



*Advance Payments of the Premium Tax Credit (APTC) Program Assessment Report*

*for*

*Blue Cross Blue Shield of Vermont (Vermont)*

*March 10, 2022*

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## I. EXECUTIVE SUMMARY

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### Background

Blue Cross Blue Shield of Vermont (BCBS of VT) is a health insurance issuer that offered qualified health plans (QHPs) in the individual market State-Based Exchange (SBE) in Vermont during the 2015 benefit year. BCBS of VT submitted its final restated 2015 benefit year data in the October 2017 Enrollment and Payment Data Workbook (EPDW). The issuer received a total of \$57,433,729.95 in advance payments of the premium tax credit (APTC) from CMS and reported a total of \$143,596,899.57 in premiums for its 2015 benefit year individual market plans.

This report is an assessment, conducted in coordination with the SBE, of BCBS of VT's compliance with the APTC program established in sections 1401 and 1412 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. This report also details the results of the assessment of premiums for information purposes only as CMS did not charge user fees to issuers offering QHPs through SBEs during the 2015 benefit year.

### Audits to Determine Compliance with the Administration of APTC Program

Under title 45 of the Code of Federal Regulations (CFR) sections §§ [155.1210](#) and [156.480](#), 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 program requirements. HHS designates the Centers for Medicare & Medicaid Services (CMS) to conduct these audits and to achieve the following objectives:

- 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 in the final 2015 EPDW submitted by the issuer, and to analyze controls and policies of selected issuers pursuant to the authority defined in 45 CFR §§ 155.1210 and 156.480.

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

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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.

the final EPDW, then CMS classified it as a *finding*. If CMS found a deviation from CMS or Exchange 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 five (5) findings and five (5) observations for BCBS of VT. The net APTC financial impact of the five (5) findings is an understatement of \$31,407.44 in APTC in the final EPDW and therefore a payment to BCBS of VT of \$31,407.44 in APTC. The net premium impact of the five (5) observations is an overstatement of \$33,090.85 in premiums in the final EPDW. The findings and observations include the following:

### **Findings:**

1. Differences in APTC amounts identified in the comparison of the issuer's data included in the October 2017 EPDW submitted by BCBS of VT to a Payment Desk Audit File containing subscriber level data from BCBS of VT's systems;
2. Inclusion of full month enrollment and APTC payment data for three (3) duplicate subscribers in the Payment Desk Audit File;
3. Inclusion of premium amounts that were less than the APTC amounts and therefore incorrect APTC amounts for seven (7) subscribers in the Payment Desk Audit File; and
4. Inclusion of partial months instead of full months of enrollment in error and therefore incorrectly prorated APTC payment data for three hundred and thirteen (313) subscribers, including eight (8) subscribers with an incorrect coverage period of five (5) days or fewer, in the Payment Desk Audit File; and
5. Exclusion of the APTC amount for one (1) of the forty-five (45) selected subscribers in the Payment Desk Audit File as a transaction received from the SBE was not correctly processed.

### **Observations:**

1. Differences in premium amounts identified in the comparison of the issuer's data included in the October 2017 EPDW submitted by BCBS of VT to a Payment Desk Audit File containing subscriber level data from BCBS of VT's systems;
2. Provision of coverage and reporting of enrollment and payment data in the Payment Desk Audit File for forty-one (41) subscribers with enrollments for which no binder payments were received;
3. Inclusion of full month enrollment and premium data for six (6) duplicate subscribers in the Payment Desk Audit File;
4. Inclusion of premium amounts that were less than the APTC amounts and therefore incorrect premium amounts for two (2) subscribers in the Payment Desk Audit File; and
5. Inclusion of a partial month instead of a full month of enrollment in error and therefore reporting of an incorrect premium amount for one (1) subscriber in the Payment Desk Audit File.

Please refer to section IV for details on the findings and observations 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.

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

#### **Interim Payment Process**

In 2015, CMS implemented a temporary process (“interim payment process”) to calculate and make monthly payments of APTC and advance cost-sharing reduction (CSR) amounts. CMS used this interim payment process to calculate payments for all SBE issuers for the 2014-2017 benefit years. CMS transitioned most SBE issuers to policy-based payments (PBP) in 2018 and transitioned the last SBE to PBP in 2020.

For the 2015 benefit year, the interim payment process required SBE issuer submitters, including issuers in Vermont, 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. SBE issuer submitters were required to calculate the QHP enrollment and payment amounts and to submit that information in the EPDW using their internal source data.

CMS calculated and made monthly payments based on the 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 effectuated enrollment groups
9. Total effectuated enrollment groups with APTC
10. Total effectuated enrollment groups with advance CSR
11. Total effectuated members
12. Total effectuated members with APTC
13. Total effectuated members with advance CSR

CMS conducted a SBE payment close-out process for the 2015 benefit year in which CMS compared the EPDW data against the policy-level reporting (PLR) data submitted by the SBE. The PLR data was based on the monthly submissions that SBEs sent to the Internal Revenue Service (IRS) for reporting purposes and contained cumulative individual market enrollment APTC data. CMS requested that SBEs append an additional field for the QHP ID for each policy and separately submit the data to CMS for this purpose. CMS asked SBEs or SBE issuers to explain any outlier discrepancies between EPDW and PLR data and to re-submit the EPDW, if necessary, or to verify that payment data was accurate despite discrepancies with PLR data.

## **B. Regulations Governing APTC Program**

CMS established an audit protocol to assess health insurance issuers' compliance with the following regulations governing APTC program:

- [45 CFR § 155.1210](#): Maintenance of Records;
- [45 CFR § 156.460](#): Reduction of enrollee's share of premium to account for advance payments of the premium tax credit; and
- [45 CFR § 156.480](#): Oversight of the administration of the cost-sharing reductions and advance payments of the premium tax credit programs.

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 premiums and the APTC program;
- (2) Identify potential CMS APTC payment errors resulting from issuer data reporting errors;
- (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 BCBS of VT for an audit to assess the issuer's compliance with 45 CFR §§ 155.1210, 156.460 and 156.480. CMS evaluated BCBS of VT's activities related to the 2015 benefit year (January 1, 2015 through December 31, 2015) individual market data reported in the final EPDW submitted in October 2017 by the issuer to CMS to support APTC payments and premium amounts.

CMS sent BCBS of VT an electronic letter on February 15, 2019 to notify them of the scope of this audit. CMS's audit contractor sent a follow-up letter to BCBS of VT on February 20, 2019 that identified data requirements required to conduct the audit. CMS's audit contractor reviewed the audit data file submitted by BCBS of VT, as well as the final 2015 EPDW submitted by the issuer to CMS and the PLR data submitted by the SBE to CMS, and used CMS's audit procedures to assess compliance with APTC program rules and regulations<sup>2</sup>.

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

- Validations of the Payment 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 Payment Desk Audit File from the issuer's systems.
  - Unreconciled Subscribers Review: Review and comparison of the subscribers reported in the Payment Desk Audit File to the subscribers included in the SBE's PLR data 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 Payment 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 in the file twice in the same month with full month or incorrectly prorated payment data) were not reported in the file.
  - Premium Less than APTC Validation: Review of the Payment Desk Audit File to verify that the subscribers' premium amounts reported in the file were not less than the APTC amounts reported in the file.
  - Coverage Days Validation: Review of the Payment Desk Audit File to verify that enrollments of five (5) days or fewer reported in 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 the SBE's PLR data 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 Payment 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.

To build collaborative relationships and identify process improvements that support program integrity goals, CMS conducted a discrepancy phase following the review of the initial audit data submission to work with the issuer to resolve or reduce audit findings, thereby improving compliance. Additional follow-up with the SBE was performed as necessary to confirm or resolve the identified audit findings. Below are the results of this review following the discrepancy phase.

#### **EPDW Validation**

One (1) finding and one (1) observation resulted from the comparison of the final 2015 EPDW submitted by the issuer to BCBS of VT's Payment Desk Audit File. Please refer to Finding No. 1 and Observation No. 1 included in section IV for details on the finding and observation.

#### **Unreconciled Subscribers Review**

No findings and one (1) observation resulted from the review of BCBS of VT's Payment Desk Audit File to determine if the subscribers reported in the file existed and their coverage was effectuated in the issuer's systems. Please refer to Observation No. 2 included in section IV for details on the finding and observation.

#### **Duplicate Exchange-assigned Subscriber IDs Check**

One (1) finding and one (1) observation resulted from the review of BCBS of VT's Payment Desk Audit File to verify that duplicate Exchange-assigned subscriber IDs were not reported in the file. Please refer to Finding No. 2 and Observation No. 3 included in section IV for details on the finding and observation.

#### **Premium Less than APTC Validation**

One (1) finding and one (1) observation resulted from the review of BCBS of VT's Payment Desk Audit File to verify that subscribers were not reported in the file with premium amounts that were less than the APTC amounts. Please refer to Finding No. 3 and Observation No. 4 included in section IV for details on the finding and observation.

#### **Coverage Days Validation**

One (1) finding and one (1) observation resulted from the review of BCBS of VT's Payment Desk Audit File to verify that enrollments of five (5) days or fewer reported in the file were effectuated and had active coverage in the issuer's systems. Please refer to Finding No. 4 and Observation No. 5 included in section IV for details on the finding and observation.



**Forty-five (45) Subscribers Sample Review**

One (1) finding and no observations resulted from the review and comparison of the data from BCBS of VT's systems to the corresponding data included in the SBE's PLR data 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. 5 included in section IV for details on the finding.

**Fifteen (15) Subscribers Sample Review**

No findings or observations resulted from the review of the data and documentation from BCBS of VT'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**

No findings or observations resulted from the review of BCBS of VT's APTC policies and procedures.

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#### IV. FINDINGS AND OBSERVATIONS

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A finding is an identification of an instance of issuer non-compliance with APTC program requirements that requires correction to payment. CMS's audit procedures identified five (5) findings, which resulted in a change to the APTC amounts reported in BCBS of VT's EPDW for individual market plans for the 2015 benefit year.

An observation is a deviation from CMS or Exchange 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 five (5) observations, consisting of three (3) observations that resulted in a change to the premium amounts reported in BCBS of VT's EPDW for individual market plans for the 2015 benefit year and two (2) observations that did not result in a change to the premium amounts reported in BCBS of VT's EPDW but that are noted for purposes of improving compliance in future program years.

In light of the five (5) findings and five (5) observations, the adjusted 2015 benefit year EPDW APTC and premium amounts for individual market plans are shown in the following table.

**Recalculated EPDW for the 2015 Benefit Year**

	APTC	Premium (Observations)
EPDW as Filed in October 2017	\$57,433,729.95	\$143,596,899.57
Finding No. 1 and Observation No. 1 – EPDW Validations Adjustment	\$(2,540.62)	\$(17,144.40)
Observation No. 2 – Unreconciled Subscribers Review Adjustment	\$0.00	\$0.00
Finding No. 2 and Observation No. 3 – Duplicate Exchange- assigned Subscriber IDs Check Adjustment	\$(6,848.31)	\$(21,813.44)
Finding No. 3 and Observation No. 4 – Premium Less Than APTC Validation Adjustment	\$(17,438.85)	\$5,361.40

	APTC	Premium (Observations)
Finding No. 4 and Observation No. 5 – Coverage Days Validation Adjustment	\$58,078.46	\$505.59
Finding No. 5 – Forty-five (45) Subscribers Sample Review Adjustment	\$156.76	\$0.00
EPDW As Recalculated	\$57,465,137.39	\$143,563,808.72
<b>Total Impact</b>	<b>\$31,407.44</b>	<b>\$(33,090.85)*</b>

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

The net financial impact of the five (5) findings is a payment of \$31,407.44, consisting of APTC paid to BCBS of VT.

\*Note: The premium impact of the five (5) observations is an overstatement of \$33,090.85 in premiums. The premium impact is noted for purposes of improving compliance in future program years.

For the five (5) findings and five (5) observations, CMS documented the criteria, cause, effect, corrective actions, and BCBS of VT's responses as seen in the charts below.

<b>Finding No. 1 and Observation No. 1 – EPDW Validations</b>	
<b>Condition:</b>	<p><b>APTC Differences (Finding)</b> – For one (1) 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 BCBS of VT's EPDW was greater than the total APTC amount included in BCBS of VT's Payment Desk Audit File, resulting in an overpayment of \$2,540.62 in APTC. For the one (1) or more months of 2015 benefit year enrollment in sixteen (16) QHPs, the total net enrollment in the EPDW was understated by sixty-six (66) APTC enrollment groups and overstated by two (2) APTC members.</p> <p><b>Premium Differences (Observation)</b> – For one (1) or more months of 2015 benefit year enrollment in five (5) QHPs, the net "Total Premium Amount by QHP ID for effectuated enrollments" included in BCBS of VT's EPDW was greater than the total premium amount included in BCBS of VT's Payment Desk Audit File, resulting in an overstatement of \$17,144.40 in premiums. For the one (1) or more months of 2015 benefit year enrollment in five (5) QHPs, the total net enrollment in the</p>

<b>Finding No. 1 and Observation No. 1 – EPDW Validations</b>	
	EPDW was overstated by twenty-eight (28) enrollment groups and fifty-seven (57) members.
<b>Criteria:</b>	<p>Pursuant to CMS guidance and EPDW submission requirements:</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>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.”</p>
<b>Cause:</b>	The issuer indicated “The restated 2015 benefit year EPDW was populated with data as known in October 2017 while the 1A file included data as known on April 30, 2019. The small discrepancies reflect the different timing and enrollment transactions received between October 2017 and April 2019.”
<b>Effect:</b>	The APTC and premium differences resulted in a change to BCBS of VT’s final, restated 2015 benefit year EPDW data.
<b>Corrective Action Required:</b>	<p>The net financial impact of this finding is a payment of \$2,540.62, consisting of APTC owed to CMS. BCBS of VT should confirm the financial impact and coordinate on resolution with CMS.</p> <p>The premium impact of this observation is an overstatement of \$17,144.40 in premiums. CMS notes this observation for purposes of improving compliance in future program years.</p>
<b>Management Response:</b>	The 2015 benefit year reflects work performed in the second year of onboarding our state-based marketplace/exchange. Processes were still being worked out with the state and a weekly reconciliation process was later developed and implemented. In 2019, our Plan sunset the enrollment and claim processing system used and audited during the 2015 benefit year audit and migrated to a new system which resulted in significant process overhaul and improvement. In addition, in 2022 the Plan has assumed responsibility for premium billing from the state-based marketplace.

<b>Observation No. 2 – Unreconciled Subscribers Review</b>	
<b>Condition:</b>	BCBS of VT effectuated the enrollment in error and provided coverage for forty-one (41) subscribers reported in the Payment Desk Audit File.

<b>Observation No. 2 – Unreconciled Subscribers Review</b>	
<b>Criteria:</b>	<p>The Vermont SBE handled premium billing/processing for the 2015 benefit year and pursuant to the SBE policies and procedures “initial enrollment information and payment is not forwarded to carriers by Vermont Health Connect until full payment is received for all plan selections.” The SBE indicated it followed CMS rules and regulations detailed in 45 CFR 155.400(e), where Exchanges may, and the Federally-facilitated Exchanges will require payment of the first month’s premium to effectuate an enrollment. Pursuant to CMS guidance and EPDW submission requirements, the EPDW should include data for effectuated enrollments where an effectuated enrollment is described 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.”</p> <p>Additionally, pursuant to 45 CFR § 156.270, QHP issuers must abide by the termination of coverage or enrollment effective dates described in § 155.430(d) of subchapter B.</p>
<b>Cause:</b>	<p>The issuer indicated “BCBSVT enrolls and effectuates customers based on enrollment information from VHC. Any names and effective dates from BCBSVT data reflects effectuated coverage for the individuals as we received them from VHC” and “VHC was considered the source of record.”</p> <p>For the forty-one (41) subscribers that existed in the issuer’s Payment Desk Audit File but not the SBE’s PLR data, the SBE indicated “Coverage canceled.” The issuer indicated that no payment was found or a net total payment amount of \$0.00 was received; however, the issuer confirmed coverage was provided to the forty-one (41) subscribers.</p>
<b>Effect:</b>	The issuer did not follow SBE enrollment guidance and requirements as the issuer provided coverage when no binder payments were received, and the coverage was cancelled by the SBE.
<b>Corrective Action Required:</b>	CMS notes this observation for purposes of improving compliance in future program years.
<b>Management Response:</b>	The 2015 benefit year reflects work performed in the second year of onboarding our state-based marketplace/exchange. Processes were still being worked out with the state and a weekly reconciliation process was later developed and implemented. In 2019, our Plan sunset the enrollment and claim processing system used and audited during the 2015 benefit year audit and migrated to a new system which resulted in significant process overhaul and improvement. In addition, in 2022 the

<b>Observation No. 2 – Unreconciled Subscribers Review</b>	
	Plan has assumed responsibility for premium billing from the state-based marketplace.

<b>Finding No. 2 and Observation No. 3 - Duplicate Exchange-assigned Subscriber IDs Check</b>	
<b>Condition:</b>	BCBS of VT overstated the 2015 benefit year premium amounts for six (6) subscribers, and overstated the 2015 benefit year APTC amounts for three (3) of those subscribers, in the Payment Desk Audit File, by reporting enrollment and full month payment data for the subscribers more than once in the same month.
<b>Criteria:</b>	Issuers cannot request full month payment from CMS for the same subscriber twice within a month.
<b>Cause:</b>	<p>The issuer indicated for the four (4) subscribers with the same premium and, if applicable, APTC amount reported twice in the same month for multiple months of enrollment:</p> <ul style="list-style-type: none"> <li>• “These are two distinct separate setups for the same member. The lack of SSN in the initial 2014 data set and then the inclusion of the SSN combined with a new State exchange ID would cause a unique new membership to be created.”</li> <li>• The issuer indicated there were two different family policies with different individuals listed as the subscriber and “claims were paid on Policy ID [issuer provided policy ID] only but premium payments were received for both policies.”</li> <li>• The issuer indicated that VHC sent two different transactions to add family coverage with different individuals as the subscriber.</li> <li>• The issuer indicated that VHC sent two different transactions to add family coverage with different individuals as the subscriber and noted, “Our system reflects what VHC sent. No payments were received throughout the enrollment period for Policy ID [issuer provided policy ID].”</li> </ul> <p>The issuer indicated the following for the two (2) subscribers with different amounts reported twice in the same month for multiple months of enrollment:</p> <ul style="list-style-type: none"> <li>• “On 12/14 VHC sent a 01/01/15 add for the membership. The membership errored on inbound and was manually loaded to an existing record for the member in the BCBSVT system. On</li> </ul>

<b>Finding No. 2 and Observation No. 3 - Duplicate Exchange-assigned Subscriber IDs Check</b>	
	<p>4/7/15 VHC sent another Add transaction with a different benefit (change in cost share value) and that transaction created a new record for the member. This is one membership represented across two id numbers. No payments were received throughout the enrollment period for Policy ID [issuer provided policy ID].”</p> <ul style="list-style-type: none"> <li>• “Midyear, VHC appears to have made a head of household/subscriber change resulting in the 9/1/15 add.” The issuer further indicated that no termination was received for the original enrollment “so it remained open until year end when it was termed in passive processing. No payments were received throughout the enrollment period for Policy ID [issuer provided policy ID].”</li> </ul> <p>CMS concluded the Payment Desk Audit File was overstated as a result of the inclusion of the duplicate records for the six (6) subscribers as issuers cannot request full month payment from CMS for the same subscriber twice within a month.</p>
<b>Effect:</b>	The inclusion of the six (6) duplicate subscribers resulted in a change to BCBS of VT’s final, restated 2015 benefit year EPDW data.
<b>Corrective Action Required:</b>	<p>The net financial impact of this finding is a payment of \$6,848.31, consisting of APTC owed to CMS. BCBS of VT should confirm the financial impact and coordinate on resolution with CMS.</p> <p>The premium impact of this observation is an overstatement of \$21,813.44 in premiums. CMS notes this observation for purposes of improving compliance in future program years.</p>
<b>Management Response:</b>	The 2015 benefit year reflects work performed in the second year of onboarding our state-based marketplace/exchange. Processes were still being worked out with the state and a weekly reconciliation process was later developed and implemented. In 2019, our Plan sunset the enrollment and claim processing system used and audited during the 2015 benefit year audit and migrated to a new system which resulted in significant process overhaul and improvement. In addition, in 2022 the Plan has assumed responsibility for premium billing from the state-based marketplace.

<b>Finding No. 3 and Observation No. 4 - Premium Less than APTC Validation</b>	
<b>Condition:</b>	BCBS of VT reported 2015 benefit year premium amounts that were less than the APTC amounts for nine (9) subscribers in the Payment Desk Audit File, resulting from BCBS of VT overstating the 2015 benefit year APTC amounts for seven (7) subscribers and understating the 2015 benefit year premium amounts for two (2) subscribers in the Payment Desk Audit File.
<b>Criteria:</b>	Issuers cannot report an APTC amount that exceeds the premium amount for a policy.
<b>Cause:</b>	<p>The issuer indicated the following explanations for the nine (9) subscribers:</p> <ul style="list-style-type: none"> <li>• “Incorrect APTC Amount in DATA - System is correct.” (Seven (7) subscribers)</li> <li>• “Incorrect Premium Amount in DATA - System is correct.” (Two (2) subscribers)</li> </ul>
<b>Effect:</b>	The inclusion of the incorrect APTC and premium amounts for the nine (9) subscribers resulted in a change to BCBS of VT’s final, restated 2015 benefit year EPDW data.
<b>Corrective Action Required:</b>	<p>The net financial impact of this finding is a payment of \$17,438.85, consisting of APTC owed to CMS. BCBS of VT should confirm the financial impact and coordinate on resolution with CMS.</p> <p>The premium impact of this observation is an understatement of \$5,361.40 in premiums. CMS notes this observation for purposes of improving compliance in future program years.</p>
<b>Management Response:</b>	The 2015 benefit year reflects work performed in the second year of onboarding our state-based marketplace/exchange. Processes were still being worked out with the state and a weekly reconciliation process was later developed and implemented. In 2019, our Plan sunset the enrollment and claim processing system used and audited during the 2015 benefit year audit and migrated to a new system which resulted in significant process overhaul and improvement. In addition, in 2022 the Plan has assumed responsibility for premium billing from the state-based marketplace.



<b>Finding No. 4 and Observation No. 5 - Coverage Days Validation</b>	
<b>Condition:</b>	<p>BCBS of VT understated the 2015 benefit year APTC amounts for eight (8) subscribers in the Payment Desk Audit File by reporting an enrollment record with an incorrect coverage period of five (5) days or fewer with prorated APTC data in error as the subscribers had a full month of coverage.</p> <p>Upon review of the issuer's Payment Desk Audit File, it was noted that the 2015 benefit year APTC amounts were understated for three hundred and five (305) additional subscribers and the 2015 benefit year premium amounts were understated for one (1) additional subscriber reported in the Payment Desk Audit File as a result of the incorrect reporting of partial months of enrollment.</p>
<b>Criteria:</b>	<p>Pursuant to CMS guidance, the issuer must create a single Inbound Payment Desk Audit File consisting of detailed enrollment group effectuated enrollment records (one per enrollment group, per month) with the corresponding payment data.</p>
<b>Cause:</b>	<p>For eight (8) subscribers, the issuer's Payment Desk Audit File included one (1) enrollment record with an incorrect coverage period of five (5) days or fewer when the subscriber had a full month of coverage. The enrollment records for the eight (8) subscribers included the correct full month premium amounts; however, the issuer understated the APTC amounts as the Payment Desk Audit File included prorated APTC amounts in error when full month APTC amounts should have been reported. The issuer indicated the following for the eight (8) subscribers:</p> <ul style="list-style-type: none"> <li>• "Change in PCP generated a new enrollment record. Policy was active from [issuer provided date to issuer provided date] with monthly premium of \$[issuer provided premium amount] and monthly APTC of \$[issuer provided APTC amount]." (Six (6) subscribers)</li> <li>• "Change in HRA vendor generated a new enrollment record. Policy was active from 01/01 to 12/31 with monthly premium of \$384.02 and APTC amount of \$334.40." (One (1) subscriber)</li> <li>• "Member was enrolled continuously from 06/01 to 12/31 with monthly premium of \$624.18 and monthly APTC of \$31.74." (One (1) subscriber)</li> </ul> <p>The issuer performed an investigation of the enrollments reported in the Payment Desk Audit File with mid-month terminations and enrollments to determine whether the incorrect coverage periods and therefore amounts were reported. The issuer indicated, "The</p>

<b>Finding No. 4 and Observation No. 5 - Coverage Days Validation</b>	
	enrollment system generates a new enrollment record each time any of the enrollment information changes. These include changes that do not impact premium or APTC. The desk audit file required a format that is inconsistent with the enrollment system, which created effective date and expiration dates by months that appear to have partial enrollment for in fact do not.” The issuer provided the correct benefit begin and end dates and the correct full month APTC amounts for three hundred and five (305) subscribers as the subscribers had coverage for the entire month. Additionally, the issuer provided the correct benefit begin and end date and correct premium amount for one (1) subscriber in the Payment Desk Audit File.
<b>Effect:</b>	The inclusion of the incorrect partial months of enrollment for the three hundred and fourteen (314) subscribers resulted in a change to BCBS of VT’s final, restated 2015 benefit year EPDW data.
<b>Corrective Action Required:</b>	<p>The net financial impact of this finding is a payment of \$58,078.46, consisting of APTC paid to BCBS of VT. BCBS of VT should confirm the financial impact and coordinate on resolution with CMS.</p> <p>The premium impact of this observation is an understatement of \$505.59 in premiums. CMS notes this observation for purposes of improving compliance in future program years.</p>
<b>Management Response:</b>	The 2015 benefit year reflects work performed in the second year of onboarding our state-based marketplace/exchange. Processes were still being worked out with the state and a weekly reconciliation process was later developed and implemented. In 2019, our Plan sunset the enrollment and claim processing system used and audited during the 2015 benefit year audit and migrated to a new system which resulted in significant process overhaul and improvement. In addition, in 2022 the Plan has assumed responsibility for premium billing from the state-based marketplace.

<b>Finding No. 5 - Forty-five (45) Subscribers Sample Review</b>	
<b>Condition:</b>	BCBS of VT understated the 2015 APTC amounts for one (1) subscriber of the forty-five (45) selected subscribers in the Payment Desk Audit File by reporting an enrollment received from the SBE as a non-APTC benefit package in error.
<b>Criteria:</b>	Pursuant to 45 CFR § 156.460, a QHP issuer that receives notice from the Exchange that an individual enrolled in the issuer's QHP is eligible

<b>Finding No. 5 - Forty-five (45) Subscribers Sample Review</b>	
	<p>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.</p> <p>Pursuant to CMS guidance, the APTC amount reported in the EPDW and Payment Desk Audit File is the APTC amount toward the total premium amount for effectuated enrollments.</p>
<b>Cause:</b>	<p>For the subscriber with an APTC amount of \$0.00 in the Payment Desk Audit File for November and December but with an APTC amount of \$78.38 in the SBE's PLR data, the issuer indicated that "We received an Interim Change Process (ICP) spreadsheet from VHC on 3/16/2016 requesting the APTC amount of \$78.38. We erroneously processed this member on a non-APTC benefit package resulting in no APTC being billed." The SBE indicated "Our 834 transaction records do not show a reversal of the Nov-Dec 2015 APTC amount of 78.38. The VHC system also still shows 78.38 APTC during Nov-Dec 2015." The Vermont SBE handled premium billing/processing for the 2015 benefit year. Therefore, CMS concluded that the subscriber was correctly billed the APTC amount; however, the issuer's Payment Desk Audit File was understated and the issuer was owed APTC for the two (2) months of enrollment.</p> <p>The issuer further indicated "Based on further investigation we have determined this was an isolated occurrence as it was a manually processed and had no impact to other transactions."</p>
<b>Effect:</b>	<p>The exclusion of the APTC amount for the one (1) subscriber resulted in a change to BCBS of VT's final, restated 2015 benefit year EPDW data.</p>
<b>Corrective Action Required:</b>	<p>The net financial impact of this finding is a payment of \$156.76, consisting of APTC paid to BCBS of VT. BCBS of VT should confirm the financial impact and coordinate on resolution with CMS.</p>
<b>Management Response:</b>	<p>The 2015 benefit year reflects work performed in the second year of onboarding our state-based marketplace/exchange. Processes were still being worked out with the state and a weekly reconciliation process was later developed and implemented. In 2019, our Plan sunset the enrollment and claim processing system used and audited during the 2015 benefit year audit and migrated to a new system which resulted in significant process overhaul and improvement. In</p>

<b>Finding No. 5 - Forty-five (45) Subscribers Sample Review</b>	
	addition, in 2022 the Plan has assumed responsibility for premium billing from the state-based marketplace.

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## **V. MANAGEMENT RESPONSES**

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Please provide management's response to the five (5) findings and five (5) observations 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 five (5) findings and five (5) observations, complete the "Management Response" field of the findings and observations 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 on the CCIIO webpage. CMS will process the final payment adjustment amount in the next available monthly payment cycle.

### **Disagreement**

If management disagrees with any of the five (5) findings and corrective actions or any of the five (5) observations, complete the "Management Response" field of the findings and observations 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 observations 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.

Please return the updated Appendix 1 within fifteen (15) calendar days. Upon receipt of the signed Appendix 1, CMS will finalize and publish the report on the CCIIO webpage. CMS will process the final payment adjustment amount in the next available monthly payment cycle.

## Appendix 1 – Issuer Management Response to Net Financial Adjustment

Issuer HIOS ID: 13627

Issuer Name: Blue Cross Blue Shield of Vermont (BCBS of VT)

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 program participation, resulting in a payment of \$31,407.44 to BCBS of VT and:

(INITIAL RG) 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: Ruth Greene  
Ruth Greene (Apr 8, 2022 17:54 EDT)  
(Signature of authorized person acting on behalf of the issuer)

Printed Ruth Greene  
Name:  
(Print name of signature)

Title: Vice President, Treasurer & CFO  
(Title of authorized person acting on behalf of the Issuer)

Telephone Number: (802) 371-3210  
(Direct Telephone Number)

Date: April 8, 2022

## Appendix 2 – Applicable Regulations

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

Regulation	Rules
<b>45 CFR § 155.1210 – Maintenance of Records</b>	<p><b>(a) General.</b> The State Exchange must maintain and must ensure its contractors, subcontractors, and agents maintain for 10 years, documents and records (whether paper, electronic, or other media) and other evidence of accounting procedures and practices, which are sufficient to do the following:</p> <ul style="list-style-type: none"><li>(1) Accommodate periodic auditing of the State Exchange's financial records; and</li><li>(2) Enable HHS or its designee(s) to inspect facilities, or otherwise evaluate the State- Exchange's compliance with Federal standards.</li></ul> <p><b>(b) Records.</b> The State Exchange and its contractors, subcontractors, and agents must ensure that the records specified in paragraph (a) of this section include, at a minimum, the following:</p> <ul style="list-style-type: none"><li>(1) Information concerning management and operation of the State Exchange's financial and other record keeping systems;</li><li>(2) Financial statements, including cash flow statements, and accounts receivable and matters pertaining to the costs of operations;</li><li>(3) Any financial reports filed with other Federal programs or State authorities;</li><li>(4) Data and records relating to the State Exchange's eligibility verifications and determinations, enrollment transactions, appeals, and plan variation certifications; and</li><li>(5) Qualified health plan contracting (including benefit review) data and consumer outreach and Navigator grant oversight information.</li></ul> <p><b>(c) Availability.</b> A State Exchange must make all records and must ensure its contractors, subcontractors, and agents must make all records in paragraph (a) of this section available to HHS, the OIG, the Comptroller General, or their designees, upon request.</p>

Regulation	Rules
<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> <p>(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;</p> <p>(2) Notify the Exchange of the reduction in the portion of the premium charged to the individual in accordance with § 156.265(g); and</p> <p>(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.</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><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>



Regulation	Rules
<p><b>45 CFR § 156.705 – Maintenance of records for Federally-facilitated Exchanges</b></p>	<p><b>(a) <i>General standard.</i></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) <i>Records.</i></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) <i>Record retention timeframe.</i></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) <i>Record availability.</i></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

<b>Terms &amp; Acronyms</b>	<b>Definition</b>
<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>DHHS</b>	Department of Health and Human Services
<b>EPDW</b>	Enrollment and Payment Data Workbook
<b>GAGAS</b>	Generally Accepted Government Auditing Standards
<b>HIOS</b>	Health Insurance Oversight System
<b>IRS</b>	Internal Revenue Service
<b>PPACA</b>	Patient Protection and Affordable Care Act
<b>PLR</b>	Policy-level Reporting
<b>QHP</b>	Qualified Health Plan
<b>SBE</b>	State-based Exchange
<b>TIN</b>	Tax Identification Number