



Kentucky Health Benefit Exchange

PROGRAMMATIC COMPLIANCE REPORT

Year Ended June 30, 2022

With Independent Accountant's Report



INDEPENDENT ACCOUNTANT'S REPORT

Advisory Board and Management
Kentucky Health Benefit Exchange

Report on Compliance

We have examined the Kentucky Health Benefit Exchange's (the Exchange), a component unit of the Commonwealth of Kentucky, assertion that the Exchange operated in compliance with the requirements in Title 45, Code of Federal Regulations, Part 155 (45 CFR 155), Subparts C, D, E, K, and M during the year ended June 30, 2022. The Exchange's management is responsible for its assertion. Our responsibility is to express an opinion on the Exchange's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Exchange's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about the Exchange's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Exchange's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Exchange's compliance with specified requirements.

Our examination disclosed material noncompliance with 45 CFR Part 155, Subparts C, D, E, K, and M applicable to the Exchange during the year ended June 30, 2022, as disclosed in the accompanying schedule of findings as Findings 2022-01 and 2022-02.

In our opinion, except for the material noncompliance described in the accompanying schedule of findings, the Exchange complied with the requirements of 45 CFR 155, Subparts C, D, E, K, and M during the year ended June 30, 2022, in all material respects.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023, on our consideration of the Exchange's internal control over compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Exchange's internal control over compliance. That report is an integral part of an examination performed in accordance with *Government Auditing Standards* in considering the Exchange's internal control over compliance.

Intended Use

This report is intended to describe the scope of our examination of compliance and the results of the examination based on attestation standards established by the AICPA and *Government Auditing Standards* and it is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 21, 2023



**INDEPENDENT ACCOUNTANT’S REPORT ON INTERNAL CONTROL
OVER COMPLIANCE WITH REQUIREMENTS OF TITLE 45, PART 155,
SUBPARTS C, D, E, K, AND M OF THE CODE OF FEDERAL REGULATIONS**

Advisory Board and Management
Kentucky Health Benefit Exchange

We have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the assertion that the Kentucky Health Benefit Exchange operated in compliance with the requirements in Title 45, Code of Federal Regulations, Part 155 (45 CFR 155), Subparts C, D, E, K, and M during the year ended June 30, 2022. We have issued our report on the Exchange’s assertion of compliance with the above stated requirements dated June 21, 2023, which contained a qualified opinion due to material noncompliance with the specified requirements.

Management of the Exchange is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements described in 45 CFR 155, Subparts C, D, E, K, and M. In planning and performing our examination of the Exchange’s assertion of compliance, we considered the Exchange’s internal control over compliance with the requirements described above as a basis for designing examination procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Exchange’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings as Findings 2022-01 and 2022-02, that we consider to be material weaknesses.

The Exchange’s responses to the internal control over compliance findings identified in our examination are described in the accompanying schedule of findings. The Exchange’s responses were not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on the responses.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Government Auditing Standards*. Accordingly, this report is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 21, 2023

SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2022

Advisory Board and Management
Kentucky Health Benefit Exchange

Finding #2022-001

Criteria:

Subpart D – Eligibility, 45 C.F.R. § 155.315 (c) (2) stipulates:

Verification with the records of the Department of Homeland Security. For an applicant who has documentation that can be verified through the Department of Homeland Security and who attests to lawful presence, or who attests to citizenship and for whom the Exchange cannot substantiate a claim of citizenship through the Social Security Administration, the Exchange must transmit information from the applicant's documentation and other identifying information to HHS, which will submit necessary information to the Department of Homeland Security for verification.

Condition and Context:

BerryDunn tested a sample of 95 eligibility determinations made during the fiscal year 2022. We identified one case out of the 95 where one applicant in a household had not been considered for Medicaid eligibility even though the household's income was under 138% of the Federal Poverty Level (FPL) because the individual's immigration status as a student had not been updated or verified since 2017. The rest of the family members including a spouse and four children were made eligible for Medicaid/CHIP.

Cause:

Kentucky Health Benefit Exchange (KHBE) reported that this error was caused by missing an end date of the immigration status in the system. KHBE identified nine types of immigration verification documents that are expected to have an expiration date, which included an I-20 form, the Certificate of Eligibility for Nonimmigrant (F-1) Student Status that the applicant had in 2017. Since a caseworker did not enter the expiration date of the form, the system assumed the sample's immigration status remained the same and renewed their eligibility based on the assumption.

Effect:

This error resulted in awarding APTC/QHP eligibility to consumers who may not have been eligible for APTC/QHP because of their immigration status.

KHBE reported that there were up to 350 applicants who uploaded one of the nine types of immigration documents listed above but the system did not have an expiration date.

Recommendation:

BerryDunn recommends that KHBE reach out to the applicants impacted, verify their current immigration status, and make a redetermination of their eligibility accordingly. BerryDunn also recommends making the expiration date field a required field when a certain verification document is used, and/or reminding caseworkers to fill in the expiration date field.

KHBE Response:

KHBE agrees with this finding. Mitigation steps, both short term and long term, are needed and are being developed and implemented.

Corrective Action Plan:

A System Change Request has been created and is in development. This will make the Document Expiration Date Field in the Eligibility and Enrollment System mandatory, requiring the caseworker to enter this date before the system will proceed forward. The case discovered during the audit, as well as the other cases identified, have been corrected with a data fix and then each case was worked manually by caseworkers. The System Change will be implemented after the first of the year, 2024. This data fix/case worker intervention strategy will be used to ensure consumers are screened correctly for immigration until the System Change is deployed.

Responsible KHBE Official:

David Verry, Assistant Director, Division of Health Plan Oversight, KHBE

Finding #2022-002

Criteria:

45 C.F.R. § 147.102 (a) (iii) stipulates:

Age, except that the rate may not vary by more than 3:1 for like individuals of different age who are age 21 and older and that the variation in rate must be actuarially justified for individuals under age 21, consistent with the uniform age rating curve under paragraph (e) of this section. For purposes of identifying the appropriate age adjustment under this paragraph and the age band under paragraph (d) of this section applicable to a specific enrollee, the enrollee's age as of the date of policy issuance or renewal must be used.

Condition and Context:

Out of 95 eligibility determinations tested, we identified one case where an applicant's age was incorrectly calculated as of January 1, 2023, when the coverage start date was June 1, 2023. Although one of the applicants turned 62 years old in February, this individual's benchmark premium was calculated for 61 years old.

Cause:

KHBE reported that there was a system error where the benchmark premium amount for the plan year 2023 was calculated using the applicant's age as of January 1, 2023, regardless of the coverage start date.

Effect:

Benchmark premium and APTC amount, when applicable, were calculated incorrectly for the applicants whose coverage start date was after January 1, 2023, and whose birthday fell between January 1 and the coverage start date.

Recommendation:

BerryDunn recommends KHBE to work with the system integrator to fix this error.

KHBE Response:

KHBE agrees with this finding. This defect was discovered and has been corrected by KHBE and its system integrator through a system change. Further mitigation steps will not be necessary.

Corrective Action Plan:

This was fully implemented on March 31, 2023. A System Change Request was created, tested, and deployed to correct this problem. These system changes updated Maximum Advance Premium Tax Credit (APTC) and Second Lowest Cost Silver Plan (SLCSP) Calculation when consumers enroll outside Open Enrollment to accurately compute the age considered as of the coverage begin date. This functionality was deployed in the Pre-Screening Module through which consumers can generate anonymous quotes, the Quoting Tool used by licensed insurance agents, and the Shopping Module through which consumers actually enroll. Testing was performed by KHBE and its system integrator confirming the defect is no longer present in the system.

Responsible KHBE Official:

David Verry, Assistant Director, Division of Health Plan Oversight, KHBE