

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**CMS DID NOT PROVIDE EFFECTIVE  
OVERSIGHT TO ENSURE THAT STATE  
MARKETPLACES ALWAYS PROPERLY  
DETERMINED INDIVIDUALS' ELIGIBILITY  
FOR QUALIFIED HEALTH PLANS AND  
INSURANCE AFFORDABILITY PROGRAMS**

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Inspector General

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# *Office of Inspector General*

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## Report in Brief

Date: September 2017  
Report No. A-09-16-01002

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why **OIG** Did This Review

The Centers for Medicare & Medicaid Services (CMS) oversees implementation of health insurance provisions for the Affordable Care Act and works with States to establish marketplaces, which evaluate individuals' eligibility for qualified health plans (QHPs) and insurance affordability programs (i.e., the premium tax credit and cost-sharing reductions). Our prior reviews of seven State marketplaces found that not all of their internal controls were effective in ensuring that individuals were properly determined eligible for QHPs and insurance affordability programs. These deficiencies led us to review the effectiveness of CMS's oversight of State marketplaces.

Our objective was to determine whether CMS provided effective oversight to ensure that State marketplaces determined individuals' eligibility for QHPs and insurance affordability programs according to Federal requirements.

### How **OIG** Did This Review

We focused our review on CMS's oversight activities at the seven marketplaces we previously reviewed. We reviewed CMS's policies and procedures and documentation related to annual open enrollment readiness reviews for the 2015 and 2016 coverage years and State Marketplace Annual Reporting Tool (SMART) reviews for the 2014 coverage year. Further, we interviewed CMS officials and obtained information from marketplaces using questionnaires.

## **CMS Did Not Provide Effective Oversight To Ensure That State Marketplaces Always Properly Determined Individuals' Eligibility for Qualified Health Plans and Insurance Affordability Programs**

### What **OIG** Found

Although CMS provided oversight and technical assistance, it did not ensure for the 2014 through 2016 coverage years that all State marketplaces (1) had the system functionality to verify individuals' eligibility for QHPs and insurance affordability programs and resolve inconsistencies in eligibility data according to Federal requirements and (2) had or used the system functionality to perform the process for determining ineligibility for individuals who had not filed a tax return to reconcile the premium tax credit. Further, CMS did not ensure that all of the marketplaces completed required independent audits. Without effective oversight, CMS cannot confirm that State marketplaces properly determine individuals' eligibility. By improving its oversight, CMS may reduce the risk that individuals receive financial assistance to which they are not entitled.

We also identified three weaknesses in CMS's procedures for SMART reviews. (The SMART is a reporting document that State marketplaces must submit annually to CMS to demonstrate that they meet program integrity standards.) Although these weaknesses did not result in State marketplaces' noncompliance with Federal requirements, CMS could improve its SMART review procedures to strengthen its oversight of marketplaces.

### What **OIG** Recommends and CMS Comments

To improve its oversight of State marketplaces, we recommend that CMS (1) set firm deadlines for marketplaces to fully develop system functionality for verifying applicants' eligibility and resolving inconsistencies, assess potential enforcement mechanisms that would ensure that marketplaces meet those deadlines, and, if such mechanisms are identified, seek legislative authority to establish them; (2) monitor marketplaces' progress in developing and using current and future system functionality; and (3) ensure that marketplaces complete required independent audits annually. To improve CMS's procedures for SMART reviews, we made three procedural recommendations.

CMS concurred with most of our recommendations. However, CMS did not concur with our first recommendation and did not state whether it concurred with one of our three procedural recommendations. After reviewing CMS's comments, we refined the second part of our first recommendation and now recommend that CMS assess potential enforcement mechanisms and seek legislative authority to establish them.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA)<sup>1</sup> established health insurance marketplaces in all 50 States and the District of Columbia. A marketplace is designed to serve as a “one-stop shop” at which individuals get information about their health insurance options; are evaluated for eligibility for a qualified health plan (QHP) and, when applicable, eligibility for insurance affordability programs; and enroll in the QHP of their choice.<sup>2</sup> A State may establish and operate its own marketplace, i.e., a State-based marketplace (State marketplace). The Centers for Medicare & Medicaid Services (CMS) oversees the implementation of the ACA provisions related to health insurance and works with States to establish marketplaces.

Previous Office of Inspector General (OIG) reviews of seven State marketplaces across the Nation found that not all of the marketplaces’ internal controls were effective in ensuring that individuals were properly determined eligible for QHPs and insurance affordability programs for the 2014 insurance coverage year.<sup>3</sup> For example, when determining eligibility for insurance affordability programs, four marketplaces did not always verify individuals’ annual household income properly. These internal control deficiencies led us to review the effectiveness of CMS’s oversight activities related to the eligibility determination process at State marketplaces. This report is part of a broader portfolio of OIG reviews examining various aspects of marketplace operations, including payment accuracy, eligibility verifications, management and administration, and data security.<sup>4</sup>

### OBJECTIVE

Our objective was to determine whether CMS provided effective oversight to ensure that State marketplaces determined individuals’ eligibility for QHPs and insurance affordability programs according to Federal requirements.<sup>5</sup>

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

<sup>2</sup> An individual is considered to be enrolled in a QHP when he or she has been determined eligible and has paid the first monthly insurance premium.

<sup>3</sup> We performed separate reviews of the Colorado, District of Columbia, Kentucky, Minnesota, New York, Vermont, and Washington marketplaces. Our reviews covered the first open enrollment period, October 1, 2013, through March 31, 2014, for insurance coverage effective in calendar year 2014. See Appendix A for a list of the reports on the seven State marketplaces.

<sup>4</sup> See “Affordable Care Act Reviews” on the OIG website for a list of related OIG reports on marketplace operations: <https://oig.hhs.gov/reports-and-publications/aca/>.

<sup>5</sup> The Federal requirements for State marketplaces’ eligibility determinations for QHPs and insurance affordability programs are included in 45 CFR part 155.

## **BACKGROUND**

### **Health Insurance Marketplaces**

The ACA established marketplaces to allow individuals and small businesses to shop for health insurance in all 50 States and the District of Columbia. A marketplace allows insurance companies (issuers) to offer individuals private health insurance plans, known as QHPs, and enrolls individuals in those plans. For the 2016 coverage year, 12 States and the District of Columbia used State marketplaces to determine individuals' eligibility for enrollment in QHPs and for insurance affordability programs.<sup>6</sup>

The ACA provides financial assistance payments to lower individuals' insurance premiums or out-of-pocket costs, or both, through two types of insurance affordability programs: the premium tax credit and cost-sharing reductions. The premium tax credit reduces the cost of a plan's premium and is available at tax filing time or in advance. When paid in advance, the credit is referred to as the "advance premium tax credit" (APTC). Cost-sharing reductions help individuals with out-of-pocket costs, such as deductibles, coinsurance, and copayments.

### **Eligibility for Qualified Health Plans and Insurance Affordability Programs**

To be eligible to enroll in a QHP, an individual must be a U.S. citizen, a U.S. national, or lawfully present in the United States; not be incarcerated; and meet applicable residency standards. To be eligible for insurance affordability programs, the individual must meet additional requirements including annual household income and family size. An individual who receives the APTC must file a Federal income tax return to reconcile APTC payments received in a prior year with the premium tax credit amount for which the individual was eligible.<sup>7</sup>

Marketplaces use multiple electronic data sources to verify the information submitted by applicants for enrollment,<sup>8</sup> including sources available through the Federal Data Services Hub (Data Hub).<sup>9</sup> Generally, when a marketplace cannot verify information that the applicant submitted or the information is inconsistent with information available through the Data Hub or other sources, the marketplace must attempt to resolve the inconsistency. In addition, for

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<sup>6</sup> The remaining 38 States used the federally facilitated marketplace's information technology system through the [HealthCare.gov](https://www.healthcare.gov) website to determine individuals' eligibility for enrollment in QHPs and for insurance affordability programs.

<sup>7</sup> The APTC is calculated on the basis of projected annual household income, while the premium tax credit amount is calculated on the basis of actual household income for that year.

<sup>8</sup> For the purpose of this report, "applicant" refers to a person who seeks coverage in a QHP.

<sup>9</sup> The Data Hub is a single conduit for marketplaces to send electronic data to and receive electronic data from multiple Federal agencies; it does not store data. The data sources available through the Data Hub are the U.S. Department of Health and Human Services, Social Security Administration, and the Internal Revenue Service (IRS), among others.



the 2016 and future coverage years, a marketplace must verify whether an applicant who had received APTC payments filed a tax return that reconciled those payments. If the marketplace determines that the applicant did not file a tax return that reconciled the APTC, the applicant is determined ineligible for insurance affordability programs. (CMS refers to the marketplace’s verification of filing the tax return and determination of ineligibility as the “failure to file and reconcile” (FTR) process.)

According to CMS, as of March 31, 2016, approximately 9.4 million individuals nation-wide were receiving APTC payments, of which 2.1 million were enrolled through the State marketplaces. The average monthly APTC payment nation-wide was \$291 per month.<sup>10</sup>

### **CMS’s Oversight of State Marketplaces**

CMS oversees implementation of certain ACA provisions related to State marketplaces.<sup>11</sup> Specifically, CMS sets standards for the establishment and operation of State marketplaces and implementing procedures that it determines appropriate to reduce fraud and abuse.<sup>12</sup> Further, CMS established program integrity standards that require State marketplaces to monitor and report on all marketplace-related activities, such as requiring that State marketplaces submit annually the results of independent programmatic audits.<sup>13</sup> CMS stated that these standards help to ensure that the marketplaces comply with Federal regulations (45 CFR part 155) for marketplace establishment and other standards under the ACA and appropriately administer the insurance affordability programs.<sup>14</sup>

As part of its program integrity standards, CMS requires State marketplaces to submit various reports to CMS, including reports that identify eligibility determination errors. However, the program integrity standards do not include specific enforcement mechanisms for CMS to ensure that State marketplaces comply with 45 CFR part 155.<sup>15</sup> According to CMS officials, CMS could restrict or withhold establishment grant funds awarded to State marketplaces<sup>16</sup> if the

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<sup>10</sup> CMS, [March 31, 2016 Effectuated Enrollment Snapshot](#), June 30, 2016. Accessed on November 7, 2016.

<sup>11</sup> Other Federal agencies also oversee the implementation of ACA provisions. For example, the U.S. Department of the Treasury is responsible for making payments of APTCs and advance cost-sharing reductions to QHP issuers (ACA § 1412(a)(3)).

<sup>12</sup> ACA §§ 1313 and 1321.

<sup>13</sup> 45 CFR part 155, subpart M.

<sup>14</sup> 78 Fed. Reg. 65046, 65065 (Oct. 30, 2013). CMS refers to these standards as “Program Integrity Final Rule Part II.”

<sup>15</sup> For the purpose of this report, the term “enforcement mechanisms” refers to actions that can be taken against State marketplaces that do not comply with Federal requirements.

<sup>16</sup> CMS awarded to the seven State marketplaces we previously reviewed \$1.97 billion in establishment grants from September 20, 2010, through December 22, 2014.

marketplaces did not comply with the terms of the grants to develop specific eligibility and enrollment system functionality.<sup>17</sup> CMS had no similar enforcement mechanisms if marketplaces did not comply with Federal requirements after the establishment grants ended.<sup>18</sup>

In April 2015, CMS created a manual, which includes procedures for its employees who oversee and monitor State marketplaces, entitled *SBM [State-based marketplace] Oversight and Monitoring Program Operating Manual (Oversight Manual)*.<sup>19</sup>

### **CMS's Oversight Activities: Open Enrollment Readiness Reviews and State Marketplace Annual Reporting Tool Reviews**

CMS conducts oversight of and provides technical assistance to State marketplaces<sup>20</sup> related to their eligibility determinations for applicants and their enrollment processes. After the open enrollment period for the 2014 coverage year ended, oversight activities included annual open enrollment readiness reviews (readiness reviews) and State Marketplace Annual Reporting Tool (SMART) reviews.

#### *Open Enrollment Readiness Reviews*

During annual readiness reviews, CMS discusses with State marketplace officials the marketplaces' readiness for the open enrollment period for the upcoming coverage year, including issues related to verifying the eligibility of applicants for QHPs and insurance affordability programs. For example, CMS conducted its readiness reviews for coverage year 2016 in September and October 2015 before the start of the 2016 open enrollment period, which began on November 1, 2015. The areas discussed during a readiness review include processes related to the enrollment application, eligibility verification, inconsistency resolution, eligibility redetermination, and enrollment transactions. After a readiness review is completed, CMS provides to the marketplace a summary document with a list of issues that need to be addressed (i.e., action items) and the deadlines to address the action items, if applicable.

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<sup>17</sup> Marketplaces use eligibility and enrollment system functionality to determine an individual's eligibility for a QHP and insurance affordability programs and to enroll the individual in a QHP. The functionality includes the use of the Data Hub when verifying eligibility requirements and calculating the APTC.

<sup>18</sup> In written comments on our draft report, CMS stated that its ability to create and apply enforcement mechanisms for State marketplaces is limited by statute.

<sup>19</sup> The Oversight Manual was limited to CMS's internal use and not made publicly available.

<sup>20</sup> In the Oversight Manual, CMS describes technical assistance as feedback provided to State marketplaces to improve operations and mitigate risks. CMS provided technical assistance through meetings and consultations with the marketplaces.

## State Marketplace Annual Reporting Tool Reviews

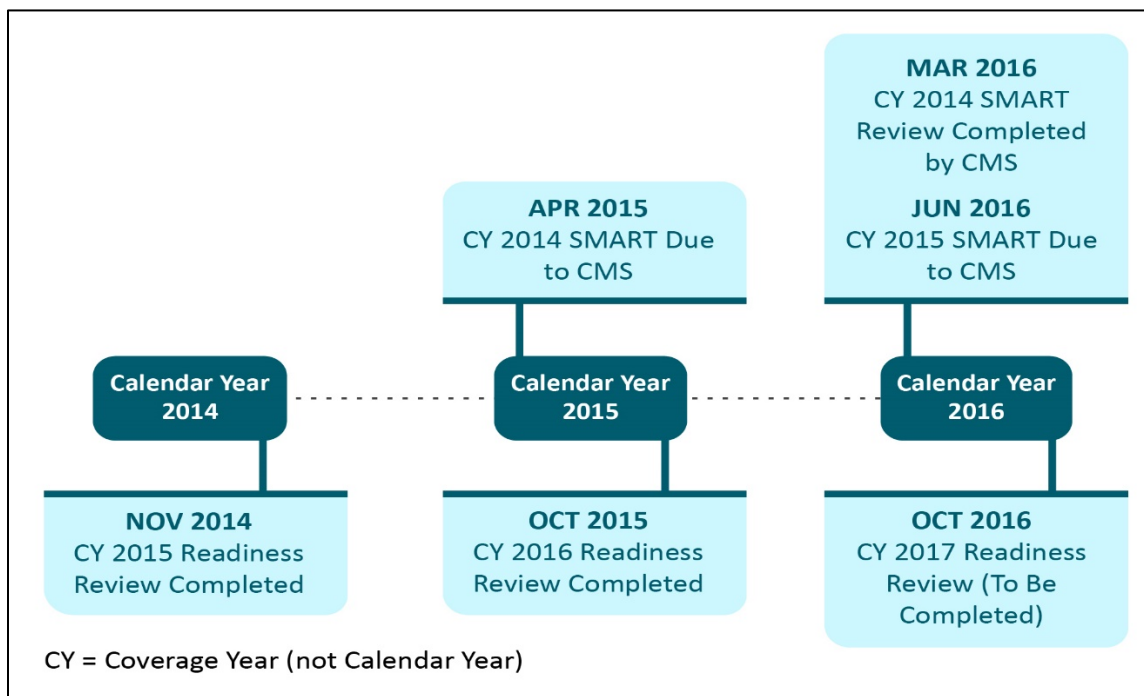
The SMART is a reporting document that State marketplaces must submit annually to CMS to demonstrate that they meet program integrity standards. During SMART desk reviews, CMS evaluates each State marketplace's answers to "yes" or "no" questions on the SMART, such as whether the marketplace provided to CMS eligibility reports at least annually. A marketplace may also submit comments to explain its responses and must submit to CMS required documentation for each question. The documentation includes independent financial and programmatic audit reports and eligibility and enrollment data. The marketplace must attest to the accuracy of the information in the documentation.

CMS reviews documentation submitted by each State marketplace for the prior coverage year and identifies areas in which the marketplace should take actions to improve marketplace operations. CMS provides each marketplace with a letter, summarizing the results of the SMART review. (See Appendix B for a detailed description of CMS's SMART reviews.)

### Timeline for Readiness and State Marketplace Annual Reporting Tool Reviews

Figure 1 shows a timeline for the readiness and SMART reviews for coverage years 2014 through 2016.<sup>21</sup>

**Figure 1: Timeline for CMS's Readiness and SMART Reviews**



<sup>21</sup> This timeline reflects the readiness and SMART reviews for the seven State marketplaces we reviewed. As of the end of our fieldwork (May 2016), for each of these marketplaces CMS had conducted readiness reviews for the 2015 and 2016 coverage years and a SMART review for the 2014 coverage year.

## HOW WE CONDUCTED THIS REVIEW

To assess whether CMS provided effective oversight of State marketplaces, we focused our review on CMS's oversight activities at the seven marketplaces we had previously reviewed. Specifically, we reviewed CMS's policies and procedures and documentation related to readiness reviews for the 2015 and 2016 coverage years and SMART reviews for the 2014 coverage year. Further, we interviewed CMS officials on their oversight activities and interactions with State marketplaces. In addition, we obtained information from the seven marketplaces using a questionnaire on CMS's oversight activities and the marketplaces' interactions with CMS, but we did not verify the accuracy of that information.

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

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

## FINDINGS

For the 2014 through 2016 coverage years, CMS did not provide effective oversight to ensure that State marketplaces always determined individuals' eligibility for QHPs and insurance affordability programs according to Federal requirements. Although CMS performed readiness and SMART reviews and provided technical assistance to marketplaces, CMS did not ensure that all marketplaces (1) had the system functionality to properly verify applicants' eligibility and resolve inconsistencies or (2) had or used the system functionality to perform the FTR process. Further, CMS did not ensure that all of the marketplaces completed the required independent programmatic audits.

These deficiencies occurred because CMS relied on its technical assistance to encourage State marketplaces to develop the system functionality to verify applicants' eligibility and resolve inconsistencies but did not set firm deadlines for the marketplaces to fully develop that functionality. When the marketplaces were unable to fully develop the functionality, CMS continued to provide technical assistance but did not identify or take any enforcement actions. Further, CMS relied on marketplaces' implementation or mitigation plans (e.g., manual processes) for the FTR process and did not verify the marketplaces' progress in developing and using the system functionality.

Without effective oversight, CMS may not be able to identify and address in a timely manner State marketplaces' noncompliance with Federal requirements in their determinations of applicants' eligibility for QHPs and insurance affordability programs. If CMS is unable to ensure that State marketplaces comply with Federal requirements, individuals may receive financial assistance to which they are not entitled.

In addition to the deficiencies identified above, we identified three weaknesses in CMS's procedures for SMART reviews for the 2014 coverage year; improving these procedures could better ensure that State marketplaces determine applicants' eligibility for QHPs and insurance affordability programs according to Federal requirements. (We considered these to be weaknesses, not deficiencies, because they did not result in State marketplaces' noncompliance with Federal requirements.) We found that CMS did not complete its review of SMART documentation submitted by the marketplaces to identify issues that needed to be addressed before the next open enrollment period, and it did not ensure that marketplaces submitted complete eligibility and enrollment data to allow CMS to identify weaknesses in marketplaces' eligibility determination processes. We believe that CMS could also strengthen its oversight by requiring State marketplaces to submit eligibility and enrollment data on inconsistencies and the FTR process.

### **CMS DID NOT PROVIDE EFFECTIVE OVERSIGHT OF STATE MARKETPLACES**

CMS did not provide effective oversight to ensure that State marketplaces always determined individuals' eligibility for QHPs and insurance affordability programs according to Federal requirements.

#### **CMS Did Not Ensure That All Marketplaces Had System Functionality To Properly Verify Applicants' Eligibility and Resolve Inconsistencies**

CMS is responsible for setting standards for the establishment and operation of State marketplaces and implementing procedures that it determines appropriate to reduce fraud and abuse.<sup>22</sup> As part of its oversight activities, CMS performs annual readiness reviews and SMART reviews to identify issues that need to be addressed and areas where the marketplaces should take actions to improve operations. In response to areas that need to be improved, CMS provides technical assistance through meetings and consultations with the marketplaces. In addition, CMS provides marketplaces findings from its SMART reviews and requires them to submit corrective action or mitigation plans to resolve those findings.

To determine eligibility for insurance affordability programs, a State marketplace must verify (1) an applicant's annual household income through the IRS<sup>23</sup> and (2) whether an applicant is eligible for minimum essential coverage that is not offered through the marketplace.<sup>24</sup> Generally, when a marketplace cannot verify information submitted by the applicant or the information is inconsistent with information available through the Data Hub or other sources

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<sup>22</sup> ACA §§ 1313 and 1321.

<sup>23</sup> 45 CFR § 155.320(c)(1)(i)(A) and ACA § 1411(c)(3).

<sup>24</sup> 45 CFR §§ 155.320(b)(1) and (d)(2). Minimum essential coverage consists of employer-sponsored insurance (ESI) and non-employer-sponsored insurance (non-ESI). Non-ESI consists of Government programs, such as Medicare and Medicaid, and grandfathered plans.

available to the marketplace, the marketplace must attempt to resolve the inconsistencies in eligibility data by requesting satisfactory documentary evidence from the applicant.<sup>25</sup>

For the 2014 through 2016 coverage years, CMS did not ensure that all State marketplaces had the system functionality to properly verify applicants' eligibility and resolve inconsistencies. For example, CMS relied on its technical assistance to encourage the Colorado and Vermont marketplaces to develop the system functionality but did not set firm deadlines for them to fully develop it. Further, although CMS established program integrity standards to help ensure that the marketplaces complied with Federal regulations, it did not have specific enforcement mechanisms when State marketplaces failed to comply. As a result, CMS did not identify or take any enforcement actions when those marketplaces failed to fully develop the functionality.<sup>26</sup>

Since the 2014 coverage year, CMS was aware that the Colorado and Vermont marketplaces lacked the system functionality and reported the issue in summary letters sent to them after the readiness and SMART reviews. Although CMS provided technical assistance to the marketplaces to resolve the issue, it allowed them to delay implementing the functionality:

- For the Colorado marketplace, on October 30, 2015, CMS granted an extension until June 30, 2016, to implement the system functionality for verifying applicants' annual household income through the IRS.<sup>27</sup> CMS allowed the marketplace to use State wage data instead of IRS data to verify annual household income; however, the marketplace's use of these data without also attempting to verify income with the IRS did not comply with Federal requirements.<sup>28</sup> Further, CMS allowed the marketplace to accept applicants' attestations regarding whether they were qualified for or enrolled in minimum essential coverage through ESI and non-ESI; however, use of attestation did not comply with Federal requirements. As of the end of our fieldwork (May 2016), CMS had not established a timeline or deadline for the marketplace to implement the system functionality to verify minimum essential coverage through ESI and non-ESI according to Federal requirements.
- For the Vermont marketplace, in its February 2016 SMART summary letter, CMS requested that the marketplace provide a timeline and mitigation plan if the system

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<sup>25</sup> 45 CFR § 155.315(f).

<sup>26</sup> Although CMS could restrict or withhold establishment grant funds awarded to State marketplaces to ensure that they complied with the terms of the grants to develop specific eligibility and enrollment system functionality, CMS had no similar enforcement mechanisms to ensure that marketplaces complied with Federal requirements after the establishment grants ended.

<sup>27</sup> CMS stated that it granted the Colorado marketplace an additional extension to October 30, 2016, and that CMS received confirmation from the marketplace that the system functionality was implemented on October 20, 2016.

<sup>28</sup> Federal regulations (45 CFR § 155.320(c)) allow marketplaces to use other sources of income data, such as State wage data, in addition to IRS data.

functionality to resolve inconsistencies could not be implemented by April 1, 2016. The marketplace provided CMS a timeline for developing the mitigation plan in March 2016 and submitted the plan to CMS in May 2016.<sup>29</sup> However, the plan primarily relied on applicants' attestations to verify eligibility requirements; reliance on attestations does not comply with Federal requirements.<sup>30</sup>

Without effective CMS oversight to ensure that State marketplaces have the system functionality to verify applicants' eligibility or resolve inconsistencies according to Federal requirements, CMS cannot ensure that marketplaces properly determine applicants' eligibility for QHPs and for insurance affordability programs. Further, if marketplaces do not verify annual household income through the IRS, they will not be able to perform the FTR process. As a result, individuals may receive financial assistance to which they are not entitled.

### **CMS Did Not Ensure That All Marketplaces Had or Used System Functionality To Perform the "Failure To File and Reconcile" Process**

CMS is responsible for setting standards for the establishment and operation of State marketplaces and implementing procedures that it determines appropriate to reduce fraud and abuse.<sup>31</sup> As part of its oversight activities, CMS conducts an annual readiness review at each marketplace to assess whether it is ready for the upcoming open enrollment period. Topics discussed during these reviews include issues related to verifying and redetermining applicants' eligibility for QHPs and insurance affordability programs.

Beginning on January 1, 2016,<sup>32</sup> an applicant is not eligible for insurance affordability programs if the applicant received the APTC in a prior year but did not file a tax return for that year to reconcile the APTC payments.<sup>33</sup> Through the FTR process, a State marketplace must obtain information from the IRS to verify whether an applicant filed a tax return to reconcile APTC payments.

CMS did not ensure that all State marketplaces had or used the system functionality to perform the FTR process for the 2016 coverage year when determining applicants' eligibility for

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<sup>29</sup> CMS stated on May 26, 2016, that it was working with the Vermont marketplace to develop a solution for implementation of the system functionality. In technical comments on our draft report, CMS stated that the Vermont marketplace had implemented the system functionality to resolve inconsistencies related to citizenship and incarceration. We did not verify this information.

<sup>30</sup> CMS stated that it worked with the Vermont marketplace to prioritize the development of other system functionality (e.g., enabling an applicant to report a change in circumstance, such as a change in annual household income or family size).

<sup>31</sup> ACA §§ 1313 and 1321.

<sup>32</sup> The 2016 coverage year was the first year that tax data for the reconciliation of APTC payments were available.

<sup>33</sup> 45 CFR §§ 155.305(f)(4) and (g)(1).

insurance affordability programs. For example, the Colorado marketplace did not perform the FTR process because it lacked system functionality to do so.<sup>34</sup> In addition, although the Kentucky, Washington, and New York marketplaces had the system functionality to verify whether applicants filed tax returns to reconcile APTC payments, they did not use this information at the beginning of the 2016 coverage year when determining applicants' eligibility for insurance affordability programs.<sup>35</sup>

CMS relied on State marketplaces' implementation or mitigation plans for the FTR process and did not verify the marketplaces' progress in developing and using the system functionality. CMS stated that it had confirmed with marketplaces that they would implement the FTR process or mitigation plans (e.g., manual processes in place of an automated process). However, in its 2016 readiness reviews, CMS did not identify an action item related to the development and use of the system functionality to perform the FTR process. Identifying the issue as an action item could have helped CMS closely monitor and verify the marketplaces' progress toward fully implementing the FTR process.

Without effective CMS oversight to ensure that State marketplaces implement system functionality to perform the FTR process, marketplaces may improperly determine that applicants are eligible for insurance affordability programs. As a result, these individuals may receive financial assistance to which they are not entitled.

### **CMS Did Not Ensure That All Marketplaces Completed Required Independent Programmatic Audits**

According to CMS's program integrity standards, each State marketplace must annually provide to CMS the results of an independent programmatic audit that includes a review of processes and procedures designed to prevent improper eligibility determinations and enrollment transactions.<sup>36</sup> CMS issued guidance to marketplaces on completing the programmatic audits<sup>37</sup> and required the submission of programmatic audit reports as part of the SMART documentation. The guidance includes requirements that the programmatic audit reports should address, such as eligibility determinations and enrollment functions.

CMS did not ensure that all State marketplaces completed the required independent programmatic audits for the 2014 coverage year. The following are examples:

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<sup>34</sup> The Colorado marketplace stated that because of operational, policy, security, and technical issues, it did not plan to fully implement the FTR process until the 2018 coverage year.

<sup>35</sup> The Kentucky, Washington, and New York marketplaces stated that they implemented the FTR process on January 15, February 16, and March 29, 2016, respectively. The marketplaces also stated that for those applicants who applied before these implementation dates, the marketplaces used the process to retrospectively redetermine the applicants' eligibility. We did not verify this information.

<sup>36</sup> 45 CFR § 155.1200.

<sup>37</sup> CMS, *State-based Marketplace Independent External Audit Technical Assistance*, October 29, 2014.



- In November 2014, the Minnesota marketplace received CMS approval to submit an “evaluation report” that did not meet all of the programmatic audit requirements included in CMS’s written guidance. Later, after CMS reviewed the report submitted in April 2015, it notified the marketplace that the report did not satisfy these requirements but did not require the marketplace to submit an updated report.<sup>38</sup>
- When the Washington marketplace submitted a financial audit report, CMS did not require the marketplace to submit a programmatic audit report. CMS only required the marketplace to provide a timeline to demonstrate that it would submit a programmatic audit report for the following coverage year. The financial audit report did not satisfy the programmatic audit requirement.<sup>39</sup>

CMS did not explain why it did not require State marketplaces to submit reports that met all of the programmatic audit requirements in CMS’s written guidance.<sup>40</sup> CMS stated that among all the documents that State marketplaces provide as part of SMART documentation, the audit reports are the only documentation with information that does not come from the marketplace (i.e., that comes from an independent auditor). These reports can be an effective tool for CMS to monitor processes and procedures designed to prevent improper eligibility determinations and enrollment transactions.

If CMS does not ensure that marketplaces perform and submit the results of independent programmatic audits as required, it cannot effectively determine whether there are significant deficiencies or material weaknesses in the marketplaces’ eligibility determination processes.

### **CMS COULD IMPROVE ITS PROCEDURES FOR STATE MARKETPLACE ANNUAL REPORTING TOOL REVIEWS**

We identified three weaknesses in CMS’s procedures for SMART reviews; improving these procedures could better ensure that marketplaces determine applicants’ eligibility for QHPs and insurance affordability programs according to Federal requirements. We considered these to be weaknesses, not deficiencies, because they did not result in State marketplaces’ noncompliance with Federal requirements.

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<sup>38</sup> CMS required the Minnesota marketplace to confirm that it would submit a programmatic audit report that met the programmatic audit requirement for the 2015 coverage year and future years.

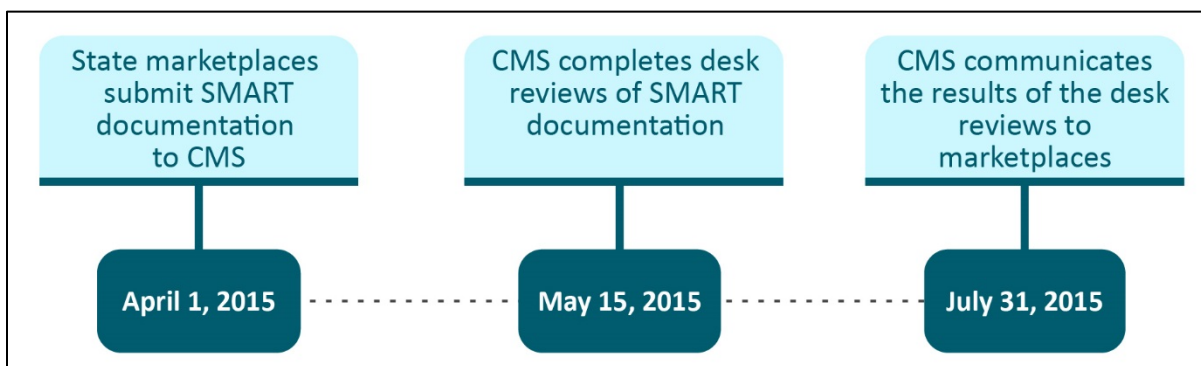
<sup>39</sup> The Washington marketplace submitted an Office of Management and Budget Circular No. A-133 Single Audit Report. The circular sets forth the standards among Federal agencies for audits of States, local governments, and nonprofit organizations expending Federal awards. The A-133 audit includes a financial statement review and an internal control review. This audit report did not address the programmatic audit requirements, such as a review of eligibility determinations and enrollment transactions.

<sup>40</sup> In technical comments on our draft report, CMS stated that the Minnesota and Washington marketplaces submitted programmatic audit reports for the 2015 coverage year. We did not verify this information.

## CMS Did Not Complete Its Review of State Marketplace Annual Reporting Tool Documentation in a Timely Manner To Identify Issues That Needed To Be Addressed

The Oversight Manual explains the timeline for CMS’s review of SMART documentation submitted by State marketplaces. Figure 2 shows the timeline for SMART reviews for the 2014 coverage year as described by the Oversight Manual. See Appendix B for a detailed description of CMS’s SMART reviews.

**Figure 2: Timeline for CMS’s Review of State Marketplaces’ 2014 SMART Documentation**



CMS did not complete its review of the SMART documentation and provide the results to State marketplaces according to the timeline in the Oversight Manual. Specifically, in February and March 2016, CMS sent the results of the SMART reviews for the 2014 coverage year to the seven State marketplaces we previously reviewed; this was more than 6 months after the July 31, 2015, date in the timeline. For example, although the Minnesota marketplace submitted the SMART documentation to CMS on March 30, 2015 (for the 2014 coverage year), as required, CMS did not send the results of its SMART desk review until February 26, 2016. As a result, CMS could not use the results when performing the readiness review in September and October 2015 to identify action items that the marketplace needed to address for the open enrollment period for the 2016 coverage year.

CMS had planned to incorporate the results of the SMART reviews for the 2014 coverage year into the readiness reviews for the 2016 coverage year. CMS officials stated that because CMS wanted to ensure that the review process was performed correctly and to provide meaningful feedback to State marketplaces, the review of SMART documentation took longer than initially planned. Further, the officials stated that CMS did not want to send the results of the SMART desk reviews to the marketplaces during the 2016 open enrollment period because it would have been disruptive to marketplace operations.

Because of the delay in completing the SMART reviews for the 2014 coverage year, CMS could not ensure that any issues identified were addressed by the State marketplaces before the beginning of the 2016 open enrollment period.

## **CMS Did Not Ensure That Marketplaces Submitted Complete Eligibility and Enrollment Data**

State marketplaces must provide to CMS, at least annually, performance monitoring data.<sup>41</sup> CMS's Oversight Manual states that the purpose of performance monitoring data is to ensure transparency, allow for consistent cross-State comparisons of performance, and easily identify areas of concern where additional technical assistance may be required. CMS required State marketplaces to submit these data in Quarterly Metrics Reports, which include eligibility and enrollment data elements, such as the number of applicants who applied for coverage, the number of applicants who were determined eligible or ineligible for QHPs, and the number of appeals of eligibility determinations and complaints submitted by applicants. As part of its submission of SMART documentation, a State marketplace must submit or attest to the submission of these data for the entire coverage year.

CMS did not ensure that State marketplaces submitted complete eligibility and enrollment data in the Quarterly Metrics Reports. Of the 43 data elements related to eligibility and enrollment that we identified for the 2014 coverage year, the 7 marketplaces we previously reviewed did not submit from 19 percent to 88 percent of the data elements.<sup>42</sup> The majority of the marketplaces did not submit two data elements in particular: the number of completed applications that required additional documentation to resolve verification issues and the number of appeals that were unresolved.<sup>43</sup>

Figure 3 on the following page shows the percentage of eligibility and enrollment data elements that the State marketplaces did not submit for the 2014 coverage year.

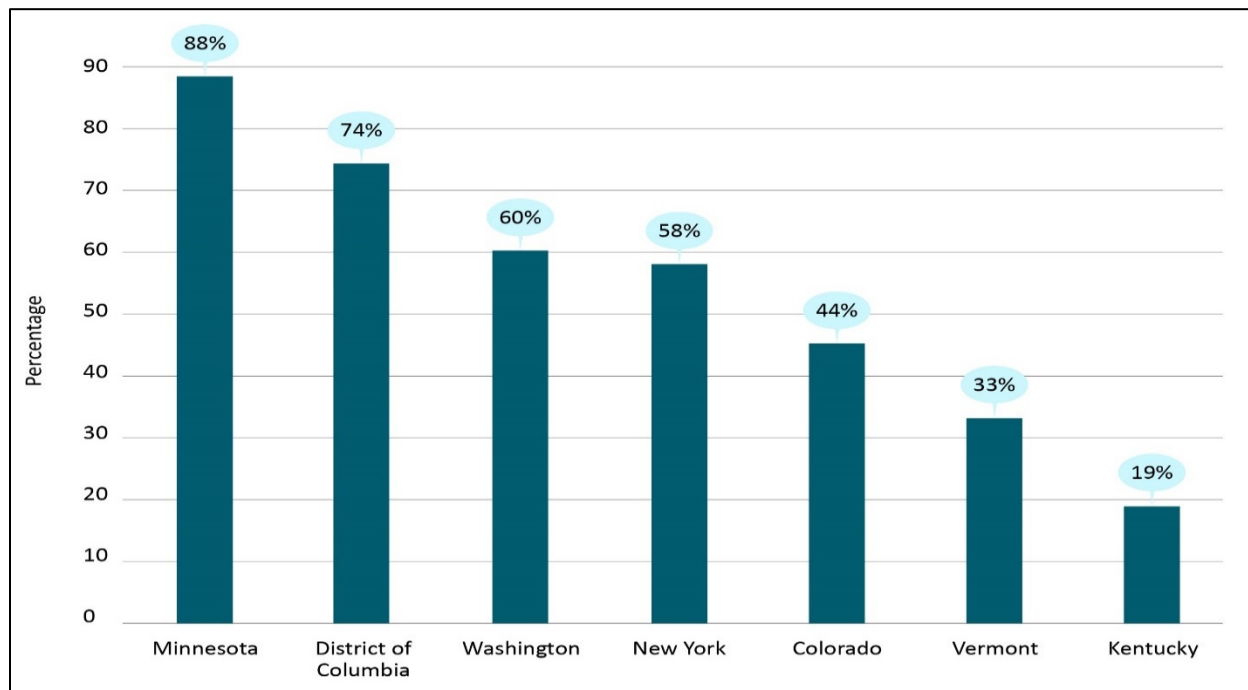
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<sup>41</sup> 45 CFR § 155.1200(b).

<sup>42</sup> The data elements included subcategories, such as demographics for enrollee age. We considered a data element as submitted if the State marketplace included at least the total number for that element.

<sup>43</sup> The Colorado, District of Columbia, Minnesota, New York, Vermont, and Washington marketplaces did not submit the number of completed applications that required additional documentation to resolve verification issues. The Colorado, Minnesota, Vermont, and Washington marketplaces did not submit the number of appeals that were unresolved.

**Figure 3: Percentage of Data Elements That State Marketplaces Did Not Submit to CMS for the 2014 Coverage Year**



CMS officials stated that, during the first open enrollment period, State marketplaces had not yet developed the reporting capability to complete all of the data elements included in the Quarterly Metrics Reports. As a result, CMS permitted marketplaces to submit data elements on the basis of their existing system capabilities.<sup>44</sup>

If State marketplaces do not submit complete data, CMS may not be able to identify weaknesses in the marketplaces' eligibility determination processes. Further, incomplete data may not provide CMS with the necessary information to allow it to make the best management decisions, such as where to target technical assistance to improve marketplace operations. For example, if a marketplace does not submit the number of appeals as part of the Quarterly Metrics Reports, CMS may not be able to compare the number of appeals for one coverage year with other coverage years or compare the number of appeals with other marketplaces. Substantial increases in the number of appeals could indicate that a marketplace has a deficiency in the eligibility determination process.

<sup>44</sup> CMS officials stated that the data elements in the Quarterly Metrics Reports have been revised to remove and add data elements to prioritize the information most important to CMS.

## CMS Could Require Additional Data in the Quarterly Metrics Reports

State marketplaces must provide to CMS, at least annually, performance monitoring data.<sup>45</sup> The Oversight Manual states that the purpose of performance monitoring data is to ensure transparency, allow for consistent cross-State comparisons of performance, and easily identify areas of concern where additional technical assistance may be required. CMS required State marketplaces to submit these data in Quarterly Metrics Reports.

We believe that CMS could strengthen its oversight by requiring State marketplaces to submit three additional data elements related to inconsistencies and the FTR process in the Quarterly Metrics Reports. (See the table below.)

**Table: Additional Data Elements That Could Strengthen CMS Oversight of State Marketplaces**

<b>Data Element</b>	<b>Weakness That Could Be Identified</b>
1. Average length of time to resolve inconsistencies 2. Number of unresolved inconsistencies	Internal control weaknesses in a marketplace's eligibility verification process. A greater than average length of time to resolve inconsistencies or a higher number of unresolved inconsistencies than CMS determines to be appropriate may indicate a weakness in the process. These data could indicate that ineligible individuals could receive financial assistance until their eligibility determinations are finalized. <sup>46</sup>
3. Number of applicants for whom the marketplace received an FTR response code from the IRS <sup>47</sup> and who were determined eligible for insurance affordability programs	Internal control weaknesses in a marketplace's ability to verify whether an individual appropriately reconciled APTC payments with the prior year tax return. <sup>48</sup>

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<sup>45</sup> 45 CFR § 155.1200(b).

<sup>46</sup> On July 5, 2016, CMS officials stated that CMS had requested that State marketplaces submit inconsistency data, but CMS was still working to include the data elements as part of the Quarterly Metrics Reports.

<sup>47</sup> This code identifies that a taxpayer has not complied with the requirement to file a tax return to reconcile APTC payments received.

<sup>48</sup> On July 5, 2016, CMS officials stated that CMS had requested that State marketplaces submit FTR data that were not included as part of the Quarterly Metrics Reports. CMS officials did not indicate whether these data would be reviewed as part of the SMART reviews.

Including these additional data elements could strengthen CMS's oversight of State marketplaces to better ensure that they determine applicants' eligibility for QHPs and insurance affordability programs according to Federal requirements.

## **CONCLUSION**

For the 2014 through 2016 coverage years, CMS did not provide effective oversight to ensure that State marketplaces always determined individuals' eligibility for QHPs and insurance affordability programs according to Federal requirements. CMS relied on its technical assistance to marketplaces, did not set firm deadlines for marketplaces to fully develop system functionality, and did not identify or take any enforcement actions when marketplaces failed to fully develop that functionality. Further, CMS relied on marketplaces' implementation or mitigation plans (e.g., manual processes) for the FTR process and did not verify the marketplaces' progress in developing and using the system functionality.

Without effective oversight, CMS cannot (1) ensure that marketplaces determine the eligibility of applicants in accordance with Federal requirements and (2) effectively monitor the management of Federal funds through the administration of insurance affordability programs. By improving its oversight, CMS may reduce the risk that individuals receive financial assistance to which they are not entitled.

In addition, we identified weaknesses in CMS's procedures for SMART reviews for the 2014 coverage year. Specifically, CMS's SMART review process took longer than initially planned. CMS also permitted State marketplaces to submit incomplete data because the marketplaces had not fully developed the reporting capability. Further, requiring State marketplaces to submit additional data elements related to inconsistencies and the FTR process could strengthen CMS's oversight of State marketplaces.

## **RECOMMENDATIONS**

To improve its oversight of State marketplaces, we recommend that CMS:

- set firm deadlines for marketplaces to fully develop system functionality for verifying applicants' eligibility and resolving inconsistencies, assess potential enforcement mechanisms that would ensure that marketplaces meet those deadlines, and, if such mechanisms are identified, seek legislative authority to establish them;
- monitor marketplaces' progress in developing and using current and future system functionality; and
- ensure that marketplaces complete required independent programmatic audits annually.

To improve its procedures for SMART reviews, we recommend that CMS:

- complete its review of SMART documentation submitted by State marketplaces to identify action items that need to be addressed before the next open enrollment period;
- continue to work with marketplaces to develop the reporting capability to ensure that all required data elements in the Quarterly Metrics Reports are submitted; and
- require marketplaces to submit additional data elements related to (1) average length of time to resolve inconsistencies, (2) number of unresolved inconsistencies, and (3) number of applicants for whom the marketplace received an FTR response code from the IRS and who were determined eligible for insurance affordability programs.

### **CMS COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, CMS concurred with our second through fifth recommendations and provided information on actions that it had taken or planned to take to address our recommendations. However, CMS did not concur with our first recommendation and did not state whether it concurred with our sixth recommendation. CMS also provided technical comments on our draft report. We addressed these comments, as appropriate. CMS's comments, excluding the technical comments, are included as Appendix D.

CMS's comments on our recommendations are summarized below, which we follow with our response:

- Regarding our first recommendation, CMS stated that it recognized the importance of State marketplaces' achieving full system functionality to verify applicants' eligibility and resolve inconsistencies but that it was statutorily limited with respect to enforcement mechanisms for those marketplaces. CMS also stated that it would assist State marketplaces "within the parameters of its oversight authority to prioritize their organizational resources and to identify mitigation strategies."
- Regarding our second recommendation, CMS stated that it would work with State marketplaces on continuous improvement of their management and operations through an array of technical assistance activities.
- Regarding our third recommendation, CMS stated that it would continue to provide technical assistance, such as webinars and other training, to State marketplaces on requirements for independent programmatic audit submissions.
- Regarding our fourth recommendation, CMS stated that it would continue to complete reviews of SMART documentation submitted by State marketplaces to identify and address action items before the next open enrollment period.

- Regarding our fifth recommendation, CMS stated that it would continue to work with State marketplaces to improve reporting capabilities of data elements in the Quarterly Metrics Reports.
- Regarding our sixth recommendation, CMS stated that it would continue to work with State marketplaces to encourage the submission of key data elements. CMS also stated that it is working to change the Quarterly Metrics Reports so that they will include metrics related to inconsistency resolution, total numbers of unresolved inconsistencies, and FTR resolution.

After reviewing CMS's comments, we refined the second part of our first recommendation and now recommend that CMS assess potential enforcement mechanisms that would ensure that marketplaces meet deadlines to fully develop system functionality and, if such mechanisms are identified, seek legislative authority to establish them.



**APPENDIX A: OFFICE OF INSPECTOR GENERAL REVIEWS OF  
SEVEN STATE MARKETPLACES' INTERNAL CONTROLS**

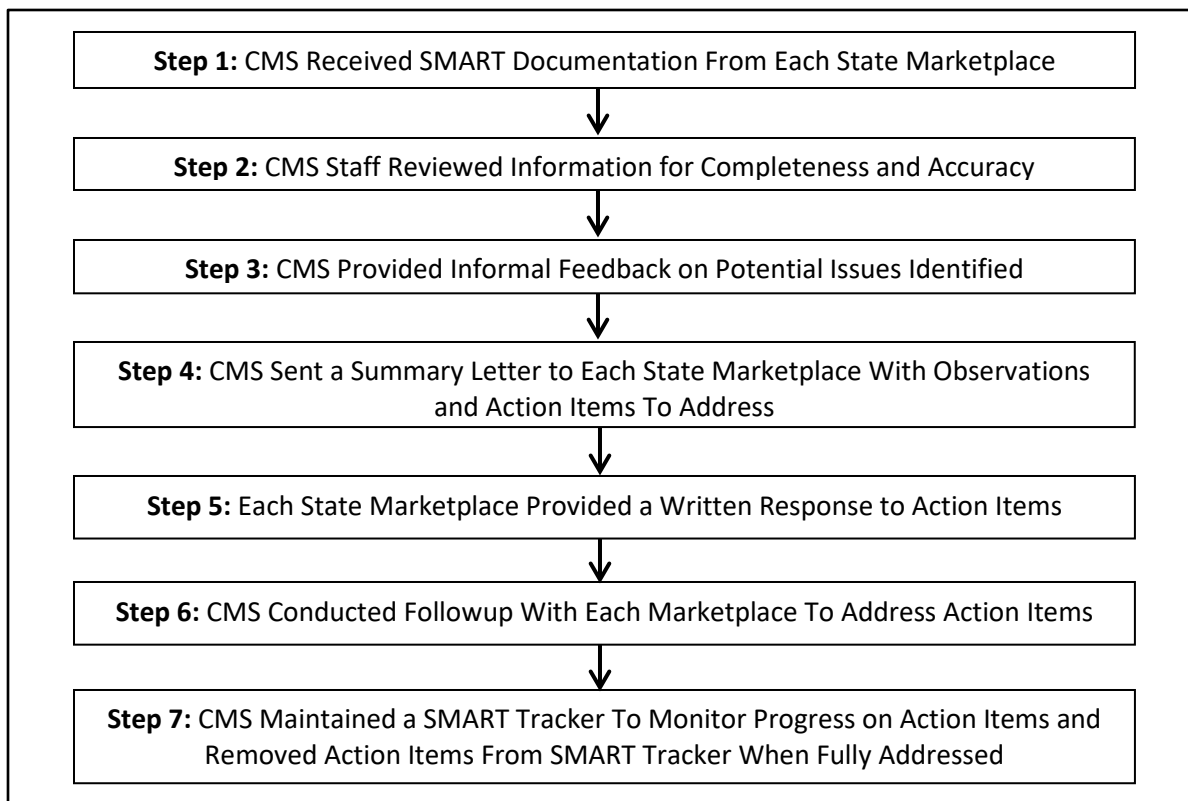
<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>Not All of the Vermont Marketplace's Internal Controls Were Effective in Ensuring That Individuals Were Enrolled in Qualified Health Plans According to Federal Requirements</i>	<a href="#"><u>A-01-14-02507</u></a>	3/9/2016
<i>Not All of the District of Columbia Marketplace's Internal Controls Were Effective in Ensuring That Individuals Were Enrolled in Qualified Health Plans According to Federal Requirements</i>	<a href="#"><u>A-03-14-03301</u></a>	2/22/2016
<i>Not All of the Minnesota Marketplace's Internal Controls Were Effective in Ensuring That Individuals Were Enrolled in Qualified Health Plans According to Federal Requirements</i>	<a href="#"><u>A-05-14-00043</u></a>	2/12/2016
<i>Not All of the Washington Marketplace's Internal Controls Were Effective in Ensuring That Individuals Were Enrolled in Qualified Health Plans According to Federal Requirements</i>	<a href="#"><u>A-09-14-01006</u></a>	1/19/2016
<i>Not All of the Colorado Marketplace's Internal Controls Were Effective in Ensuring That Individuals Were Enrolled in Qualified Health Plans According to Federal Requirements</i>	<a href="#"><u>A-07-14-03199</u></a>	12/28/2015
<i>The Kentucky Marketplace's Internal Controls Were Generally Effective in Ensuring That Individuals Were Enrolled in Qualified Health Plans According to Federal Requirements</i>	<a href="#"><u>A-04-14-08036</u></a>	10/14/2015
<i>Not All Internal Controls Implemented by the New York Marketplace Were Effective in Ensuring That Individuals Were Enrolled in Qualified Health Plans According to Federal Requirements</i>	<a href="#"><u>A-02-14-02020</u></a>	9/21/2015

## APPENDIX B: CMS'S STATE MARKETPLACE ANNUAL REPORTING TOOL REVIEWS

Each State marketplace is required to submit to CMS, at least annually, information on the marketplace's activities and performance to address oversight and program integrity standards (45 CFR § 155.1200). Marketplaces must use the SMART to submit documentation for all required information to CMS. The documentation includes an executive summary of marketplace activities and accomplishments, performance monitoring data, independent financial and programmatic audit reports, and eligibility and enrollment reports.

CMS reviews the SMART documentation to assess its completeness and accuracy and evaluate a State marketplace's compliance with Federal requirements and CMS's established guidance. The marketplace's executive director or chief executive officer must attest that information in the documentation is accurate. CMS officials told us that SMART reviews play a critical role in CMS's oversight of the marketplaces as establishment grant funding comes to an end. The SMART desk reviews begin when CMS receives documentation from a State marketplace. Figure 4 shows the seven steps in the SMART review process for the 2014 coverage year.<sup>49</sup>

**Figure 4: CMS's SMART Review Process for the 2014 Coverage Year**



<sup>49</sup> The tracker (step 7) lists unresolved action items for each State marketplace, including a recommendation of whether the action item should be closed.

## APPENDIX C: AUDIT SCOPE AND METHODOLOGY

### SCOPE

To assess whether CMS provided effective oversight of State marketplaces, we focused our review on CMS's oversight activities at the seven marketplaces we had previously reviewed. We also focused on CMS's readiness and SMART reviews because CMS planned to continue these reviews in future coverage years. Specifically, we reviewed CMS's policies and procedures and documentation related to readiness reviews for the 2015 and 2016 coverage years and SMART reviews for the 2014 coverage year. In addition, we obtained information from the seven marketplaces using a questionnaire on CMS's oversight activities and the marketplaces' interactions with CMS, but we did not verify the accuracy of that information.

We did not review the overall internal control structure of CMS. Rather, we limited our review of internal controls to those that were significant to the objective of our audit.

We conducted our audit from August 2015 to May 2016.

### METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- reviewed CMS's policies and procedures related to its oversight of State marketplaces;
- reviewed a summary of readiness review results that CMS provided to the seven State marketplaces for the 2015 and 2016 coverage years;
- reviewed SMART documentation for the 2014 coverage year that the seven State marketplaces submitted to CMS for review, such as independent programmatic audit reports and Quarterly Metrics Reports;
- identified data elements related to eligibility and enrollment and determined the number and percentage of the elements that each of the seven State marketplaces did not submit to CMS;<sup>50</sup>
- reviewed additional documentation that CMS provided, such as a summary of CMS's oversight activities performed since the first open enrollment period, beginning October 1, 2013;

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<sup>50</sup> We considered a data element as submitted if the State marketplace included at least the total number for the data element.

- interviewed CMS officials on their oversight activities and interactions with State marketplaces;
- provided to the seven State marketplaces a questionnaire related to CMS's oversight activities and obtained and reviewed responses and documentation from the marketplaces;
- obtained information from the seven State marketplaces on procedures for the FTR process that the marketplaces had implemented or planned to implement for the 2016 coverage year; and
- discussed the results of our review with CMS officials.

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

## APPENDIX D: CMS'S COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES


Centers for Medicare & Medicaid Services

200 Independence Avenue SW  
Washington, DC 20201

JUN 29 2017

**DATE:**

**TO:** Daniel R. Levinson  
Inspector General

**FROM:** Seema Verma   
Administrator

**SUBJECT:** Office of the Inspector General (OIG) Draft Report: CMS Did Not Provide Effective Oversight To Ensure That State Marketplaces Always Properly Determined Individuals' Eligibility for Qualified Health Plans and Insurance Affordability Programs (A-09-16-01002)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of Inspector General's (OIG) draft report on state exchange oversight.

In 2010, the Patient Protection and Affordable Care Act (PPACA) established Health Insurance Exchanges through which consumers could submit applications and enroll in health coverage. Under the law, states have the authority to establish a state exchange. CMS works with all states to address the specific needs of their consumers while also meeting the requirements and responsibilities set by statute.

Section 1311 of the PPACA outlines federal requirements for establishing exchanges and made available grant funding for states to fulfill those responsibilities. These include, but are not limited to, certifying qualified health plans, determining eligibility for qualified health plan enrollment and financial assistance, and creating exchange information technology solutions and system functionality. To assist states in implementing these requirements, CMS awarded funding, provided technical assistance, and monitored state exchanges' progress.

As the OIG indicated in its review, during the first Open Enrollment period, some state exchanges were not able to fully automate their systems for eligibility and enrollment purposes, and instead had to utilize operational workarounds to allow consumers to apply for and enroll in coverage. While CMS recognizes that this was not ideal, due to the tight establishment and implementation timeframes for state exchanges, CMS granted conditional approvals for states to operate if they were able to perform eligibility and enrollment functions without full system functionality.

Based on lessons learned, since the first Open Enrollment period, CMS has provided an array of technical assistance activities to exchanges to support the continued improvement of state exchange management and operations. For example, as part of ongoing monitoring, exchanges are required to submit semi-annual grant progress reports (for all active grants), monthly budget reports, as well as an annual State-based Marketplace Annual Reporting Tool (SMART), through

which exchanges fulfill key regulatory reporting requirements. In addition, CMS conducts an annual Open Enrollment Readiness Review prior to each Open Enrollment period to assess whether each state exchange is making progress on previously identified action items, while also working to implement new requirements.

CMS is committed to the continued support of states as they work to strengthen their exchanges and appreciates the suggestions from the OIG. The OIG's recommendations and CMS' responses are below.

**OIG Recommendation**

Set firm deadlines for marketplaces to fully develop system functionality for verifying applicants' eligibility and resolving inconsistencies and establish enforcement mechanisms to ensure that marketplaces met those deadlines.

**CMS Response**

CMS non-concurs with the OIG's recommendation. CMS recognizes the importance of states' achieving full system functionality in order to verify applicant's eligibility and resolve inconsistencies, and CMS will continue to work with state exchanges in order to do so. However, CMS is statutorily limited in regards to enforcement mechanisms for state exchanges. CMS works with state exchanges on the continuous improvement of their management and operations through an array of technical assistance activities and implementation of oversight and accountability measures. CMS assists states within the parameters of its oversight authority to prioritize their organizational resources and to identify mitigation strategies.

**OIG Recommendation**

Monitor marketplaces' progress in developing and using current and future system functionality.

**CMS Response**

CMS concurs with OIG's recommendation. CMS works with the state exchanges on continuous improvement of their management and operations through an array of technical assistance activities. CMS places the utmost importance on its role of monitoring state exchange functionality, including monitoring of states' efforts in implementing information technology system capabilities that support required exchange functions.

**OIG Recommendation**

Ensure that marketplaces complete required independent programmatic audits annually.

**CMS Response**

CMS concurs with OIG's recommendation. CMS continues to provide technical assistance, such as webinars and other trainings, to state exchanges on independent programmatic audit submission requirements.

**OIG Recommendation**

Complete its review of SMART documentation submitted by state marketplaces to identify action items that need to be addressed before the next open enrollment period.

**CMS Response**

CMS concurs with OIG's recommendation. CMS will continue to complete reviews of SMART documentation submitted by state exchanges to identify and address action items before the next

open enrollment period. For the 2015 SMART process, CMS sent all SMART letters to state exchanges prior to the start of 2017 Open Enrollment.

**OIG Recommendation**

Continue to work with marketplaces to develop the reporting capability to ensure that all required data elements in the Quarterly Metrics Reports are submitted.

**CMS Response**

CMS concurs with OIG's recommendation. CMS will continue to work with state exchanges to improve reporting capabilities of data elements in the Quarterly Metrics Reports. CMS engages in a collaborative process with state exchanges in the collection of timely, accurate, and relevant data on enrollment activity, while taking into consideration the burden to states and variations in state system reporting capabilities.

**OIG Recommendation**

Require marketplaces to submit additional data elements related to 1) average length of time to resolve inconsistencies, 2) number of unresolved inconsistencies, and 3) number of applicants for whom the marketplace received an FTR response code from the IRS and were determined eligible for insurance affordability programs.

**CMS Response**

CMS continues to work with state exchanges to encourage the submission of key data elements. At the same time, CMS is cognizant that adding additional requirements may necessitate additional state funding or staff resources. However, CMS recently submitted changes to the Quarterly Metrics Reports, subject to comment, that would include metrics related to inconsistency resolution, total numbers of unresolved inconsistencies, and FTR resolution. These data metrics, which are subject to change, were developed in consultation with states in such a way that new data requirements would avoid creating additional burden for states. CMS will continue to work with state exchanges to operationalize the reporting of these data elements once finalized.

CMS thanks OIG for its efforts on this issue and looks forward to working with OIG on this and other issues in the future.