

## Report in Brief

Date: July 2018

Report No. A-07-17-02808

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 (commonly referred to as “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 the Colorado marketplace.

Our objective was to determine whether the Colorado marketplace’s financial management system for the administration of its establishment grant funds complied with Federal requirements.

### How OIG Did This Review

We reviewed \$183.7 million that the Centers for Medicare & Medicaid Services (CMS) awarded to the Colorado marketplace from Federal fiscal year (FY) 2012 through the third quarter of FY 2016. We focused on cost transfers, payments made outside of the grant period, and aspects of the Colorado marketplace’s financial management procedures and practices.

## The Colorado Health Insurance Marketplace’s Financial Management System Did Not Always Comply With Federal Requirements

### What OIG Found

The Colorado marketplace’s administration of its financial management system for the establishment grant funds did not always comply with Federal requirements. Specifically, the marketplace improperly transferred grants costs totaling almost \$2 million that included 62 separate expenditures. The Colorado marketplace also transferred costs between grants totaling \$3.2 million that included 352 other expenditures and that may not have been allowable, in part, due to a lack of certifications that the new charges were correct. In addition, the Colorado marketplace made 65 other payments totaling \$568,987 that were unallowable because the marketplace used grant funds from its first two grants that it had not previously obligated within those grant periods to pay for expenditures outside of those grant periods. The Colorado marketplace also engaged in a number of financial management procedures and practices that did not provide for effective control over and accountability for establishment grant funds.

### What OIG Recommends

We recommend that the Colorado marketplace refund to the Federal Government the \$2 million in improperly transferred costs and the \$568,987 in payments related to obligations that were not incurred during the grant period. We also recommend that the marketplace work with CMS to certify the cost transfers associated with the remaining 352 expenditures totaling \$3.2 million, ensure that each expenditure transferred was allowable, and refund any unallowable expenditures to the Federal Government. We made an additional, procedural recommendation regarding the development and implementation of written policies and procedures for the administration of its financial management system.

The Colorado marketplace said that it reviewed the transactions for which we are recommending a refund and did not agree that these costs should be refunded. The marketplace also said that it would be able to provide evidence that the 352 expenditures (in our second recommendation) were allowable, and it agreed to work with CMS to certify the allowability of these expenditures. The marketplace agreed with the third recommendation. We maintain that all of our findings and recommendations remain valid. The marketplace did not provide any additional documentation for us to consider.