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August 31, 2018

Mr. Zachary Sherman
Director
Health Source RI
43 Cherry Dale Ct
Cranston, RI 02920

Dear Mr. Sherman:

The Office of Internal Audit (OIA) has completed its limited scope performance audit of the Healthsource Rhode Island (HSRI). OIA reviewed HSRI's processes for handling coverage termination, complaints, and payments. The audit was conducted in conformance with the International Standards (IIA) for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in the Rhode Island General Laws (RIGL) §35.7.1-1. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL §35-7.1-10(d), entitled *Annual and interim reports*, states that, "Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or public body or private entity audited shall respond in writing to each recommendation made in the final audit report." Accordingly, management submitted its response to the audit findings and recommendations on August 29, 2018, and such response is included in this report. Pursuant to this statute, the Office of Internal Audit may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the staff of Health Source RI for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,

Dorothy Z. Pascale, CPA
Chief

c—Jonathan Womer, Director, Office of Management and Budget
Honorable William J. Conley, Chairperson, Senate Committee on Finance
Honorable Marvin Abney, Chairperson, House Finance Committee

Audit Executive Summary

Why the Office of Internal Audit Did This Review

Based upon our risk assessment, the Office of Internal Audit conducted a limited scope audit of the Rhode Island Health Benefits Exchange processes for coverage termination, complaints, and check payments. The objective was to review operations to determine if they were being administered effectively and efficiently and in accordance with requirements, statutes, and established policies and procedures.

Background Information

The Patient Protection and Affordable Care Act (ACA) provided for the establishment of a Health Benefits Exchange by each state. The Rhode Island Health Benefits Exchange was established on September 19, 2011 by Executive Order 11-09.

The Rhode Health Benefits Exchange serves two important purposes:

- to negotiate for high quality, affordable health insurance and
- to be a resource for Rhode Island individuals and businesses.

HSRI helps customers compare health insurance options, enroll in coverage, and access Medicaid or federal tax subsidies if eligible.

To improve operations and controls we recommend HSRI:

- Ensure complaints received by the vendor are handled timely.
- Improve current check handling policy.

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Introduction

The Patient Protection and Affordable Care Act (“ACA”) provided for each state to establish a Health Benefits Exchange. The Rhode Island Health Benefits Exchange was established on September 19, 2011 by Executive Order 11-09.

The Rhode Island Health Benefits Exchange, HealthSource RI, (“HSRI”) serves two important purposes: to negotiate for high quality, affordable health insurance and to be a resource for Rhode Island individuals and businesses to learn about and compare health insurance options. HSRI assists customers with enrolling in coverage and accessing Medicaid or federal tax subsidies when eligible.

Recommendations and Management’s Responses

Ensure Complaints Received by Vendor are Addressed Timely

To improve upon mission achievement, customer complaints should be addressed timely. During the time of this audit, customers of HSRI could submit their complaints by two different methods: online through Unified Health Infrastructure Project (UHIP), or directly to the vendor that is engaged to operate the Contact Center. Regardless of the submission method, the Contact Center vendor triages all complaints and documents work done through its own customer relations management system (CRM). Complaints may be either handled directly by the Contact Center’s staff, or moved to an escalation or appeal handled by HSRI.

Based on the data provided by HSRI¹, 834 customer accounts had complaints that were submitted online through UHIP and the OIA identified 104 of the 834 (12%) were not in the Contact Center vendor’s CRM as having an associated escalation, appeal, or notable action. Therefore, 12% of customer accounts with associated complaints were unknown to HSRI. Prior to the issuance of this audit report, HSRI addressed these identified complaints.

Recommendations:

1. Ensure all complaints are known and addressed timely.

Management’s Response:

On an average annual basis, HSRI fields nearly half a million phone calls from customers and assists over 3,000 walk-in customers at our Contact Center. It is critical that every customer interaction, whether concerning application assistance, paying a monthly invoice or logging a complaint or other customer service need, is recorded and managed properly. Customer service is at the heart of what we do every day. We are appreciative of the additional insights gained through this limited scope audit which will allow us to further the improvements we have already made to these processes in the days and weeks ahead.

HSRI has determined that nearly half of the remaining 104 complaints were, in fact, resolved with the customer through various operational and customer service processes in place, yet the complaint

¹ The data was provided to OIA on June 8, 2018 for the time period of July 1, 2017 through March 24, 2018.

and corresponding closed status were not accurately reflected within the CRM system. This leaves 38 customers who appear to have an unresolved complaint. HSRI has already begun to outreach to these 38 customers to determine if they have an active grievance or customer service need. To date, HSRI has been able to close 26 of these 38 complaints.

We are confident that this improvement to our work will move us in the right direction and that it will ultimately improve the customer experience for the thousands of Rhode Islanders who use our system and Contact Center each year.

Responsible Party: Meg Ivatts, Acting Chief Operating Officer at HealthSource RI

Anticipated Completion Date: This effort has been completed. Our goal of better managing the complaints process is achieved by using the CRM system.

Work with Vendor to Improve Current Check Handling Policy

HSRI contracts with a vendor to operate its Contact Center. The Contact Center handles all in person payments made in person by individuals with benefits. Best practices for effective check handling procedures include:

- Specifying business processes and personnel responsibilities
- Addressing overages and shortages
- Including process for transfer and deposit of funds
- Stipulating the procedure for the validation of checks
- Addressing non-sufficient funds
- Including asset protection (safekeeping)

HSRI's vendor who operates the Contact Center is responsible for the development of a check handling policy and procedure. However, the documented procedure provided during this audit is limited and does not encompass all of the components bulleted above. The current policy primarily addresses the receipt and handling of check payments and providing HSRI with a reconciliation. The current policy is insufficient to ensure standardize processes are adhered to across all employees within the Contact Center. Additionally, if there is turnover with the vendor's financial staff, this policy would not provide adequate instruction for new employees.

Recommendations:

2. Work with vendor to improve the current check handling policy.

Management's Response:

HSRI is committed to working with our Contact Center vendor, Automated Health Systems (AHS), to ensure that it achieves best practice standards when handling customers' checks. AHS's current check handling policy, as mentioned in the report above, does not encompass all bulleted items mentioned by the internal auditors, which are considered to be best practice standards. That said, AHS is only responsible for a subset of activities that constitute the full lifecycle of HSRI's check processing procedure. Please see further explanation below:

- **Specifying business processes and personnel responsibilities**

HSRI agrees that the AHS policy and procedure document could be improved to include more information regarding business processes and personnel responsibilities. Including more detail in the AHS policy document could help clarify each step upon receiving a customer check, such as who has the requisite permissions to accept and process checks as well as where the checks should be secured prior to a batch scan.

HSRI will work closely with the vendor to address this.

- **Addressing overages and shortages**

In our experience, the term “overages and shortages” is typically used in the context of an agency in receipt of cash. It is worth noting here that AHS do not receive cash at any time.

HSRI does have an appropriate process in place to ensure that all checks and money orders received and scanned are, in fact, successfully deposited into our bank account. At the end of each business day, the supervisor of the Contact Center is responsible for sending a report regarding the number of checks and money orders as well as the amount of each check. This report is used to reconcile the deposits that were made into the account each evening, and an email is sent every morning confirming that the deposits match the data on the report.

- **Including process for transfer and deposit of funds**

While AHS is not responsible for the “transfer and deposit of funds” into the trust account they are responsible for scanning the checks into a deposit link system associated with our bank account. AHS’s current policy does include information as to what data is verified in Deposit Link with the physical check as well as how an approved batch report is sent to management at the close of business each day confirming all scanned checks were deposited into the Trust.

HSRI will work with AHS to clarify, in their policy and procedure document, what process each authorized employee should go through to properly scan checks into the deposit link system. It is also worth noting that HSRI has recently initiated a quarterly training for AHS staff who handle checks.

- **Stipulating the procedure for the validation of checks**

AHS’s policy and procedure document includes information regarding what data ought to be verified by a representative upon receipt of a check to ensure all necessary information is present including date on the check, pay to Order of (HSRI), payment amount in numeric and word form, signature, and memo field. All payment checks must be date stamped and initialed by the representative receiving payment. HSRI believes this to be a sufficient procedure for the validation of checks. AHS is not responsible for determining whether a check is counterfeit or forged as this important function is handled at the bank level.

- **Addressing non-sufficient funds**

AHS's policy and procedure document does not address checks with non-sufficient funds because Contact Center staff are not responsible for determining whether a customer has enough funds in their initiating bank for the deposit. This function is handled at the bank level, using best banking practices and procedures.

Including asset protection (safekeeping)

AHS's policy and procedure document does indicate that customers' checks should be kept in a "secure location" for safekeeping prior to being run through the scanners. For security purposes, the location is not disclosed; however, there could be more detail in the policy and procedure document indicating what safeguards are put in place to make sure the location is, in fact, safe and secure.

HSRI will work with AHS to include this additional information in their policy and procedure document.

In conclusion, while some of the bulleted elements listed above are not the Contact Center's responsibility, HSRI will work closely with AHS to review and revise their current check handling policy and procedure document to include clarifications to specific processes as outlined above. These changes will ensure that standardized processes are adhered to across all employees within the Contact Center as well as provide more robust instruction for new employees.

Responsible Party: Sharon Garner, Chief Financial Officer at HealthSource RI

Anticipated Completion Date: February 1, 2019

Objective, Scope and Methodology

As a result of our annual risk assessment, the Office of Internal Audit (OIA) conducted a limited scope audit of HealthSource Rhode Island (HSRI). OIA reviewed HSRI's processes for handling complaints, termination of coverage, and check payments. The purpose of the engagement was to review these processes and determine if operations are being administered efficiently and effectively in accordance with requirements, statutes, and state procedures. This audit did not consider the UHIP recording of complaints. As part of our audit work, the OIA gained an understanding of HSRI's operations. To address our audit objective, we performed the following:

- Reviewed established policies and procedures
- Evaluated key risks and controls
- Gained an understanding of external audits conducted
- Flow charted processes
- Tested for compliance with established policies and procedures

The results of this limited scope audit are communicated within this report.