



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

for

BCBSM, Inc. d/b/a Blue Cross and Blue Shield of Minnesota (Minnesota)

June 8, 2022

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I. EXECUTIVE SUMMARY

Background

BCBSM, Inc. d/b/a Blue Cross and Blue Shield of Minnesota (BCBSM) is a health insurance issuer that offered qualified health plans (QHPs) in the individual market State-Based Exchange (SBE) in Minnesota during the 2016 benefit year. BCBSM submitted its final restated 2016 benefit year data in the November 2017 Enrollment and Payment Data Workbook (EPDW). The issuer received a total of \$30,558,507.08 in advance payments of the premium tax credit (APTC) from CMS and reported a total of \$79,068,744.15 in premiums for its 2016 benefit year individual market plans.

This report is an assessment, conducted in coordination with the SBE, of BCBSM'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 2016 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 audit¹ 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 the Centers for Medicare & Medicaid Services (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 2016 EPDW submitted by the issuer, and to analyze controls and policies of selected issuers pursuant to the authority defined in 45 CFR §§ 155.1210 and 156.480.

¹ 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 three (3) findings and five (5) observations for BCBSM. The net APTC financial impact of the three (3) findings is an understatement of \$19,559.77 in APTC in the final EPDW and therefore a payment to BCBSM of \$19,559.77 in APTC. The net premium impact of the five (5) observations is an understatement of \$4,491.37 in premiums in the final EPDW. 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 November 2017 EPDW submitted by BCBSM to a Payment Desk Audit File containing subscriber level data from BCBSM's systems;
2. Inclusion of incorrectly prorated APTC payment data for four (4) subscribers with mid-month terminations and re-enrollments in the Payment Desk Audit File; and
3. Inclusion of incorrect APTC amounts for one (1) 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 November 2017 EPDW submitted by BCBSM to a Payment Desk Audit File containing subscriber level data from BCBSM's systems;
2. Inclusion of incorrectly prorated premium data for four (4) subscribers with mid-month terminations and re-enrollments in the Payment Desk Audit File;
3. Provision of coverage in error and inclusion 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;
4. Inclusion of incorrect premium amounts for two (2) of the forty-five (45) selected subscribers in the Payment Desk Audit File; and
5. Provision of coverage and reporting of enrollment and payment data for one (1) of the fifteen (15) selected subscribers in the Payment Desk Audit File with an enrollment that was effectuated in error.

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.

II. BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

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 2014, 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 2014-2017 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 2016 benefit year, the interim payment process required SBE issuer submitters, including issuers in Minnesota, to self-report enrollment and payment data 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 issuer 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 2016 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 individual market enrollment APTC data. CMS requested that SBEs append an additional field for the QHP ID for each policy and separately submit these data to CMS for this purpose. CMS asked SBE 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 issuer-generated EPDW data reported for premiums and the APTC program;
- (2) Identify potential CMS APTC payment errors resulting from issuer 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 BCBSM for an audit to assess the issuer's compliance with 45 CFR §§ 155.1210, 156.460 and 156.480. CMS evaluated BCBSM's activities related to the 2016 benefit year (January 1, 2016 through December 31, 2016) individual market data reported in the final EPDW submitted in November 2017 by the issuer to CMS to support APTC payments and premium amounts.

CMS sent BCBSM an electronic letter on December 19, 2019 to notify them of the scope of this audit. CMS's audit contractor sent a follow-up letter to BCBSM on December 20, 2019 that identified data requirements required to conduct the audit. CMS's audit contractor reviewed the audit data file submitted by BCBSM, as well as the final 2016 EPDW submitted by the issuer 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 regulations².

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:

- Validations of the Payment Desk Audit File² data submitted to CMS:
 - EPDW Validations: Review and comparison of the issuer's final submitted 2016 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.
 - Proration Check: Review of the Payment Desk Audit File to verify that the subscribers' premium and APTC amounts reported in the file for partial months of enrollment were appropriately prorated, if applicable (i.e., if the issuer applied proration for the 2016 benefit year).
 - 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.

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

III. RESULTS OF REVIEW

CMS assessed issuer compliance with regulations using the following procedures: EPDW Validations, Unreconciled Subscribers Review, Duplicate Exchange-assigned Subscriber IDs Check, Proration 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. For the 2016 benefit year, the SBE indicated “MNSure relied on carrier enrollment data to produce 1095A forms for 2016, and thus carrier workbook data is the “source of truth” for enrollment data for that year.” 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 2016 EPDW submitted by the issuer to BCBSM’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 or observations resulted from the review of BCBSM’s Payment Desk Audit File to determine if the subscribers reported in the file existed and their coverage was effectuated in the issuer’s systems.

Duplicate Exchange-assigned Subscriber IDs Check

One (1) finding and one (1) observation resulted from the review of BCBSM’s Payment Desk Audit File to verify that duplicate Exchange-assigned subscriber IDs were not reported in the file. Please refer to Finding No. 2 and Observation No. 2 included in section IV for details on the finding and observation.

Proration Check

No findings or observations resulted from the review of BCBSM’s Payment Desk Audit File to verify that correctly prorated payment data, if applicable, was reported in the file.

Premium Less than APTC Validation

No findings or observations resulted from the review of BCBSM’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 BCBSM’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 one (1) observation resulted from the review and comparison of the data from BCBSM'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. 3 and Observation No. 4 included in section IV for details on the finding and observation.

Fifteen (15) Subscribers Sample Review

No findings and one (1) observation resulted from the review of the data and documentation from BCBSM'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. 5 included in section IV for details on the observation.

Policy and Procedure Review

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

IV. FINDINGS AND OBSERVATIONS

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 three (3) findings, which resulted in a change to the APTC amounts reported in BCBSM's EPDW for individual market plans for the 2016 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 five (5) observations, consisting of three (3) observations that resulted in a change to the premium amounts reported in BCBSM's EPDW for individual market plans for the 2016 benefit year and two (2) observations that did not result in a change to the premium amounts reported in BCBSM's EPDW but that are noted for purposes of improving compliance in future program years.

In light of the three (3) findings and five (5) observations, the adjusted 2016 benefit year EPDW APTC and premium amounts for individual market plans are shown in the following table.

Recalculated EPDW for the 2016 Benefit Year

	APTC	Premium (Observations)
EPDW as Filed in November 2017	\$30,558,507.08	\$79,068,744.15
Finding No. 1 and Observation No. 1 – EPDW Validations Adjustment	\$20,002.15	\$6,647.16
Finding No. 2 and Observation No. 2 – Duplicate Exchange-assigned Subscriber IDs Check Adjustment	\$(448.59)	\$(3,069.10)
Observation No. 3 – Coverage Days Validation Adjustment	\$0.00	\$0.00
Finding No. 3 and Observation No. 4 – Forty-	\$6.21	\$913.31

	APTC	Premium (Observations)
five (45) Subscribers Sample Review Adjustment		
Observation No. 5 – Fifteen (15) Subscribers Sample Review Adjustment	\$0.00	\$0.00
EPDW As Recalculated	\$30,578,066.85	\$79,073,235.52
Total Impact	\$19,559.77	\$4,491.37*

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

The net financial impact of the three (3) findings is a payment of \$19,559.77, consisting of APTC paid to BCBSM.

*Note: The premium impact of the five (5) observations is an understatement of \$4,491.37 in premiums. The premium impact is noted for purposes of improving compliance in future program years.

For the three (3) finding and five (5) observations, CMS documented the criteria, cause, effect, corrective actions, and BCBSM's responses as seen in the charts below.

Finding No. 1 and Observation No. 1 – EPDW Validations	
Condition:	<p>APTC Differences (Finding) – For one (1) or more months of 2016 benefit year enrollment in twelve (12) QHPs, the net "Total APTC Amount by QHP ID for effectuated enrollments" included in BCBSM's EPDW was less than the total APTC amount included in BCBSM's Payment Desk Audit File, resulting in an underpayment of \$20,002.15 in APTC. For the one (1) or more months of 2016 benefit year enrollment in twelve (12) QHPs, the total net enrollment in the EPDW was understated by twenty (20) APTC enrollment groups and overstated by thirty-two (32) APTC members.</p> <p>Premium Differences (Observation) – For one (1) or more months of 2016 benefit year enrollment in sixteen (16) QHPs, the net "Total Premium Amount by QHP ID for effectuated enrollments" included in BCBSM's EPDW was less than the total premium amount included in BCBSM's Payment Desk Audit File, resulting in an understatement of \$6,647.16 in premiums. For the one (1) or more months of 2016 benefit year enrollment in sixteen (16) QHPs, the total net enrollment in the EPDW was understated by eighteen (18) enrollment groups and overstated by twenty (20) members.</p>

Finding No. 1 and Observation No. 1 – EPDW Validations	
Criteria:	<p>Pursuant to CMS guidance and EPDW submission requirements:</p> <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>
Cause:	<p>The issuer indicated “The discrepancies identified between the EPDW and the [Payment Desk Audit File] are the result of one or more of the scenarios below:</p> <ul style="list-style-type: none"> • The query methodologies used to derive the two files are different. The EPDW query relies on data pulled from the enrollment system and the [Payment Desk Audit File] query relies on data pulled from the billing system. In the majority of the cases, the data is the same between the two data sources. Data variance can occur when: <ul style="list-style-type: none"> ○ The APTC amount received from MNsure is greater than the premium amount. In those situations, the billing system will adjust the APTC amount to match the premium amount to ensure a credit isn’t created. ○ The premium amount received from MNsure does not match the premium calculation from our billing system. Our billing system will determine the correct premium by pulling it from our state approved rate tables based on members’ age, plan selection and rating area. If MNsure didn’t send the correct premium on the enrollment file, our process will ensure we have the correct premium rate in our billing system. • There are some retroactive changes to the 2016 enrollment that we receive from MNsure even after our final EPDW restatement for 2016. While these changes are rare, they do occur in response to MNsure’s resolution of a member’s appeal or a MNsure system errors. <p>We believe that our [Payment Desk Audit File] desk file is materially accurate.”</p> <p>Based on additional review, CMS noted that the issuer’s Payment Desk Audit File included a total of five members associated with four (4) QHPs with an APTC amount that matched the premium amount resulting from capping the APTC at premium. This adjustment for the five members resulted in an overstatement of \$1,227.83 of APTC in the</p>

Finding No. 1 and Observation No. 1 – EPDW Validations	
	EPDW as the issuer reduced the APTC amount to match the premium amount in the Payment Desk Audit File but did not adjust the APTC amount in the EPDW submitted in November 2017. In addition to the minor changes resulting from billing system adjustments for capping the APTC at premium, the issuer also reported retroactive changes in the Payment Desk Audit File that occurred after the final EPDW restatement in November 2017. Based on the analysis, it was noted that the total net impact of the billing system adjustments and the retroactivity was a total net understatement of thirty-two (32) APTC members in the EPDW and corresponding understatement of \$20,002.15 in APTC in the EPDW.
Effect:	The APTC and premium differences resulted in a change to BCBSM's final, restated 2016 benefit year EPDW data.
Corrective Action Required:	<p>The net financial impact of this finding is a payment of \$20,002.15, consisting of APTC paid to BCBSM. BCBSM should confirm the financial impact by filling out Appendix 1.</p> <p>The premium impact of this observation is an understatement of \$6,647.16 in premiums. CMS notes this observation for purposes of improving compliance in future program years.</p>
Management Response:	Agree

Finding No. 2 and Observation No. 2 – Duplicate Exchange-assigned Subscriber IDs Check	
Condition:	BCBSM overstated the 2016 benefit year premium amounts for four (4) subscribers, and overstated the 2016 benefit year APTC amounts for two (2) of those subscribers and understated the 2016 benefit year APTC amounts for two (2) of those subscribers, in the Payment Desk Audit File by reporting incorrectly prorated payment data for the subscribers with mid-month terminations and re-enrollments.
Criteria:	Per the issuer-provided policies and procedures surrounding proration guidelines, the "Proration method for mid-month adds/terms: premium rate/ # of days in month * # of days covered; APTC number / # of days in month * # of days covered."
Cause:	The issuer indicated "Our system automatically prorates premium and APTC, however, there are rare cases where the system isn't able to

Finding No. 2 and Observation No. 2 – Duplicate Exchange-assigned Subscriber IDs Check	
	<p>perform the calculations and it must be done manually. This happens when there are multiple changes occurring at one time for a subscriber and their dependents. When this occurs, it populates in a daily exception report, and a billing specialist must perform the calculations manually and enter them into the system. In the four cases below, the manual calculations entered into the system were inaccurate.</p> <p>To ensure this wasn't a larger issue, we did additional research on the [Payment Desk Audit File] and found 27 other cases with a mid-month addition or deletion in 2016 for 49316. A review of these cases showed that the proration for both manual and system calculated premiums and APTC were accurate.”</p>
Effect:	The inclusion of the incorrectly prorated payment data for the four (4) subscribers resulted in a change to BCBSM’s final, restated 2016 benefit year EPDW data.
Corrective Action Required:	<p>The net financial impact of this finding is a payment of \$448.59, consisting of APTC owed to CMS. BCBSM should confirm the financial impact by filling out Appendix 1.</p> <p>The premium impact of this observation is an overstatement of \$3,069.10 in premiums. CMS notes this observation for purposes of improving compliance in future program years.</p>
Management Response:	Agree

Observation No. 3 – Coverage Days Validation	
Condition:	BCBSM provided coverage in error and reported enrollment and payment data in the Payment Desk Audit File for two (2) subscribers with a coverage period of five (5) days or fewer whose enrollment should have been cancelled.
Criteria:	Pursuant to Minnesota SBE guidance, “The only additional guidance MNsure provides carriers related to effectuation stems from Minnesota statute 72A.51 RIGHT TO CANCEL, which allows consumers a consideration period of ten days after payment of premium to request a refund. In all other instances, carriers participating on the MNsure exchange are directed to follow ACA

Observation No. 3 – Coverage Days Validation	
	policy (45 CFR 155.400). The exchange doesn't provide additional guidance on effectuation or binder payments."
Cause:	The issuer indicated that they provided coverage in error for the two (2) subscribers as a result of a "Blue Cross processing error" and the 2016 coverage should have been cancelled.
Effect:	The issuer did not follow SBE enrollment guidance and requirements as the issuer provided coverage for enrollments that should have been terminated.
Corrective Action Required:	CMS notes this observation for purposes of improving compliance in future program years.
Management Response:	Agree

Finding No. 3 and Observation No. 4 – Forty-five (45) Subscribers Sample Review	
Condition:	BCBSM overstated the 2016 benefit year premium amounts for one (1) of the forty-five (45) selected subscribers and understated the 2016 benefit year premium amounts for one (1) of the forty-five (45) selected subscribers. In addition, BCBSM overstated the 2016 benefit year APTC amounts for one (1) of the forty-five (45) selected subscribers in the Payment Desk Audit File.
Criteria:	<p>Pursuant to CMS guidance, the premium amount reported in the EPDW and the Payment Desk Audit File is the premium amount by 16-digit QHP ID for the effectuated enrollment within a qualified health plan.</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>
Cause:	<p>The issuer indicated the following for the three (3) subscribers:</p> <ul style="list-style-type: none"> For the subscriber with a premium amount of \$876.49 included in the Payment Desk Audit File and a premium amount of \$670.50 included in the PLR data for March, the issuer indicated "\$205.99 is the rate for dependent. Dependent was not effective until April 2016. Blue Cross billed dependent in error for March coverage period. Member never paid additional premium. No refund due to member."

Finding No. 3 and Observation No. 4 – Forty-five (45) Subscribers Sample Review	
	<ul style="list-style-type: none"> For the subscriber with a premium amount of \$288.36 included in the Payment Desk Audit File and a premium amount of \$400.29 included in the PLR data for January through October, the issuer indicated “We have standard rate tables that our system accesses to determine the correct premium for members based on age, address and plan selection. This process is used for enrollment both on and off-exchange. When we receive 834 enrollment files from MNsure, our system does not pull in the premium amount, but uses the member's DOB, address and plan selection (medical plan ID) to determine the appropriate premium. MNsure calculated the member's premium based on rating area 1. Rating area 1 was originally applied in the Blue Cross system, but prior to invoice creation it was manually changed to rating area 8. Based on our review of the circumstances of this issue, we found this was limited to an isolated manual error and there was no pattern of similar incorrect data that would reflect a systemic issue.” For the subscriber with an APTC amount of \$180.21 included in the Payment Desk Audit File and an APTC amount of \$186.45 included in the PLR data for September, the issuer indicated that “The billing for September 2016 reflects the correct total premium of 1,317.81 and APTC of 186.42. One of the tables used to pull this data had an anomaly, but based on our review of the circumstances of this issue, we found no pattern of similar incorrect data that would reflect a systemic issue.”
Effect:	The inclusion of the incorrect premium for the two (2) subscribers and APTC amount for the one (1) subscriber resulted in a change to BCBSM’s final, restated 2016 benefit year EPDW data.
Corrective Action Required:	<p>The net financial impact of this finding is a payment of \$6.21, consisting of APTC paid to BCBSM. BCBSM should confirm the financial impact by filling out Appendix 1.</p> <p>The premium impact of this observation is an understatement of \$913.31 in premiums. CMS notes this observation for purposes of improving compliance in future program years.</p>
Management Response:	Agree

Observation No. 5 – Fifteen (15) Subscribers Sample Review	
Condition:	BCBSM provided coverage and reported enrollment and payment data for one (1) of the fifteen (15) selected subscribers in the Payment Desk Audit File with an enrollment that was effectuated in error as no binder payment was received.
Criteria:	Additionally, pursuant to CMS guidance and EPDW submission requirements, the EPDW should include data for effectuated enrollments where an effectuated enrollment is described as “any enrollment in which the amount the enrollment group is responsible to pay toward the total premium amount has been paid in full by the enrollment group.” Pursuant to 45 CFR § 155.400, Exchanges may, and the Federally-facilitated Exchange will, require payment of the first month’s premium to effectuate an enrollment. Pursuant to Minnesota SBE guidance, “Minnesota statute 72A.51 RIGHT TO CANCEL, allows consumers a consideration period of ten days after payment of premium to request a refund. In all other instances, carriers participating on the MNsure exchange are directed to follow ACA policy. The exchange doesn’t provide additional guidance on effectuation or binder payments.”
Cause:	The issuer indicated that “Based on the enrollment file received from MNsure, Blue Cross auto-effectuated the member’s coverage effective July 1, 2016. The member did not make the required binder payment by July 1, 2016. On July 7, 2016, Blue Cross sent a delinquency notification to the member. Blue Cross did not receive payment and continued to invoice the member monthly through December 31, 2016. Due to continued non-payment, Blue Cross also sent the member a delinquency notice on October 5, 2016 and December 5, 2016 requesting payment. As part of the annual enrollment process, MNsure provided the 2017 enrollment file to Blue Cross in December 2016. The member did not re-enroll and therefore coverage was terminated as of December 31, 2016. To determine cancellation, delinquency, or termination, Blue Cross systems generate a report that tracks non-payment (binder or premium). In 2016, Blue Cross utilized a manual process to review the report and to update the system with issuance of cancellation, delinquency notification, or termination. Due to the manual nature of this process a human error occurred, and Blue Cross did not cancel or otherwise terminate the member’s coverage and continued to issue invoices to the member. As a result, the member had active coverage from July 1, 2016 through December 31, 2016 and Blue Cross incorrectly received APTC for six months in the amount of \$548.43 for this member.”

Observation No. 5 – Fifteen (15) Subscribers Sample Review	
Effect:	The issuer did not follow SBE enrollment guidance and requirements as the issuer effectuated enrollment when the first month's binder payment was not received.
Corrective Action Required:	CMS notes this observation for purposes of improving compliance in future program years.
Management Response:	Agree

V. MANAGEMENT RESPONSES

Please provide management's response to the three (3) findings and five (5) 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 three (3) findings and five (5) 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 any of the three (3) findings and corrective actions or any of the five (5) 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: 49316

Issuer Name: BCBSM, Inc. d/b/a Blue Cross and Blue Shield of Minnesota (BCBSM)

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 2016 benefit year APTC program participation, resulting in a payment of \$19,559.77 to BCBSM and:

(INITIAL) JU 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 2016 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: John Uribe
(Signature of authorized person acting on behalf of the issuer)

Printed Name: John Uribe
(Print name of signature)

Title: SVP, Chief Financial Officer
(Title of authorized person acting on behalf of the Issuer)

Telephone Number: 651-662-9501
(Direct Telephone Number)

Date: 6/20/2022

Appendix 2 – Applicable Regulations

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

Regulation	Rules
45 CFR § 155.1210 – Maintenance of Records	<p>(a) General. 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">(1) Accommodate periodic auditing of the State Exchange's financial records; and(2) Enable HHS or its designee(s) to inspect facilities, or otherwise evaluate the State- Exchange's compliance with Federal standards. <p>(b) Records. 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">(1) Information concerning management and operation of the State Exchange's financial and other record keeping systems;(2) Financial statements, including cash flow statements, and accounts receivable and matters pertaining to the costs of operations;(3) Any financial reports filed with other Federal programs or State authorities;(4) Data and records relating to the State Exchange's eligibility verifications and determinations, enrollment transactions, appeals, and plan variation certifications; and(5) Qualified health plan contracting (including benefit review) data and consumer outreach and Navigator grant oversight information. <p>(c) Availability. 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
45 CFR § 156.460 - Reduction of enrollee's share of premium to account for advance payments of the premium tax credit	<p>(a) Reduction of enrollee's share of premium to account for advance payments of the premium tax credit. 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> <p>(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;</p> <p>(2) Notify the Exchange of the reduction in the portion of the premium charged to the individual in accordance with § 156.265(g); and</p> <p>(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.</p>
45 CFR § 156.480 - Oversight of the administration of the cost-sharing reductions and advance payments of the premium tax credit programs.	<p>(a) Maintenance of records. 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) Annual reporting requirements. 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>(c) Audits. 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>45 CFR § 156.705 – Maintenance of records for Federally-facilitated Exchanges</p>	<p>(a) <i>General standard.</i> 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>(1) 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>(2) 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) <i>Records.</i> 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>(c) <i>Record retention timeframe.</i> Issuers offering QHPs in a Federally-facilitated Exchange must maintain all records referenced in paragraph (a) of this section for 10 years.</p> <p>(d) <i>Record availability.</i> 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

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