risks are carried out. These activities include authorizations and approvals, verifications, and reconciliations.
- **Information and Communication:** Use of relevant and quality information to support the functioning of other internal control components. Through communication, management conveys, shares, and obtains necessary information.
- **Monitoring:** Ongoing or separate evaluations, or both, to ascertain whether the components are present and functioning.

⁴⁶ Government Accountability Office's *Standards for Internal Control in the Federal Government: 1999* (known as the Green Book) and *Government Auditing Standards: 2011 Revision*. The Green Book was revised in September 2014, after our audit period.

⁴⁷ Committee of Sponsoring Organizations of the Treadway Commission: *Internal Control – Integrated Framework*, Executive Summary (May 2013).

APPENDIX E: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the internal controls that were in place at the Colorado marketplace during the open enrollment period (October 1, 2013, through March 31, 2014) for insurance coverage effective in CY 2014. Internal controls are intended to provide reasonable assurance that an organization's objectives are being achieved, including effectiveness and efficiency of operations and compliance with applicable laws and regulations. We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Colorado marketplace's operations and its compliance with applicable Federal requirements.

We limited our review to those internal controls related to (1) verifying applicants' identities, (2) determining applicants' eligibility for enrollment in QHPs and eligibility for insurance affordability programs, and (3) maintaining and updating eligibility and enrollment data. In our review, we focused on control activities, which is one of the five components of internal controls as described in Appendix D.

To determine the effectiveness of the internal controls, we:

- tested controls by reviewing a sample of 45 applicants randomly selected from applicants who enrolled in QHPs from February 22 to March 31, 2014 (a total of 37,964 applicants), which included the review of supporting documentation to evaluate whether the marketplace determined the applicants' eligibility in accordance with Federal requirements,⁴⁸ and
- performed other audit procedures, which included interviews with marketplace management, staff, and contractors and reviews of supporting documentation and enrollment records.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

Our attribute sampling approach is commonly used to test the effectiveness of internal controls for compliance with laws, regulations, and policies. According to the Government Accountability Office and the President's Council on Integrity and Efficiency's⁴⁹ *Financial Audit Manual* (July 2008), section 450, auditors may use a randomly selected sample of 45 items when testing internal controls. If all sample items are determined to be in compliance with requirements, a conclusion that the controls are effective can be made. If one or more sample

⁴⁸ Effective February 21, 2014, the Colorado marketplace changed from using State sources to make eligibility determinations to using the Data Hub to make the determinations. Therefore, we included only those participants who enrolled in a QHP after that date to ensure that we audited the then-current internal control process in effect during our audit period.

⁴⁹ The President's Council on Integrity and Efficiency is now named the "Council of the Inspectors General on Integrity and Efficiency" (Inspector General Act § 11).

items are determined not to be in compliance with requirements, a conclusion that the controls are ineffective can be made. Because our objective was limited to forming an opinion about whether the Colorado marketplace's internal controls were effective, our sampling methodology was not designed to estimate the percentage of applicants for whom the marketplace did not perform the required eligibility verifications.

Although the first open enrollment period for applicants to enroll in QHPs ended on March 31, 2014, an applicant could also have enrolled in a QHP during a special enrollment period if the applicant experienced certain life changes, such as marriage or the birth of a child. We did not review the Colorado marketplace's determinations of applicants' eligibility that resulted from changes in applicant information reported by applicants after March 31, 2014.

We performed fieldwork from June to September 2014 at the Colorado marketplace's office in Denver, Colorado.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and guidance;
- assessed internal controls by:
 - interviewing officials from the Colorado marketplace and their contractors and reviewing documentation provided by them to understand how the marketplace (1) verifies applicants' identities, (2) verifies information submitted on enrollment applications and makes eligibility determinations, and (3) maintains and updates eligibility and enrollment data; and
 - reviewing the Colorado marketplace's documents and records;
- obtained from the Colorado marketplace the list of applicants who enrolled in a QHP from February 22 to March 31, 2014;
- analyzed the enrollment records to obtain an understanding of information that was sent to QHP issuers;
- performed tests, such as matching records to the marketplace's enrollment system, to determine whether the enrollment data were reliable;
- performed testing of the Colorado marketplace's internal controls for eligibility determinations by:
 - using the OIG, Office of Audit Services, statistical software to randomly select 45 applicants who enrolled in a QHP during the period February 22, 2014, to March 31, 2014, and

- obtaining and reviewing eligibility data for each sample applicant to determine whether the marketplace performed the required eligibility verification and determination according to Federal requirements; and
- discussed the results of our review with Colorado marketplace officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

September 11, 2015

Patrick J. Cogley
Regional Inspector General for Audit Services
Office of the Inspector General
Office of Audit Services, Region VII
601 East 12th Street, Room 0429
Kansas City, MO 64106

Re: Report Number: A-07-14-03199

Dear Mr. Cogley,

Following is Connect for Health Colorado's response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG) draft report entitled *Not All of the Colorado Marketplace's Internal Controls Were Effective in Ensuring the Individuals Were Enrolled in Qualified Health Plans According to Federal Requirements*, dated August 19, 2015.

OIG Finding #1:

The Colorado Marketplace did not verify eligibility for applicants who opted not to participate in the insurance affordability programs.

OIG Recommendation:

We recommend that the Colorado marketplace improve the design of its enrollment system to verify the eligibility of applicants who opted not to participate in the insurance affordability programs and who enrolled in a Qualified Health Plan (QHP).

Connect for Health Colorado's Response:

We concur with the OIG's recommendation. Connect for Health Colorado asks customers not seeking financial assistance to attest to their eligibility for coverage under a commercially available QHP but does not verify the information provided against any of the Trusted Data Services available to us through the Data Hub. We are currently evaluating options for implementing these verifications without disruption to the customer experience as part of our technology roadmap.

OIG Finding #2:

The Colorado Marketplace did not verify applicants' eligibility for minimum essential coverage with all available data sources.

OIG Recommendation:

We recommend that the Colorado Marketplace improve the design of its enrollment system to verify eligibility by obtaining the Office of Personnel Management or non-employer-sponsored insurance data through the Data Hub.

Connect for Health Colorado's Response:

We concur with the OIG's recommendation. Connect for Health Colorado asks customers seeking financial assistance to attest that they are not eligible for affordable QHPs through another source during the application process. We are currently evaluating options for implementing the H31 Verify Non-ESI MEC Verification service as part of our technology roadmap.

OIG Finding #3:

The Colorado Marketplace did not always resolve inconsistencies in eligibility data.

OIG Recommendation:

We recommend that the Colorado Marketplace ensures that it develops, implements, and follows the policies and procedures to resolve all inconsistencies in eligibility data.

Connect for Health Colorado's Response:

We concur with the OIG's recommendation. Connect for Health Colorado was in the process of developing and refining our inconsistency verification policies and processes during the time covered by this audit. Since then, with the implementation of the Shared Eligibility System (SES) and the experience of two years of operations, we have made significant improvements in this area. For example, at this time, the SES flags inconsistencies between the information provided by the consumer and the Data Hub, sends a notice to the consumer that that they have the appropriate reasonable period of time to provide documentation that supports their attested information, and automatically removes eligibility for Advance Premium Tax Credit if the documents are not provided.

If you have any questions, please do not hesitate to contact me at (720) 496-2531 or by email at aschmitz@connectforhealthco.com.

Sincerely,


Alan J. Schmitz
General Counsel