Vermont State Auditor's Office

January 4, 2019

Performance Audit Recommendations and Corrective Actions for Audit: 15-3

VERMONT HEALTH CONNECT

Future Improvements Contingent on Successful System Development Project

Dated: April 14, 2015

Overview

The State Auditor's Office (SAO) makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations, although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow- up activities one and three years after the calendar year in which the audit report is issued. Our annual performance reports summarize whether we are meeting our recommendation implementation targets. (http://auditor.vermont.gov/about-us/strategic-plans-and-performance-reports)

This report addresses the requirements of Act 155 (2012) to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state's financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our current contract for this work requires the contractor to provide the results of its recommendation follow-up.

Audit Number & Name	Rec #	Recommendation	Follow-Up Date	Status	Review Comments
15-3 Vermont Health Connect: Future Improvements Contingent on Successful System Development Project	1	Expeditiously complete the Vermont Health Connect (VHC) project management plan documents for the 2015 releases, including a scope statement, requirements traceability matrix, and test plan.	2016	Implemented	Various project management documents were completed for the two major VHC releases in 2015 (releases 1 and 2AB). These documents included scope statements, integrated master schedules, requirements documentation, requirements traceability matrices, and test plans.
			No further follow-up is required because the recommendation was implemented.		
	2	Include in future VHC system development contracts clauses that provide monetary consequences tied to the contractor's performance.	2016	Implemented	The Department of Vermont Health Access' (DVHA) recent contracts to perform system development work related to VHC include payments that are tied to the State's acceptance of specific deliverables. For example, contract #31214 with Speridian includes warranty clauses in which the State will withhold part of the payments for certain deliverables until it issues a certificate of acceptance after the conclusion of the warranty period. In addition, contract #30887 with Benaissance includes a 20 percent retainage that is payable upon the State's issuance of a certificate of acceptance.
			No further follow-up is required because the recommendation was implemented.		
	3	Document the roles and responsibilities of each of the organizations that provide system and operations support to VHC, including explicitly laying out decision making responsibilities and collaboration requirements.	2016	Partially Implemented	Effective July 1, 2016 responsibility for the Health Access Eligibility and Enrollment Unit, Beneficiary Fraud, AOPS, and Long Term Care officially transferred from the Department for Children and Families (DCF) to DVHA, which addressed some of the organizational issues discussed in the report. The Agency of Human Services' (AHS) had a FY 2016 memorandum of understanding (MOU) with the Department of Information and Innovation (DII) regarding the Health and Human Services Exchange, which includes VHC. However, this MOU addresses payment of invoices, federal approval, and billing rates. It does not lay out decisionmaking responsibilities or collaboration requirements. In addition, there is no documentation that sets out the role of the AHS Office of the Chief Information Office pertaining to VHC. Lastly, a December 2016 independent assessment of VHC found that the ownership and accountability of key delivery components of the VHC program is not clear to all team members.
			2018	Implemented	DVHA provided multiple documents that lay out the roles and responsibilities for VHC, namely (1) a memorandum of understanding between the AHS and the Agency of Digital Services (ADS), (2) a listing of business and functional lead individuals that includes both DVHA and ADS staff, and (3) a chart that defines the organizational roles for system configuration changes between the State and vendors, including who is responsible for making and approving changes.
	4	Include expected service levels or performance metrics in future VHC system development and premium processor contracts and establish mechanisms to track contractor performance against the performance levels in these agreements.	2016	Implemented	The VHC maintenance and operations contracts (#29082 and #31750) with OptumInsight includes service levels / performance metrics. The premium processing contract with Wex Health (aka Benaissance) also includes service levels (contract #28670). In addition, DVHA's contract with Speridian (contract #31214), which includes VHC system development work, includes warranty payments that are to be paid based on acceptance criteria contained in the contract. DVHA provided documentation supporting that they were tracking contractor performance against all of the service levels / metrics in four of these contracts and most of the service levels / metrics in contract #31750.
			No further follow-up is required because the recommendation was implemented.		

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15-3 Vermont Health Connect: Future Improvements Contingent on Successful System Development Project	5	Establish a process and expeditiously perform reconciliations of enrollment data between the VHC, Benaissance, and the carriers' systems.	2016	Partially Implemented	DVHA performs monthly enrollment reconciliations between VHC, Benaissance and insurance carrier systems. However, DVHA reported that this is not an automated process and there remains problems with the reconciliation process. For example, as of mid-December 2016, the reconciliation with one of the carriers had not been completed for a few months because of technical problems. Also, as of mid-December, there were about 1,100 discrepancies with the remaining insurance carriers in seven priority areas that had been outstanding for over three months.
			2018	Implemented	DVHA provided examples of reports that support that it performs qualified health plan (QHP) enrollment
	6	Establish a process and expeditiously perform reconciliations of enrollment data between the VHC system and the relevant Medicaid system(s).	2016	Not Implemented	DVHA reported that it was in the process of implementing routine Medicaid reconciliation.
			2018	Implemented	DVHA provided examples of reports that support that it performs Medicaid enrollment reconciliations.
	7	Reconsider decisions that have complicated the premium payment processing function, including the requirement that the full premium payment be at Benaissance without exception before remittance to the carriers and the split of the billing and dunning/termination processes between different organizations.	2016	Partially Implemented	DVHA reported that the State did not perform an analysis of the feasibility of having the premium billing, dunning, and termination processes be performed by the same organization. A December 2016 assessment by an independent consultant concluded that the VHC's billing structure is highly unusual and introduces unnecessary processing complexity and may be the chief source of poor customer experiences with VHC. Nevertheless, DVHA contracted with Wex Health (aka Benaissance) to improve billing for Medicaid recipients. One improvement was accepted by the State in September 2016 (revised billing start date and grace period tracking and billing). Other improvements were pending, including split billing, reinstatements, and notices.
			2018	Partially Implemented	The Governor’s fiscal year 2019 budget proposed returning premium billing for qualified health plans to the insurance carriers, while having the State maintain premium billing for Medicaid. According to the DVHA Deputy Commissioner, planning for this transition began in 2017. Implementation is expected for plan year 2021.
	8	Establish a process to terminate Dr. Dynasaur recipients in the VHC system who meet the State's termination criteria.	2016	Partially Implemented	DVHA contracted with Wex Health (aka Benaissance) to improve billing for Medicaid recipients, including the termination of customer Medicaid coverage when the customer has failed to pay their premiums.
			2018	Not Implemented	DVHA has not implemented a process to terminate Dr. Dynasaur recipients in the VHC system who meet termination requirements.
	9	Expeditiously develop VHC financial reports to implement stronger financial controls.	2016	Partially Implemented	DVHA provided examples of financial reports that it received, including backup to the invoice received for the Vermont Cost Sharing Reduction and service level agreement measures. DVHA reported that it is working with Wex Health (aka Benaissance) to ensure that the reports as specified in the contract fully meet its business needs. DVHA also reported that documentation to use these reports Wex Health was in the early stages of development.
			2018	Implemented	DVHA receives a variety of financial and service level agreement reports from Wex Health as required by contract.

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15-3 Vermont Health Connect: Future Improvements Contingent on Successful System Development Project	10	Obtain and review reports from Benaissance that provide detail on the makeup of the balance in the VHC bank account and monitor this account to ensure that payments are being remitted appropriately and in a timely manner.	2016	Partially Implemented	At DVHA's instruction, beginning in October 2016 Wex Health (aka Benaissance) began providing a bank reconciliation file that contains all previous months. According to DVHA, its business office will be using this new report to verify against Wex Health bank statements. DVHA added that this process will continue to be refined as the State finalizes the full reconciliation process.
			2018	Implemented	DVHA implemented a standard operating procedure to compare the Mutual of Omaha bank account records for Wex Health/VHC bank accounts against Wex Health individual transaction records and to check for differences between the two. This ensures that WEX Health is complying with VHC requirements with respect to cash transactions.
	11	Establish a process and expeditiously perform reconciliations of payment data among the VHC, Benaissance, and the carriers.	2016	Not Implemented	According to DVHA, it was launching a project in November 2016 with the target to develop the business requirements for the financial reconciliation process in fiscal year 2018. As of mid-November 2016, no decisions had been made about who will own the financial reconciliation process or how it would be staffed.
			2018	Partially Implemented	DVHA provided support that it performs a reconciliation between the bank account records for Wex Health/VHC bank accounts against Wex Health individual transaction records and checks for differences between the two. However, this reconciliation process does not include reconciling individual account balances among VHC, Wex Health, and the carriers. Instead, DVHA reported that it ensures that carriers are receiving payment reports from Wex Health and works with carriers to resolve payment discrepancies.
	12	We recommend that the Legislature require the Secretary of AHS to issue bi-weekly reports to the health care oversight committees on the schedule, cost, and scope status of the VHC system's Release 1 and Release 2 developmental efforts, including whether any critical path items did not meet their milestone dates and whether corrective actions have been undertaken.	2016	Implemented	Section C.106 of Act 58 (2015) requires the Chief of Health Care Reform to provide monthly reports to the Joint Fiscal Office (JFO) to be distributed to the Joint Fiscal Committee (JFC) and various health care oversight commiittees to include the schedule, cost, and scope status of the VHC system's Release 1 and Release 2 developmental efforts, including whether any critical path items did not meet their milestone dates and corrective actions being taken.
			No further follow-up is required because the recommendation was implemented.		
	13	We recommend that the Legislature require the Secretary of AHS to report semi-annually to the health care oversight committees on the status of future VHC development efforts, including the implementation of the Small Business Health Options Program (SHOP).	2016	Implemented	Section C.106 of Act 58 (2015) requires the Chief of Health Care Reform to provide monthly reports beginning on June 1, 2015 to the JFO for distribution to legislative committees to address (1) the schedule, cost, and scope status of Release 1 and Release 2, (2) an update on the status of current risks, (3) an update on the actions taken to address the recommendation's in the Auditor's April 2015 report, and (4) an update on the preliminary analysis of alternatives to VHC. These reports have been submitted on a monthly basis since June 2015. The implementation of SHOP was covered in the November 2015 alternatives analysis.
			No further follow-up is required because the recommendation was implemented.		
	14	We recommend that the Legislature require the Commissioner of the DII and Innovation to periodically provide a high-level update to the health care oversight committees on the status of corrective actions to address system security weaknesses in the VHC system.	2016	Not Implemented	We are not aware of any legislation that implemented this suggestion.
			2018	Not Implemented	We are not aware of any legislation that implemented this suggestion.

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15-3 Vermont Health Connect: Future Improvements Contingent on Successful System Development Project	15	We recommend that during its consideration of proposals to migrate from the VHC system to the Federal exchange, the Legislature require that a cost-benefit analysis of alternatives be undertaken to inform this decision.	2016	Implemented	Section C.106.3 of Act 58 (2015) required the Secretary of Administration and Chief of Health Care Reform to identify and explore all feasible alternatives to VHC. The Secretary and Chief were to provide the JFC and Health Reform Oversight Committee with a recommendation regarding the future of VHC. On November 2, 2015, the Secretary of Administration and Chief of Health Care Reform submitted an assessment of VHC alternatives to the legislature. This assessment included a summary of options, estimated operational costs for each option, and other pros and cons pertaining to keeping VHC or moving to the federal exchange. Section E.127.1 of Act 58 required the JFO to conduct an analysis of the long-term sustainability of VHC. The analysis was to include a comparison of alternative approaches to include factors such as short and long-term costs. Strategic Solutions Group, LLC issued analysis on December 21, 2016. This report examined six alternatives to VHC.
			No further follow-up is required because the recommendation was implemented.		