



*Advance Payments of the Premium Tax Credit (APTC) Program Assessment Report*

*for*

*Molina Healthcare of California (California)*

*March 22, 2022*

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## I. EXECUTIVE SUMMARY

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### Background

Molina Healthcare of California (Molina) is a health insurance issuer that offered qualified health plans (QHPs) in the individual market State-Based Exchange (SBE) in California during the 2015 benefit year. The state of California submitted Molina's final restated 2015 benefit year data in the October 2017 Enrollment and Payment Data Workbook (EPDW). The issuer received a total of \$44,697,770.67 in advance payments of the premium tax credit (APTC) from the Centers for Medicare & Medicaid Services (CMS) and the SBE reported a total of \$59,210,654.33 in premiums for the issuer's 2015 benefit year individual market plans.

This report is an assessment, conducted in coordination with the SBE, of Molina's compliance with the APTC program established in sections 1401 and 1412 of the Patient Protection and Affordable Care Act (Pub. L. 111-148) enacted on March 23, 2010 and further amended and revised by the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152) enacted on March 30, 2010 (collectively referred to throughout as PPACA), and implementing regulations. This report also details the results of the assessment of premiums for information purposes only as CMS did not charge user fees to issuers offering QHPs through SBEs during the 2015 benefit year.

### Audits to Determine Compliance with the Administration of APTC Program

Under title 45 of the Code of Federal Regulations (CFR) sections §§ [155.1210](#) and [156.480](#), the Department of Health and Human Services (HHS) may audit<sup>1</sup> issuers that offer a QHP in the individual market through an Exchange to assess the degree of compliance with the APTC program requirements. HHS designates CMS to conduct these audits and to achieve the following objectives:

- Safeguard Federal funds;
- Instill confidence amongst regulated entities of data quality, soundness, and robustness;
- Evaluate health insurance issuer compliance with program rules and regulations; and
- Develop a successful and coordinated risk-based, multi-year audit program that maximizes resources.

This audit is part of CMS's program to validate the enrollment and payment data reported in the final 2015 EPDW submitted by the SBE, and to analyze controls and policies of selected issuers pursuant to the authority defined in 45 CFR §§ 155.1210 and 156.480.

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<sup>1</sup> To provide the flexibility needed when standing up a new oversight program and to ensure that issuers are able to provide CMS with their most accurate data, audit protocols allow for dialog between auditor and issuer to identify and correct errors in data submission that differ somewhat from some independence and reporting standards laid out under Generally Accepted Government Auditing Standards (GAGAS). These procedures were defined and executed consistent with the competence, integrity, and analytical discipline required for performance audits as defined by GAGAS.

The findings and observations are documented below. If CMS found an instance of issuer non-compliance with APTC program requirements that requires correction to the APTC reported in the final EPDW, then CMS classified it as a *finding*. If CMS found a deviation from CMS or Exchange requirements that we are calling to the attention of management for purposes of improving compliance in future program years, but that does not require correction to payment, then CMS categorized it as an *observation*.

### **Results of Review**

CMS identified two (2) findings and four (4) observations for Molina. The net APTC financial impact of the two (2) findings is an understatement of \$139,305.67 in APTC in the final EPDW submitted by the SBE and therefore a payment to Molina of \$139,305.67 in APTC. The net premium impact of the four (4) observations is an understatement of \$572,968.30 in premiums in the final EPDW submitted by the SBE. The findings and observations include the following:

#### Findings:

1. Differences in APTC amounts identified in the comparison of the issuer's data included in the October 2017 EPDW submitted by the SBE to a Payment Desk Audit File containing subscriber level data from Molina's systems; and
2. Inclusion of incorrect APTC amounts for seven hundred and ninety (790) subscribers, including two (2) of the forty-five (45) selected subscribers, in the Payment Desk Audit File.

#### Observations:

1. Differences in premium amounts identified in the comparison of the issuer's data included in the October 2017 EPDW submitted by the SBE to a Payment Desk Audit File containing subscriber level data from Molina's systems;
2. Provision of coverage and reporting of enrollment and payment data in the Payment Desk Audit File for eleven (11) subscribers with enrollments for which no binder payments were received;
3. Provision of coverage and reporting of enrollment and payment data for two (2) subscribers with a coverage period of five (5) days or fewer in the Payment Desk Audit File that was not effectuated; and
4. Provision of coverage and reporting of an extra month of enrollment for which no premium payment was received for one (1) of the fifteen (15) selected subscribers in the Payment Desk Audit File.

Please refer to section IV for details on the findings and observations listed above, including the condition, cause, effect, corrective actions, and the issuer's responses.

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## II. BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

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### A. Background

Sections 1401 and 1412 of the PPACA established the APTC program to support the provision of affordable health care coverage to individuals.

CMS has the responsibility to confirm successful implementation of, and adherence to, the PPACA provisions and implementing regulations governing the APTC program. As such, CMS established this audit program.

#### Interim Payment Process

In 2015, CMS implemented a temporary process (“interim payment process”) to calculate and make monthly payments of APTC and advance cost-sharing reduction (CSR) amounts. CMS used this interim payment process to calculate payments for all SBE issuers for the 2015-2017 benefit years. CMS transitioned most SBE issuers to policy-based payments (PBP) in 2018 and transitioned the last SBE to PBP in 2020.

For the 2015 benefit year, the interim payment process required SBE submitters, including the state of California, to submit enrollment and payment data on behalf of its issuers on a monthly basis, including any adjustments to previous months’ requests, via manual submission of an EPDW, and to attest to the accuracy of the data. SBE submitters were required to calculate the QHP enrollment and payment amounts and to submit that information in the EPDW using their internal source data.

CMS calculated and made monthly payments based on the QHP data submitted in the EPDW. While using this interim process, CMS designed and implemented a robust set of internal controls within a larger program integrity framework to ensure payment accuracy. CMS required submitters to send the following QHP plan information at the variant level via the password-protected template:

1. State
2. Tax Identification Number (TIN)
3. Health Insurance Oversight System (HIOS) ID
4. QHP ID
5. Total premium amount for all enrollments
6. Total APTC amount
7. Total advance CSR amount
8. Total effectuated enrollment groups
9. Total effectuated enrollment groups with APTC
10. Total effectuated enrollment groups with advance CSR
11. Total effectuated members
12. Total effectuated members with APTC
13. Total effectuated members with advance CSR

CMS conducted a SBE payment close-out process for the 2015 benefit year in which CMS compared the EPDW data against the policy-level reporting (PLR) data submitted by the SBE. The PLR data was based on the monthly submissions that SBEs sent to the Internal Revenue Service (IRS) for reporting purposes and contained cumulative individual market enrollment APTC data. CMS requested that SBEs append an additional field for the QHP ID for each policy separately submit the data to CMS for this purpose. CMS asked SBEs or SBE issuers to explain any outlier discrepancies between EPDW and PLR data and to re-submit the EPDW, if necessary, or to verify that payment data was accurate despite discrepancies with PLR data.

## **B. Regulations Governing APTC Program**

CMS established an audit protocol to assess health insurance issuers' compliance with the following regulations governing APTC program:

- [45 CFR § 155.1210](#): Maintenance of Records;
- [45 CFR § 156.460](#): Reduction of enrollee's share of premium to account for advance payments of the premium tax credit; and
- [45 CFR § 156.480](#): Oversight of the administration of the cost-sharing reductions and advance payments of the premium tax credit programs.

Please refer to Appendix 2 for the specific requirements established under the authorities listed above.

## **C. Objectives**

The objectives of this audit are to:

- (1) Evaluate the accuracy and integrity of SBE-generated EPDW data reported for premiums and the APTC program;
- (2) Identify potential CMS APTC payment errors resulting from issuer or SBE data reporting errors;
- (3) Test accuracy and integrity of issuer processes for reducing an enrollee's share of premium to account for APTCs.

## **D. Scope and Methodology**

CMS selected Molina for an audit to assess the issuer's compliance with 45 CFR §§ 155.1210, 156.460 and 156.480. CMS evaluated Molina's activities related to the 2015 benefit year (January 1, 2015 through December 31, 2015) individual market data reported in the final EPDW submitted in October 2017 by the SBE to CMS to support APTC payments and premium amounts.

CMS sent Molina an electronic letter on February 15, 2019 to notify them of the scope of this audit. CMS's audit contractor sent a follow-up letter to Molina on February 20, 2019 that identified data requirements required to conduct the audit. CMS's audit contractor reviewed the audit data file submitted by Molina, as well as the final 2015 EPDW submitted by the SBE to CMS and the PLR data submitted by the SBE to CMS, and used CMS's audit procedures to assess compliance with APTC program rules and regulations.

CMS's audit contractor applied CMS's audit protocol to identify the findings and observations listed in section IV of this report. CMS's audit contractor performed the following procedures<sup>2</sup>:

- Validations of the Payment Desk Audit File data submitted to CMS:
  - EPDW Validations: Review and comparison of the SBE's final submitted 2015 EPDW to the Payment Desk Audit File from the issuer's systems.
  - Unreconciled Subscribers Review: Review and comparison of the subscribers reported in the Payment Desk Audit File to the subscribers included in the SBE's PLR data to determine if the subscribers existed and their coverage was effectuated in the issuer's system (i.e., the amount the subscriber is responsible to pay toward the first month's total premium amount has been paid in full by the subscriber).
  - Duplicate Exchange-assigned Subscriber IDs Check: Review of the Payment Desk Audit File containing subscriber level data from the issuer's systems to verify that duplicate Exchange-assigned subscriber IDs (i.e., Exchange-assigned subscriber IDs that were reported in the file twice in the same month with full month or incorrectly prorated payment data) were not reported in the file.
  - Premium Less than APTC Validation: Review of the Payment Desk Audit File to verify that the subscribers' premium amounts reported in the file were not less than the APTC amounts reported in the file.
  - Coverage Days Validation: Review of the Payment Desk Audit File to verify that enrollments of five (5) days or fewer reported in the file were effectuated and had active coverage in the issuer's systems.
- Validations on samples of issuer's systems data:
  - Forty-five (45) Subscribers Sample Review: Review and comparison of the coverage periods, premium and APTC amounts from the issuer's systems to the corresponding data included in the SBE's PLR data for a selected sample of forty-five (45) subscribers.
  - Fifteen (15) Subscribers Sample Review: Analysis and review of data and documentation from the issuer's systems to verify effectuation and the appropriate application of premium and APTC amounts to policies for a selected sample of fifteen (15) subscribers.
- Policy and Procedure Review: Review of issuer APTC policies and procedures for completeness and clarity.

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<sup>2</sup> The Payment Desk Audit File is CMS's standard document for issuers to provide information in support of this audit.

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### **III. RESULTS OF REVIEW**

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CMS assessed issuer compliance with regulations using the following procedures: EPDW Validations, Unreconciled Subscribers Review, Duplicate Exchange-assigned Subscriber IDs Check, Premium Less than APTC Validation, Coverage Days Validation, Forty-five (45) Subscribers Sample Review, Fifteen (15) Subscribers Sample Review, and Policy and Procedure Review.

To build collaborative relationships and identify process improvements that support program integrity goals, CMS conducted a discrepancy phase following the review of the initial audit data submission to work with the issuer to resolve or reduce audit findings, thereby improving compliance. Additional follow-up with the SBE was performed as necessary to confirm or resolve the identified audit findings. Below are the results of this review following the discrepancy phase.

#### **EPDW Validation**

One (1) finding and one (1) observation resulted from the comparison of the final 2015 EPDW submitted by the SBE to Molina's Payment Desk Audit File. Please refer to Finding No. 1 and Observation No. 1 included in section IV for details on the finding and observation.

#### **Unreconciled Subscribers Review**

No findings and one (1) observation resulted from the review of Molina's Payment Desk Audit File to determine if the subscribers reported in the file existed in the SBE's PLR data and their coverage was effectuated in the issuer's systems. Please refer to Observation No. 2 included in section IV for details on the observation.

#### **Duplicate Exchange-assigned Subscriber IDs Check**

No findings or observations resulted from the review of Molina's Payment Desk Audit File to verify that duplicate Exchange-assigned subscriber IDs were not reported in the file.

#### **Premium Less than APTC Validation**

No findings or observations resulted from the review of Molina's Payment Desk Audit File to verify that subscribers were not reported in the file with premium amounts that were less than the APTC amounts.

#### **Coverage Days Validation**

No findings and one (1) observation resulted from the review of Molina's Payment Desk Audit File to verify that enrollments of five (5) days or fewer reported in the file were effectuated and had active coverage in the issuer's systems. Please refer to Observation No. 3 included in section IV for details on the observation.

#### **Forty-five (45) Subscribers Sample Review**

One (1) finding and no observations resulted from the review and comparison of the data from Molina's systems to the corresponding data included in the SBE's PLR data to determine accuracy of the reported enrollment months and the application of premium and APTC for a selected sample of forty-five (45) subscribers. Please refer to Finding No. 2 included in section

IV for details on the finding.

**Fifteen (15) Subscribers Sample Review**

No findings and one (1) observation resulted from the review of the data and documentation from Molina's systems to verify effectuation and the appropriate application of premium and APTC amounts to policies for a selected sample of fifteen (15) subscribers. Please refer to Observation No. 4 included in section IV for details on the observation.

**Policy and Procedure Review**

No findings or observations resulted from the review of Molina's APTC policies and procedures.

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## IV. FINDINGS AND OBSERVATIONS

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A finding is an identification of an instance of issuer non-compliance with APTC program requirements that requires correction to payment. CMS’s audit procedures identified two (2) findings, which resulted in a change to the APTC amounts reported in Molina’s EPDW submitted by the SBE for individual market plans for the 2015 benefit year.

An observation is a deviation from CMS or Exchange requirements that we are calling to the attention of management for purposes of improving compliance in future program years but that does not require correction to payment. CMS’s audit procedures identified four (4) observations, consisting of one (1) observation that resulted in a change to the premium amounts reported in Molina’s EPDW submitted by the SBE for individual market plans for the 2015 benefit year and three (3) observations that did not result in a change to the premium amounts reported in Molina’s EPDW but that are noted for purposes of improving compliance in future program years.

In light of the two (2) findings and four (4) observations, the adjusted 2015 benefit year EPDW APTC and premium amounts for individual market plans are shown in the following table.

### Recalculated EPDW for the 2015 Benefit Year

	APTC	Premium (Observations)
EPDW as Filed by the SBE in October 2017	\$44,697,770.67	\$59,210,654.33
Finding No. 1 and Observation No. 1 - EPDW Validations Adjustment	\$207,075.85	\$572,968.30
Observation No. 2 – Unreconciled Subscribers Review Adjustment	\$0.00	\$0.00
Observation No. 3 – Coverage Days Validation Adjustment	\$0.00	\$0.00
Finding No. 2 – Forty-five (45) Subscribers Sample Review Adjustment	\$(67,770.18)	\$0.00

	APTC	Premium (Observations)
Observation No. 4 – Fifteen (15) Subscribers Sample Review Adjustment	\$0.00	\$0.00
EPDW As Recalculated	\$44,837,076.34	\$59,783,622.63
<b>Total Impact</b>	<b>\$139,305.67</b>	<b>\$572,968.30*</b>

**Note:** Positive APTC values indicate funds owed to the issuer.

The net financial impact of the two (2) findings is a payment of \$139,305.67, consisting of APTC paid to Molina.

\*Note: The premium impact of the four (4) observations is an understatement of \$572,968.30 in premiums. The premium impact is noted for purposes of improving compliance in future program years.

For the two (2) findings and four (4) observations, CMS documented the criteria, cause, effect, corrective actions, and Molina’s responses as seen in the charts below.

<b>Finding No. 1 and Observation No. 1 – EPDW Validations</b>	
<b>Condition:</b>	<p><b>APTC Differences (Finding)</b> – For one (1) or more months of 2015 benefit year enrollment in nine (9) QHPs, the net “Total APTC Amount by QHP ID for effectuated enrollments” included in Molina’s EPDW submitted by the SBE was less than the total APTC amount included in Molina’s Payment Desk Audit File, resulting in an underpayment of \$207,075.85 in APTC. For the one (1) or more months of 2015 benefit year enrollment in nine (9) QHPs, the total net enrollment in the EPDW was understated by four hundred and ninety-three (493) APTC enrollment groups and five hundred and forty-three (543) APTC members.</p> <p><b>Premium Differences (Observation)</b> – For one (1) or more months of 2015 benefit year enrollment in ten (10) QHPs, the net “Total Premium Amount by QHP ID for effectuated enrollments” included in Molina’s EPDW submitted by the SBE was less than the total premium amount included in Molina’s Payment Desk Audit File, resulting in an understatement of \$572,968.30 in premiums. For the one (1) or more months of 2015 benefit year enrollment in ten (10) QHPs, the total net enrollment in the EPDW was overstated by twenty-seven (27) enrollment groups and two hundred and fifty-three (253) members.</p>
<b>Criteria:</b>	Pursuant to CMS guidance and EPDW submission requirements:

<b>Finding No. 1 and Observation No. 1 – EPDW Validations</b>	
	<p>The “Total APTC amount by QHP ID for effectuated enrollments” submitted on the EPDW is the “total APTC toward the total premium amount for effectuated enrollments within a 16-digit QHP ID.”</p> <p>The “Total premium amount by QHP ID for effectuated enrollments” submitted on the EPDW is the “total premium amount for the health coverage for all effectuated enrollments within that plan.”</p>
<b>Cause:</b>	<p>The issuer indicated “The data provided in desk audit file matches our eligibility system. Mismatch between EPDW and payment desk audit file could be result of timing and data sync issues between Molina and Covered California.”</p> <p>The SBE indicated “Covered California, through use of the California Healthcare Enrollment, Eligibility and Retention System (CalHEERS), determines and verifies program eligibility for all consumers and thereby serves as the single source of truth for State Based Marketplace (SBM) enrollment. CalHEERS has gone through several enhancements in 2015 to proactively monitor for data accuracy and consistency. These monitoring tools are used to identify data inconsistencies and apply best practices for implementing solutions. Similarly, in 2015 numerous data validations have been added to the IPR and Policy Based Payment (PBP) processes to maintain a high degree of accuracy and consistency.”</p> <p>Additionally, the SBE also noted “there are instances where the total APTC for the coverage duration is equal despite there being differences in only the monthly amount.” CMS coordinated with the issuer regarding the differences in the monthly APTC amounts reported in the Payment Desk Audit File and the monthly APTC amounts reported in the SBE’s PLR data identified as a result of the Forty-five (45) Subscribers Sample Review. An analysis to determine whether other enrollments existed with different APTC amounts was performed and seven hundred and ninety (790) subscribers were identified with APTC amount differences. Therefore, CMS concluded that the net APTC amount reported in the Payment Desk Audit File was overstated and therefore impacted the EPDW Validation differences identified. Refer to Finding No. 2 for details on the incorrect APTC amounts reported for seven hundred and ninety (790) subscribers, including the adjustment to the Payment Desk Audit File resulting from the finding.</p> <p>The SBE further indicated the premium and APTC differences are reflective of the subscribers that were identified as a result of the Unreconciled Subscribers Review “where the carrier is reporting coverage and Covered California shows them as cancelled.” During the audit, the issuer provided proof of payment to support existence of</p>

<b>Finding No. 1 and Observation No. 1 – EPDW Validations</b>	
	enrollments that resulted in the additional APTC payment. Specifically, the issuer provided proof of the receipt of the binder payment for two hundred and eighty-six (286) subscribers that were identified as a result of the Unreconciled Subscribers Review where Molina reported the enrollments with APTC in the Payment Desk Audit File, but the SBE had the enrollments as cancelled and therefore did not report the enrollments in the EPDW. For eleven (11) subscribers, the issuer was unable to provide proof of the receipt of the binder payment but noted coverage was provided (Refer to Observation No. 2- Unreconciled Subscribers Review for details). Therefore, CMS concluded the premium and APTC amounts reported in the EPDW were understated as the issuer’s Payment Desk Audit File included effectuated enrollments that were not reported in the EPDW as the SBE showed them as cancelled.
<b>Effect:</b>	The APTC and premium differences resulted in a change to Molina’s final, restated 2015 benefit year EPDW data submitted by the SBE. Pursuant to CMS audit procedures for SBEs that submitted workbooks to CMS, in the event that the issuer’s audit response supports an increase in APTC payment, the SBE or the issuer need to provide additional documentation to support the increased APTC payment. The issuer provided additional support for the payments and therefore, CMS will make adjustments based on the issuer’s Payment Desk Audit File that includes additional enrollments and APTC that did not exist in the SBE-submitted EPDW.
<b>Corrective Action Required:</b>	The net financial impact of this finding is a payment of \$207,075.85, consisting of APTC paid to Molina. Molina should confirm the financial impact by filling out Appendix 1.  The premium impact of this observation is an understatement of \$572,968.30 in premiums. CMS notes this observation for purposes of improving compliance in future program years.
<b>Management Response:</b>	Management agrees with the finding.

<b>Observation No. 2 – Unreconciled Subscribers Review</b>	
<b>Condition:</b>	Molina did not receive a binder payment but effectuated the enrollment in error and provided coverage for eleven (11) subscribers reported in the Payment Desk Audit File.

<b>Observation No. 2 – Unreconciled Subscribers Review</b>	
<b>Criteria:</b>	Pursuant to California SBE guidance, “Covered California provided requirements and guidance to issuers regarding premium payments and specifically guidance surrounding binder payments during the benefit years 2014-2017. All Covered California’s issuer contracts establish contractual provisions and requirements related to premium and binder payments. In addition, the contract requires the issuer to reconcile premium payment information with enrollment and eligibility information received from Covered California on a monthly basis, and timely notify Covered California of any differences between premium payments and the enrollment and eligibility information.” Pursuant to Molina’s guidance, “the individual would be in pending status until a binder payment is made to effectuate coverage. The enrollee would then be eligible for a grace period.”
<b>Cause:</b>	The issuer indicated “Member enrolled in the system, but no member payment” for each of the eleven (11) subscribers.
<b>Effect:</b>	The issuer did not follow the SBE enrollment guidance and requirements as the issuer provided coverage when the first month’s binder payment was not received.
<b>Corrective Action Required:</b>	CMS notes this observation for purposes of improving compliance in future program years.
<b>Management Response:</b>	Management agrees with the finding.

<b>Observation No. 3 – Coverage Days Validation</b>	
<b>Condition:</b>	Molina provided coverage and reported enrollment and payment data for two (2) subscribers in the Payment Desk Audit File with coverage that was not effectuated.
<b>Criteria:</b>	Pursuant to California SBE guidance, “Covered California provided requirements and guidance to issuers regarding premium payments and specifically guidance surrounding binder payments during the benefit years 2014-2017. All Covered California’s issuer contracts establish contractual provisions and requirements related to premium and binder payments. In addition, the contract requires the issuer to reconcile premium payment information with enrollment and eligibility information received from Covered California on a monthly basis, and timely notify Covered California of any differences

<b>Observation No. 3 – Coverage Days Validation</b>	
	between premium payments and the enrollment and eligibility information.” Pursuant to Molina’s guidance, “the individual would be in pending status until a binder payment is made to effectuate coverage. The enrollee would then be eligible for a grace period.”
<b>Cause:</b>	The issuer indicated “Subscriber enrolled for 1 day coverage but not effectuated” for each of the two (2) subscribers.
<b>Effect:</b>	The issuer did not follow SBE enrollment guidance and requirements as the issuer provided coverage when the first month’s binder payment was not received.
<b>Corrective Action Required:</b>	CMS notes this observation for purposes of improving compliance in future program years.
<b>Management Response:</b>	Management agrees with the finding.

<b>Finding No. 2 – Forty-five (45) Subscribers Sample Review</b>	
<b>Condition:</b>	Molina reported incorrect APTC amounts for seven hundred and ninety (790) subscribers, including two (2) of the forty-five (45) selected subscribers, in the Payment Desk Audit File.
<b>Criteria:</b>	<p>Pursuant to 45 CFR § 156.460, a QHP issuer that receives notice from the Exchange that an individual enrolled in the issuer's QHP is eligible for an advance payment of the premium tax credit must reduce the portion of the premium charged to or for the individual for the applicable months by the amount of the advance payment of the premium tax credit and notify the Exchange of the reduction in the portion of the premium charged to the individual.</p> <p>Pursuant to CMS guidance, the APTC amount reported in the EPDW and Payment Desk Audit File is the APTC amount toward the total premium amount for effectuated enrollments.</p>
<b>Cause:</b>	<p>The issuer indicated the following for the two (2) subscribers:</p> <ul style="list-style-type: none"> <li>For the subscriber with an APTC amount of \$109.00 reported in the Payment Desk Audit File for February through December, the issuer indicated that the APTC amount changes from \$109.00 to \$113.00 for the subscriber based on the 834 file; however, Molina's system only reflects an APTC amount of \$109.00. The SBE indicated “The enrollment's APTC is</li> </ul>

<b>Finding No. 2 – Forty-five (45) Subscribers Sample Review</b>	
	<p>\$109.00 from Feb to August, then changes to \$113.00 for September to December.”</p> <ul style="list-style-type: none"> <li>For the subscriber with an APTC amount of \$348.00 reported in the Payment Desk Audit File for January through December, the issuer indicated that the APTC amount changes from \$348.00 to \$296.00 for the subscriber based on the 834 file; however, Molina's system only reflects an APTC amount of \$348.00. The SBE indicated “The enrollment's APTC is \$348.00 from January to May, then changes to \$296.00 for June to December.”</li> </ul> <p>The issuer further indicated “These were internal Molina data issues, which have been rectified.”</p> <p>During the audit, CMS coordinated with the issuer to determine whether there were other enrollments reported in the Payment Desk Audit File with incorrect APTC amounts. The issuer confirmed that incorrect APTC amounts were reported for seven hundred and eighty-eight (788) additional subscribers in the Payment Desk Audit File. Therefore, CMS concluded that incorrect APTC amounts were reported for seven hundred and ninety (790) subscribers, resulting in an overstatement of \$67,770.18 in APTC in the Payment Desk Audit File.</p>
<b>Effect:</b>	The inclusion of the incorrect APTC amounts for seven hundred and ninety (790) subscribers resulted in a change to Molina’s final, restated 2015 benefit year EPDW data submitted by the SBE.
<b>Corrective Action Required:</b>	The net financial impact of this finding is a payment of \$67,770.18, consisting of APTC owed to CMS. Molina should confirm the financial impact by filling out Appendix 1.
<b>Management Response:</b>	Management agrees with the finding.

<b>Observation No. 4 – Fifteen (15) Subscribers Sample Review</b>	
<b>Condition:</b>	Molina provided coverage and reported an extra month of enrollment for which no premium payment was received for one (1) of the fifteen (15) selected subscribers in the Payment Desk Audit File.
<b>Criteria:</b>	Pursuant to 45 CFR § 156.270, a QHP issuer must return advance payments of the premium tax credit paid on the behalf of such enrollee

<b>Observation No. 4 – Fifteen (15) Subscribers Sample Review</b>	
	for the second and third months of the grace period if the enrollee exhausts the grace period. Additionally, if an enrollee receiving advance payments of the premium tax credit exhausts the 3-month grace period in paragraph (d) of this section without paying all outstanding premiums, the QHP issuer must terminate the enrollee's enrollment through the Exchange on the effective date described in 155.430(d)(4) of this subchapter (i.e., the last day of the first month of the 3-month grace period).
<b>Cause:</b>	For the subscriber with enrollment from January through November that was included in the Fifteen (15) Subscribers Sample Review, the issuer indicated the subscriber made a total of nine months of payments, paying through September. The issuer indicated “In March, there was a discrepancy with the payments, where the member was waived for April” and that November was the first month of the grace period. The issuer further indicated “Since this was result of internal Molina system issue, management made decision to waive April payment to maintain customer relationship.”
<b>Effect:</b>	The issuer did not follow requirements set forth in 45 CFR § 156.270 as the issuer provided an extra month of coverage and did not terminate the enrollment on the last day of the first month of the exhausted 3-month grace period.
<b>Corrective Action Required:</b>	CMS notes this observation for purposes of improving compliance in future program years.
<b>Management Response:</b>	Management agrees with the finding.

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## V. MANAGEMENT RESPONSES

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Please provide management's response to the two (2) findings and four (4) observations identified in the draft audit report and complete the attached Appendix 1 - Issuer Management Response to Net Financial Adjustment (Appendix 1), within thirty (30) calendar days from the draft audit report date. Management's response should indicate agreement or disagreement.

### **Agreement**

If management agrees with the two (2) findings and four (4) observations, complete the "Management Response" field of the findings and observations in the draft audit report, and initial "Agree" and sign the attached Appendix 1. Return the draft audit report including Appendix 1 within thirty (30) calendar days from the draft audit report date. Upon receipt of the signed Appendix 1, CMS will finalize and publish the report on the CCIIO webpage. CMS will process the final payment adjustment amount in the next available monthly payment cycle.

### **Disagreement**

If management disagrees with either of the two (2) findings and corrective actions or any of the four (4) observations, complete the "Management Response" field of the findings and observations in the draft audit report, and initial "Disagree" and sign the attached Appendix 1. Return the draft audit report including Appendix 1 and any supporting documentation that substantiates management's response within thirty (30) calendar days from the draft audit report date. This will be the final opportunity to provide information or supporting documentation to correct any inaccuracies in the report before it is finalized.

CMS will review the written explanations in the "Management Response" field of the findings and observations and any supporting documentation to determine if the report can be amended in a mutually acceptable manner. If you and CMS are unable to come to a mutually acceptable result, your response to this report will be included in the final published audit report.

Please return the updated Appendix 1 within fifteen (15) calendar days. Upon receipt of the signed Appendix 1, CMS will finalize and publish the report on the CCIIO webpage. CMS will process the final payment adjustment amount in the next available monthly payment cycle.

## Appendix 1 – Issuer Management Response to Net Financial Adjustment

Issuer HIOS ID: 18126

Issuer Name: Molina Healthcare of California (Molina)

The undersigned Chief Executive Officer (CEO), Chief Financial Officer (CFO) or other individual who can legally and financially bind this issuer has reviewed the information included in the audit report of the issuer's 2015 benefit year APTC program participation, resulting in a payment of \$139,305.67 to Molina and:

(INITIAL) BS Agrees with the audit net adjustment amount above, confirming the audit finding(s) and observation(s), if applicable, and as such this report will be considered final and published.

**OR**

(INITIAL) \_\_\_\_\_ Disagrees and requests a review of additional information that may impact the audit net adjustment amount resulting from the 2015 benefit year audit. If review is requested, CMS will consider this draft only a preliminary audit report. If the review option is selected, you must provide a written explanation with any additional documentation when you return this response within thirty (30) calendar days of the date of this draft audit report. CMS will review the written explanation and any supporting documentation to determine if the report can be amended in a mutually acceptable manner. If you and CMS are unable to come to a mutually acceptable result, your response to this report will be included in the final published audit report.

Signed: \_\_\_\_\_

(Signature of authorized person acting on behalf of the issuer)

Printed Name: Syed Babar Saghir \_\_\_\_\_

(Print name of signature)

Title: Regional Controller \_\_\_\_\_

(Title of authorized person acting on behalf of the Issuer)

Telephone Number: 562-951-1506 \_\_\_\_\_

(Direct Telephone Number)

Date: 04/21/2022 \_\_\_\_\_

## Appendix 2 – Applicable Regulations

The following table identifies the specific regulatory requirements around which CMS has organized its audits.

Regulation	Rules
<p><b>45 CFR § 155.1210 – Maintenance of Records</b></p>	<p><b>(a) General.</b> The State Exchange must maintain and must ensure its contractors, subcontractors, and agents maintain for 10 years, documents and records (whether paper, electronic, or other media) and other evidence of accounting procedures and practices, which are sufficient to do the following:</p> <ul style="list-style-type: none"> <li>(1) Accommodate periodic auditing of the State Exchange's financial records; and</li> <li>(2) Enable HHS or its designee(s) to inspect facilities, or otherwise evaluate the State- Exchange's compliance with Federal standards.</li> </ul> <p><b>(b) Records.</b> The State Exchange and its contractors, subcontractors, and agents must ensure that the records specified in paragraph (a) of this section include, at a minimum, the following:</p> <ul style="list-style-type: none"> <li>(1) Information concerning management and operation of the State Exchange's financial and other record keeping systems;</li> <li>(2) Financial statements, including cash flow statements, and accounts receivable and matters pertaining to the costs of operations;</li> <li>(3) Any financial reports filed with other Federal programs or State authorities;</li> <li>(4) Data and records relating to the State Exchange's eligibility verifications and determinations, enrollment transactions, appeals, and plan variation certifications; and</li> <li>(5) Qualified health plan contracting (including benefit review) data and consumer outreach and Navigator grant oversight information.</li> </ul> <p><b>(c) Availability.</b> A State Exchange must make all records and must ensure its contractors, subcontractors, and agents must make all records in paragraph (a) of this section available to HHS, the OIG, the Comptroller General, or their designees, upon request.</p>

Regulation	Rules
<p><b>45 CFR § 156.460 - Reduction of enrollee's share of premium to account for advance payments of the premium tax credit</b></p>	<p><b>(a) Reduction of enrollee's share of premium to account for advance payments of the premium tax credit.</b> A QHP issuer that receives notice from the Exchange that an individual enrolled in the issuer's QHP is eligible for an advance payment of the premium tax credit must—</p> <ul style="list-style-type: none"> <li>(1) Reduce the portion of the premium charged to or for the individual for the applicable month(s) by the amount of the advance payment of the premium tax credit;</li> <li>(2) Notify the Exchange of the reduction in the portion of the premium charged to the individual in accordance with § 156.265(g); and</li> <li>(3) Include with each billing statement, as applicable, to or for the individual the amount of the advance payment of the premium tax credit for the applicable month(s), and the remaining premium owed.</li> </ul>
<p><b>45 CFR § 156.480 - Oversight of the administration of the cost-sharing reductions and advance payments of the premium tax credit programs.</b></p>	<p><b>(a) Maintenance of records.</b> An issuer that offers a QHP in the individual market through a State Exchange must adhere to, and ensure that any relevant delegated entities and downstream entities adhere to, the standards set forth in § 156.705 concerning maintenance of documents and records, whether paper, electronic, or in other media, by issuers offering QHPs in a Federally-facilitated Exchange, in connection with cost-sharing reductions and advance payments of the premium tax credit.</p> <p><b>(b) Annual reporting requirements.</b> For each benefit year, an issuer that offers a QHP in the individual market through an Exchange must report to HHS, in the manner and timeframe required by HHS, summary statistics specified by HHS with respect to administration of cost-sharing reduction and advance payments of the premium tax credit programs, including any failure to adhere to the standards set forth under § 156.410(a) through (d), § 156.425(a) through (b), and § 156.460(a) through (c) of this Part.</p> <p><b>(c) Audits.</b> HHS or its designee may audit an issuer that offers a QHP in the individual market through an Exchange to assess compliance with the requirements of this subpart.</p>

Regulation	Rules
<p><b>45 CFR § 156.705 – Maintenance of records for Federally-facilitated Exchanges</b></p>	<p><b>(a) <i>General standard.</i></b> Issuers offering QHPs in a Federally-facilitated Exchange must maintain all documents and records (whether paper, electronic, or other media) and other evidence of accounting procedures and practices, necessary for HHS to do the following:</p> <p><b>(1)</b> Periodically audit financial records related to QHP issuers' participation in a Federally-facilitated Exchange, and evaluate the ability of QHP issuers to bear the risk of potential financial losses; and</p> <p><b>(2)</b> Conduct compliance reviews or otherwise monitor QHP issuers' compliance with all Exchange standards applicable to issuers offering QHPs in a federally-facilitated Exchange as listed in this part.</p> <p><b>(b) <i>Records.</i></b> The records described in paragraph (a) of this section include the sources listed in § 155.1210(b)(2), (3), and (5) of this subchapter.</p> <p><b>(c) <i>Record retention timeframe.</i></b> Issuers offering QHPs in a Federally-facilitated Exchange must maintain all records referenced in paragraph (a) of this section for 10 years.</p> <p><b>(d) <i>Record availability.</i></b> Issuers offering QHPs in a Federally-facilitated Exchange must make all records in paragraph (a) of this section available to HHS, the OIG, the Comptroller General, or their designees, upon request.</p>

### Appendix 3 – Glossary of Terms and Acronyms

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<b>Terms &amp; Acronyms</b>	<b>Definition</b>
<b>APTC</b>	Advance Payments of the Premium Tax Credit
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CFR</b>	Code of Federal Regulations
<b>CMS</b>	Centers for Medicare & Medicaid Services
<b>CSR</b>	Cost-sharing Reduction
<b>DHHS</b>	Department of Health and Human Services
<b>EPDW</b>	Enrollment and Payment Data Workbook
<b>GAGAS</b>	Generally Accepted Government Auditing Standards
<b>HIOS</b>	Health Insurance Oversight System
<b>IRS</b>	Internal Revenue Service
<b>PPACA</b>	Patient Protection and Affordable Care Act
<b>PLR</b>	Policy-level Reporting
<b>QHP</b>	Qualified Health Plan
<b>SBE</b>	State-based Exchange
<b>TIN</b>	Tax Identification Number

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