

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**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**

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EXECUTIVE SUMMARY

The Vermont marketplace's internal controls were not always effective in ensuring that individuals were enrolled in qualified health plans according to Federal requirements.

WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA) requires the establishment of a health insurance exchange (marketplace) in each State 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. As of October 1, 2013, Vermont was 1 of 15 States that had established State-based marketplaces (State marketplaces).

A previous Office of Inspector General review found that not all internal controls implemented by the federally facilitated marketplace (Federal marketplace) and the State marketplaces in California and Connecticut were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements. This review of the Vermont Health Benefit Exchange (the Vermont marketplace) is part of an ongoing series of reviews of seven State marketplaces across the Nation. We selected the individual State marketplaces to cover States in different parts of the country. Our nationwide audit of State marketplace eligibility determinations is part of a larger body of ACA work, which also includes audits of how costs incurred to create State marketplaces were allocated to establishment grants.

The objective of this review was to determine whether the Vermont marketplace's internal controls were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements.

BACKGROUND

Qualified Health Plans and Insurance Affordability Programs

QHPs are private health insurance plans that each marketplace recognizes and certifies as meeting certain participation standards and covering a core set of benefits. To lower individuals' insurance premiums or out-of-pocket costs for QHPs, the ACA provides for 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. Depending on an individual's income, he or she may be eligible for either or both types of 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 for annual household income. Additionally, an individual is not eligible for these programs if he or she is eligible for minimum essential coverage that is not offered through a marketplace. (Minimum essential coverage consists of employer-sponsored and non-employer-sponsored coverage.)

Application and Enrollment Process for Qualified Health Plans and Insurance Affordability Programs for All Marketplaces

An applicant may submit an application to enroll in a QHP during an open enrollment period or during a special enrollment period outside of the open enrollment period if the applicant experiences certain life changes, such as marriage or the birth of a child.

To enroll in a QHP, an applicant must complete an application and meet eligibility requirements defined by the ACA. An applicant can enroll in a QHP through the Federal or a State marketplace, depending on the applicant's State of residence. Applicants can enroll through a Web site, by phone, by mail, in person, or directly with a broker or agent of a health insurance company. For online and phone applications, the marketplace verifies the applicant's identity through an identity-proofing process. For paper applications, the marketplace requires the applicant's signature before the marketplace processes the application. When completing any type of application, the applicant attests that answers to all questions are true and that the applicant is subject to the penalty of perjury.

After reviewing the applicant's information, the marketplace determines whether the applicant is eligible for a QHP and, when applicable, eligible for insurance affordability programs. To verify the information submitted by the applicant, the marketplace uses multiple electronic data sources, including those available through the Federal Data Services Hub (Data Hub). The data sources available through the Data Hub include the U.S. Department of Health and Human Services, the Social Security Administration (SSA), the U.S. Department of Homeland Security, and the Internal Revenue Service. The marketplace can verify an applicant's eligibility for employer-sponsored insurance through Federal employment with the U.S. Office of Personnel Management (OPM) through the Data Hub. If the marketplace determines that the applicant is eligible, the applicant selects a QHP, and the marketplace transmits the enrollment information to the insurance company, i.e., the QHP issuer.

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. If the marketplace is unable to resolve an inconsistency through reasonable efforts, it must generally give the applicant 90 days to submit satisfactory documentation to resolve the inconsistency (this 90-day period is referred to as "the inconsistency period"). The marketplace may extend the inconsistency period if the applicant demonstrates that a good-faith effort has been made to obtain required documentation. During the inconsistency period, the applicant may still enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions. After the inconsistency period, if the marketplace is unable to resolve the inconsistency, it determines the applicant's eligibility on the basis of available data sources and, in certain circumstances, the applicant's attestation.

HOW WE CONDUCTED THIS REVIEW

We reviewed the internal controls that were in place at the Vermont marketplace during the open enrollment period for insurance coverage effective in calendar year (CY) 2014 (October 1, 2013, through March 31, 2014). We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Vermont marketplace's operations and compliance with applicable Federal requirements.

We limited our review to those internal controls related to (1) verifying applicants' identities, (2) determining applicants' eligibility for enrollment in QHPs and eligibility for insurance affordability programs, and (3) maintaining and updating eligibility and enrollment data.

To determine the effectiveness of the internal controls, we (1) reviewed a sample of 45 applicants randomly selected from applicants who enrolled in QHPs during the period October 1, 2013, to March 31, 2014 (24,865 applicants), which included the review of supporting documentation to evaluate whether the marketplace determined the applicants' eligibility in accordance with Federal requirements, and (2) performed other audit procedures, which included interviews with marketplace management, staff, and contractors, and reviews of supporting documentation and enrollment records.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

WHAT WE FOUND

The Vermont marketplace's internal controls were not always effective in ensuring that individuals were enrolled in qualified health plans according to Federal requirements.

On the basis of our review of 45 sample applicants chosen from the enrollment period for insurance coverage effective in CY 2014 as well as other audit procedures, such as interviewing marketplace officials and reviewing supporting documentation, we determined that controls were not always effective. Specifically, the marketplace had the following deficiencies related to verifying applicants' identities, determining eligibility of applicants, resolving inconsistencies in eligibility data, and updating eligibility and enrollment data:

- Deficiencies Related to Verifying Applicants' Identities:
 - The marketplace did not always maintain documentation showing that it conducted identity proofing.
- Deficiencies Related to Determining Eligibility of Applicants:
 - The marketplace did not always validate Social Security numbers through SSA.
 - The marketplace did not always verify citizenship.

- The marketplace did not always verify incarceration status.
- The marketplace did not always verify or correctly calculate annual household income.
- The marketplace did not always ensure that applicants determined eligible for insurance affordability programs were not eligible for minimum essential coverage.
- Deficiencies Related to Resolving Inconsistencies in Eligibility Data:
 - The marketplace did not always identify inconsistencies in Social Security numbers and incarceration status.
 - The marketplace did not notify applicants of inconsistencies in eligibility data and did not always resolve inconsistencies.
- Deficiencies Related to Updating Eligibility and Enrollment Data:
 - The marketplace did not always verify changes reported by enrollees.

Without properly verifying an applicant’s eligibility and properly resolving inconsistencies, the Vermont marketplace cannot ensure that the applicant meets eligibility requirements for enrollment in a QHP and for insurance affordability programs or that the amounts of the APTC and cost-sharing reductions are determined correctly. However, the presence of an internal control deficiency does not necessarily mean that the Vermont marketplace improperly enrolled an applicant in a QHP or improperly determined eligibility for insurance affordability programs. Other mechanisms exist that may remedy the internal control deficiency, such as the resolution process during the inconsistency period. For example, if the marketplace did not have a control in place to verify an applicant’s citizenship through SSA as required, the marketplace may still have been able to verify citizenship through a review of Vermont’s ACCESS system during the inconsistency period.

The deficiencies that we identified occurred because (1) the Vermont marketplace did not have or did not follow existing procedures to ensure that applicants were enrolled in QHPs according to Federal requirements or (2) the Vermont marketplace’s enrollment system was not designed to perform minimum essential coverage verifications, had defects, or lacked functionality.

WHAT WE RECOMMEND

To address the specific deficiencies that we identified, we recommend that the Vermont marketplace take action to improve its internal controls related to maintaining identity-proofing data, verifying applicants’ eligibility, and maintaining and updating eligibility and enrollment data.

We also recommend that the Vermont marketplace redetermine, if necessary, the eligibility of the sample applicants for whom we determined that verifications were not performed according to Federal requirements. See the “Recommendations” section below for additional specific recommendations.

VERMONT MARKETPLACE COMMENTS

In written comments on our draft report, Vermont marketplace officials concurred with all of our findings and recommendations and provided information on actions that they had taken to address our recommendations.

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INTRODUCTION

WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA)¹ requires the establishment of a health insurance exchange (marketplace) in each State 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.² As of October 1, 2013, Vermont was 1 of 15 States that had established State-based marketplaces (State marketplaces).

A previous Office of Inspector General (OIG) review found that not all internal controls implemented by the federally facilitated marketplace (Federal marketplace) and the State marketplaces in California and Connecticut were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements (A-09-14-01000, issued June 30, 2014).³ This review of the Vermont Health Benefit Exchange (the Vermont marketplace) is part of an ongoing series of reviews of seven State marketplaces across the Nation.⁴ We selected the individual State marketplaces to cover States in different parts of the country.

This report, in part, responds to a Congressional request for information on how State marketplaces use the Internal Revenue Service’s (IRS) annual household income data and self-reported, third-party, and other income data in eligibility determinations.

Our nationwide audit of State marketplace eligibility determinations is part of a larger body of ACA work, which also includes audits of how costs incurred to create State marketplaces were allocated to establishment grants. See “Affordable Care Act Reviews” on the OIG Web site for a list of related OIG reports on marketplace operations.⁵

¹ 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).

² 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. An individual may also obtain information from a marketplace about Medicaid and the Children’s Health Insurance Program (CHIP) (ACA § 1413 and 45 CFR § 155.405).

³ Our previous review covered the internal controls in place during the first 3 months of the open enrollment period for applicants enrolling in QHPs (October to December 2013).

⁴ The other six State marketplaces we reviewed were Colorado, the District of Columbia, Kentucky, Minnesota, New York, and Washington.

⁵ <http://oig.hhs.gov/reports-and-publications/aca/>.

OBJECTIVE

Our objective was to determine whether the Vermont marketplace's internal controls were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements.

BACKGROUND

Patient Protection and Affordable Care Act

The ACA established marketplaces to allow individuals and small businesses to shop for health insurance in all 50 States and the District of Columbia.⁶ The ACA has a goal to provide more Americans with access to affordable health care by, for example, providing financial assistance through insurance affordability programs for people who cannot afford insurance.

Health Insurance Marketplaces

The three types of marketplaces in operation as of October 1, 2013, were the Federal, State, and State-partnership marketplaces:

- **Federal marketplace:** The Department of Health and Human Services (HHS) operates the Federal marketplace in States that did not establish their own marketplaces. Individuals in these States enroll in QHPs through the Federal marketplace.
- **State marketplace:** A State may establish and operate its own marketplace. A State marketplace may use Federal services (e.g., the system that provides Federal data) to assist with certain functions, such as eligibility determinations for insurance affordability programs.
- **State-partnership marketplace:** A State may establish a State-partnership marketplace in which HHS and a State share responsibilities for core functions. For example, HHS may perform certain functions, such as eligibility determinations, and the State may perform other functions, such as insurance plan management and consumer outreach. A key distinction between a State partnership and State marketplace is that the former uses the Federal marketplace Web site (HealthCare.gov) to enroll individuals in QHPs, and the latter uses its own Web site for that purpose.

As of October 1, 2013, 36 States, including 7 State-partnership marketplaces, used the Federal marketplace, and 15 States, including the District of Columbia, had established State marketplaces.

⁶ Each State can have an individual marketplace and a Small Business Health Options Program (SHOP) marketplace, which enables small businesses to access health coverage for their employees. This report does not cover applicants who enrolled in Vermont's SHOP marketplace.

Qualified Health Plans and Insurance Affordability Programs

Qualified Health Plans

QHPs are private health insurance plans that each marketplace recognizes and certifies as meeting certain participation standards. QHPs are required to cover a core set of benefits (known as essential health benefits). QHPs are classified into “metal” levels: bronze, silver, gold, and platinum.⁷ These levels are determined by the percentage that each QHP expects to pay, on average, for the total allowable costs of providing essential health benefits.

Insurance Affordability Programs: Premium Tax Credit and Cost-Sharing Reductions

The ACA provides for two types of insurance affordability programs to lower individuals’ insurance premiums or out-of-pocket costs for QHPs: the premium tax credit and cost-sharing reductions.⁸

- **Premium tax credit:** The premium tax credit reduces the cost of a QHP’s premium and is available at tax filing time or in advance. Generally, the premium tax credit is available on a sliding scale to an individual or a family with annual household income from 100 percent through 400 percent of the Federal poverty level. When paid in advance, the credit is referred to as the “advance premium tax credit” (APTC).⁹ The Federal Government pays the APTC amount monthly to the QHP issuer on behalf of the taxpayer to offset a portion of the cost of the premium of any metal-level plan. For example, if an individual who selects a QHP with a \$500 monthly insurance premium qualifies for a \$400 monthly APTC (and chooses to use it all), the individual pays only \$100 to the QHP issuer. The Federal Government pays the remaining \$400 to the QHP issuer. Starting in January 2015, taxpayers were required to include on their calendar year (CY) 2014 tax returns (and subsequent years’ tax returns) the amount of any APTC made on their behalf. The IRS reconciles the APTC payments with the maximum allowable amount of the credit.
- **Cost-sharing reductions:** Cost-sharing reductions (CSR) help qualifying individuals with out-of-pocket costs, such as deductibles, coinsurance, and copayments.¹⁰ For example, an individual who visits a physician may be responsible for a \$30 copayment.

⁷ An individual who is under 30 years old or qualifies for a hardship exemption may also choose a catastrophic plan, which requires the individual to pay all of his or her medical expenses until the deductible amount is met (ACA § 1302(e) and 45 CFR §§ 156.155 and 156.440).

⁸ We did not review other types of insurance affordability programs, such as Medicaid and CHIP. An individual or a family with income below 100 percent of the Federal poverty level may be eligible for Medicaid under the State’s Medicaid rules but would not qualify for the premium tax credit or cost-sharing reductions.

⁹ ACA § 1401 and 45 CFR § 155.20.

¹⁰ ACA § 1402 and 45 CFR § 155.20.

If the individual qualifies for a cost-sharing reduction of \$20 for the copayment, the individual pays only \$10. In most cases, an individual must select a silver-level QHP to qualify for cost-sharing reductions. Generally, cost-sharing reductions are available to an individual or a family with annual household income from 100 percent through 250 percent of the Federal poverty level. The Federal Government makes monthly payments to QHP issuers to cover estimated costs of cost-sharing reductions provided to individuals. At the end of the year, HHS reconciles the total amount of estimated payments of cost-sharing reductions made to QHP issuers with the actual costs of cost-sharing reductions incurred.¹¹

An individual may be eligible for either or both types of insurance affordability programs if he or she meets specified Federal requirements.

Federal Eligibility Requirements 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;¹² not be incarcerated;¹³ and meet applicable residency standards.¹⁴

To be eligible for insurance affordability programs, an individual must meet additional requirements for annual household income.¹⁵ An individual is not eligible for these programs if he or she is eligible for minimum essential coverage that is not offered through a marketplace.¹⁶

To determine an individual's eligibility for enrollment in a QHP and for insurance affordability programs, the marketplaces verify the information submitted by the applicant using available electronic data sources. Through this verification process, the marketplaces can determine whether the applicant's information matches the information from available electronic data sources in accordance with certain Federal requirements. Marketplaces must verify the

¹¹ CMS issued guidance to delay reconciliation of cost-sharing reductions provided in CY 2014 and will reconcile 2014 cost-sharing reductions for all issuers in April 2016 (*Timing of Reconciliations of Cost-Sharing Reductions for the 2014 Benefit Year* (Feb. 13, 2015)).

¹² An individual may be considered "lawfully present" if his or her immigration status meets any of the categories defined in 45 CFR § 152.2.

¹³ An individual must not be incarcerated except during incarceration pending the disposition of charges (45 CFR § 155.305(a)(2)).

¹⁴ ACA §§ 1312(f) and 1411(b) and 45 CFR § 155.305(a)(3).

¹⁵ ACA §§ 1401 and 1402 and 45 CFR §§ 155.305(f) and (g).

¹⁶ 45 CFR § 155.20 and 26 U.S.C. § 5000A(f). Minimum essential coverage consists of employer-sponsored and non-employer-sponsored coverage. For the purpose of this report, we use the term "non-employer-sponsored coverage" to include Government-sponsored programs (e.g., Medicare and Medicaid), grandfathered plans, and other plans.

following, as appropriate, when determining eligibility for QHPs and insurance affordability programs:

- Social Security number,
- citizenship,
- status as a national,¹⁷
- lawful presence,
- incarceration status (e.g., whether an individual is serving a term in prison or jail),
- residency,
- whether an individual is an Indian,¹⁸
- family size,
- annual household income,
- eligibility for minimum essential coverage through employer-sponsored insurance (ESI), and
- eligibility for minimum essential coverage through non-employer-sponsored insurance (non-ESI).¹⁹

¹⁷ The term “national” may refer to a person who, though not a citizen of the United States, owes permanent allegiance to the United States. All U.S. citizens are U.S. nationals, but only a relatively small number of people acquire U.S. nationality without becoming U.S. citizens (8 U.S.C. § 1101(a)).

¹⁸ “Indian” is defined as an individual who meets the definition in section 4(d) of the Indian Self-Determination and Education Assistance Act (ISDEAA), P.L. No. 93-638. Under section 4(d), “Indian” is a person who is a member of an Indian tribe. The ISDEAA defines “Indian tribes” as “any Indian tribe, Band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians” (25 U.S.C. § 450b(e)).

¹⁹ 45 CFR §§ 155.315 and 155.320.

Application and Enrollment Process for Qualified Health Plans and Insurance Affordability Programs for All Marketplaces

An applicant²⁰ may submit an application to enroll in a QHP during an open enrollment period. An applicant may also enroll in a QHP during a special enrollment period outside of the open enrollment period if the applicant experiences certain life changes, such as marriage or the birth of a child.²¹

For insurance coverage effective in CY 2014, the Vermont marketplace's open enrollment period was October 1, 2013, through March 31, 2014.

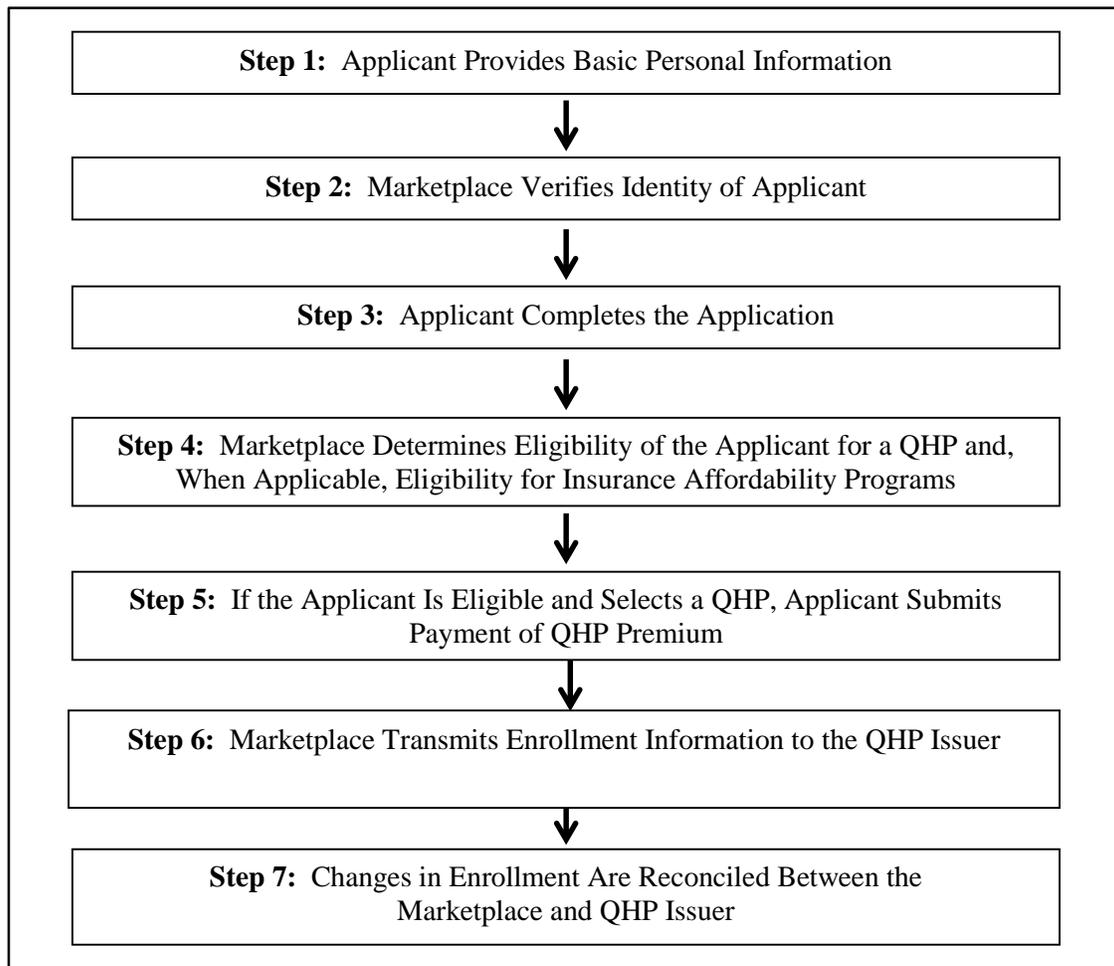
To enroll in a QHP, an applicant must complete an application and meet eligibility requirements defined by the ACA. An applicant can enroll in a QHP through the Federal or a State marketplace, depending on the applicant's State of residence. Applicants can enroll through a Web site, by phone, by mail, in person, or directly with a QHP issuer's broker or agent.

The figure on the next page summarizes the steps in the application and enrollment process, and the sections that follow describe the key steps in more detail.

²⁰ For the purpose of this report, the term "applicant" refers to both the person who completes the application (application filer) and the person who seeks coverage in a QHP. The application filer may or may not be an applicant seeking coverage in a QHP (45 CFR § 155.20). For example, an application filer may be a parent seeking coverage for a child, who is the applicant.

²¹ ACA § 1311(c)(6)(C) and 45 CFR § 155.420.

Figure: Seven Steps in the Application and Enrollment Process for a Qualified Health Plan²²



Verification of Applicant's Identity (Figure: Steps 1 Through 3)

An applicant begins the enrollment process in a QHP by providing basic personal information, such as name, birth date, and Social Security number. Before an applicant can submit an online or phone application, the marketplace must verify the applicant's identity through identity proofing. The purpose of identity proofing is to (1) prevent an unauthorized individual from creating a marketplace account for another individual and applying for health coverage without the individual's knowledge and (2) safeguard personally identifiable information created, collected, and used by the marketplace. For paper applications, the marketplace requires the

²² The steps below apply specifically to the Vermont marketplace. During other marketplaces' enrollment processes, marketplaces may transmit enrollment information to the QHP issuer before the applicant submits payment of the QHP premium.

applicant's signature before the marketplace processes the application.²³ When an applicant completes any type of application, the applicant attests that answers to all questions are true and that the applicant is subject to the penalty of perjury.²⁴

Verification of Applicant's Eligibility (Figure: Step 4)

After reviewing the applicant's information, the marketplace determines whether the applicant is eligible for a QHP and, when applicable, eligible for insurance affordability programs.²⁵ To verify the applicant's information, the marketplace uses multiple electronic data sources, including sources available through the Federal Data Services Hub (Data Hub).²⁶ The Data Hub is a single conduit through which marketplaces send and receive electronic data from multiple Federal agencies; it does not store data. Federal agencies connected to the Data Hub include HHS, the Social Security Administration (SSA), the U.S. Department of Homeland Security, and the IRS (ACA § 1411(c)).²⁷ Additionally, the marketplace can verify an applicant's eligibility for ESI through Federal employment with the U.S. Office of Personnel Management (OPM) through the Data Hub.

Resolution of Inconsistencies in Applicant Information (Figure: Step 4)

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 inconsistencies. For these purposes, applicant information is considered to be consistent with information from other sources if the information is reasonably compatible.²⁸ Information is considered reasonably compatible if any difference between the applicant information and other sources does not affect the eligibility of the applicant. Inconsistencies do not necessarily indicate that an applicant provided inaccurate information or is enrolled in a QHP or receiving financial assistance through insurance affordability programs inappropriately.

²³ Centers for Medicare & Medicaid Services (CMS), *Guidance Regarding Identity Proofing for the Marketplace, Medicaid, and CHIP, and the Disclosure of Certain Data Obtained through the Data Services Hub*, June 11, 2013.

²⁴ Any person who fails to provide correct information may be subject to a civil monetary penalty (ACA § 1411(h)).

²⁵ An applicant can apply for enrollment in a QHP without applying for insurance affordability programs.

²⁶ State marketplaces can access additional sources of data to verify applicant information. For example, Vermont uses its ACCESS system to verify certain eligibility data such as Social Security number, citizenship, and lawful presence for those applicants who are in the ACCESS system.

²⁷ See Appendix A for information on the Vermont marketplace's eligibility verification process for applicants' annual household income and eligibility for minimum essential coverage through employer-sponsored and non-employer-sponsored insurance.

²⁸ 45 CFR § 155.300(d). For purposes of determining reasonable compatibility, "other sources" include information obtained through electronic data sources, other information provided by the applicant, or other information in the records of the marketplace.

A marketplace must make a reasonable effort to identify and address the causes of an inconsistency by contacting the applicant to confirm the accuracy of the information on the application. If the marketplace is unable to resolve the inconsistency through reasonable efforts, it must generally give the applicant 90 days to submit satisfactory documentation to resolve the inconsistency. (This 90-day period is referred to as “the inconsistency period.”)²⁹ The marketplace may extend the inconsistency period if the applicant demonstrates that a good-faith effort has been made to obtain required documentation.³⁰

During the inconsistency period, the applicant may still enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions.³¹ An applicant may choose to enroll during the period only if the applicant is otherwise eligible to enroll in a QHP and may receive the APTC and cost-sharing reductions if (1) the applicant meets other eligibility requirements and (2) the tax filer³² attests that he or she understands that the APTC is subject to reconciliation.³³ After the inconsistency period, if the marketplace is unable to resolve the inconsistency, it determines the applicant’s eligibility on the basis of available data sources and, in certain circumstances, the applicant’s attestation.³⁴ For example, if the marketplace is unable to resolve an inconsistency related to citizenship, it should determine the applicant ineligible for a QHP and terminate the applicant’s enrollment from the QHP if the applicant is already enrolled.

For more information on how marketplaces may resolve inconsistencies, see Appendix B. For specific information on the Vermont marketplace’s inconsistency resolution process, see Appendix C.

*Transmission of Applicant’s Enrollment Information to the Qualified Health Plan Issuer
(Figure: Steps 5 Through 7)*

If an applicant is determined to be eligible and selects a QHP, a marketplace transmits enrollment information to the QHP issuer (45 CFR § 155.400). Generally, an applicant must pay the first month’s QHP premium for the insurance coverage to be effective. If a change to the enrollee’s³⁵ coverage occurs after the coverage becomes effective, the marketplace and the QHP issuer must reconcile the revised enrollment records (45 CFR § 155.400).

²⁹ 45 CFR § 155.315(f).

³⁰ 45 CFR § 155.315(f)(3).

³¹ 45 CFR § 155.315(f)(4).

³² Generally, a “tax filer” is an individual or a married couple who indicate that they are filing an income tax return for the benefit year (45 CFR § 155.300(a)).

³³ 45 CFR § 155.315(f)(4).

³⁴ 45 CFR §§ 155.315(f)(5), (f)(6), and (g).

³⁵ For the purpose of this report, the term “enrollee” refers to an applicant who completed an application, was determined eligible, and selected a QHP and whose enrollment information was sent to a QHP issuer.

CMS's Oversight of Marketplaces

CMS oversees implementation of certain ACA provisions related to the marketplaces.³⁶ CMS also works with States to establish State and State-partnership marketplaces, including oversight functions such as performing onsite reviews of system functionality for eligibility determinations, enrollment of applicants, and consumer assistance.³⁷

The Vermont Marketplace

Vermont established a State marketplace by State law.³⁸ The Department of Vermont Health Access established and operates the Vermont marketplace.³⁹ For insurance coverage effective in CY 2014, the Vermont marketplace had contracts with three insurance companies to offer QHPs to individuals.

The Vermont marketplace uses its enrollment system to determine applicants' eligibility for enrollment in QHPs and, when applicable, eligibility for insurance affordability programs. The applicants can use the Vermont marketplace's Web site (portal.healthconnect.vermont.gov) for enrollment.

HOW WE CONDUCTED THIS REVIEW

We reviewed the internal controls that were in place at the Vermont marketplace during the open enrollment period for insurance coverage effective in CY 2014 (October 1, 2013, through March 31, 2014). We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Vermont marketplace's operations and compliance with applicable Federal requirements. Appendix D provides general information on internal controls.

We limited our review to those internal controls related to (1) verifying applicants' identities, (2) determining applicants' eligibility for enrollment in QHPs and eligibility for insurance affordability programs, and (3) maintaining and updating eligibility and enrollment data. To determine the effectiveness of the internal controls, we:

- reviewed a sample of 45 applicants randomly selected from applicants who enrolled in QHPs during the period October 1, 2013 to March 31, 2014 (24,865 applicants), which included the review of supporting documentation to evaluate whether the marketplace determined the applicants' eligibility in accordance with Federal requirements, and

³⁶ The Center for Consumer Information and Insurance Oversight, within CMS, oversees implementation of the ACA with respect to marketplaces.

³⁷ ACA §1313 and 45 CFR §§ 155.110 and 155.1200.

³⁸ Vermont Act 48 (H. 202), May 26, 2011.

³⁹ Vermont Statutes, Title 33, § 1803.

- performed other audit procedures, which included interviews with marketplace management, staff, and contractors; and reviews of supporting documentation and enrollment records.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

Our attribute sampling approach is commonly used to test the effectiveness of internal controls for compliance with laws, regulations, and policies. According to the Government Accountability Office and the President's Council on Integrity and Efficiency's *Financial Audit Manual* (July 2008), section 450, auditors may use a randomly selected sample of 45 items when testing internal controls. If all sample items are determined to be in compliance with requirements, one can conclude that the controls are effective. If one or more sample items are determined not to be in compliance with requirements, one can conclude that the controls are ineffective. Our sampling methodology was limited to forming an opinion about whether the Vermont marketplace's internal controls were effective and was not designed to estimate the percentage of applicants for whom the marketplace did not perform the required eligibility verifications.

Although the first open enrollment period for applicants to enroll in QHPs ended on March 31, 2014, an applicant could also have enrolled in a QHP during a special enrollment period if the applicant experienced certain life changes, such as marriage or the birth of a child. We did not review the Vermont marketplace's determinations of applicants' eligibility that resulted from changes in applicant information reported by applicants after March 31, 2014.

We performed fieldwork from June 2014 to March 2015 at the Vermont marketplace office in Winooski, Vermont.

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 E contains the details of our audit scope and methodology.

FINDINGS

The Vermont marketplace's internal controls were not always effective in ensuring that individuals were enrolled in qualified health plans according to Federal requirements.

On the basis of our review of 45 sample applicants from the enrollment period for insurance coverage effective in calendar year 2014 and performing other audit procedures, such as interviewing marketplace officials and reviewing supporting documentation, we determined that controls were not always effective. Specifically, the marketplace had the following deficiencies

related to verifying applicants' identities, determining eligibility of applicants, resolving inconsistencies in eligibility data, and updating eligibility and enrollment data:

- Deficiencies Related to Verifying Applicants' Identities:
 - The marketplace did not always maintain documentation showing that it conducted identity proofing.
- Deficiencies Related to Determining Eligibility of Applicants:

The marketplace did not always:

 - validate Social Security numbers through SSA,
 - verify citizenship,
 - verify incarceration status,
 - verify or correctly calculate annual household income, or
 - ensure that applicants determined eligible for insurance affordability programs were not eligible for minimum essential coverage.
- Deficiencies Related to Resolving Inconsistencies in Eligibility Data:
 - The marketplace did not always identify inconsistencies in Social Security numbers and incarceration status.
 - The marketplace did not notify applicants of inconsistencies in eligibility data and did not always resolve inconsistencies.
- Deficiencies Related to Updating Eligibility and Enrollment Data:
 - The marketplace did not always verify changes reported by enrollees.

Without properly verifying an applicant's eligibility and properly resolving inconsistencies, the Vermont marketplace cannot ensure that the applicant meets eligibility requirements for enrollment in a QHP or for insurance affordability programs or that the amounts of the APTC and cost-sharing reductions are determined correctly. However, the presence of an internal control deficiency does not necessarily mean that the Vermont marketplace improperly enrolled an applicant in a QHP or improperly determined eligibility for insurance affordability programs. Other mechanisms exist that may remedy the internal control deficiency, such as the resolution process during the inconsistency period. For example, if the marketplace did not have a control in place to verify an applicant's citizenship through SSA as required, the marketplace may still have been able to verify citizenship through a review of Vermont's ACCESS system during the inconsistency period.

The deficiencies that we identified occurred because (1) the Vermont marketplace did not have or did not follow existing procedures to ensure that applicants were enrolled in QHPs according to Federal requirements or (2) the Vermont marketplace's enrollment system was not designed to perform minimum essential coverage verifications, had defects, or lacked functionality.

DEFICIENCIES RELATED TO VERIFYING APPLICANTS' IDENTITIES

The Marketplace Did Not Always Maintain Documentation Showing That It Conducted Identity Proofing

Marketplaces must establish and implement operational, technical, administrative, and physical safeguards to ensure the confidentiality, integrity, and availability of personally identifiable information that they create, collect, use, or disclose, and to ensure that personally identifiable information is used by or disclosed to only those authorized to receive or view it (45 CFR § 155.260(a)(4)).

According to CMS's Identity-Proofing Guidance for State marketplaces, before a marketplace accepts an online or telephone application for enrollment in a QHP, it must conduct identity proofing sufficient to provide assurance that only the appropriate individual has access to restricted data. The guidance explains that identity proofing involves the (1) collection of core attributes, including the applicant's name, birth date, Social Security number (optional), address, phone number, and email address; (2) validation of core attributes with a trusted data source; and (3) for some applicants, collection and validation of responses to questions about the applicant's personal history, e.g., the names of current and past employers. CMS allows States to use Federal identity-proofing services.

Marketplaces must maintain and ensure that their contractors, subcontractors, and agents maintain for 10 years documents and records that are sufficient to enable HHS or its designees to evaluate the marketplaces' compliance with Federal requirements (45 CFR § 155.1210(a)). The records must include data and records related to the marketplaces' eligibility verifications and determinations and enrollment transactions (45 CFR § 155.1210(b)(4)).

For 8 of 45 sample applicants, the Vermont marketplace could not demonstrate that it conducted identity proofing. Marketplace officials stated that they performed identity proofing for these applicants. However, the marketplace officials could not locate adequate documentation to demonstrate the marketplace's compliance with Federal requirements.

DEFICIENCIES RELATED TO DETERMINING ELIGIBILITY OF APPLICANTS

The Marketplace Did Not Always Validate Social Security Numbers Through the Social Security Administration

A marketplace must validate an applicant's Social Security number through SSA if the applicant provides the Social Security number (ACA § 1411(c)(2) and 45 CFR § 155.315(b)).

The Vermont marketplace did not always validate applicants' Social Security numbers through SSA. Specifically, for 2 of 45 sample applicants, the marketplace data showed that the applicant

included a Social Security number on the application; however, the marketplace did not validate the Social Security number through SSA. As of June 30, 2015, Marketplace officials had not provided an explanation of why the applicants' Social Security numbers were not validated. Without validating an applicant's Social Security number, the marketplace cannot ensure that the applicant meets eligibility requirements for enrollment in a QHP.

The Marketplace Did Not Always Verify Citizenship

Marketplaces must verify an applicant's citizenship through SSA. If the marketplace cannot verify citizenship through SSA and does not provide documentation that can be verified through DHS, the marketplace must make a reasonable effort to identify and address the causes of the inconsistency (ACA § 1411(c)(2) and 45 CFR § 155.315(c)). If it is unable to resolve the inconsistency, the marketplace must notify the applicant and generally provide the applicant 95 days⁴⁰ to present satisfactory documentary evidence of citizenship (ACA § 1411(e)(3) and 45 CFR § 155.315(c)(3)). During the inconsistency period, the applicant may choose to enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions (45 CFR § 155.315(f)(4)).

The Vermont marketplace did not always verify applicants' citizenship through SSA. Specifically, for 2 of 45 sample applicants who attested to being U.S. citizens, the marketplace did not verify their attestation because it had not validated the applicant's Social Security number, which is the only data that can be used to verify U.S. citizenship through SSA.⁴¹ Without verifying an applicant's citizenship, the marketplace cannot ensure that the applicant meets eligibility requirements for enrollment in a QHP.

The Marketplace Did Not Always Verify Incarceration Status

Marketplaces must verify an applicant's incarceration status attestation by relying on any electronic data sources that are available to the marketplace and have been approved by HHS. If an approved data source is unavailable, the marketplace may accept the applicant's attestation without further verification. If an applicant's attestation is not reasonably compatible with information from approved data sources or other information provided by the applicant or in the records of the marketplace, the marketplace must follow the procedures specified in 45 CFR § 155.315(f) (45 CFR § 155.315(e)).

The Vermont marketplace did not always verify applicants' incarceration status through electronic data sources. Specifically, for 2 of 45 sample applicants, the marketplace did not verify incarceration status because it had not validated the applicant's Social Security number, which is used for incarceration status verification through SSA. Without verifying an applicant's incarceration status, the marketplace cannot ensure that the applicant meets eligibility requirements for enrollment in a QHP.

⁴⁰ A marketplace must provide 5 days for an applicant to receive the notice of an inconsistency related to citizenship and 90 days to provide satisfactory documentation to resolve the inconsistency.

⁴¹ U.S. citizenship status of applicants can only be verified electronically through SSA. Citizenship status of applicants attesting to be U.S. naturalized or derived citizens is verified through DHS.

The Marketplace Did Not Always Verify or Correctly Calculate Annual Household Income

For all individuals whose income is counted in calculating a tax filer's household income and for whom the marketplace has a Social Security number, the marketplace must request tax return data regarding modified adjusted gross income (MAGI) and family size from the IRS by transmitting identifying information specified by HHS through the Data Hub (45 CFR § 155.320(c)(1)(i)(A)).

The marketplace must determine an applicant eligible for Medicaid if, among other things, he or she has a household income,⁴² as defined in 42 CFR § 435.603(d), that is at or below the applicable Medicaid MAGI-based income standard as defined in 42 CFR § 435.911(b)(1) (45 CFR § 155.305(c)).

For 2 of 30 sample applicants who were determined eligible for APTC and cost-sharing reductions, the Vermont marketplace did not request the applicants' income information through the IRS and relied only on the information provided on the application. The documentation provided by the marketplace showed the applicants submitted Social Security numbers. As of June 30, 2015, the marketplace could not provide an explanation of why it did not obtain information from the IRS for these applicants. Without obtaining data from the IRS, the marketplace cannot ensure that applicants meet eligibility requirements for APTC and cost-sharing reductions.

In addition, the Vermont marketplace's enrollment system did not always properly calculate an applicant's attested annual household income. Specifically, for 1 out of 30 sample applicants who were determined eligible for APTC and cost-sharing reductions, the marketplace system did not include business loss deductions reported by the applicant as part of the attested annual household income. The applicant reported a family size of 4, an income amount of \$37,543, a \$23,187 business loss (deduction), and a \$2,393 other tax deduction. Instead of calculating the attested annual household income as \$11,963 (\$37,543 less \$23,187 deduction less \$2,393 deduction), the marketplace calculated the income as \$35,150. As a result, the marketplace determined the applicant was eligible for a QHP with APTC. If income had been properly calculated, the applicant may have been eligible for Medicaid.⁴³ A marketplace official stated that this occurred because of a system defect that caused the system to ignore any business loss deductions when calculating annual household income. Marketplace officials indicated that 400 cases (with business losses) needed remediation, and officials attempted to contact applicants to resolve the issue; however, not all applicants could be contacted. According to marketplace officials, the defect was fixed as of February 24, 2014. We did not verify whether this defect was corrected.

⁴² "Household income," as defined in 42 CFR § 435.603(d), includes gross income minus deductions from trade and business activity (42 CFR § 435.603(d), (e), and Internal Revenue Code §§ 36B(d)(2)(B), 62(a)(1)).

⁴³ In Vermont, an individual with a family size of 4 and annual household income of \$35,150 would meet income requirements for APTC and cost-sharing reductions. An individual with income of \$11,963 may be eligible for Medicaid on the basis of the income amount.

The Marketplace Did Not Always Ensure That Applicants Determined Eligible for Insurance Affordability Programs Were Not Eligible for Minimum Essential Coverage

To be eligible for APTC and cost-sharing reductions, an applicant must not be eligible for minimum essential coverage, with the exception of coverage in the individual market (45 CFR §§ 155.305(f)(1)(ii)(B) and (g)(1)(i)(B)). Federal regulations define minimum essential coverage as having the meaning given in 26 U.S.C. § 5000A(f) (45 CFR § 155.20). As described in 26 U.S.C. § 5000A(f), specified government-sponsored programs, eligible employer-sponsored plans, grandfathered health plans, and certain other health benefits coverage are minimum essential coverage (26 CFR § 1.36B-2(c)).

Marketplaces must verify whether an applicant is eligible for minimum essential coverage other than through an eligible employer-sponsored plan, Medicaid, or CHIP using information obtained by transmitting through the Data Hub identifying information specified for verification purposes (45 CFR § 155.320(b)(1)). The marketplace must also verify whether an applicant has already been determined eligible for coverage through Medicaid or CHIP within the State in which the Exchange operates, using information obtained from the agencies administering such programs (45 CFR § 155.320(b)(1)(ii)). In addition, the marketplace must verify whether an applicant reasonably expects to be enrolled in or is eligible for minimum essential coverage in an eligible employer-sponsored plan for the benefit year for which coverage is requested (45 CFR § 155.320(d)(1)). This includes verifying whether the applicant has coverage through Federal employment by transmitting identifying information through the Data Hub (45 CFR § 155.320(d)(2)(ii)) and obtaining available data from Vermont's SHOP (45 CFR § 155.320(d)(2)(iii)). Generally, the marketplace must verify ESI through Federal employment by obtaining information from OPM.

The Vermont marketplace determined that 30 of 45 sample applicants were eligible for APTC or cost-sharing reductions or both. However, the Vermont marketplace did not verify whether these 30 sample applicants were eligible for minimum essential coverage and, therefore, not eligible for APTC or cost-sharing reductions. Specifically, we found that the marketplace did not (1) obtain data from OPM to verify whether the applicants were eligible for ESI through Federal employment or (2) verify whether the applicants were previously determined eligible for coverage through Vermont's Medicaid or CHIP. Marketplace officials indicated that the enrollment system was not designed to obtain available data from the Data Hub regarding eligibility and enrollment in an eligible employer-sponsored plan based on Federal employment. Also, because the marketplace did not design its system and did not have policies and procedures to electronically or manually verify applicants' eligibility for Medicaid or CHIP, applicants who attested to not being eligible for non-ESI would always be considered not verified. As a result, the marketplace could not ensure that any applicants determined eligible for APTC and cost-sharing reductions actually met the eligibility requirements.

In addition, for 29 of these 30 sample applicants, the Vermont marketplace did not maintain eligibility verification data responses from the Data Hub indicating that the sample applicants were ineligible for other sources of non-ESI, such as Medicare or Veterans Affairs. The marketplace's enrollment system was not designed to maintain minimal essential coverage verification documentation. For the remaining 1 of 30 sample applicants, the marketplace also

did not verify the applicant's eligibility for non-ESI. Vermont officials did not provide an explanation as to why this verification was not completed.

Because the Vermont marketplace did not verify applicants' eligibility for minimum essential coverage, it could not ensure that applicants met eligibility requirements for APTC and cost-sharing reductions.

DEFICIENCIES RELATED TO RESOLVING INCONSISTENCIES IN ELIGIBILITY DATA

The Marketplace Did Not Always Identify Inconsistencies in Incarceration Status

If the marketplace is unable to validate an individual's Social Security number through the Social Security Administration, the marketplace generally must follow the procedures specified in 45 CFR § 155.315(f) to resolve the inconsistency (45 CFR § 155.315(b)(2)).

To the extent that an applicant's attestation of incarceration status is not reasonably compatible with information from SSA or in the records of the marketplace, the marketplace must follow the procedures specified in 45 CFR § 155.315(f) to resolve the inconsistency (45 CFR § 155.315(e)(3)).

The Vermont marketplace did not always identify inconsistencies in incarceration status. Specifically, for 3 of 45 sample applicants, the marketplace's enrollment system was not able to identify an inconsistency in the applicants' incarceration status. Inconsistencies occur for multiple reasons. For example, one sample applicant's Social Security number could not be verified by the Data Hub. Because the Social Security number was not electronically verified, the verifications for citizenship and incarceration could not be performed. When the Data Hub sent back a response that indicated the Social Security number could not be verified, the marketplace's enrollment system identified this inconsistency with a "pending review," status, which indicated to the State marketplace that there were inconsistencies identified and that a manual review process was necessary.

According to marketplace officials, they were unable to identify the incarceration inconsistencies because the enrollment system automatically set the incarceration status verification indicator to "waived" regardless of the information returned from the Data Hub.⁴⁴ When the verification indicator is set to "waived," marketplace officials do not receive an indication that an inconsistency needs to be resolved. Without identifying and resolving inconsistencies in an applicant's eligibility data, the marketplace cannot ensure that applicants meet each of the eligibility requirements for enrollment in a QHP. The marketplace identified this defect and is working to implement a correction.

⁴⁴ All 45 sample applicants' incarceration status was set to "waived." We determined that three sample applicants had unresolved incarceration inconsistencies by reviewing the response from the Data Hub. The marketplace received successful responses for the incarceration status of the other 42 sample applicants.

The Marketplace Did Not Notify Applicants of Inconsistencies in Eligibility Data and Did Not Always Resolve Inconsistencies

Marketplaces must make a reasonable effort to identify and address the causes of inconsistencies in eligibility data. If a marketplace is unable to resolve an inconsistency, it must notify the applicant of the inconsistency and generally must give the applicant 90 days from the date on which the notice was sent to either present satisfactory documentary evidence or otherwise resolve the inconsistency (45 CFR § 155.315(f)). The marketplace may extend the inconsistency period when an applicant demonstrates a good-faith effort to obtain sufficient documentation to resolve the inconsistency (45 CFR § 155.315(f)(3)). During the inconsistency period, an applicant who is otherwise qualified is eligible to enroll in a QHP and, when applicable, eligible for insurance affordability programs (45 CFR § 155.315(f)(4)). After the inconsistency period, if the marketplace is unable to resolve the inconsistency, it determines the applicant's eligibility on the basis of available data sources and, in certain circumstances, the applicant's attestation (45 CFR §§ 155.315(f)(5), (f)(6), and (g)).

The Vermont marketplace did not always resolve inconsistencies in eligibility data. Specifically, for all 21 sample applicants who had inconsistencies in their eligibility data, the marketplace did not notify the applicants of the inconsistencies or always resolve the inconsistencies. For example, on December 29, 2013, the marketplace determined that an applicant was eligible for a QHP and the APTC; however, the applicant was never notified of an inconsistency related to annual household income. The marketplace allowed the applicant to remain enrolled in a QHP and eligible to receive an APTC.

As of December 4, 2014, the Vermont marketplace had not resolved these inconsistencies for the 21 sample applicants. According to a marketplace official, the marketplace had not notified applicants of inconsistencies. Only certain inconsistencies can be resolved through a review of the ACCESS system (manual resolution process). Vermont's ACCESS system is the eligibility system for human services programs that may be used to manually verify an applicant's Social Security number or citizenship status if the applicant has ever previously applied for benefits in Vermont.

According to Vermont marketplace officials, as of February 23, 2015, system functionality to generate and send inconsistency notifications had not been implemented. Although the marketplace developed a manual resolution process, the full process has not been implemented because of lack of resources, according to marketplace officials. Without resolving inconsistencies in an applicant's eligibility data, the marketplace cannot ensure that the applicant meets each of the eligibility requirements for enrollment in a QHP and, when applicable, for APTC and cost-sharing reductions.

DEFICIENCIES RELATED TO UPDATING ELIGIBILITY AND ENROLLMENT DATA

The Marketplace Did Not Always Verify Changes Reported by Enrollees

Enrollees must report any change that would affect their eligibility for QHPs and/or insurance affordability programs (45 CFR § 155.330(b)(1)). Marketplaces must verify any information reported by an enrollee (45 CFR § 155.330(c)(1)). If the marketplace verifies updated information reported by an enrollee, the marketplace must redetermine the enrollee's eligibility (45 CFR § 155.330(e)(1)(i)).

The Vermont marketplace did not always verify information and, when appropriate, redetermine eligibility when enrollees reported changes. The marketplace's enrollment system did not have an automated process to verify all changes reported by enrollees and redetermine eligibility, and the marketplace did not have the resources to manually verify all changes and redetermine eligibility as required. According to the Vermont marketplace, as of March 31, 2014, the marketplace manually verified and, when appropriate, redetermined eligibility for 959 of 3,616 reported changes. However, a backlog of approximately 2,657 reported changes was not verified. Without verifying reported changes and redetermining eligibility when necessary, the Vermont marketplace cannot ensure accurate QHP enrollments and/or accurate APTC or cost-sharing reductions.⁴⁵

According to Vermont marketplace officials, at the time of our review, the marketplace planned on implementing automated system functionality to verify changes reported by enrollees and redetermine eligibility in May 2015. However, we have not verified whether automated system functionality was implemented.

RECOMMENDATIONS

Verifying Applicants' Identities

We recommend that the Vermont marketplace maintain documents and records that are sufficient to enable HHS to evaluate the marketplace's compliance with Federal requirements.

Determining Eligibility of Applicants

We recommend that the Vermont marketplace:

- ensure that Social Security numbers, when provided by applicants, are validated through SSA;
- ensure that citizenship and incarceration status are verified through SSA;

⁴⁵ We did not determine whether the QHP issuer enrolled these individuals accurately or whether the Federal Government made inaccurate advance payments of the premium tax credit or cost-sharing reductions or both because these determinations were outside the scope of our review.

- ensure that income amounts are verified through the IRS;
- ensure that the design of its enrollment system properly calculates attested household income amounts in accordance with the IRS definition of household income;
- ensure that the design of its enrollment system is able to obtain available data regarding eligibility for ESI based on Federal employment through the Data Hub;
- develop and implement policies and procedures to verify whether an applicant has already been determined eligible for coverage through Medicaid or CHIP;
- ensure that all minimum essential coverage through non-ESI eligibility data is stored in the enrollment system; and
- ensure that eligibility for minimum essential coverage through non-ESI is verified through electronic data sources (Medicare, Veterans' Health Administration, Peace Corps, and TRICARE).

Resolving Inconsistencies in Eligibility Data

We recommend that the Vermont marketplace:

- improve the design of its enrollment system to identify all inconsistencies in eligibility data and redetermine an applicant's eligibility on the basis of available electronic data sources, as appropriate, and
- improve the design of its enrollment system to ensure that applicants are notified of inconsistencies through automated notifications.

Updating Eligibility and Enrollment Data

We recommend that the Vermont marketplace:

- ensure that changes reported by enrollees are verified and eligibility is redetermined, as appropriate, and
- redetermine, if necessary, the eligibility of the sample applicants whose verifications we determined were not performed according to Federal requirements.

VERMONT MARKETPLACE COMMENTS

In written comments on our draft report, Vermont marketplace officials concurred with all of our findings and recommendations and provided information on actions that they had taken to address our recommendations. The Vermont marketplace comments are included in their entirety as Appendix F.

OTHER MATTERS

THE MARKETPLACE DID NOT ALWAYS PROMPTLY SEND ENROLLMENT RECORDS TO QUALIFIED HEALTH PLAN ISSUERS

Marketplaces must accept a QHP selection from an applicant who is determined eligible for enrollment in a QHP and must transmit information necessary to enable the QHP issuer to enroll the applicant. The marketplace must send eligibility and enrollment information to QHP issuers and HHS promptly and without undue delay (45 CFR § 155.400).

Marketplaces should take reasonable steps to ensure that personally identifiable information is complete, accurate, and up to date to the extent necessary for the marketplace's intended purposes and has not been altered or destroyed in an unauthorized manner (45 CFR § 155.260(a)(3)(vi)).

The Vermont marketplace did not always transmit required information to enable the QHP issuer to enroll applicants or make changes to applicants' enrollment data promptly and without undue delay. According to the marketplace officials, processing errors⁴⁶ prevented QHP issuers from processing applicants' initial enrollment or changes in enrollment data. As of March 31, 2014, 760 initial enrollments or enrollment changes were not processed even though the insurance policy start date had passed. According to marketplace officials, a lack of trained staff prevented processing errors from being resolved. Without resolving processing errors timely, the marketplace cannot ensure applicants are enrolled in their selected plans and that enrollment is based on the most up-to-date information.

THE MARKETPLACE DID NOT PERFORM REQUIRED MONTHLY RECONCILIATIONS FOR QUALIFIED HEALTH PLANS

Marketplaces are required to reconcile enrollment information with QHP issuers and HHS no less frequently than monthly (45 CFR § 155.400(d)). According to a preamble of the *Federal Register*, CMS expects that marketplaces will work to minimize enrollment discrepancies, automate reconciliation where possible, and streamline any manual reconciliation activities that remain necessary.⁴⁷

According to Vermont marketplace officials, the marketplace did not reconcile enrollment information with QHP issuers or with CMS. As of February 23, 2015, marketplace officials stated that they were working with QHP issuers on an enrollment reconciliation process for 2014 data. According to marketplace officials, CMS had not provided guidance on a reconciliation process between the marketplace and CMS. Without monthly reconciliations with QHPs and CMS, the marketplace cannot effectively monitor the current applicant enrollment status, such as applicants' selection of QHPs and QHP issuers' termination of plans.

⁴⁶ Processing errors occur when a benefit program specialist or an applicant inaccurately enters data into the enrollment system that cannot be reconciled to the QHP issuer's system. For example, if an inaccurate zip code were entered into the enrollment system, the QHP issuer would identify the incorrect zip code and prevent the application from being processed.

⁴⁷ 77 *Fed. Reg.* 18310, 18385 (Mar. 27, 2012).

APPENDIX A: THE VERMONT MARKETPLACE’S PROCESS FOR VERIFYING ANNUAL HOUSEHOLD INCOME AND ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH EMPLOYER-SPONSORED AND NON-EMPLOYER-SPONSORED INSURANCE

We included this appendix in response to the congressional request dated June 17, 2014, that we audit how marketplaces use the IRS household income data and self-reported, third-party, and other income data in combination with the IRS data to determine eligibility for the premium tax credit. The following describes how the Vermont marketplace used data on annual household income and eligibility for minimum essential coverage through ESI and non-ESI to determine eligibility for the APTC and cost-sharing reductions.

ANNUAL HOUSEHOLD INCOME

1. An applicant applies for the APTC and cost-sharing reductions.
2. The applicant enters projected household income amounts on an application. The enrollment system calculates the projected annual household income amount (attested income).⁴⁸
3. The attested income is compared with data available from the IRS. If the attested income is lower than the income reflected in the IRS data but is within 10 percent of the amount, the attested income is considered verified. If the attested income is less than 25 percent higher than the income reflected in the IRS data, the attested income is considered verified.
4. If the attested income cannot be verified using the IRS data, the marketplace will flag the attested income as “pending review” (an inconsistency) in the marketplace’s enrollment system.
5. Although an applicant may have an inconsistency in annual household income, the applicant is provided with eligibility for the APTC and cost-sharing reductions on the basis of the attested income. The marketplace does not manually verify income information through any other electronic data source. The marketplace does not notify the applicant of the inconsistency or generally provide the applicant a 90-day period to submit verification documentation. The marketplace will not disenroll the applicant from the QHP or terminate APTC and cost-sharing reductions.

⁴⁸ During the audit period, the marketplace improperly calculated applicant household income by omitting business loss deductions, as noted in the “Findings” section of the report.

ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH EMPLOYER-SPONSORED INSURANCE

1. An applicant applies for the APTC and cost-sharing reductions.
2. The applicant attests to whether he or she is currently eligible (or will be eligible during the coverage year) for health coverage through a job, even if it is from the job of another person, such as a spouse. The applicant states “Yes” or “No” on the application.
3. The marketplace accepts the applicant’s attestation.⁴⁹

ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH NON-EMPLOYER-SPONSORED INSURANCE

1. An applicant applies for the APTC and cost-sharing reductions.
2. The applicant attests to whether he or she is currently eligible for non-ESI.
3. If the applicant attests that he or she is eligible for non-ESI, such as Medicare or Medicaid, the marketplace accepts the attestation and determines the applicant ineligible for the APTC and cost-sharing reductions.

If the applicant attests that he or she is not eligible for non-ESI, according to marketplace officials, the marketplace uses the Data Hub to verify whether an applicant is eligible for non-ESI.⁵⁰ The Data Hub checks data from Medicare, the Peace Corps, TRICARE, and the Veterans Health Administration as part of the non-ESI verification.⁵¹

4. Regardless of the information that is returned from the Data Hub, the marketplace will flag the minimum essential coverage through non-ESI as “pending review” (an inconsistency) in the marketplace’s enrollment system.⁵² Because of a lack of system functionality, the marketplace does not send letters to the applicant that request an

⁴⁹ The marketplace did not obtain data from OPM to verify whether the applicants were eligible for ESI through Federal employment, as noted in the “Findings” section of the report.

⁵⁰ The marketplace did not maintain the data responses from the Data Hub indicating whether the sample applicants were eligible for minimum essential coverage through these types of non-ESI, as noted in the “Findings” section of the report.

⁵¹ Insurance coverage provided under the Peace Corps and TRICARE is non-ESI in accordance with 26 USC § 5000A(f).

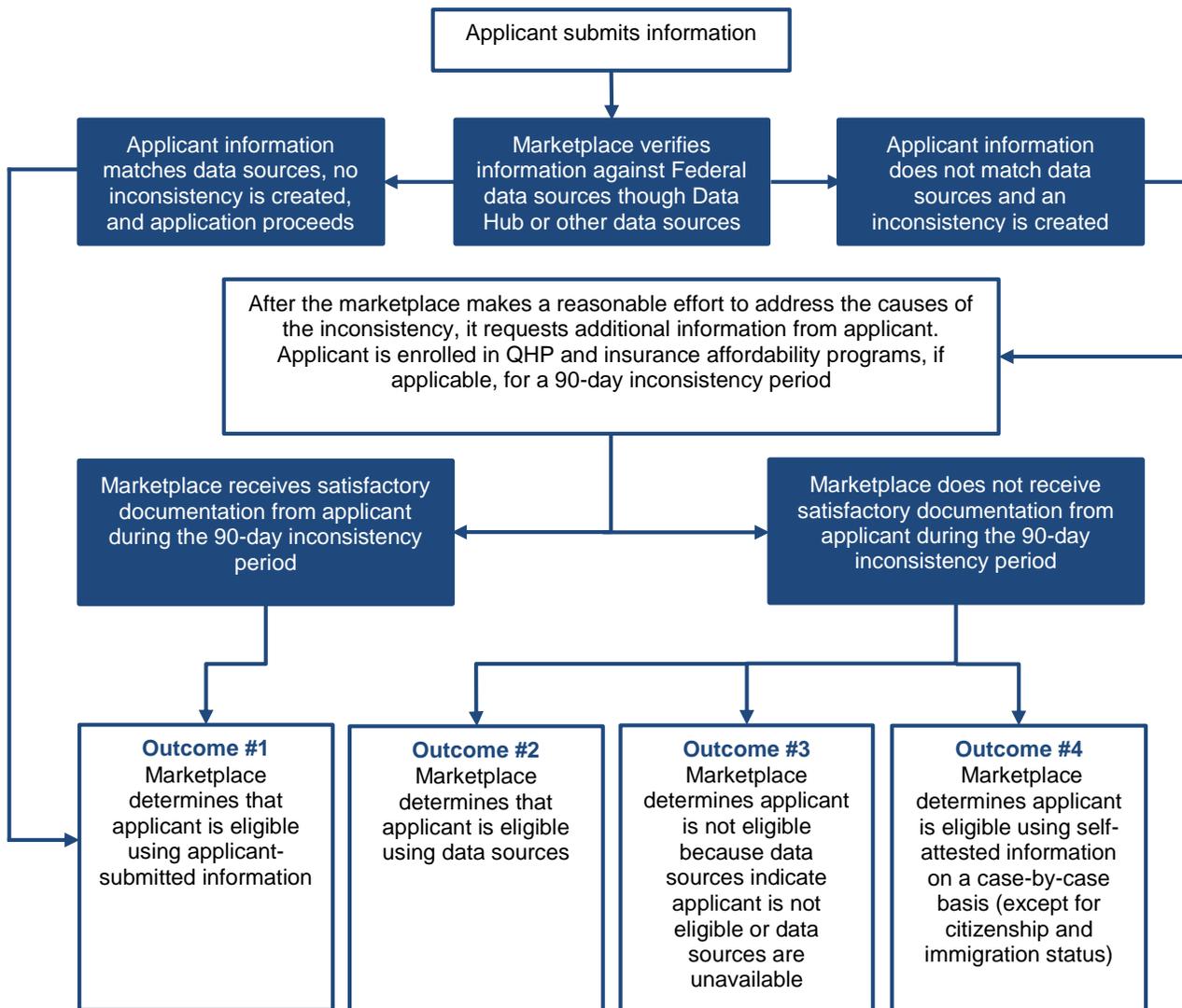
⁵² According to marketplace officials, the enrollment system requires responses from six electronic data sources, including Vermont’s Medicaid and CHIP. Because neither the marketplace’s enrollment system nor the Data Hub was integrated with Vermont’s Medicaid or CHIP system, an applicant’s eligibility for non-ESI would always be considered not verified.

explanation or additional documentation to substantiate either that the applicant is not eligible for these coverage types or the coverage has ended.⁵³

5. Although an applicant may have an inconsistency, the applicant is provided with eligibility for the APTC and cost-sharing reductions on the basis of the information included on the application.

⁵³ Marketplace officials stated that the marketplace does not send out notices to the applicants when there is an inconsistency in an applicant's eligibility data, as noted in the "Findings" section of the report.

APPENDIX B: STEPS AND OUTCOMES FOR RESOLVING INCONSISTENCIES THAT MAY BE USED BY MARKETPLACES



APPENDIX C: THE VERMONT MARKETPLACE'S INCONSISTENCY RESOLUTION PROCESS

Inconsistencies are generated when an applicant's attested information cannot be verified through electronic data sources. For attested information related to incarceration status, residency, family size, and minimum essential coverage through non-ESI, the marketplace accepts the applicant's attestation without further verification. The following are the steps in the Vermont marketplace's inconsistency resolution process:

1. If the applicant's attested information cannot be verified through the Data Hub, the verification item(s) will be flagged as "pending review" (an inconsistency) in the marketplace's enrollment system.⁵⁴

Although an applicant may have an inconsistency, the applicant may still enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions. An applicant may choose to enroll during the period only if the applicant is otherwise eligible to enroll in a QHP and may receive the APTC and cost-sharing reductions if (1) the applicant meets other eligibility requirements and (2) the tax filer attests that he or she understands that the APTC is subject to reconciliation.

2. A benefit program specialist will identify verification items that are "pending review" and attempt to manually verify Social Security number, citizenship, and immigration status inconsistencies through the Vermont ACCESS system. Although the ACCESS system contains income information, marketplace officials indicated they are not manually verifying income through ACCESS. The marketplace does not have a process for manually verifying eligibility for minimum essential coverage through non-ESI.
3. If the marketplace official is not able to locate the applicant in the ACCESS system, or if manual income and/or non-ESI verifications are required, the marketplace will take no further action. The marketplace does not notify the applicant of the inconsistency and request additional verification information. The marketplace does not disenroll the applicant from the QHP or determine eligibility for APTC and cost-sharing reductions on the basis of available information from electronic sources.
4. If the marketplace official is able to locate the applicant in the ACCESS system and the Social Security number, citizenship, and/or lawful presence information supports the attested information, the inconsistency is resolved.

⁵⁴ The marketplace did not notify applicants of inconsistencies in their eligibility data, as noted in the "Findings" section. Because the marketplace did not notify the applicants, the inconsistency period did not begin, and applicants could continue to receive APTC and cost-sharing reductions through the remainder of the benefit year.

APPENDIX D: OVERVIEW OF INTERNAL CONTROLS

INTERNAL CONTROLS IN THE GOVERNMENT⁵⁵

Internal controls are an integral component of an organization's management that provides reasonable, not absolute, assurance that the following objectives of an agency are being achieved: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

Internal controls are composed of the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. They include the processes and procedures for planning, organizing, directing, and controlling program operations and management's system for measuring, reporting, and monitoring program performance.

A deficiency in an internal control exists when the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to achieve control objectives and address related risks.

FIVE COMPONENTS OF INTERNAL CONTROL⁵⁶

Internal control consists of five interrelated components:

- **Control Environment:** The set of standards and processes that provide the foundation for carrying out internal control across the organization. The control environment includes factors such as the organizational structure, assignment of authority and responsibilities, and ethical values.
- **Risk Assessment:** The process for identifying and evaluating risks to achieve objectives.
- **Control Activities:** The actions established through policies and procedures that help ensure management's directives to reduce risks are carried out. These activities include authorizations and approvals, verifications, and reconciliations.
- **Information and Communication:** Use of relevant and quality information to support the functioning of other internal control components. Communication is the process of management providing, sharing, and obtaining necessary information to staff.
- **Monitoring:** Ongoing or separate evaluations or both to ascertain whether the components are present and functioning.

⁵⁵ Government Accountability Office's *Standards for Internal Control in the Federal Government: 1999* (known as the Green Book) and *Government Auditing Standards: 2011 Revision*. The Green Book was revised in September 2014, which was after our audit period.

⁵⁶ Committee of Sponsoring Organizations of the Treadway Commission: *Internal Control Integrated Framework*, Executive Summary (May 2013).

APPENDIX E: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the internal controls that were in place at the Vermont marketplace during the open enrollment period for insurance coverage effective in CY 2014 (October 1, 2013, through March 31, 2014). Internal controls are intended to provide reasonable assurance that an organization's objectives are being achieved, including effectiveness and efficiency of operations and compliance with applicable laws and regulations. We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Vermont marketplace's operations and compliance with applicable Federal requirements.

We limited our review to those internal controls related to (1) verifying applicants' identities, (2) determining applicants' eligibility for enrollment in QHPs and eligibility for insurance affordability programs, and (3) maintaining and updating eligibility and enrollment data. In our review, we focused on control activities, which is one of the five components of internal controls as described in Appendix D.

To determine the effectiveness of the internal controls, we:

- tested controls by reviewing a sample of 45 applicants randomly selected from applicants who enrolled in QHPs during period October 1, 2013 to March 31, 2014 (a total of 24,865 applicants), which included the review of supporting documentation to evaluate whether the marketplace determined the applicants' eligibility in accordance with Federal requirements, and
- performed other audit procedures, which included interviews with marketplace management, staff, and contractors; and reviews of supporting documentation and enrollment records.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

Our attribute sampling approach is commonly used to test the effectiveness of internal controls for compliance with laws, regulations, and policies. According to the Government Accountability Office and the President's Council on Integrity and Efficiency's⁵⁷ *Financial Audit Manual* (July 2008), section 450, auditors may use a randomly selected sample of 45 items when testing internal controls. If all sample items are determined to comply with requirements, one can conclude that the controls are effective. If one or more sample items are determined not to comply with requirements, one can conclude that the controls are ineffective. Our sampling methodology was limited to forming an opinion about whether the Vermont marketplace's internal controls were effective and was not designed to estimate the percentage of applicants for whom the marketplace did not perform the required eligibility verifications.

⁵⁷ The President's Council on Integrity and Efficiency is now called the Council of the Inspectors General on Integrity and Efficiency (Inspector General Act § 11).

Although the first open enrollment period for applicants to enroll in QHPs ended on March 31, 2014, an applicant could also have enrolled in a QHP during a special enrollment period if the applicant experienced certain life changes, such as marriage or birth of a child. We did not review the Vermont marketplace's determinations of applicants' eligibility that resulted from changes in applicant information reported by applicants after March 31, 2014.

We performed fieldwork from June 2014 to March 2015 at the Vermont marketplace office in Winooski, Vermont.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and guidance;
- assessed internal controls by:
 - interviewing officials from the Vermont marketplace and their contractors and reviewing documentation provided by them to understand how the marketplace (1) verifies applicants' identities, (2) verifies information submitted on enrollment applications and makes eligibility determinations, and (3) maintains and updates eligibility and enrollment data; and
 - reviewing the Vermont marketplace's documents and records;
- obtained from the Vermont marketplace the list of applicants who enrolled in a QHP from October 1, 2013, to March 31, 2014;
- analyzed the enrollment records to obtain an understanding of information that was sent to QHP issuers;
- performed tests, such as matching records to the marketplace's enrollment system, to determine whether the enrollment data were reliable;
- performed testing of the Vermont marketplace's internal controls for eligibility determinations by:
 - using the OIG, Office of Audit Services, statistical software to randomly select 45 applicants who enrolled in a QHP during the period October 1, 2013 to March 31, 2014, and
 - obtaining and reviewing eligibility data for each sample applicant to determine whether the marketplace performed the required eligibility verification and determination according to Federal requirements; and

- discussed the results of our review with Vermont marketplace 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.



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Agency of Human Services

November 13, 2015

Mr. David Lamir
Regional Inspector General
Office of Audit Services, Region I
JFK Federal Building
15 New Sudbury Street, Room 2425
Boston, MA 02203

RE: RESPONSE TO REPORT NUMBER A-01-14-02507

Dear Mr. Lamir:

On October 15, 2015, the Department of Vermont Health Access received your draft report dated October 14, 2015.

The purpose of this letter is to respond to your request and provide comments to the draft report. Please find attached our comments.

In accordance with the instructions of the letter we will provide responses in both letter and electronic format.

Respectfully,

A handwritten signature in blue ink that reads "Steven M. Costantino".

Steven M. Costantino
Commissioner



Vermont Health Connect response to OIG report #A-01-14-02507, December 2015

#	OIG Finding	OIG Recommendation	VHC Response
1	Deficiencies Related to Verifying Applicants' Identities:		
1-A	The marketplace did not always maintain documentation showing that it conducted identify proofing.	We recommend that the Vermont marketplace maintain documents and records that are sufficient to enable HHS to evaluate the marketplace's compliance with Federal requirements.	We concur with this recommendation regarding maintenance of identity proofing documentation, and we seek to clarify that VHC performs remote identity proofing (RIDP) for the primary applicant for all applications. For online self-service and broker/navigator applicants this flag is ALWAYS captured, and completion of the RIDP process is a system-enforced gate to complete an application. For phone service cases, the process requires that VHC Customer Service Representatives (CSR) update the RIDP flag once they've facilitated the process with the caller. If the CSR does not follow the process, then the flag may not be captured in the system, BUT an application cannot be entered without the user successfully completing the RIDP process. In short, while the RIDP flag may not be captured, VHC is confident that all primary applicants who entered an application had to have undergone RIDP validation.
2	Deficiencies Related to Determining Eligibility of Applicants:		
2-A	The marketplace did not always validate Social-Security numbers through the Social Security Administration.	We recommend that the Vermont marketplace ensure that Social Security numbers, when provided by applicants, are validated through SSA	We concur with this recommendation, and we seek to clarify that VHC currently verifies Social Security numbers through the FDSH. If we are unable to verify through the FDSH we have a manual process in place to check other data sources available (i.e. The ACCESS legacy system) and lastly we outreach individuals to provide paper documentation. There has been a known issue that the VHC system does not have Social Security Number as a required field. Social Security Number will become a required field in the December 2015 release.

2-B	The marketplace did not always verify citizenship.	We recommend that the Vermont marketplace ensure that citizenship and incarceration Status are verified through SSA	<p>We concur with this recommendation. States are required to verify information when there is a known inconsistency. Vermont did not have available data sources prior to 8/24/2015 that would have revealed inconsistencies. Because there were no known inconsistencies, a verification waiver was not needed from CMS for that time period.</p> <p>Subsequently VHC has performed two distinct efforts to verify Social Security, citizenship, and immigration status through a manual process using the legacy ACCESS system. Beginning in August 2015, those with outstanding verifications have been sent a request to provide paper documentation. We are still within the 90 day reasonable opportunity period, but expect to terminate coverage at the end of the 90 days for those that fail to respond to our requests. If we are unable to verify through the FDSH we have a manual process in place to check other data sources available (ie. the legacy ACCESS system.) Lastly we outreach individuals to receive paper documentation.</p>
2-C	The marketplace did not always verify incarceration status.		We concur with this recommendation, and we acknowledge that there is a system defect that automatically sets every person’s incarceration status to ‘waived’. We expect this defect to be corrected by Jan 1, 2016. In an effort to address those that were affected by this defect, we will run a report to identify those that had incarceration status information provided from the FDSH and address them.
2-D	The marketplace did not always verify or correctly calculate annual household income.	We recommend that the Vermont marketplace ensure that income amounts are verified through the IRS and its enrollment system properly calculates income amounts in accordance with the IRS definition of household income.	We concur with these recommendations. Regarding verification of income amounts, VHC verifies an applicant or enrollee’s attested income against the IRS data via the FDSH. If this results in an inconsistency, the case is classified as “pending review” for annual income verification. VHC now performs a routine review cycle to ensure our rules engine is in compliance with federal and state updates. Through this process defects are identified, allow for root cause analysis, remediation, and repair.
2-E	The marketplace did not always ensure that applicants determined eligible for insurance affordability programs were not eligible for minimum essential coverage.	We recommend that the Vermont marketplace ensure that the design of its enrollment system is able to obtain available data regarding eligibility for ESI based on Federal employment through the Data Hub	We concur with this recommendation. At the time of this audit, the VHC system wasn’t properly consuming MEC data provided by the FDSH. This defect was identified and remedied in Q1 2015, and now the system performs properly.

2-F		We recommend that the Vermont marketplace develop and implement policies and procedures to verify whether an applicant has already been determined eligible for Medicaid or CHIP.	We concur that VHC needs to develop and implement policies and procedures to verify whether an applicant has already been determined eligible for Medicaid or CHIP.
2-G		We recommend that the Vermont marketplace ensure that all minimum essential coverage through non-ESI eligibility data is stored in the enrollment system	We concur with this recommendation. At the time of this audit, the VHC system wasn't properly consuming MEC data provided by the FDSH. This defect has been identified and remedied, and now the system performs properly.
2-H		We recommend that the Vermont Marketplace ensure that eligibility for minimum essential coverage through non-ESI is verified through electronic data sources (Medicare, Veteran's Health Administration, Peace Corps, and TRICARE.)	We concur with this recommendation.
3	Deficiencies Related to Resolving Inconsistencies in Eligibility Data:		
3-A	The marketplace did not always identify inconsistencies in Social Security numbers and incarceration status.	We recommend that the Vermont marketplace improve the design of its enrollment system to identify all inconsistencies in eligibility data and re-determine an applicant's eligibility on the basis of available electronic data sources, as appropriate.	We concur with this recommendation. Our current business process is to attempt to verify through the FDSH. If we are unsuccessful at the FDSH, we proceed to check other available data sources and then outreach the customer for paper documentation.

3-B	The marketplace did not notify applicants of inconsistencies in eligibility data and did not always resolve inconsistencies.	We recommend that the Vermont marketplace improve the design of its enrollment system to ensure that applicants are notified of inconsistencies through automated notifications.	We concur with this recommendation. Per the VHC project plan, we expect to have automated notice functionality in December 2015. In the meantime, we have identified a method for following up with inconsistencies using a manual process for generating notices. In August 2015, we began noticing households based on inconsistencies using this manual process.
4	Deficiencies Related to Updating Eligibility and Enrollment Data:		
4-A	The marketplace did not always verify changes reported by enrollees.	We recommend that the Vermont marketplace: ensure that changes reported by enrollees are verified and eligibility is re-determine, as appropriate.	We concur with this recommendation. On May, 29 2015 VHC implemented automated functionality for processing change of circumstance requests. Prior to that, VHC used a manual process for processing changes. Both the manual and automated change processes included verification of information through the FDSH whenever the reported change required eligibility re-determination.
4-B		We recommend that the Vermont marketplace re-determine, if necessary, the eligibility of the sample applicants whose verifications we determined were not performed according to Federal requirements.	We concur with this recommendation. Through the annual redetermination process the applicants identified will have their eligibility re-determined as recommended.

5	Process Summary	
	<p>Provide a summary of any changes made in the processes for eligibility verification, including inconsistency resolution, in the Vermont marketplace system after the first open enrollment period.</p>	<p>VHC has implemented verification and inconsistency resolution processes that were not in place during the initial open enrollment period. During the 2016 open enrollment period, new and renewing customers will have their eligibility determined (or re-determined) using the most current information known to VHC. For renewal customers verification statuses will be refreshed for SSN, income, citizenship (unless previously verified with documentation), and immigration status. VHC will not act on inconsistencies for citizenship and immigration. VHC will populate updated verification statuses for customers based on pinging of electronic data sources during the annual redetermination process. VHC will send notices for any resulting inconsistencies beginning in early 2016.</p> <p>VHC will resolve any verification inconsistencies identified for new customers, renewal customers, and customers reporting changes using the following process:</p> <ol style="list-style-type: none"> 1. Check electronic data source at time of application, renewal or COC. Any inconsistency between customer attestation and EDS response is noted as "pending review." 2. Check legacy system for previous documentation-based verification. 3. Notice customer for documentation. Customer is sent 2 reminders during the 90 day period. 4. If response received, eligibility is rerun and items are logged as verified in VHC system. 6. If no response received or inadequate response received, customer is noticed that termination will commence.