Affordable Care Act
Audit Readiness
February 2014

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Top Industry Compliance Challenges

Rapid and Unrelenting Changes Characterize Today’s Environment

1. Multiple regulators:
   - CCIIO – The Center for Consumer Information & Insurance Oversight
   - CMS – Centers for Medicare and Medicaid Services
   - HHS – Department of Health and Human Services
   - DIFS – Department of Insurance and Financial Services
   - DOL – Department of Labor
2. Guidance on regulations continues to emerge while development is underway
3. Aggressive timeframes
4. Sweeping volumes of change
5. Ownership across cross functional boundaries

Fundamentals in Preparing for Health Care Reform Compliance

Compliance and Control Components

Outcomes

Process

Structure

Supporting the Business to Integrate Controls
Developing a Strong Culture of Compliance for Health Care Reform
Balancing Risk and Pirorities
How We Prepared

Governance
- Implemented a three-tiered approach for compliance management
- Created the Business Compliance Oversight Office

Accountability
- Established a liaison council for sharing ongoing compliance knowledge within the business
- Trained liaison council members by increasing compliance knowledge
- Created an Internal Controls Policy and Attestation Standard which emphasizes employees responsibilities for controls and compliance

Enabling Tools
- Created a common repository to store audit ready materials
- Developed a mandate inventory log as source of truth
- Finalized a compliance playbook of procedures for health care reform compliance management

BCBSM Governance Structure Enables Success for Health Care Reform Compliance

Affordable Care Act Compliance Oversight Model

Internal Audit
- Business / Liaisons

2013 Better Practice Model Internal Audit Association

The Three Lines of Defense Model

Adapted from OMB/OMB Circular on the ACFE Computer Crime Directive, article 1.
The Detailed Foundation for Health Care Reform Compliance

Compliance is Everyone’s Responsibility!

Key Compliance Roles

The Business Areas are responsible for implementing and sustaining health care reform compliant operations:
- Owning internal controls
- Training and educating employees
- Tracking compliance action plans and remediation of compliance issues
- Participating in internal and external audits, etc.

Compliance Liaisons provide a first layer of compliance oversight within the business:
- Performing the annual review and approval of ACA policies for their areas
- Encouraging the business areas to identify issues and risks and to implement corrective actions
- Educating the business areas on ACA compliance management
- Representing their respective business areas in the Compliance Liaison Council

A second layer of oversight is provided by Business Compliance Oversight Office:
- Performing objective, risk-based compliance assessments
- Collecting and advising on the policy review and approval process
- Reporting on key compliance metrics
- Monitoring business issue management and corrective actions

Risk Intelligent Approach to Compliance

The business is encouraged to consider risks related to regulatory outcomes in addition to business operations.

- Identify the Risk:
  - What uncertain event or effect could happen?
  - Know the Facts

- Evaluate Options:
  - Cost and benefits
  - Impacts and probability
  - Stakeholder reach-outs

- Understand the Boundaries:
  - Best practice vs. sufficiency

- Be Transparent with Decisions and Assign Accountability

ACHIEVE RISK INTELLIGENCE
Establish the Structure for Compliance Liaisons

Established a liaison council for ongoing compliance knowledge within the business

Train the Liaisons

- Effective training and education is one of the seven elements of an effective compliance program
- Pre- and post-training tests gauged knowledge and allowed focused follow-ups

Where to Focus Training Efforts...

Survey Results Told Us Where the Compliance Liaisons Needed Most Education:

- Source of truth log or requirements traceability matrix (RTM)
- Business impact assessment (BIA) during the change implementation
- Self-monitoring in the commercial business
Examples: Training Test Questions

1. Who is responsible for identifying health care reform compliance risks?
   a) Business
   b) BCIO
   c) Compliance Liaisons
   d) All of the above

2. Which of the following is NOT one of the 7 Elements of an Effective Compliance Program?
   a) Written Policies, Procedures, and Standards
   b) Effective Training & Education
   c) Mandate Implementation Initiative Status Tracking
   d) Effective Lines of Communication
   e) Effective System for Routine Monitoring, Auditing, Identification of Compliance Risks
   f) Well-Publicized Disciplinary Standards
   g) Compliance Officer, Compliance Committee & High Level Oversight
   h) Procedures and System for Prompt Response to Compliance Issues

Other Elements of Training

- Oversee training and education effectiveness in their function
- Training evidence examples:
  - Attendance Logs
  - Training Materials
- Train on business area’s responsibility for owning, managing and retaining (or knowing the storage location) of training evidence
- Reinforce record retention policy

Training Roles and Responsibilities

<table>
<thead>
<tr>
<th>Compliance Liaisons</th>
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</thead>
<tbody>
<tr>
<td>Awareness of the storage location of training evidence from huddles, department meetings, etc.</td>
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<tr>
<td>Training the business area on compliance management</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing the training of staff</td>
</tr>
<tr>
<td>Choosing the decision for training requirements and strategy for each training (training approach and outcomes)</td>
</tr>
<tr>
<td>Overseeing performance results and outcomes</td>
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<tr>
<td>Determining remediation activities</td>
</tr>
<tr>
<td>Storing and maintaining training evidence from huddles, department meetings, etc.</td>
</tr>
<tr>
<td>Training on business processes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Business Compliance Oversight Office</th>
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</thead>
<tbody>
<tr>
<td>Training on compliance management</td>
</tr>
<tr>
<td>Advise on compliance audit readiness and risk based approach</td>
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</tbody>
</table>
A Day in the Life of a Compliance Liaison

What they need to know:
1. Regulations that impact their business area
2. Process owners in their business area
3. When and what Affordable Care Act projects impact their business area

What role they play:
1. Coordinate compliance assessments
2. Collect and facilitate updates to their area’s policies and procedures
3. Follow up on deficiencies and track remediation
4. Collect compliance monitoring outcomes from process owners
5. Report metrics to the Business Compliance Oversight Office
6. Coordinate and serve as a "hub" for information received from the compliance office

A Day in the Life of a Compliance Liaison

Why do business areas need a compliance liaison?

Support leadership adhere to governmental regulation
Develop a comprehensive plan to self-monitor and report, perform "check-ups"

Hub of Compliance Information
Assist with issue management, correction action plans and risk mitigation

Dictatorial and Key Dept. Documents
Assist their area to be audit ready for both internal and external assessments

Compliance Liaison

Increasing Understanding around Compliance Terms

Compliance is the requirement that all employees and contractors abide by all applicable federal and state laws, regulations, guidelines and all Company policies while maintaining high ethical standards when conducting company business including but not limited to: reporting potential issues, investigating issues, conducting self-evaluations, audits, remedial actions and reporting to appropriate officials.

Internal Controls are a necessary component in managing the company’s risks and safeguarding our assets through policies, procedures, guidelines, activities, practices and organizational structures designed to provide reasonable assurance that business objectives will be achieved and undesired events will be prevented, detected and corrected in a timely manner.

Evidence is any kind of information used to support or prove a control activity.

Available means information is stored in a secure location and is readily accessible to the business area in the event of an assessment, inquiry or audit. Readily accessible means:
- Accessible by several employees, not dependent on or limited to one employee, not on a personal drive
- Version controlled and generally retrievable within one business day
Getting to ... Audit Ready

- Are key processes documented? How do employees know what to do?
- Is the process or system working and producing the desired result?
- Are issues identified, documented, prioritized and resolved?
- Policies, Procedures and Standards
- Reporting and Monitoring
- Training and Education
- Issue Management
- Is there awareness and understanding of what is required?

What We Learned from the Medicare Advantage Audit Experience

- Start with policies and procedures and accompanying work flows and isolate key compliance requirements
- A policy and procedure is "what" you "must" do, the desk level is "how" you do it
- When making day to day decisions always use the "how will this fair in an audit" perspective

General

- Consider that processes may need to be confirmed to the regulators. For example, your process is that member correspondence is mailed at 3:30pm daily. Is there a policy that includes this process? How do you ensure it is being done and that it is mailed the same day?

Process Flow and Control

tracking and Reporting

- Tracking and reporting must meet day to day business needs, audit needs and government reporting needs
- Monitor trends that have impacts on members

Urgency

- Staff should be ready for "all hands on deck" during an audit period, extended hours are a given
- Prior to an audit determine who will lead, who will support and who will own approval for submission
What We Learned from the Medicare Advantage Audit Experience

Stay Calm!

Other
- In an audit, anticipate all routine duties cease for those involved
- Anticipate clerical support required, proofing, naming, scanning, rescanning
- If you are given protocols read them carefully, it is very easy to misread what is required
- Prepare submissions in very simple and methodical order
- Consult with your legal counsel as necessary
- It will always be a team effort in an audit
- As soon as the submission is complete, document anticipated issues and findings, leadership will be eager to know
- Retain historical tracking of each audit, it will not be unusual to have one audit contradict another

Setting up for the Future, Communications with the Center for Medicaid & Medicare Services

Forum for Ongoing Communications with CMS Established

- Led by regulatory area and includes subject matter experts and compliance office
- Meet every other week

Establishing an Overarching Control Policy and Standard

Created an Internal Controls Policy and attestation standard which emphasizes employees responsibilities for controls and compliance
Controlling is an Integral Part of Executing ...

The Internal Controls Policy

Designed to provide reasonable assurance that business objectives will be achieved, either by preventing or detecting undesired or unexpected outcomes timely.

Activities and practices
- Badge swiping to enter building
- Review of monitoring reports/metrics

Organizational structures
- Independent legal and audit functions
- Compliance Officer

Internal Controls

Policies
- Expenditure Authority
- Paid Time Off

Procedures
- Technical accounting white papers
- Time reporting

Guidelines
- Desk procedures
- Best practices

Internal Control Policy Supports the Culture of Compliance
Create an Attestation Standard for Consistency

As the regulatory environment becomes more complex and widespread, this standard is meant to drive consistency for attestation submissions across the enterprise.

The Business Compliance Oversight Office engaged a workgroup to support this ongoing effort.

Scope: The standard sets consistency for attestations submitted to third parties.

Key Values:
- Consistency
- Roles and responsibilities

Inventory

Created a shared repository to store key audit ready materials including a PPACA inventory log

The Source of Truth

Summary of Patient Protection Affordable Care Act Changes

<table>
<thead>
<tr>
<th>Organization</th>
<th># of Mandates</th>
<th>Total Mandates</th>
<th>Total Mandates Applicable to Enterprise</th>
<th>Policy</th>
<th>Compliance</th>
<th>To Process</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Medicaid</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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<td>100</td>
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Illustrative Number Only
The Inventory Allows Risk Based Reporting and Planning

Illustrative Purposes Only

The Storage Location or Site

The Elements of Reporting – Common Definitions
Finalized a compliance playbook of procedures for ACA compliance management

The Playbook

The Playbook Sections

CH. 2 - Compliance Assessments and Monitoring Reviews

1. Compliance Assessment - perform a regulatory-like audit or readiness assessment. The objective is to prepare the business for regulatory audits. This is similar to a post implementation review.

2. Monitoring Review - focus on testing the data related to a mandate and fulfills one of CMS’ expectations on monitoring for compliant outcomes.

Prevent Services Example:

<table>
<thead>
<tr>
<th>Preventive Services</th>
<th>For Adult Enrollee with an Essential Benefits Coverage</th>
<th>Preventive Services</th>
<th>For Pediatric Enrollee with an Essential Benefits Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Child at Primary Care Provider</td>
<td>Access to Obstetrical &amp; Gynecological Care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Child Coverage, age 26</td>
<td>Adult coverage to age 26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Services</td>
<td>No Lifetime Dollar Limit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mandates Requiring Implementation

- Coverage of preventive services
- Access to Obstetrical & Gynecological Care
- Adult child coverage to age 26
- Prohibition of preexisting conditions for children under age 18

• MET: Low risk of regulatory audit findings
• MET WITH NOTES: Likely would pass a regulatory audit, but requires some process improvements
• NOT MET: Significant risk of not passing a regulatory audit
CH. 3 - Risk Assessment and Annual Planning

Inputs into the process used to define key risks for the enterprise
- Change Log
- Surveys
- Interviews and other discussions
- Industry Information

The Health Care Reform Annual Assessment and Plan

Key work coverage summary:
- Risk corridor, adjustment and reinsurance (3R's)
- Marketplace
- Summary of benefit coverage
- Manage the business – liaisons and other compliance oversight

CH. 4 Policy and Procedure

Policy Management

<table>
<thead>
<tr>
<th>Policy Management</th>
<th>The process of identifying the need for and managing and maintaining policies throughout their effective use</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Policy Monitoring</td>
<td>Important Considerations: 1. Enforcement 2. Exception management</td>
</tr>
<tr>
<td>5. Policy Maintenance</td>
<td>Important Considerations: 1. Identify, Annual Review 2. Archive and availability</td>
</tr>
</tbody>
</table>
CH. 4 Policy and Procedure Review Outcomes

What we do well…
- Referencing related policies and procedures
- Policy is described separate from procedures
- Signed and dated by owner
- Name of preparer included

What could we do better…
- Incorporate health care reform requirements into policy
- Include version history
- Update effective date and version date
- Use right amount of detail

CH. 5 Self-Monitoring in the Business

- Provide internal control thought leadership into process discussions
- Design with monitoring and key controls in mind

CH. 6 Deficiency Management

A deficiency is commonly referred to as an issue, exception, or errors that occur within an operation or function and is believed to have compliance impacts.

Employees can report issues anonymously through the hotline.
Deficiency Management

CH. 7 Regulatory Mandates and Activating Change

Activating Change for Mandates

What does compliance integration look like?
Process flows, control narratives/descriptions, monitoring plans

Illustrative Only

Illustrative Only

Monitoring Plan  Control Narrative
Activating Change for Mandates

Supporting the business through change

1. Know the process
2. Know the controls
3. Know the score

Know performance, over time...

Knowledge Transfer

Purpose and Scope:
- Transfer knowledge on the mandate implementations to the compliance office and Compliance Liaisons (CL) for effective ongoing compliance oversight
- This meeting aims to better empower liaisons and increase the knowledge

Roles and Responsibilities of Knowledge Transfer Meeting:
- Long-term: Compliance liaison and the business to schedule and lead the knowledge transfer discussion
- Short-term: Compliance liaison and Project Management Team after implementation, schedule and lead the knowledge transfer meeting
- Business Compliance Oversight Office is responsible for understanding the implementations to provide effective compliance oversight for the Corporate Compliance Officer and relevant oversight committees