

Audit Highlights



Highlights of performance audit report on the Silver State Health Insurance Exchange issued on May 24, 2016. Legislative Auditor report # LA16-12.

Background

The Silver State Health Insurance Exchange's (Exchange) mission is to increase the number of insured Nevadans by facilitating the purchase and sale of health insurance that provides quality health care through the creation of a transparent, simplified marketplace of qualified health plans.

During the 2011 Legislative Session, Senate Bill 440 established the Silver State Health Insurance Exchange to create and administer a state-based health insurance exchange, facilitate the purchase and sale of qualified health plans (QHP), and provide for the establishment of a program to help certain small employers in Nevada facilitate the enrollment of employees in QHPs.

The Exchange opened to the public as Nevada Health Link on October 1, 2013, and began offering insurance coverage on January 1, 2014. Starting in 2015, the Exchange operated as a Supported State Based Model utilizing the federal government's infrastructure for eligibility and enrollments through HealthCare.gov. However, it retained control over policy decisions, insurance plan certifications, consumer assistance, education and outreach, and marketing. For plan year 2015, the Exchange was self-sustaining from member fees on QHP insurance premiums.

Purpose of Audit

The purpose of this audit was to determine if certain financial and administrative controls related to contract management and revenue collection were adequate. The scope of our audit included contract management practices and revenue collection controls and activities from January through October 2015.

Audit Recommendations

This audit report contains 13 recommendations to improve controls over the contract monitoring and revenue collection processes.

The Exchange accepted the 13 recommendations.

Recommendation Status

The Silver State Health Insurance Exchange's 60-day plan for corrective action is due on August 18, 2016. In addition, the six-month report on the status of audit recommendations is due on February 20, 2017.

Silver State Health Insurance Exchange

Summary

The Exchange needs to improve its contract monitoring process to ensure efficient use of fees assessed on members' health plan premiums. Specifically, it needs to improve its processes for monitoring navigator entities' activities to ensure entities are providing the intended services. These services include outreach, education, and enrollment assistance to the uninsured and underinsured populations. Further scrutiny should be given to entities' monthly payment requests, which include outreach and event reports, timesheets, and enrollment reports. Additionally, the Exchange needs to improve monitoring of its subcontracted outreach and education entity to ensure payments are an effective and efficient use of funds. Policies also need to be developed to address the payment of unlicensed navigators and mitigate potential associated risks. Finally, improved navigator representation in Northern Nevada is needed to ensure the region's targeted populations have access to unbiased enrollment assistance and are being served by outreach activities.

Key Findings

The Exchange's review process is not sufficient to determine whether the navigator entities' outreach and event reports support the hours reportedly worked. Documentation for reported events supported only about 3,000 of the 17,900 (17%) staff hours paid from May through October 2015. While navigator entities perform various other activities, only six of the nine entities provided some explanation for those non-event activities. During the 6-month period, the nine navigator entities were paid \$368,000 to provide outreach, education, and enrollment assistance to the uninsured and underinsured populations. However, monitoring procedures are not sufficient to verify whether the events or activities attended were consistent with the Exchange's expectations. Correcting inconsistencies in entities' reporting and an enhanced review of entity activities would help ensure member fees are being utilized effectively. (page 8)

The monitoring of the outreach and education subcontractor's invoices and reported activities is not sufficient. Although the Exchange relies on the marketing contractor to monitor the subcontractor, we identified concerns with the subcontractor's reported hours, activities, and amounts it was compensated. Insufficient monitoring controls could lead to inefficient use or abuse of Exchange funds. For example:

- The subcontractor was paid \$90,000 to plan and develop a list of outreach events to attend which it presented to the Board. While the subcontractor attended 27 events from June through October 2015, only 9 were from the list of 64 events during that period. (page 17)
- From June through October 2015, the subcontractor reported spending about 270 hours attending events of the reported 4,725 hours worked, but invoices did not provide sufficient detail to know what specific services were performed during the remaining hours. (page 18)
- The Exchange paid a flat compensation rate of \$45,000 per month regardless of the amount of work performed by the subcontractor. Invoices showed the hours worked varied from 600 to 1,800 per month but compensation remained the same. (page 19)

Policies and procedures are needed to address the payment of unlicensed navigators and address associated potential risk factors. We found 25 of the 64 individuals employed by navigator entities from March through October 2015 were paid for enrollment and outreach services prior to being licensed. These unlicensed individuals were paid for periods ranging from a couple days to as many as 86 working days. This practice is not consistent with statutory requirements and may expose the Exchange and public to unnecessary risks. (page 21)

From May to mid-October 2015, there were no navigators providing traditional navigator services in Northern Nevada. Additionally, we noted there were only 11 education and outreach events attended in Northern Nevada between May and October 2015, compared to the more than 380 outreach events reported attended by the navigator entities and the outreach and education subcontractor in Southern Nevada. Improving navigator representation in Northern Nevada would ensure consumers have access to unbiased enrollment assistance, and outreach efforts are sufficient to reach the area's targeted populations. (page 22)

Although the Exchange deposited all checks we tested, internal controls over revenues need improvement. We found the Exchange does not adequately separate revenue collection duties. In addition, the Exchange can improve controls by monitoring receivables to ensure it collects all revenues timely, reconciling receipt logs to deposit records, and protecting financial records from unauthorized users. Furthermore, the Exchange's policies and procedures over revenue collection need updating. Good revenue controls minimize the risk of revenues being lost or stolen. (page 26)