



***Advance Payments of the Premium Tax Credit (APTC) & Federally-facilitated Exchange
(FFE) User Fee (UF) Program Assessment Report***

for

Coventry Health and Life Insurance Company (Kansas City) (Coventry (Kansas City))

January 13, 2020

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I. EXECUTIVE SUMMARY

Background

Coventry Health and Life Insurance Company (Kansas City) (Coventry (Kansas City)) is a health insurance issuer that offered qualified health plans (QHPs) in the individual market Federally-facilitated Exchange (FFE) in Missouri during the 2015 benefit year. Coventry (Kansas City) submitted its final restated 2015 benefit year data in the October 2017 Enrollment and Payment Data Workbook (EPDW). The issuer received a total of \$173,143,309.09 in advance payments of the premium tax credit (APTC) from CMS and paid a total of \$8,307,676.55 in FFE user fees (UF) to CMS for its 2015 benefit year individual market plans.

This report is an assessment of Coventry (Kansas City)'s compliance with the APTC and FFE user fee programs established in sections 1311 and 1401 of the Patient Protection and Affordable Care Act (Pub. L. 111–148) enacted on March 23, 2010 and further amended and revised by the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111–152) enacted on March 30, 2010 (collectively referred to throughout as PPACA), and implementing regulations.

Audits to Determine Compliance with the Administration of APTC and FFE User Fee Programs

Under title 45 of the Code of Federal Regulations (CFR), sections §§ [156.480](#) and [156.705](#), the Department of Health and Human Services (HHS) may audit¹ issuers that offer a QHP in the individual market through an Exchange to assess the degree of compliance with the APTC and FFE user fee program requirements. HHS designates the Centers for Medicare & Medicaid Services (CMS) to conduct these audits and to achieve the following:

- Safeguard Federal funds;
- Instill confidence amongst regulated entities of data quality, soundness, and robustness;
- Evaluate health insurance issuer compliance with program rules and regulations; and
- Develop a successful and coordinated risk-based, multi-year audit program that maximizes resources.

This audit is part of CMS's program to validate the enrollment and payment data reported on the final 2015 EPDW, and to analyze controls and policies of selected issuers pursuant to the authority defined in the regulations.

The findings and observations are documented below. If CMS found an instance of issuer non-compliance with APTC and FFE user fee program requirements that requires correction to

¹ To provide the flexibility needed when standing up a new oversight program and to ensure that issuers are able to provide CMS with their most accurate data, audit protocols allow for dialog between auditor and issuer to identify and correct errors in data submission that differ somewhat from some independence and reporting standards laid out under Generally Accepted Government Auditing Standards (GAGAS). These procedures were defined and executed consistent with the competence, integrity, and analytical discipline required for performance audits as defined by GAGAS.

payment, then CMS classified it as a *finding*. If CMS found a deviation from APTC and FFE user fee program requirements that we are calling to the attention of management for purposes of improving compliance in future program years, but that does not require correction to payment, then CMS categorized it as an *observation*.

Results of Review

CMS identified eight (8) findings and one (1) observation for Coventry (Kansas City). The net financial impact of the eight (8) audit findings is a payment to Coventry (Kansas City) of \$175,843.75, consisting of \$6,880.73 in FFE user fees owed to CMS and \$182,724.48 in APTC paid to Coventry (Kansas City). The one (1) observation does not require corrections to payments. The findings and observation include the following:

Findings:

1. Differences in premium/FFE user fee and APTC amounts identified in the comparison of the issuer's data included in the EPDW to a UF/APTC Desk Audit File containing subscriber level data from Coventry (Kansas City)'s systems;
2. Inclusion of enrollment and payment data in the UF/APTC Desk Audit File for three hundred and fifty-one (351) subscribers with coverage that was not effectuated in the issuer's systems;
3. Inclusion of full month or incorrectly prorated enrollment and payment data for twenty-five (25) duplicate subscribers in the UF/APTC Desk Audit File;
4. Inclusion of premium amounts that were less than the APTC amounts for three hundred and sixty-one (361) subscribers in the UF/APTC Desk Audit File;
5. Inclusion of enrollment and payment data for fifty-four (54) subscribers with a coverage period of five (5) days or fewer that was not effectuated in the UF/APTC Desk Audit File;
6. Inclusion of incorrectly prorated premium amounts for six hundred and seventy-six (676) subscribers in the UF/APTC Desk Audit File;
7. Inclusion of incorrect APTC amounts for one hundred and eighty-four (184) subscribers with auto-renewed enrollments in the UF/APTC Desk Audit File; and
8. Inclusion of incorrect premium and APTC amounts for two (2) of the fifteen (15) selected subscribers in the UF/APTC Desk Audit File.

Observation:

1. Reporting and provision of extra months of coverage for one (1) of the forty-five (45) selected subscribers in the UF/APTC Desk Audit File as a result of a one-time adjustment error.

Please refer to sections IV and V for details on the findings and observation listed above, including the condition, cause, effect, corrective actions, and the issuer's responses.

II. BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

A. Background

Sections 1401 and 1412 of the PPACA established the APTC program to support the provision of affordable health care coverage to individuals. Additionally, section 1311 of the PPACA allows the FFEs to charge participating issuers user fees to support FFE operations.

CMS has the responsibility to confirm successful implementation of, and adherence to, the PPACA provisions and implementing regulations governing the APTC and FFE user fee programs. As such, CMS established this audit program.

Interim Payment Process

Since automated payment systems were not yet developed during the first years of FFE implementation, CMS implemented an interim payment process to calculate and make monthly payments of APTC and advance Cost-sharing Reduction (CSR) amounts, and to collect FFE user fees. The interim payment process required issuers to self-report enrollment and payment data on a monthly basis, including any adjustments to previous months' requests, via manual submission of an EPDW, and to attest to the accuracy of the data.

For the 2015 benefit year, CMS used this interim payment process to calculate and make monthly payments based on QHP data submitted in the EPDW. While using this interim process, CMS designed and implemented a robust set of internal controls within a larger program integrity framework to ensure payment accuracy. CMS required submitters to send the following QHP plan information at the variant level via the password-protected template:

1. State
2. Tax Identification Number (TIN)
3. Health Insurance Oversight System (HIOS) ID
4. QHP ID
5. Total premium amount for all enrollments
6. Total APTC amount
7. Total advance CSR amount
8. Total FFE User Fee amount
9. Total effectuated enrollment groups
10. Total effectuated enrollment groups with APTC
11. Total effectuated enrollment groups with advance CSR
12. Total effectuated members
13. Total effectuated members with APTC
14. Total effectuated members with advance CSR

FFE issuers were required to calculate the QHP enrollment and payment amounts and submit that information on the EPDW template using their internal source data.

B. Regulations Governing APTC and FFE User Fee Programs

CMS established an audit protocol to assess health insurance issuers' compliance with the following regulations governing APTC and FFE user fee programs:

- 45 CFR § [156.50](#): Financial Support;
- 45 CFR § [156.460](#): Reduction of enrollee's share of premium to account for advance payments of the premium tax credit;
- 45 CFR § [156.480](#): Oversight of the administration of the cost-sharing reductions and advance payments of the premium tax credit programs;
- 45 CFR § [156.705](#): Maintenance of records for Federally-facilitated Exchanges.

Please refer to Appendix 2 for the specific requirements established under the authorities listed above.

C. Objectives

The objectives of this audit are to:

- (1) Evaluate the accuracy and integrity of issuer-generated EPDW data reported for the APTC and FFE user fee programs;
- (2) Identify potential CMS APTC payment and FFE user fee collection errors resulting from issuer data reporting errors; and
- (3) Test accuracy and integrity of issuer processes for reducing an enrollee's share of premium to account for APTCs.

D. Scope and Methodology

CMS selected Coventry (Kansas City) for an audit on issuer compliance with the aforementioned regulations. CMS evaluated Coventry (Kansas City)'s activities related to the 2015 benefit year (January 1, 2015 through December 31, 2015) individual market data reported on the final EPDW submitted in October 2017 by the issuer to CMS to support APTC and FFE user fee collections.

CMS sent Coventry (Kansas City) an electronic letter on May 11, 2018 to notify them of the scope of this audit. CMS's audit contractor sent a follow-up letter to Coventry (Kansas City) on May 14, 2018 that identified data requirements required to conduct the audit. CMS's audit contractor reviewed the audit data file submitted by Coventry (Kansas City) and used CMS's audit procedures to assess compliance with APTC and FFE user fee program rules and regulations.

CMS's audit contractor applied CMS's audit protocol to identify the findings and observations listed in sections IV and V of this report. CMS's audit contractor performed the following procedures:

- Validations of the UF/APTC Desk Audit File² data submitted to CMS:
 - EPDW Validations: Review and comparison of the issuer's final submitted 2015 EPDW to the UF/APTC Desk Audit File from the issuer's systems.
 - Unreconciled Subscribers Review: Review and comparison of the subscribers reported on the UF/APTC Desk Audit File to the subscribers included in CMS's systems to determine if the subscribers existed and their coverage was effectuated in the issuer's system (i.e., the amount the subscriber is responsible to pay toward the first month's total premium amount has been paid in full by the subscriber).
 - Duplicate Exchange-assigned Subscriber IDs Check: Review of the UF/APTC Desk Audit File containing subscriber level data from the issuer's systems to verify that duplicate Exchange-assigned subscriber IDs (i.e., Exchange-assigned subscriber IDs that were reported on the file twice in the same month with full month or incorrectly prorated payment data) were not reported on the file.
 - Premium Less than APTC Validation: Review of the UF/APTC Desk Audit File to verify that the subscribers' premium amounts reported on the file were not less than the APTC amounts reported on the file.
 - Coverage Days Validation: Review of the UF/APTC Desk Audit File to verify that enrollments of five (5) days or fewer reported on the file were effectuated and had active coverage in the issuer's systems.
- Validations on samples of issuer's systems data:
 - Forty-five (45) Subscribers Sample Review: Review and comparison of the coverage periods, premium and APTC amounts from the issuer's systems to the corresponding data included in CMS's systems for a selected sample of forty-five (45) subscribers.
 - Fifteen (15) Subscribers Sample Review: Analysis and review of data and documentation from the issuer's systems to verify effectuation and the appropriate application of premium and APTC amounts to policies for a selected sample of fifteen (15) subscribers.
- Policy and Procedure Review: Review of issuer APTC policies and procedures for completeness and clarity.

² The UF/APTC Desk Audit File is CMS's standard document for issuers to provide information in support of this audit.

III. RESULTS OF REVIEW

CMS assessed issuer compliance with regulations using the following procedures: EPDW Validations, Unreconciled Subscribers Review, Duplicate Exchange-assigned Subscriber IDs Check, Premium Less than APTC Validation, Coverage Days Validation, Forty-five (45) Subscribers Sample Review, Fifteen (15) Subscribers Sample Review, and Policy and Procedure Review. Below are the results of this review.

EPDW Validations

One (1) finding and no observations resulted from the comparison of the final 2015 EPDW to Coventry (Kansas City)'s UF/APTC Desk Audit File. Please refer to Finding No. 1 included in section IV for details on the finding.

Unreconciled Subscribers Review

One (1) finding and no observations resulted from the review of Coventry (Kansas City)'s UF/APTC Desk Audit File to determine if the subscribers reported on the file existed and their coverage was effectuated in the issuer's systems. Please refer to Finding No. 2 included in section IV for details on the finding.

Duplicate Exchange-assigned Subscriber IDs Check

One (1) finding and no observations resulted from the review of Coventry (Kansas City)'s UF/APTC Desk Audit File to verify that duplicate Exchange-assigned subscriber IDs were not reported on the file. Please refer to Finding No. 3 included in section IV for details on the finding.

Premium Less than APTC Validation

One (1) finding and no observations resulted from the review of Coventry (Kansas City)'s UF/APTC Desk Audit File to verify that subscribers were not reported on the file with premium amounts that were less than the APTC amounts. Please refer to Finding No. 4 included in section IV for details on the finding.

Coverage Days Validation

One (1) finding and no observations resulted from the review of Coventry (Kansas City)'s UF/APTC Desk Audit File to verify that enrollments of five (5) days or fewer reported on the file were effectuated and had active coverage in the issuer's systems. Please refer to Finding No. 5 included in section IV for details on the finding.

Forty-five (45) Subscribers Sample Review

Two (2) findings and one (1) observation resulted from the review and comparison of the data from Coventry (Kansas City)'s systems to the corresponding data included in CMS's systems to determine accuracy of the reported enrollment months and the application of premium and APTC for a selected sample of forty-five (45) subscribers. Please refer to Finding No. 6 through Finding No. 7 included in section IV for details on the findings and Observation No. 1 included in section V for details on the observation.

Fifteen (15) Subscribers Sample Review

One (1) finding and no observations resulted from the review of the data and documentation from Coventry (Kansas City)'s systems to verify effectuation and the appropriate application of premium and APTC amounts to policies for a selected sample of fifteen (15) subscribers. Please refer to Finding No. 8 included in section IV for details on the finding.

Policy and Procedure Review

No findings or observations resulted from the review of Coventry (Kansas City)'s APTC policies and procedures.

IV. FINDINGS

A finding is an identification of an instance of issuer non-compliance with APTC and FFE user fee program requirements that requires correction to payment. CMS's audit procedures identified eight (8) findings that resulted in a change to Coventry (Kansas City)'s reported EPDW for individual market plans for the 2015 benefit year. In light of the eight (8) findings, the adjusted 2015 benefit year EPDW APTC and FFE user fee amounts for individual market plans are shown in the following table.

Recalculated EPDW for the 2015 Benefit Year

	FFE User Fees	APTC
EPDW as Filed in October 2017	\$(8,307,676.55)	\$173,143,309.09
Finding No. 1 - EPDW Validations Adjustment	\$(10,583.58)	\$223,985.53
Finding No. 2 - Unreconciled Subscribers Review Adjustment	\$1,587.41	\$(39,184.14)
Finding No. 3 – Duplicate Exchange-assigned Subscriber IDs Check Adjustment	\$562.44	\$(11,465.90)
Finding No. 4 - Premium Less than APTC Validation Adjustment	\$(791.68)	\$(25.48)
Finding No. 5 - Coverage Days Validation Adjustment	\$133.22	\$(1,374.63)
Finding No. 6 – Forty-five (45) Subscribers	\$2,204.66	\$0.00

	FFE User Fees	APTC
Sample Review (Incorrect Prorated Premium Amounts) Adjustment		
Finding No. 7 – Forty- five (45) Subscribers Sample Review (Incorrect APTC Amounts) Adjustment	\$0.00	\$6,554.10
Finding No. 8 – Fifteen (15) Subscribers Sample Review Adjustment	\$6.80	\$4,235.00
EPDW As Recalculated	\$(8,314,557.28)	\$173,326,033.57
Total Financial Impact	\$(6,880.73)	\$182,724.48

Note: Positive values indicate funds owed to the issuer.

The net financial impact of the eight (8) audit findings is a payment to Coventry (Kansas City) of \$175,843.75, consisting of \$6,880.73 in FFE user fees owed to CMS and \$182,724.48 in APTC paid to Coventry (Kansas City).

For the eight (8) audit findings, CMS documented the criteria, cause, effect, corrective actions, and Coventry (Kansas City)'s responses as seen in the charts below.

Finding No. 1 - EPDW Validations	Condition:	Premium and FFE User Fee Differences – For one or more months of 2015 benefit year enrollment in forty-three (43) QHPs, the net "Total Premium Amount by QHP ID for effectuated enrollments" included in Coventry (Kansas City) (Kansas City)'s EPDW was less than the total premium amount included in Coventry (Kansas City)'s UF/APTC Desk Audit File, resulting in an understatement of \$302,388.01 in premiums and therefore an underpayment of \$10,583.58 in FFE user fees. For the one or more months of 2015 benefit year enrollment in forty-three (43) QHPs, the EPDW was understated by four hundred and sixty-four
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		<p>(464) enrollment groups and seven hundred and thirty-eight (738) members.</p> <p>APTC Differences – For one or more months of 2015 benefit year enrollment in forty (40) QHPs, the net "Total APTC Amount by QHP ID for effectuated enrollments" included in Coventry (Kansas City)'s EPDW was less than the total APTC amount included in Coventry (Kansas City)'s UF/APTC Desk Audit File, resulting in an underpayment of \$223,985.53 in APTC. For the one or more months of 2015 benefit year enrollment in forty (40) QHPs, the EPDW was understated by one thousand and fifty-nine (1,059) APTC enrollment groups and one thousand, six hundred and thirty-five (1,635) APTC members.</p>
	Criteria:	<p>Per CMS guidance and EPDW submission requirements:</p> <p>The "Total premium amount by QHP ID for effectuated enrollments" submitted on the EPDW is the "total premium amount for the health coverage for all effectuated enrollments within that plan" and the Total User Fee Amount by QHP ID is "the total FFE user fee amount the issuer can expect to incur for participation in the Federally-facilitated Exchange."</p> <p>The "Total APTC amount by QHP ID for effectuated enrollments" submitted on the EPDW is the "total APTC toward the total premium amount for effectuated enrollments within a 16-digit QHP ID."</p> <p>Additionally, the premium and APTC amounts reported in the EPDW and in the enrollment group enrollment records of the UF/APTC Desk Audit File must be prorated using the proration formulas set forth in the 2015 payment notice and outlined in 45 CFR § 155.240.</p>
	Cause:	<p>The issuer indicated: "The root cause of the differences on the EPDW Validation tabs is timing. The final, restated 2015 benefit year EPDW was submitted to CMS in September 2017 (October 2017 payment). As stated in the KPMG "2015 FFE</p>

		<p>& 2014 SBE Payment Desk Audit FAQs” document, the data reported in the UF/APTC Desk Audit file needed to be a current snapshot of what was in the issuers system. Therefore, any billing adjustments that occurred after September 2017 would cause the differences on this tab. This HIOS along with others were restated in July 2018 through the APTC and User Fee Exception Process". During the audit, CMS confirmed that no adjustments for Coventry (Kansas City) were processed during the exceptions process.</p> <p>The issuer further indicated “As part of our analysis and preparation for the 2015 Exception Process in Q2 of 2018, we identified two scenarios where member enrollments did not match 2015 Pre-Audit. Specifically, since the time of the last submission in October 2017 for the 2015 Plan Year, we were able to query and isolate member records with the incorrect billing of APTC for members with a pro-rated termination date on the Pre-Audit report (i.e., not end of month), and the other was in connection with APTC not being billed on members who were manually reinstated throughout PY 2015. The first scenario resulted in a net payable to CMS, while the latter a receivable, which you’re seeing as netted in the amounts for the HIOS examples called out in this request for information. To identify and correct these, we created enrollment/billing matching logic at the benefit start date, end date, policy ID and APTC billed amount levels to align with the Marketplace. These discrepancies were then corrected in our eligibility system of record and, when applicable, members were retroactively billed or refunded.”</p> <p>The net understatements in enrollment groups and members identified in the condition represent aggregated differences, i.e., the aggregated understatements include QHP-level overstatements in some months and QHP-level understatements in other months. The differences may have resulted from incorrect reporting of the enrollment groups and members reported on the EPDW due to the lack of guidance, uncertainty around EPDW reporting requirements, and/or differences in the approaches</p>
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		for calculating and reporting enrollment groups and members on the EPDW versus the approaches for calculation and reporting enrollment groups and members for audit purposes.
	Effect:	The premium/FFE user fee and APTC differences resulted in a change to Coventry (Kansas City)'s final, restated 2015 benefit year EPDW data.
	Corrective Action Required:	The net financial impact of this finding is a payment to Coventry (Kansas City) of \$213,401.95, consisting of \$10,583.58 in FFE user fees owed to CMS and \$223,985.53 in APTC paid to Coventry (Kansas City). Coventry (Kansas City) should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	Management Response:	Agree.

Finding No. 2 - Unreconciled Subscribers Review	Condition:	<p>Coventry (Kansas City) overstated the 2015 benefit year premium amounts for two hundred and fifty-five (255) subscribers, and overstated the 2015 benefit year APTC amounts for one hundred and sixty-one (161) of those subscribers, in the UF/APTC Desk Audit File by reporting enrollment and payment data for subscribers with coverage that was not effectuated.</p> <p>Additionally, Coventry (Kansas City) reported negative premium amounts for ninety-six (96) subscribers with coverage that was not effectuated and therefore understated the 2015 benefit year premium amounts for those subscribers in the UF/APTC Desk Audit File.</p>
	Criteria:	Per CMS guidance and EPDW submission requirements, the EPDW should include data for effectuated enrollments where an effectuated enrollment is defined as "any enrollment in which the amount the enrollment group is responsible to pay toward the total premium amount has been paid in full by the enrollment group."

	Cause:	During the audit, the issuer confirmed that coverage for the three hundred and fifty-one (351) subscribers was not effectuated in their systems by indicating a "NO" in the "Effectuated in Issuer's Systems?" field for each of the subscribers.
	Effect:	The inclusion of the three hundred and fifty-one (351) non-effectuated enrollments resulted in a change to Coventry (Kansas City)'s final, restated 2015 benefit year EPDW data.
	Corrective Action Required:	The net financial impact of this finding is a payment to CMS of \$37,596.73, consisting of \$1,587.41 in FFE user fees returned to Coventry (Kansas City) and \$39,184.14 in APTC owed to CMS. Coventry (Kansas City) should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	Management Response:	Agree.

Finding No. 3 - Duplicate Exchange-assigned Subscriber IDs Check	Condition:	Coventry (Kansas City) overstated the 2015 benefit year premium amounts for twenty-five (25) subscribers, and overstated the 2015 benefit year APTC amounts for nineteen (19) of those subscribers, in the UF/APTC Desk Audit File by reporting two (2) enrollment records in the same month consisting of one (1) correct record with full month payment data and a duplicate record with adjusted or prorated payment data.
	Criteria:	Issuers cannot request full month payment from CMS for the same subscriber twice within a month. Additionally, per the HHS Notice of Benefit and Payment Parameters for 2015 and 45 CFR § 155.240, in a Federally-facilitated Exchange, the premium for coverage lasting less than one month must equal the product of (i) The premium for one month of coverage divided by the number of days in the month; and (ii) The number of days for which coverage is being provided in the month.

	Cause:	<p>The issuer indicated one of the following responses for each of the twenty-five (25) duplicate subscribers:</p> <ul style="list-style-type: none"> • For eighteen (18) subscribers, the issuer reported two (2) records in the same month with full month payment data and indicated “Billed Correctly” for the correct record and "Duplicate Billing” for the record that was considered the duplicate. • For three (3) subscribers, the issuer reported one (1) record with the correct payment data and indicated “Billed Correctly” and reported a second record in the same month with prorated payment data and indicated “Duplicate Billing – proration”. • For one subscriber, the issuer reported one (1) record with correctly prorated payment data and reported a second record in the same month with incorrectly adjusted payment data and indicated “Duplicate Billing - Incorrect ADJ”. • For three (3) subscribers, the issuer reported one (1) correct record with full month payment data and indicated “Billed Correctly” and reported a second record in the same month with incorrectly adjusted payment data and indicated “Incorrect ADJ”.
	Effect:	The inclusion of the twenty-five (25) duplicate subscribers resulted in a change to Coventry (Kansas City)’s final, restated 2015 benefit year EPDW data.
	Corrective Action Required:	The net financial impact of this finding is a payment to CMS of \$10,903.46, consisting of \$562.44 in FFE user fees returned to Coventry (Kansas City) and \$11,465.90 in APTC owed to CMS. Coventry (Kansas City) should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	Management Response:	Agree.

Finding No. 4 - Premium Less than APTC Validation	Condition:	Coventry (Kansas City) reported premium amounts that were less than the APTC amounts for three hundred and sixty-one (361) subscribers in the UF/APTC Desk Audit File. As a result, Coventry (Kansas City) understated the 2015 benefit year premium amounts for three hundred and sixty-one (361) subscribers, and overstated the 2015 benefit year APTC amounts for two (2) of the those subscribers, in the UF/APTC Desk Audit File.
	Criteria:	Issuers cannot report a premium amount that is less than an APTC amount. Per CMS guidance, the premium amount reported on the EPDW is the premium amount by 16 digit QHP ID for the effectuated enrollment within a qualified health plan.
	Cause:	<p>The issuer indicated one of the following responses for each of the three hundred and sixty-one (361) subscribers:</p> <ul style="list-style-type: none"> • “NSF Fee - Incorrectly adjusted/reversed NSF fee” (Two hundred and eighty-two (282) subscribers). • “Incorrect ADJ - No 2015 Coverage - Manual adjustment against 2015 plan when no 2015 plan existed” (Forty-nine (49) subscribers). • “Incorrect ADJ - Incorrect adjustment against total premium performed reducing MRA incorrectly” (Twenty-one (21) subscribers). • “Premium minus NSF Fee -Incorrectly adjusted/reversed NSF fee reduced MRA incorrectly” (Nine (9) subscribers). <p>Based on the feedback that non-sufficient funds (NSF) fees and adjustments were reported, CMS concluded the 2015 benefit year premium amounts were understated for three hundred and sixty-one (361) subscribers and the 2015 benefit year APTC amounts were overstated for two (2) of those subscribers.</p>
	Effect:	The inclusion of the incorrect premium and APTC amounts for the three hundred and sixty-one (361)

		subscribers resulted in a change to Coventry (Kansas City)'s final, restated 2015 benefit year EPDW data.
	Corrective Action Required:	The net financial impact of this finding is a payment to CMS of \$817.16, consisting of \$791.68 in FFE user fees owed to CMS and \$25.48 in APTC owed to CMS. Coventry (Kansas City) should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	Management Response:	Agree.

Finding No. 5 - Coverage Days Validation	Condition:	Coventry (Kansas City) overstated the 2015 benefit year premium amounts for fifty-four (54) subscribers, and overstated the 2015 benefit year APTC amounts for thirty-one (31) of those subscribers, in the UF/APTC Desk Audit File by incorrectly reporting enrollments that were not effectuated.
	Criteria:	Per CMS guidance, the issuer must create a single Inbound UF/APTC Desk Audit File consisting of detailed enrollment group effectuated enrollment records (one per enrollment group, per month) with the corresponding payment data.
	Cause:	The issuer indicated "Not effectuated" for the fifty-four (54) subscribers. The issuer further indicated that "In 2015, Coventry (Kansas City) chose to enroll members through passive renewal. For records with a Benefit Start Date of 20150101 with a response "Not Effectuated", the Benefit End Date should have been reflected as 20141231 in our system. The 1/1/15 date was interpreted as a termination transaction (1 day of coverage) rather than a cancelation transaction (no coverage) as it should have been, therefore, no APTC amount is due."

	Effect:	The inclusion of the enrollment and payment data for the fifty-four (54) subscribers resulted in a change to Coventry (Kansas City)'s final, restated 2015 benefit year EPDW data.
	Corrective Action Required:	The net financial impact of this finding is a payment to CMS of \$1,241.41, consisting of \$133.22 in FFE user fees returned to Coventry (Kansas City) and \$1,374.63 in APTC owed to CMS. Coventry (Kansas City) should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	Management Response:	Agree.

Finding No. 6 – Forty-five (45) Subscribers Sample Review (Incorrect Prorated Premium Amounts)	Condition:	Coventry (Kansas City) overstated the 2015 benefit year premium amounts for six hundred and fifty-six (656) subscribers, including two (2) of the forty-five (45) selected subscribers, in the UF/APTC Desk Audit File by incorrectly prorating premium amounts.
	Criteria:	Per CMS guidance, the premium and APTC amounts reported in the EPDW and in the enrollment group enrollment records of the UF/APTC Desk Audit File must be prorated using the proration formulas set forth in the 2015 payment notice and outlined in 45 CFR § 155.240.
	Cause:	<p>The issuer indicated the following responses for the two (2) subscribers:</p> <ul style="list-style-type: none"> • "Premium amount displayed is incorrect. Only APTC was credited for prorated 15 days; MRA was not prorated. APTC should be \$54.50 & MRA \$46.25. Total premium should be \$100.75. Proration for APTC was corrected in May 2018. " • "Premium amount displayed is incorrect. Only APTC was credited for prorated 3 days; MRA was not prorated. APTC should be \$56.00 & MRA \$166.73. Total premium

		<p>should be \$222.73. Proration for APTC was corrected in May 2018."</p> <p>The issuer further noted "The difference in the proration amount can be found in the member portion only; the APTC proration was calculated correctly. Unlike the 2014 plan year, CMS issued guidance to carriers requiring proration in 2015. Until our coding changes were completed, a practice was put in place to adjust any unpaid accounts receivable, which in most cases was equal to a full month of member responsibility, and is the case here."</p> <p>During the audit, CMS coordinated with the issuer to determine the premium financial impact related to the incorrect proration of all mid-month enrollments and terminations reported in its UF/APTC Desk Audit File. The issuer noted that the issue impacted a total of six hundred and fifty-six (656) subscribers reported in the UF/APTC Desk Audit File. The total financial impact for the six hundred and fifty-six (656) subscribers is an overstatement of \$62,990.22 in premium amounts and therefore an overpayment of \$2,204.66 in FFE user fees.</p>
	Effect:	The inclusion of the incorrect premium amounts for the six hundred and fifty-six (656) subscribers resulted in a change to Coventry (Kansas City)'s final, restated 2015 benefit year EPDW data.
	Corrective Action Required:	The net financial impact of this finding is a payment to Coventry (Kansas City) of \$2,204.66, consisting of FFE user fees returned to Coventry (Kansas City). Coventry (Kansas City) should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	Management Response:	Agree.

Finding No. 7 – Forty-five (45) Subscribers Sample Review (Incorrect APTC Amounts)	Condition:	Coventry (Kansas City) understated the 2015 benefit year APTC amounts for one hundred and fifty-one (151) subscribers and overstated the 2015 benefit year APTC amounts for thirty-three (33) subscribers in the UF/APTC Desk Audit File by incorrectly reporting updated APTC amounts resulting from the auto renewal process.
	Criteria:	Per 45 CFR § 156.460, a QHP issuer that receives notice from the Exchange that an individual enrolled in the issuer's QHP is eligible for an advance payment of the premium tax credit must reduce the portion of the premium charged to or for the individual for the applicable months by the amount of the advance payment of the premium tax credit and notify the Exchange of the reduction in the portion of the premium charged to the individual.
	Cause:	<p>CMS conducted audits of four (4) Coventry issuers. As part of the Forty-five (45) Subscribers Sample Review performed during the audit of another Coventry issuer (HIOS ID 57451), it was noted that the incorrect APTC amounts resulting from an auto-renewal in 2015 were reported for one (1) of the forty-five (45) selected subscribers. CMS coordinated with Coventry to determine whether this issue impacted enrollments reported in the UF/APTC Audit Files for all four (4) Coventry issuers audited for the 2015 benefit year. Coventry indicated “Yes, this could impact other enrollments where we did not claim enough APTC to be paid to Coventry for January 2015. The auto renewal process did not have data from CMS and APTC was originally estimated based on the prior year APTC in order to ensure members had coverage in 2015.”</p> <p>Coventry further noted that the issue impacted a total of one hundred and eighty-four (184) subscribers reported in Coventry (Kansas City)’s UF/APTC Desk Audit File. The total APTC impact for the 184 subscribers is a net underpayment of \$6,554.10 in APTC.</p>

	Effect:	The inclusion of the incorrect APTC amounts for the one hundred and eighty-four (184) subscribers resulted in a change to Coventry (Kansas City)'s final, restated 2015 benefit year EPDW data.
	Corrective Action Required:	The net financial impact of this finding is a payment to Coventry (Kansas City) of \$6,554.10, consisting of APTC paid to Coventry (Kansas City). Coventry (Kansas City) should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	Management Response:	Agree.

Finding No. 8 – Fifteen (15) Subscribers Sample Review	Condition:	Coventry (Kansas City) overstated the 2015 benefit year premium amounts for one (1) of the fifteen (15) selected subscribers in the UF/APTC Desk Audit File by incorrectly reporting premium adjustments. Additionally, Coventry (Kansas City) understated the 2015 benefit year APTC amounts for one (1) of the fifteen (15) selected subscribers in the UF/APTC Desk Audit File by incorrectly reporting a one-time update.
	Criteria:	<p>Per CMS guidance, the premium amount reported on the EPDW and the UF/APTC Desk Audit File is the premium amount by 16 digit QHP ID for the effectuated enrollment within a qualified health plan.</p> <p>The APTC amount reported on the EPDW and UF/APTC Desk Audit File is the APTC amount toward the total premium amount for effectuated enrollments.</p>
	Cause:	<p>The issuer indicated the following responses for the two (2) subscribers:</p> <ul style="list-style-type: none"> For the subscriber with the incorrect premium amounts in the UF/APTC Desk Audit File, the issuer indicated "November and December had incorrect adjustments. The premium amount for November and

		<p>December should be 633.71. This is a member non-pay and subsequent reinstatement scenario. Following the expected retroactive system billing for the reinstatement, and the reversal of the previous write-off, the member was correctly billed the expected premium amount.”</p> <ul style="list-style-type: none"> For the subscriber with incorrect APTC amounts in the UF/APTC Desk Audit File, the issuer indicated "Zero APTC is not correct and was corrected after desk audit files created. Members APTC amount of 605.00 was effective from 6/1 – 12/1 which is correct. The member initially lost their APTC effective 5/1 due to a data inconsistency at the marketplace. This was resolved at the FFM and an updated 834 enrollment file was received with an APTC amount of \$605. The records were updated in Sept 2018 to reflect the correct APTC in our system.” The issuer further noted “A one-time update was applied for this member to correct the May period, however, all coverage from May forward was removed in error. We are not aware of any other similar scenarios.” The issuer further indicated the “member was researched in detail to determine the root cause. Queries were created to identify members with a similar pattern. We then performed a regression sampling on this population. Our results showed that not all cases produced the same variance as the cases questioned.” <p>Based on this feedback that there were incorrect adjustments and one-time updates, CMS concluded that the 2015 benefit year premium amounts were overstated and the 2015 benefit year APTC amounts were understated in the UF/APTC Desk Audit File.</p>
	Effect:	The inclusion of the incorrect premium and APTC amounts for the two (2) subscribers resulted in a

		change to Coventry (Kansas City)'s final, restated 2015 benefit year EPDW data.
	Corrective Action Required:	The net financial impact of this finding is a payment to Coventry (Kansas City) of \$4,241.80, consisting of \$6.80 in FFE user fees returned to Coventry (Kansas City) and \$4,235.00 in APTC paid to Coventry (Kansas City). Coventry (Kansas City) should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	Management Response:	Agree.

V. OBSERVATIONS

An observation is a deviation from APTC and FFE user fee program requirements that we are calling to the attention of management for purposes of improving compliance in future program years but that does not require correction to payment. CMS's audit procedures identified one (1) observation.

Observation No. 1 – Forty-five (45) Subscribers Sample Review (Extra Months of Enrollment)	Condition:	Coventry (Kansas City) reported and provided extra months of coverage in error for one (1) of the forty-five (45) selected subscribers in the UF/APTC Desk Audit File as the incorrect termination date was applied within the issuer's system.
	Criteria:	Per 45 CFR § 156.270, a QHP issuer must return advance payments of the premium tax credit paid on the behalf of such enrollee for the second and third months of the grace period if the enrollee exhausts the grace period. Additionally, if an enrollee receiving advance payments of the premium tax credit exhausts the 3-month grace period without paying all outstanding premiums, subject to a premium payment threshold implemented under 155.400(g), if applicable, the QHP issuer must terminate the enrollee's enrollment through the Exchange on the effective date described in 155.430(d).
	Cause:	For one (1) subscriber, the desk audit file included enrollment from 1/1/2015 through 4/30/2015 and enrollment from 8/1/2015 through 12/31/2015. The issuer indicated "Issuer file reflects a gap in coverage from May – July 2015 due to coverage terminating for non-payment effective 4/30/2015. Review of policy number XXXXXX shows that payment history reflects the member is only paid through 1/31/2015. Billing for Feb 2015 is incorrect due to a credit adjustment of -195.64 being added for Feb 2015 in error. Enrollment for 8/1/2015 was received and processed in July 2015 (two months after the previous policy number XXXXXX was terminated for non-payment)". The issuer further noted "Based on the adjustment applied to the member's account, the system applied the correct

		<p>termination date of 4/30/15. This one-time adjustment was found to be incorrect, however, the member was held harmless. This accounting error is specific to this member and not widespread throughout the Desk Audit file. For subscriber no. 41 included in the 45 subscriber review for HIOS ID 44240, technically, the desk audit file should include enrollment from 1/1/2015 through 2/28/2015 as payment was only received for month 01 and therefore February was the first month of the grace period. The member was left active in our system until 4/30/15 in error and is the reason March and April appeared in the file. (Note: This is only for the enrollment under the subscriber effective 1/1/2015. The subscriber also had coverage effective 8/1/15 to 12/31/15, which was paid by the subscriber)". The issuer further indicated the "member was researched in detail to determine the root cause. Queries were created to identify members with a similar pattern. We then performed a regression sampling on this population. Our results showed that not all cases produced the same variance as the cases questioned."</p>
	Effect:	<p>The issuer did not follow CMS enrollment guidance and requirements set forth in 45 CFR § 156.270 as the issuer reported extra months of enrollment for which no payments were received due to a one-time adjustment error.</p>
	Management Response:	<p>Agree.</p>

VI. MANAGEMENT RESPONSES

Please provide management's response to the eight (8) findings and one (1) observation identified in the draft audit report and complete the attached Appendix 1 - Issuer Management Response to Net Financial Adjustment (Appendix 1), within thirty (30) calendar days from the draft audit report date. Management's response should indicate agreement or disagreement.

Agreement

If management agrees with the eight (8) findings and one (1) observation, complete the "Management Response" field of the findings and observation in the draft audit report, and initial "Agree" and sign the attached Appendix 1. Return the draft audit report including Appendix 1 within thirty (30) calendar days from the draft audit report date. Upon receipt of the signed Appendix 1, CMS will finalize and publish the report. CMS will process the final adjustment amount in the next available monthly payment cycle.

Disagreement

If management disagrees with any of the eight (8) findings and corrective actions or the one (1) observation, complete the "Management Response" field of the findings and observation in the draft audit report, and initial "Disagree" and sign the attached Appendix 1. Return the draft audit report including Appendix 1 and any supporting documentation that substantiates management's response within thirty (30) calendar days from the draft audit report date. This will be the final opportunity to provide information or supporting documentation to correct any inaccuracies in the report before it is finalized.

CMS will review the written explanations in the "Management Response" field of the findings and any supporting documentation to determine if the report can be amended in a mutually acceptable manner. If you and CMS are unable to come to a mutually acceptable result, your response to this report will be included in the final published audit report.

CMS will provide an updated audit report, including the stated final adjustment amount along with an updated Appendix 1, following receipt and review of management's response. Please return the updated audit report with management responses and signed Appendix 1 within fifteen (15) calendar days. Upon receipt of the signed Appendix 1, CMS will finalize and publish the report and process the final adjustment amount in the next available monthly payment cycle.

Appendix 1 – Issuer Management Response to Net Financial Adjustment

Issuer HIOS ID: 44240

Issuer Name: Coventry Health and Life Insurance Company (Kansas City) (Coventry (Kansas City))

The undersigned Chief Executive Officer (CEO), Chief Financial Officer (CFO) or other individual who can legally and financially bind this issuer has reviewed the information included in the audit report of the issuer's 2015 benefit year APTC and FFE UF program participation, resulting in a payment to Coventry (Kansas City) of \$175,843.75, consisting of \$6,880.73 in FFE user fees owed to CMS and \$182,724.48 in APTC paid to Coventry (Kansas City), and:

(INITIAL) JAA Agrees with the audit net adjustment amount above, confirming the audit finding(s) and observation(s), if applicable, and as such this report will be considered final and published.

Or

(INITIAL) _____ Disagrees and requests a review of additional information that may impact the audit net adjustment amount resulting from the 2015 benefit year audit. If review is requested, CMS will consider this draft only a preliminary audit report. If the review option is selected, you must provide a written explanation with any additional documentation when you return this response within thirty (30) calendar days of the date of this draft audit report. CMS will review the written explanation and any supporting documentation to determine if the report can be amended in a mutually acceptable manner. If you and CMS are unable to come to a mutually acceptable result, your response to this report will be included in the final published audit report.

Signed: [Signature]
(Signature of authorized person acting on behalf of the issuer.)

Printed Name: Jared Albert
(Print name of signature)

Title: CFO, Individual Businesses
(Title of authorized person acting on behalf of the Issuer)

Telephone Number: (866) 273-5766
(Direct Telephone Number)

Date: 2/11/20

Appendix 2 – Applicable Regulations

The following table identifies the specific regulatory requirements around which CMS has organized its audits.

Regulation	Guidance
45 CFR § 156.50 – Financial Support	<p>(a) Definitions. The following definitions apply for the purposes of this section: <i>Participating issuer</i> means any issuer offering a plan that participates in the specific function that is funded by user fees. This term may include: health insurance issuers, QHP issuers, issuers of multi-State plans (as defined in § 155.1000(a) of this subchapter), issuers of stand-alone dental plans (as described in § 155.1065 of this subtitle), or other issuers identified by an Exchange.</p> <p>(b) Requirement for State-based Exchange user fees. A participating issuer must remit user fee payments, or any other payments, charges, or fees, if assessed by a State-based Exchange under § 155.160 of this subchapter.</p> <p>(c) Requirement for Federally-facilitated Exchange user fee. To support the functions of Federally-facilitated Exchanges, a participating issuer offering a plan through a Federally-facilitated Exchange must remit a user fee to HHS each month, in the timeframe and manner established by HHS, equal to the product of the monthly user fee rate specified in the annual HHS notice of benefit and payment parameters for the applicable benefit year and the monthly premium charged by the issuer for each policy under the plan where enrollment is through a Federally-facilitated Exchange.</p>
45 CFR § 156.460 - Reduction of enrollee's share of premium to account for advance payments of the premium tax credit	<p>(a) Reduction of enrollee's share of premium to account for advance payments of the premium tax credit. A QHP issuer that receives notice from the Exchange that an individual enrolled in the issuer's QHP is eligible for an advance payment of the premium tax credit must—</p> <ol style="list-style-type: none"> (1) Reduce the portion of the premium charged to or for the individual for the applicable month(s) by the amount of the advance payment of the premium tax credit; (2) Notify the Exchange of the reduction in the portion of the premium charged to the individual in accordance with § 156.265(g); and (3) Include with each billing statement, as applicable, to or for the individual the amount of the advance payment of the premium tax credit for the applicable month(s), and the remaining premium owed.

Regulation	Guidance
<p>45 CFR § 156.480 - Oversight of the administration of the cost-sharing reductions and advance payments of the premium tax credit programs.</p>	<p>(a) Maintenance of records. An issuer that offers a QHP in the individual market through a State Exchange must adhere to, and ensure that any relevant delegated entities and downstream entities adhere to, the standards set forth in § 156.705 concerning maintenance of documents and records, whether paper, electronic, or in other media, by issuers offering QHPs in a Federally-facilitated Exchange, in connection with cost-sharing reductions and advance payments of the premium tax credit.</p> <p>(b) Annual reporting requirements. For each benefit year, an issuer that offers a QHP in the individual market through an Exchange must report to HHS, in the manner and timeframe required by HHS, summary statistics specified by HHS with respect to administration of cost-sharing reduction and advance payments of the premium tax credit programs, including any failure to adhere to the standards set forth under § 156.410(a) through (d), § 156.425(a) through (b), and § 156.460(a) through (c) of this Part.</p> <p>(c) Audits. HHS or its designee may audit an issuer that offers a QHP in the individual market through an Exchange to assess compliance with the requirements of this subpart.</p>
<p>45 CFR § 156.705 – Maintenance of records for Federally-facilitated Exchanges</p>	<p>(a) General standard. Issuers offering QHPs in a Federally-facilitated Exchange must maintain all documents and records (whether paper, electronic, or other media) and other evidence of accounting procedures and practices, necessary for HHS to do the following:</p> <p>(1) Periodically audit financial records related to QHP issuers' participation in a Federally-facilitated Exchange, and evaluate the ability of QHP issuers to bear the risk of potential financial losses; and</p> <p>(2) Conduct compliance reviews or otherwise monitor QHP issuers' compliance with all Exchange standards applicable to issuers offering QHPs in a federally-facilitated Exchange as listed in this part.</p> <p>(b) Records. The records described in paragraph (a) of this section include the sources listed in § 155.1210(b)(2), (3), and (5) of this subchapter.</p> <p>(c) Record retention timeframe. Issuers offering QHPs in a Federally-facilitated Exchange must maintain all records referenced in paragraph (a) of this section for 10 years.</p> <p>(d) Record availability. Issuers offering QHPs in a Federally-facilitated Exchange must make all records in paragraph (a) of this section available to HHS, the OIG, the Comptroller General, or their designees, upon request.</p>

Appendix 3 – Glossary of Terms and Acronyms

Terms & Acronyms	Definition
APTC	Advance Payments of Glossary of Terms and the Premium Tax Credit
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CMS	Centers for Medicare & Medicaid Services
CSR	Cost-sharing Reduction
EPDW	Enrollment and Payment Data Workbook
FFE	Federally-facilitated Exchange
GAGAS	Generally Accepted Government Auditing Standards
HHS	Department of Health and Human Services
HIOS	Health Insurance Oversight System
PPACA	Patient Protection and Affordable Care Act
QHP	Qualified Health Plan
SBE	State-based Exchange
TIN	Tax Identification Number