

Report in Brief

Date: April 2018

Report No. A-07-16-02804

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



Why OIG Did This Review

The Patient Protection and Affordable Care Act (ACA) established health insurance exchanges (“marketplaces”) to allow individuals and small businesses to shop for health insurance in all 50 States and the District of Columbia. The ACA provided grants to States for planning, establishing, and early operation of marketplaces. This review is part of a series of reviews of establishment grants for State marketplaces across the Nation, including several reviews of Connect for Health Colorado (Colorado marketplace).

Our objective was to determine whether the Colorado marketplace complied with Federal requirements when expending establishment grant funds allocated for its Shared Eligibility System (SES) costs.

How OIG Did This Review

We reviewed the \$183.7 million that the Centers for Medicare & Medicaid Services (CMS) awarded to the Colorado marketplace during Federal fiscal year (FY) 2012 through the third quarter of FY 2016. We focused on the allocation of SES costs to the Colorado marketplace by the Colorado Department of Health Care Policy and Financing (HCPF), the State Medicaid agency, for the development and implementation of the SES, which is an automated system modified from HCPF’s existing Medicaid eligibility system.

Colorado Did Not Always Comply With Federal Requirements When Expending Federal Establishment Grant Funds Allocated for Its Shared Eligibility System Costs

What OIG Found

The Colorado marketplace did not always comply with Federal requirements when expending Federal establishment grant funds allocated for its SES costs. Specifically, the Colorado marketplace allowed SES costs to be allocated to it on the basis of an arbitrary 50/50 cost allocation ratio, contrary to requirements and guidance that the methodology for allocation (1) be based on expected transactions and expected program population and (2) not be arbitrary. In addition, the Colorado marketplace allowed SES costs totaling \$2.1 million to be allocated to the incorrect cost allocation plan (CAP) period.

SES costs were not always properly allocated to the Colorado marketplace because it did not have written policies that explained how to develop a CAP and because it did not maintain documentation for the cost allocation ratio. In addition, the marketplace did not have adequate internal controls.

What OIG Recommends

We make procedural recommendations to the Colorado marketplace for the development and implementation of a cost allocation methodology and for the development and implementation of written policies, reinforced by adequate internal controls, that explain how to develop a CAP, how to provide formal input to HCPF and CMS during the development of cost allocation ratios, and how to adequately document the development of those ratios. We also recommend that the Colorado marketplace develop and implement written policies and procedures to ensure that future Federal grant award costs are allocated to it in accordance with Federal requirements.

The Colorado marketplace neither agreed nor disagreed with our recommendations but in its comments described corrective actions that it had implemented or planned to implement to address those recommendations. According to the Colorado marketplace, these corrective actions included developing a CAP that was approved by CMS in September 2017, developing processes to evaluate proposed allocation methodologies, and modifying accounting processes and procedures to more accurately track costs.