



Health Connector Programmatic Audit (VOTE)

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Background



- All State-based Marketplaces are required by the Centers for Medicare and Medicaid Services (CMS) to engage an independent auditor to perform an annual audit of marketplace finances and programs
- The Health Connector has had an annual financial audit performed by an independent auditor since fiscal year 2007 (FY07), our first operating year
- In addition, due to our receipt of federal grants, there have been two (FY12 & FY13) A-133 single audits performed by an independent auditor. The FY14 financial audit and A-133 single audit are in process
- For 2014, the Health Connector is conducting two separate audits to meet CMS requirements:
 - The financial audit, reviewing the Health Connector’s finances for state fiscal year 2014 (FY14) is already underway and being managed by KPMG, LLC
 - The programmatic audit, which is the subject of today’s presentation, will review the functionality and supportive operational processes employed by the Health Connector for calendar year 2014 (CY14)
- Today, we are seeking approval from the Board to select a vendor to conduct the programmatic audit, so that we may move ahead with kicking off the audit in time to report the results in the first half of 2015

Programmatic Audit Overview



- In compliance with the requirements under the Affordable Care Act (ACA), the programmatic audit assesses operational and technological capabilities and processes of a state-based Marketplace, such as the Health Connector, with a focus on eligibility and enrollment functionality and processes, privacy and security procedures, Qualified Health Plan certification, and call center performance and training, among other activities
- Given the focus of the programmatic audit and the fact that CY14 was a year in which the Health Connector has worked to transition to a new system with new supporting operational processes, we worked with CMS to ensure that the programmatic audit would capture both the capabilities of the current CGI-built system as well as the new hCentive-powered system, which will be used going forward for 2015 and beyond
- Specifically, the audit report will include information related both to the first federal open enrollment from January through March as well as information on the upcoming open enrollment period which will begin on November 15, 2014
- Our vision, for future years, is to align the fiscal audit (on a fiscal year cycle) and the programmatic audit to the same periods for a more streamlined process and report

PMT Process

- The Health Connector formed a cross-functional, five person Procurement Management Team (PMT) with representatives from the finance, operations and legal departments to issue a Request for Proposals (RFP) and review bids for the programmatic audit
- The PMT received responses from two bidders and reviewed them against a number of factors, including approach to the engagement, experience and references, and overall value

Criteria	Weight	KPMG	Bidder 2
Understanding of the overall tasks and objectives	5	4.5	3.0
Staffing plan/availability of resources	10	9.0	7.0
Approach to completing the services	15	13.5	9.0
Team members have appropriate capabilities and experience	10	9.0	7.0
Experience with state and federal government agencies performing financial audits	15	13.5	10.5
Experience with state and federal government agencies performing programmatic audits	10	9.0	5.0
References	5	5.0	5.0
Proposed Cost of the Proposal	20	10.0	18.0
Overall value to the Health Connector	10	9.0	5.0
Overall Total Procurement Points	100	82.5	69.5

PMT Evaluation

- The PMT is recommending KPMG, our current financial auditor, to serve the role of conducting our programmatic audit
- Overall, KPMG demonstrated a much stronger understanding of the scope of work and approach to addressing it, including a detailed timeline and work plan
 - KPMG provided a detailed plan that allocated a far greater number of hours towards the planning portion of the engagement and in the audit execution phase, which the team felt was a proper response to the RFP
- KPMG also demonstrated more experience with similar projects for state and federal governments as well as experience in the health care sector, in particular
 - KPMG has extensive experience working on projects and audits specifically related to the ACA, providing impact analysis to clients across industry and government
- In addition, KPMG proposed a more comprehensive and experienced team for the engagement
 - KPMG will provide a principal staff member, considered a national leader in ACA implementation, and staff members who are focused on and familiar with call center, actuarial services, IT privacy and security, federal compliance and insurance

Cost

- Following a Best and Final Offer (BAFO) process, Bidder 2 bid \$38,430, whereas KPMG bid \$299,500
- The significant difference in overall cost was attributable to Bidder 2's much lower allocation of staff time, which the PMT concluded was not likely to be sufficient for the scope of work required to produce a thorough and complete programmatic audit

	Expected Number of Hours	Cost per Hour	Total Cost
Bidder 2	286	\$134.37	\$38,430
KPMG	1,775	\$168.73	\$299,500
Difference	(1,489)	(\$34.36)	(\$261,070)

- Moreover, if KPMG feels that the amount of hours allocated to the audit has been overstated or the number of hours proves to be less than projected, then the actual cost will be less than quoted. In other words, the \$299,500 above reflects a price ceiling for the engagement, and with comparable hourly rates, the PMT believes that KPMG's proposal is in the best interests of the Commonwealth

VOTE



Health Connector staff recommends that the Board authorize the Executive Director to enter into a contract with KPMG, subject to agreement on terms, to perform the programmatic audit.