



**Affordable Care Act
Audit Readiness
February 2014**

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Blue Cross Blue Shield of Michigan is a nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association.


 **Top Industry Compliance Challenges**

Rapid and Unrelenting Changes Characterize Today's Environment

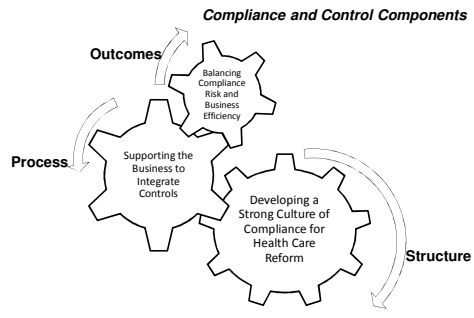
1. Multiple regulators:
CCIIO – The Center for Consumer Information & Insurance Oversight
CMS – Centers for Medicare and Medicaid Services
HHS – Department of Health and Human Services
DIFS – Department of Insurance and Financial Services
DOL - Department of Labor
2. Guidance on regulations continues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



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 **Fundamentals in Preparing for Health Care Reform Compliance**

Compliance and Control Components



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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

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BCBSM Governance Structure Enables Success for Health Care Reform Compliance

Affordable Care Act Compliance Oversight Model

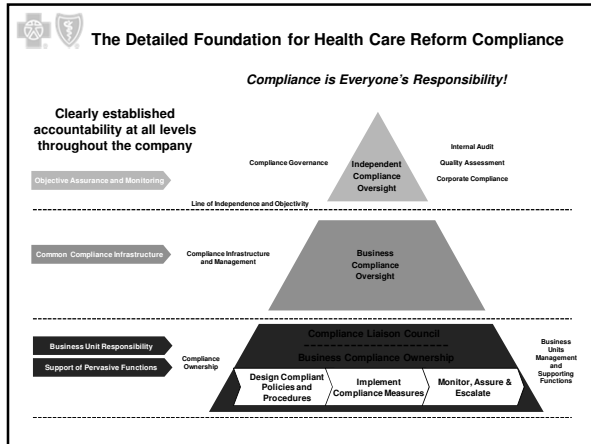
Management is accountable for internal controls, including compliance with laws and regulations.

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2013 Better Practice Model Internal Audit Association

The Three Lines of Defense Model

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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 remediating compliance issues
- Participating in internal and external audits, etc.

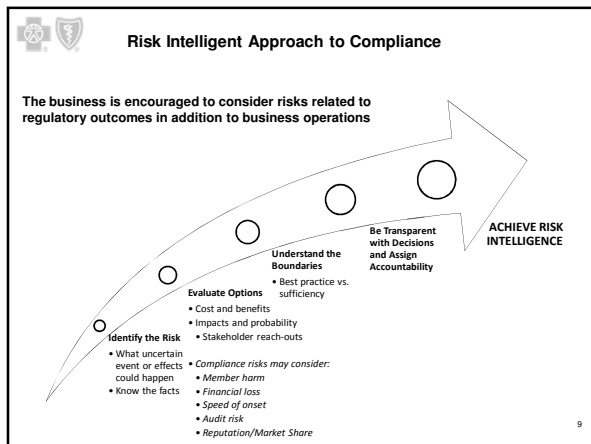
Compliance Liaisons provide a first layer of compliance oversight *within* the business

- 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

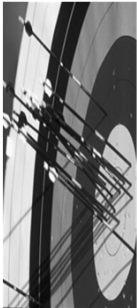
A second layer of oversight is provided by Business Compliance Oversight Office

- 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

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Establish the Structure for Compliance Liaisons



Established a liaison council for ongoing compliance knowledge within the business

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Train the Liaisons



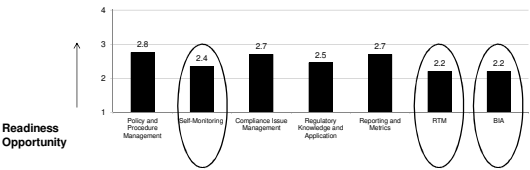
- Effective training and education is one of the seven elements of an effective compliance program
- Pre- and post-training tests gauged knowledge and allowed focused follow-ups

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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



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Examples: Training Test Questions

1. Who is responsible for identifying health care reform compliance risks?
 - a) Business
 - b) BCOO
 - 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

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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

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Training Roles and Responsibilities

Compliance Liaisons	<ul style="list-style-type: none"> • Awareness of the storage location of training evidence from huddles, department meetings, etc. • Training the business area on compliance management
Business Areas	<ul style="list-style-type: none"> • Managing the training of staff • Owning the decision for training requirements and strategy for each training (training approach and outcomes) • Owns performance results and outcomes • Determines remediation activities • Storing and maintaining training evidence from huddles, department meetings, etc. • Training on business processes
The Business Compliance Oversight Office	<ul style="list-style-type: none"> • Training on compliance management • Advise on compliance audit readiness and risk based approach

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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

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A Day in the Life of a Compliance Liaison

Why do business areas need a compliance liaison?

Divisional and Key Dept. Documents: Support leadership adhere to government regulation

Proactive Advisory: Develop a comprehensive plan to self-monitor and report, perform "check-ups"

Issue Oversight: Assist their area to be audit ready for both internal and external assessments

Hub of Compliance Information: Assist with Issue management, corrective action plans and risk mitigation

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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.

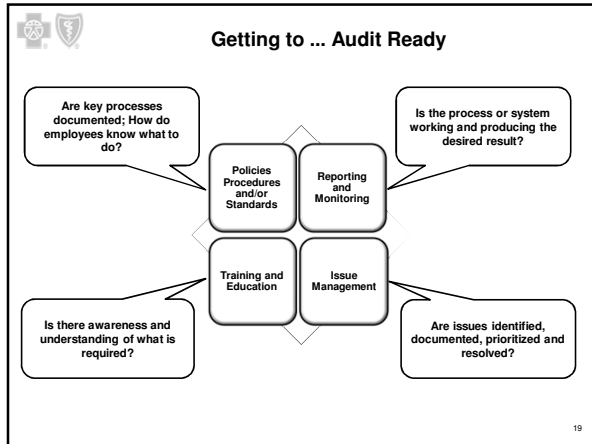
Internal Controls are a necessary component in managing the company's risks and safeguarding our assets through policies, procedures, guidelines, activities, practices and organizational structures designed to provide reasonable assurance that business objectives will be achieved and undesired events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

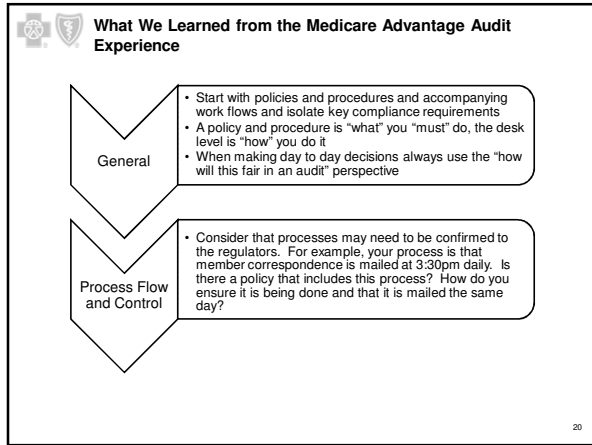
Evidence is any kind of information used to support or prove a control activity.

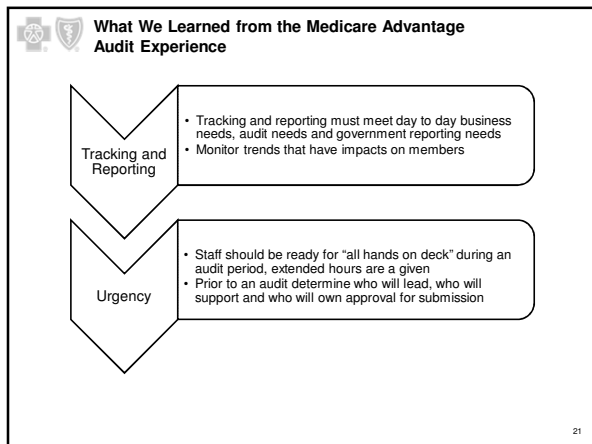
Available means information is stored in a secure location and is readily accessible to the business area in the event of an assessment, inquiry or audit. Readily accessible means:


- 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



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 **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


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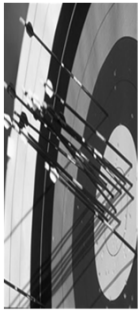
 **Setting up for the Future, Communications with the Center for Medicaid & Medicare Services**

Forum for Ongoing Communications with CMS Established

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

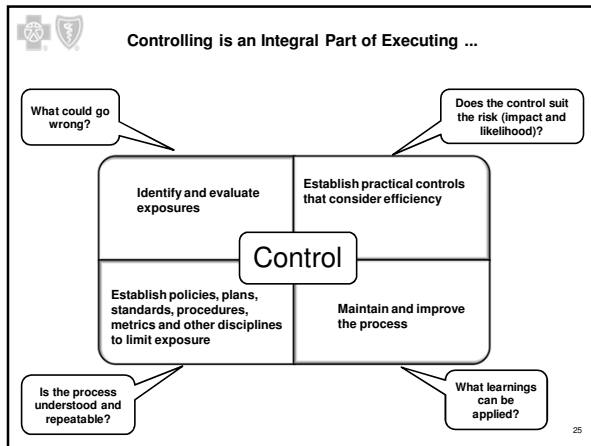
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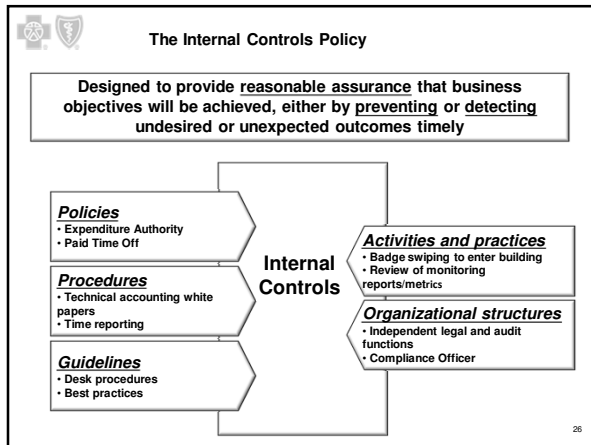
 **Establishing an Overarching Control Policy and Standard**

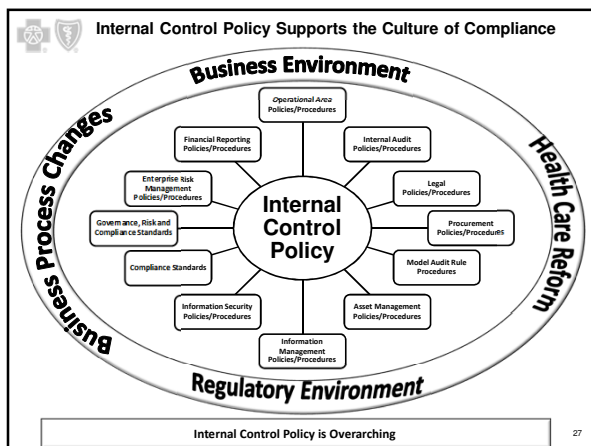


Created an Internal Controls Policy and attestation standard which emphasizes employees responsibilities for controls and compliance

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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 Value:

- Consistency
- Roles and responsibilities

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Inventory

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

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The Source of Truth

Summary of Patient Protection Affordable Care Act Changes

Patient Protection and Affordable Care Act					
Description					
Total Mandates					487
Total Mandates Applicable to Enterprise					100
Organization	# of Mandates	Mandate Risk	Implementation Status		
			Completed	In-Process	Planned
Enterprise	10	High	5	4	0
	20	Medium	7	7	3
	70	Low	40	10	10

Illustrative Numbers Only

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The Inventory Allows Risk Based Reporting and Planning

Risk Area	Risk Level	Trend
Member	High	↑
Financial (Government Transactions)	High	↑
Provider	High	↑
Employer	High	↔
Marketplace	High	↔

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The Storage Location or Site

The Seven Elements of an Effective Compliance Program

- Written Policies, Procedures, Standards
- Leadership: Officers, Committees, High Level Oversight
- Ethics: Training and Education
- Effective Use of Communication
- Well Publicized: Visible Standards
- Effective System to Monitor, Measure, and Identify: Identification of Compliance Risk
- Procedures and System for Periodic Assessment to Compliance Issues

Compliance Liaison Council

The document library below contains the following documentation relative to the Compliance Liaison Council meetings:

- The key documents group has the current Compliance Liaison Group Charter and the current list of Compliance Liaison's by business area.
- The meeting materials group has meeting agendas and minutes organized by the date the meeting was held.

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The Elements of Reporting – Common Definitions

Agreement amongst key compliance and assurance areas on a common definitions (building blocks for aligned control, compliance and risk assessment)

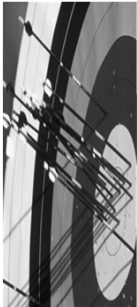
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    graph LR
      OS[Org Structure] --> PH[Process Hierarchy]
      PH --> RH[Risk Hierarchy]
      RH --> CH[Control Hierarchy]
      CH --> IH[Issue Hierarchy]
  
```

- Org Structure:** Considered organizational charts, cost centers and business process models
- Process Hierarchy:** Considered audit and enterprise risk management categories
- Risk Hierarchy:** Based on standard control frameworks used for audit, compliance and information security
- Control Hierarchy:** Incorporated issue definitions and prioritization models from various areas
- Issue Hierarchy:** (No specific definition box shown)

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The Playbook



Finalized a compliance playbook of procedures for ACA compliance management

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The Playbook Sections

Chapter	Description
Introduction	This section introduces: <ul style="list-style-type: none"> The purpose of the playbook The PPACA Compliance Governing Control Model The Seven Elements of an Effective Compliance Program The Business Compliance Oversight Office PPACA Compliance ownership and governance across the organization The Compliance Liaison Council
Compliance Oversight - Assessments & Consulting	This chapter describes the oversight, consulting and assessment activities performed by the BCOO.
Compliance Oversight - Annual Planning & Risk Management	This chapter describes the BCOO's annual risk assessment and planning process for Patient Protection and Affordable Care Act (PPACA) compliance oversight.
Policy and Procedure Management	The policy and procedure management chapter provides the process, tools and responsibilities in creating, updating, approving and validating key policies that are impacted by PPACA mandate requirements.
Self Monitoring	This chapter provides the process, tools and responsibilities in performing and oversight of compliance self-monitoring activities for risk transparency and mitigation.
Deficiency Management	This chapter provides the process, tools and responsibilities associated with identifying, track, reporting and mitigating deficiencies.
Regulatory Mandates	This chapter provides the process, tools and responsibilities in track, updating and report on the state of mandate implementation activities in relation to PPACA Legislation through both BCOO/SM and BCN.

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CH. 2 -Compliance Assessments and Monitoring Reviews

- 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.
- 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:

Coverage of Preventive Services	No Annual Dollar Limits on Essential Benefits	Coverage of Pediatric Care
Remove Pre-existing Condition Exclusions for Children up to Age 19	Access to Choice of Primary Care Provider	Access to Obstetrical & Gynecological Care
Adult Child Coverage, age 26	Coverage of Emergency Services	No Lifetime Dollar Limit

Mandates Requiring Implementation

- Coverage of preventive services
- Adult child coverage to age 26
- Prohibition on preexisting conditions for children under age

Illustrative Purposes Only

Met 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

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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 degree to which the provision impacts membership

• Money passes hands such as MLR and rebate administration

• Combination of risk of non compliance and potential penalty, also considers audit risk

• The degree to which non compliance with the provision may negatively impact the company's reputation

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The Health Care Reform Annual Assessment and Plan

Key work coverage summary:

- Risk corridor, adjustment and reinsurance (3R's)
- Marketplace
- Summary of benefit coverage
- Benefit, product, cost share and claims outcomes
- Manage the business – Liaisons and other compliance oversight

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CH. 4 Policy and Procedure

Policy Management	The process of identifying the need for and managing and maintaining policies throughout their effective use
1. Change Occurs/Need Arises for Overarching Policy <i>Example: Appeals which spans multiple departments, multiple regulatory requirements (complex), and has been identified as "key" PPACA requirement</i> NOTE: Not every change requires a policy.	Important Considerations: <ol style="list-style-type: none"> 1. Corporate environment, complexity, breadth does it require high level governance, could it be added into other overarching policy? 2. Covered by existing or other? 3. Regulatory – is it a key requirement? 4. Could I meet the requirements set forth in the policy today? Does change implementation need to occur first?
2. Policy Development	Important Considerations: <ol style="list-style-type: none"> 1. Policy ownership and ownership of supporting controls/processes 2. Policy writing 3. Policy approval
3. Policy Communication	Important Considerations: <ol style="list-style-type: none"> 1. Policy publication 2. Policy training and education
4. Policy Monitoring	Important Considerations: <ol style="list-style-type: none"> 1. Enforcement 2. Exception management
5. Policy Maintenance	Important Considerations: <ol style="list-style-type: none"> 1. Minimally Annual Review 2. Archival and Availability

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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

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CH. 5 Self-Monitoring in the Business

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

Automated or Manual	Compliance Liaison	Organization	Division	Business Area	BCSM Provision Name	Outcome
Manual		Information Systems	IT	IT	Eligibility Benefit Inquiry and Response	
Manual		Information Systems	IT	IT	operating rules for eligibility	

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CH. 6 Deficiency Management

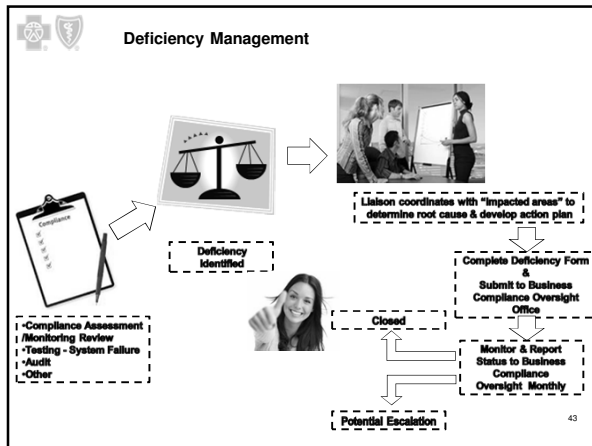
A deficiency is commonly referred to as an issue, exception, or errors that occur within an operation or function and is believed to have compliance impacts.

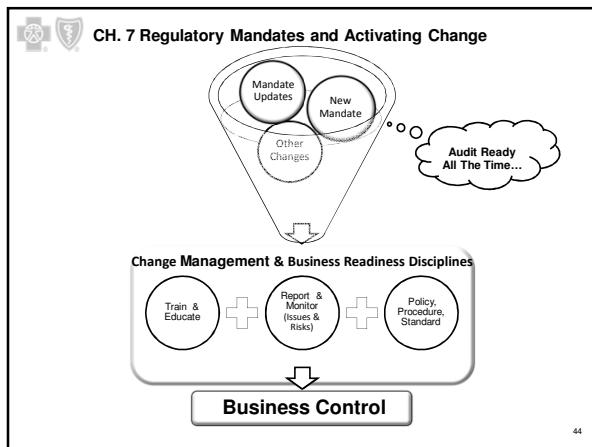
Deficiencies may be identified by:

- Compliance Assessments/Monitoring Reviews
- Business Area Self-monitoring
- External Regulatory Audits
- Internal Audits
- Other

Employees can report issues anonymously through the hotline.

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Activating Change for Mandates

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

Process Flows

Illustrative Only

Monitoring Plan

Narratives

Illustrative Only

Control Narrative

Compliance Check Color Legend
Blue = PPACA
Green = HIPAA/ACA
Orange = Both
*See Narrative for Control Number description

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Activating Change for Mandates


		1st tier of compliance	2nd tier of compliance	3rd tier of compliance
Track regulatory changes	Determine Business Changes Needed	Implement Changes	Perform Compliance Assessment Activities	Conduct Audits
<ul style="list-style-type: none"> Tracks and identifies regulations and provides a business interpretation 	<ul style="list-style-type: none"> Identifies high-level business impact to determine mandate scope, requirements and business area owner Business Lead identifies required participants and works collaboratively to create business case Compliance office remains informed and provides consultation regarding audit readiness and training 	<ul style="list-style-type: none"> Business Lead embeds changes into the business with all required resources to make operationally efficient and compliant Project management office facilitates business readiness Project Management Office tracks implementation Project Management Office supports stabilization activity and performs knowledge transfer with BCOO and compliance liaisons for oversight 	<ul style="list-style-type: none"> Compliance office performs post-implementation risk assessments for highest risk implementations and works with business for all ongoing oversight activity including reporting Compliance office oversees corrective action plans Compliance office provides repository for key compliance activity 	<ul style="list-style-type: none"> Corporate Audit performs independent risk-based audits and reviews

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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...



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Activating Change for Mandates

Knowledge Transfer

empowerment is... 

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

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