



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

***for***

***Coventry Health Care of Florida, Inc. (Coventry of FL)***

***January 13, 2020***

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## I. EXECUTIVE SUMMARY

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### Background

Coventry Health Care of Florida, Inc. (Coventry of FL) is a health insurance issuer that offered qualified health plans (QHPs) in the individual market Federally-facilitated Exchange (FFE) in Florida during the 2015 benefit year. Coventry of FL submitted its final restated 2015 benefit year data in the October 2017 Enrollment and Payment Data Workbook (EPDW). The issuer received a total of \$598,050,320.41 in advance payments of the premium tax credit (APTC) from CMS and paid a total of \$26,556,859.68 in FFE user fees (UF) to CMS for its 2015 benefit year individual market plans.

This report is an assessment of Coventry of FL'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 audit<sup>1</sup> 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

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<sup>1</sup> 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 no observations for Coventry of FL. The net financial impact of the eight (8) audit findings is a payment to Coventry of FL of \$919,208.71, consisting of \$33,016.25 in FFE user fees owed to CMS and \$952,224.96 in APTC paid to Coventry of FL. The findings include the following:

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 of FL's systems;
2. Inclusion of enrollment and payment data for three thousand, seven hundred and ten (3,710) 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 two hundred and thirty (230) duplicate subscribers in the UF/APTC Desk Audit File;
4. Inclusion of premium amounts that were less than the APTC amounts for two thousand, three hundred and seven (2,307) subscribers in the UF/APTC Desk Audit File;
5. Inclusion of enrollment and payment data for four hundred and thirty-nine (439) 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 two thousand, two hundred and forty-four (2,244) subscribers in the UF/APTC Desk Audit File;
7. Inclusion of incorrect APTC amounts for seven hundred and seventy-nine (779) subscribers in the UF/APTC Desk Audit File; and
8. Inclusion of incorrect premium amount in error for one (1) of the fifteen (15) selected subscribers in the UF/APTC Desk Audit File.

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

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## **II. BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY**

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### **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 of FL for an audit on issuer compliance with the aforementioned regulations. CMS evaluated Coventry of FL'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 of FL an electronic letter on May 24, 2018 to notify them of the scope of this audit. CMS's audit contractor sent a follow-up letter to Coventry of FL on May 25, 2018 that identified data requirements required to conduct the audit. CMS's audit contractor reviewed the audit data file submitted by Coventry of FL 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 File<sup>2</sup> 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.

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

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### **III. RESULTS OF REVIEW**

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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 of FL'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 of FL'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 of FL'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 of FL'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 of FL'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 no observations resulted from the review and comparison of the data from Coventry of FL'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 and Finding No. 7 included in section IV for details on the findings.

#### **Fifteen (15) Subscribers Sample Review**

One (1) finding and no observations resulted from the review of the data and documentation



from Coventry of FL'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 of FL's APTC policies and procedures.

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#### IV. FINDINGS

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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 of FL'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	\$(26,556,859.68)	\$598,050,320.41
Finding No. 1 - EPDW Validations Adjustment	\$(55,533.24)	\$1,332,021.70
Finding No. 2 - Unreconciled Subscribers Review Adjustment	\$12,074.01	\$(267,296.49)
Finding No. 3 – Duplicate Exchange-assigned Subscriber IDs Check Adjustment	\$5,600.56	\$(132,016.31)
Finding No. 4 - Premium Less than APTC Validation Adjustment	\$(3,171.98)	\$3,268.26
Finding No. 5 - Coverage Days Validation Adjustment	\$777.99	\$(6,851.30)
Finding No. 6 – Forty-five (45) Subscribers	\$7,248.18	\$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	\$23,099.10
Finding No. 8 – Fifteen (15) Subscribers Sample Review Adjustment	\$(11.77)	\$0.00
EPDW As Recalculated	\$(26,589,875.93)	\$599,002,545.37
<b>Total Financial Impact</b>	<b>\$(33,016.25)</b>	<b>\$952,224.96</b>

**Note:** Positive values indicate funds owed to the issuer.

The net financial impact of the eight (8) audit findings is a payment to Coventry of FL of \$919,208.71, consisting of \$33,016.25 in FFE user fees owed to CMS and \$952,224.96 in APTC paid to Coventry of FL.

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

<b>Finding No. 1 - EPDW Validations</b>	<b>Condition:</b>	<b>Premium and FFE User Fee Differences</b> – For one or more months of 2015 benefit year enrollment in seventeen (17) QHPs, the net "Total Premium Amount by QHP ID for effectuated enrollments" included in Coventry of FL's EPDW was less than the total premium amount included in Coventry of FL's UF/APTC Desk Audit File, resulting in an understatement of \$1,586,663.95 in premiums and therefore an underpayment of \$55,533.24 in FFE user fees. For the one or more months of 2015 benefit year enrollment in seventeen (17) QHPs, the
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		<p>EPDW was understated by two thousand, two hundred and forty-four (2,244) enrollment groups and three thousand, one hundred and forty-three (3,143) members.</p> <p><b>APTC Differences</b> – For one or more months of 2015 benefit year enrollment in sixteen (16) QHPs, the net "Total APTC Amount by QHP ID for effectuated enrollments" included in Coventry of FL's EPDW was less than the total APTC amount included in Coventry of FL's UF/APTC Desk Audit File, resulting in an underpayment of \$1,332,021.70 in APTC. For the one or more months of 2015 benefit year enrollment in sixteen (16) QHPs, the EPDW was understated by five thousand, two hundred and fifty (5,250) APTC enrollment groups and seven thousand, eight hundred and fifty (7,850) APTC members.</p>
	<b>Criteria:</b>	<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>
	<b>Cause:</b>	<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</p>

		<p>submitted to CMS in September 2017 (October 2017 payment). As stated in the KPMG “2015 FFE &amp; 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 of FL 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</p>
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		of guidance, uncertainty around EPDW reporting requirements, and/or differences in the approaches 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.
	<b>Effect:</b>	The premium/FFE user fee and APTC differences resulted in a change to Coventry of FL's final, restated 2015 benefit year EPDW data.
	<b>Corrective Action Required:</b>	The net financial impact of this finding is a payment to Coventry of FL of \$1,276,488.46, consisting of \$55,533.24 in FFE user fees owed to CMS and \$1,332,021.70 in APTC paid to Coventry of FL. Coventry of FL should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	<b>Management Response:</b>	Agree.

<b>Finding No. 2 - Unreconciled Subscribers Review</b>	<b>Condition:</b>	<p>Coventry of FL overstated the 2015 benefit year premium amounts for two thousand, six hundred and twenty-nine (2,629) subscribers, and overstated the 2015 benefit year APTC amounts for two thousand, one hundred and eighty-seven (2,187) 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 of FL reported negative premium amounts for one thousand and seventy-eight (1,078) subscribers, and reported negative APTC amounts for two (2) of those subscribers and positive APTC amounts for two (2) of those subscribers, with coverage that was not effectuated. As a result, Coventry understated the 2015 benefit year premium amounts for one, thousand and seventy eight (1,078) subscribers, and overstated or understated the 2015 benefit year APTC amounts for four (4) of those subscribers, in the UF/APTC Desk Audit File.</p>
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	<b>Criteria:</b>	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.”
	<b>Cause:</b>	During the audit, the issuer confirmed that coverage for the three thousand, seven hundred and seven (3,707) subscribers, including the one thousand and seventy-eight (1,078) subscribers with negative amounts, was not effectuated in their systems by indicating a “No” in the Effectuated in Issuer’s Systems?” field for each of the subscribers.
	<b>Effect:</b>	The inclusion of the three thousand, seven hundred and seven (3,707) non-effectuated enrollments resulted in a change to Coventry of FL’s final, restated 2015 benefit year EPDW data.
	<b>Corrective Action Required:</b>	The net financial impact of this finding is a payment to CMS of \$255,222.48, consisting of \$12,074.01 in FFE user fees returned to Coventry of FL and \$267,296.49 in APTC owed to CMS. Coventry of FL should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	<b>Management Response:</b>	Agree.

<b>Finding No. 3 - Duplicate Exchange-assigned Subscriber IDs Check</b>	<b>Condition:</b>	Coventry of FL overstated the 2015 benefit year premium amounts for two hundred and thirty (230) subscribers, and overstated the 2015 benefit year APTC amounts for one hundred and eighty-six (186) 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.
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	<b>Criteria:</b>	<p>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.</p>
	<b>Cause:</b>	<p>The issuer indicated one of the following responses for the subscribers:</p> <ul style="list-style-type: none"> <li>• For eleven (11) 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 "Billed Incorrectly" for the record that was considered the duplicate.</li> <li>• For one hundred and ninety-three (193) 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.</li> <li>• For one (1) subscriber, 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 – APTC Loss” for the record that was considered the duplicate.</li> <li>• For two (2) 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 – incorrect ADJ” for the record that was considered the duplicate.</li> <li>• For fifteen (15) 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</li> </ul>



		<p>and indicated “Duplicate Billing – proration”.</p> <ul style="list-style-type: none"> <li>For eight (8) 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”.</li> </ul>
	<b>Effect:</b>	The inclusion of the two hundred and thirty (230) duplicate subscribers resulted in a change to Coventry of FL’s final, restated 2015 benefit year EPDW data.
	<b>Corrective Action Required:</b>	The net financial impact of this finding is a payment to CMS of \$126,415.75, consisting of \$5,600.56 in FFE user fees returned to Coventry of FL and \$132,016.31 in APTC owed to CMS. Coventry of FL should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	<b>Management Response:</b>	Agree.

<b>Finding No. 4 - Premium Less than APTC Validation</b>	<b>Condition:</b>	<p>Coventry of FL reported premium amounts that were less than the APTC amounts for two thousand, three hundred and seven (2,307) subscribers in the UF/APTC Desk Audit File. As a result, Coventry of FL understated the 2015 benefit year premium amounts for two thousand, two hundred and ninety-nine (2,299) subscribers of the two thousand, three hundred and seven (2,307) subscribers, and understated the 2015 benefit year APTC amounts for two (2) of those subscribers, in the UF/APTC Desk Audit file. Additionally, Coventry of FL overstated the 2015 benefit year premium amounts for eight (8) of the two thousand, three hundred and seven (2,307) subscribers, and overstated the 2015 benefit year APTC amounts for one (1) of those subscribers, in the UF/APTC Desk Audit File.</p>
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	<b>Criteria:</b>	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.
	<b>Cause:</b>	<p>The issuer indicated one of the following responses for the subscribers:</p> <ul style="list-style-type: none"> <li>• "NSF Fee" (one thousand, one hundred and ninety-nine (1,999) subscribers);</li> <li>• "Incorrect ADJ - No 2015 Coverage" (forty-seven (47) subscribers);</li> <li>• "Incorrect ADJ" (two hundred and forty-eight (248) subscribers); or,</li> <li>• "Premium minus NSF Fee" (thirteen (13) subscribers).</li> </ul> <p>Based on the feedback that non-sufficient funds (NSF) fees and adjustments were reported on the UF/APTC Desk Audit File, CMS concluded the 2015 benefit year premium amounts were understated for two thousand, two hundred and ninety-nine (2,299) subscribers and the 2015 benefit year APTC amounts were understated for two (2) of those subscribers. Based on the feedback that adjustments were reported, CMS concluded the 2015 benefit year premium amounts were overstated for eight (8) subscribers and the 2015 benefit year APTC amounts were overstated for one (1) of those subscribers.</p>
	<b>Effect:</b>	The inclusion of the incorrect premium amounts and, if applicable, APTC amounts for the two thousand, three hundred and seven (2,307) subscribers resulted in a change to Coventry of FL's final, restated 2015 benefit year EPDW data.
	<b>Corrective Action Required:</b>	The net financial impact of this finding is a payment to Coventry of FL of \$96.28, consisting of \$3,171.98 in FFE user fees owed to CMS and \$3,268.26 in APTC paid to Coventry of FL. Coventry of FL should confirm the financial impact

		and coordinate on resolution with CMS as indicated in section VI of this report.
	<b>Management Response:</b>	Agree.

<b>Finding No. 5 - Coverage Days Validation</b>	<b>Condition:</b>	<p>Coventry of FL overstated the 2015 benefit year premium amounts for four hundred and thirty-six (436) subscribers, and overstated the 2015 benefit year APTC amounts for three hundred and eleven (311) of the those subscribers, in the UF/APTC Desk Audit File by incorrectly reporting enrollments that were not effectuated.</p> <p>Coventry of FL reported negative premium and APTC amounts for three (3) subscribers and therefore understated the 2015 benefit year premium and APTC amounts for those subscribers in the UF/APTC Desk Audit File by incorrectly reporting enrollments that were not effectuated.</p>
	<b>Criteria:</b>	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.
	<b>Cause:</b>	The issuer indicated “Not effectuated” for each of the four hundred and thirty-nine (439) subscribers. The issuer further indicated that "In 2015, Coventry 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."
	<b>Effect:</b>	The inclusion of the enrollment and payment data for the four hundred and thirty-nine (439)

		subscribers resulted in a change to Coventry of FL's final, restated 2015 benefit year EPDW data.
	<b>Corrective Action Required:</b>	The net financial impact of this finding is a payment to CMS of \$6,073.31, consisting of \$777.99 in FFE user fees returned to Coventry of FL and \$6,851.30 in APTC owed to CMS. Coventry of FL should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	<b>Management Response:</b>	Agree.

<b>Finding No. 6 – Forty-five (45) Subscribers Sample Review (Incorrect Prorated Premium Amounts)</b>	<b>Condition:</b>	Coventry of FL overstated the 2015 benefit year premium amounts for two thousand, two hundred and forty-four (2,244) subscribers in the UF/APTC Desk Audit File by incorrectly prorating premium amounts.
	<b>Criteria:</b>	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.
	<b>Cause:</b>	CMS conducted audits of four (4) Coventry issuers. As a result of the Forty-Five (45) Subscribers Sample Review performed during the audits of two (2) of the four (4) Coventry issuers (HIOS IDs 44240 and 44527), it was noted that the incorrect premium amounts were reported for subscribers with a mid-month enrollment and/or termination in 2015. We coordinated with Coventry to determine whether this issue impacted other enrollments reported in the UF/APTC Desk Audit Files for all four Coventry issuers audited for the 2015 benefit year. Coventry noted "The difference in the

		<p>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>Coventry further noted that the issue impacted a total of two thousand, two hundred and forty-four (2,244) subscribers reported in Coventry of FL's UF/APTC Desk Audit File. The total premium impact for the two thousand two hundred and forty-four (2,244) subscribers is an overstatement of \$207,090.91 in premium amounts, and therefore an overpayment of \$7,248.18 in FFE user fees.</p>
	<b>Effect:</b>	The inclusion of the incorrect premium amounts for the two thousand, two hundred and forty-four (2,244) subscribers resulted in a change to Coventry of FL's final, restated 2015 benefit year EPDW data.
	<b>Corrective Action Required:</b>	The net financial impact of this finding is a payment to Coventry of FL of \$7,248.18, consisting of FFE user fees returned to Coventry of FL. Coventry of FL should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	<b>Management Response:</b>	Agree.

<b>Finding No. 7 – Forty-five (45) Subscribers Sample Review (Incorrect APTC Amounts)</b>	<b>Condition:</b>	Coventry of FL understated the 2015 benefit year APTC amounts for seven hundred and six (706) subscribers, including one (1) of the forty-five (45) selected subscribers, and overstated the 2015 benefit year APTC amounts for seventy-three (73) subscribers in the UF/APTC Desk Audit File by incorrectly reporting updated APTC amounts resulting from the auto-renewal process.
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	<b>Criteria:</b>	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.
	<b>Cause:</b>	<p>The issuer indicated for the one (1) subscriber that "This members coverage was incorrect at the time of termination; coverage was corrected in Sept 2018 to update the 2015 APTC from 271.21 to 310.00 as received on the renewal file. Coverage was re-terminated for non-payment effective 1/31/2015. (1) Yes, it should include \$310.00 APTC. Correction processed in our system September 2018 after the restatement was provided. (2) Yes, the member had prior 2014 coverage and January is the first month of the grace period."</p> <p>We coordinated with the issuer to determine whether this issue impacted other enrollments reported in the UF/APTC Audit File. The issuer 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>The issuer further noted that the issue impacted a total of seven hundred and seventy-nine (779) subscribers reported in its UF/APTC Desk Audit File. The total APTC impact for the seven hundred and seventy-nine (779) subscribers is a net underpayment of \$23,099.10 in APTC.</p>
	<b>Effect:</b>	The inclusion of the incorrect APTC amounts for the seven hundred and seventy-nine (779) subscribers resulted in a change to Coventry of FL's final, restated 2015 benefit year EPDW data.

	<b>Corrective Action Required:</b>	The net financial impact of this finding is a payment to Coventry of FL of \$23,099.10, consisting of APTC paid to Coventry of FL. Coventry of FL should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	<b>Management Response:</b>	Agree.

<b>Finding No. 8 – Fifteen (15) Subscribers Sample Review</b>	<b>Condition:</b>	Coventry of FL understated the 2015 benefit year premiums amounts for one (1) of the fifteen (15) selected subscribers in the UF/APTC Desk Audit File by incorrectly reporting a premium adjustment in error.
	<b>Criteria:</b>	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.
	<b>Cause:</b>	<p>The issuer indicated "2015 coverage is a renewal from 2014 benefit year, not a new enrollment. Member failed to pay Jan premiums, triggering APTC grace period (90-days). Jan premiums were received in February. Review of billing reflects incorrect adjustments for Feb 2015 (credit - 336.38). Member is not on Pre-audit but did pay premiums for all of 2015". The issuer further noted "The adjustment was a manual error and did not impact other enrollments" as 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> <p>As a result, CMS concluded the UF/APTC Desk Audit File included a correct premium amount of \$1,071.15 for the months of January and March through December but included an incorrect</p>

		premium amount of \$734.77 for the month of February as an incorrect adjustment was reported due to manual error. Therefore, the premium amount reported for the subscriber for the month of February was understated by \$336.38 in premiums (\$11.77 in FFE user fees).
	<b>Effect:</b>	The inclusion of the incorrect premium amount for the subscriber resulted in a change to Coventry of FL's final, restated 2015 benefit year EPDW data.
	<b>Corrective Action Required:</b>	The net financial impact of this finding is a payment to CMS of \$11.77, consisting of FFE user fees owed to CMS. Coventry of FL should confirm the financial impact and coordinate on resolution with CMS as indicated in section VI of this report.
	<b>Management Response:</b>	Agree.



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## **V. OBSERVATIONS**

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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 no observations.

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## **VI. MANAGEMENT RESPONSES**

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Please provide management's response to the eight (8) findings 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, complete the "Management Response" field of the findings 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, complete the "Management Response" field of the findings 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: 57451

Issuer Name: Coventry Health Care of Florida, Inc. (Coventry of FL)

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 of FL of \$919,208.71, consisting of \$33,016.25 in FFE user fees owed to CMS and \$952,224.96 in APTC paid to Coventry of FL, 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: Jared Albert

(Signature of authorized person acting on behalf of the issuer.)

Printed Name: Jared Albert

(Print name of signature)

Title: CEO, Individual Businesses

(Title of authorized person acting on behalf of the Issuer)

Telephone Number: (800) 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
<b>45 CFR § 156.50 – Financial Support</b>	<p><b>(a) Definitions.</b> The following definitions apply for the purposes of this section:</p> <p>Participating issuer 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>(b) Requirement for State-based Exchange user fees.</b> 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><b>(c) Requirement for Federally-facilitated Exchange user fee.</b> 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>
<b>45 CFR § 156.460 - Reduction of enrollee's share of premium to account for advance payments of the premium tax credit</b>	<p><b>(a) Reduction of enrollee's share of premium to account for advance payments of the premium tax credit.</b> 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"><li>(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;</li><li>(2) Notify the Exchange of the reduction in the portion of the premium charged to the individual in accordance with § 156.265(g); and</li><li>(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.</li></ol>

Regulation	Guidance
<p><b>45 CFR § 156.480 - Oversight of the administration of the cost-sharing reductions and advance payments of the premium tax credit programs.</b></p>	<p><b>(a) Maintenance of records.</b> 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>(b) Annual reporting requirements.</b> 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><b>(c) Audits.</b> 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><b>45 CFR § 156.705 – Maintenance of records for Federally-facilitated Exchanges</b></p>	<p><b>(a) General standard.</b> 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><b>(1)</b> 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><b>(2)</b> 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>(b) Records.</b> 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><b>(c) Record retention timeframe.</b> Issuers offering QHPs in a Federally-facilitated Exchange must maintain all records referenced in paragraph (a) of this section for 10 years.</p> <p><b>(d) Record availability.</b> 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
<b>APTC</b>	Advance Payments of the Premium Tax Credit
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CFR</b>	Code of Federal Regulations
<b>CMS</b>	Centers for Medicare & Medicaid Services
<b>CSR</b>	Cost-sharing Reduction
<b>EPDW</b>	Enrollment and Payment Data Workbook
<b>FFE</b>	Federally-facilitated Exchange
<b>GAGAS</b>	Generally Accepted Government Auditing Standards
<b>HHS</b>	Department of Health and Human Services
<b>HIOS</b>	Health Insurance Oversight System
<b>PPACA</b>	Patient Protection and Affordable Care Act
<b>QHP</b>	Qualified Health Plan
<b>SBE</b>	State-based Exchange
<b>TIN</b>	Tax Identification Number