

Independent Auditor's Report on Compliance and
Report on Internal Control Over Compliance
Required by the Affordable Care Act

To the Board of Directors
New Mexico Health Insurance Exchange

Report on Compliance for the Programmatic Audit

Opinion on Compliance for the Programmatic Audit

We have audited the New Mexico Health Insurance Exchange's (the "Exchange") compliance with the 45 CFR (Code of Federal Regulation) Part 155, Subparts C, D, and E, as applicable, required by the Centers for Medicare and Medicaid Services (CMS) for the completion of the Exchange's State-based Marketplace Annual Reporting Tool (SMART) submission for the year ended December 31, 2023.

In our opinion, the Exchange complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its operations for the year ended December 31, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of 45 CFR (Code of Federal Regulation) Part 155, Subparts C, D, and E, as applicable, required by the Centers for Medicare and Medicaid Services (CMS). Our responsibilities under those standards and the Code of Federal Regulation are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Exchange and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with 45 CFR (Code of Federal Regulation) Part 155, Subparts C, D, and E, as applicable, required by the Centers for Medicare and Medicaid Services (CMS). Our audit does not provide a legal determination of the Exchange's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Exchange's State-based Marketplace Annual Reporting Tool (SMART) submission for the year ended December 31, 2023.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Exchange's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 45 CFR (Code of Federal Regulation) Part 155, Subparts C, D, and E, as applicable will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Exchange's compliance with the requirements of the CMS SMART submission for the year ended December 31, 2023.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 45 CFR (Code of Federal Regulation) Part 155, Subparts C, D, and E, as applicable, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Exchange's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Exchange's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the 45 CFR (Code of Federal Regulation) Part 155, Subparts C, D, and E, as applicable, but not for the purpose of expressing an opinion on the effectiveness of the Exchange's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with 45 CFR (Code of Federal Regulation) Part 155 and which are described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003. Our opinion on the Exchange's compliance with the 45 CFR (Code of Federal Regulation) Part 155, Subparts C, D, and E, as applicable, is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the Exchange's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Exchange's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the Exchange's responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the Exchange's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Exchange's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the 45 CFR (Code of Federal Regulation) Part 155, Subparts C, D, and E, as applicable. Accordingly, this report is not suitable for any other purpose.

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Albuquerque, New Mexico
May 31, 2024

New Mexico Health Insurance Exchange
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

2023-001 – Appellant Acknowledgement Notification

Criteria: The Exchange will send a letter confirming receipt of the appeal request and explanation of health coverage while the appeal is pending. The appeal process can take up to 90 days; however, the Exchange will work to resolve appeals promptly. An informal portion of the appeals process should take no longer than 45 days if the appellant provided all needed information with the initial appeal. If additional information is required, the process may take longer.

Condition/Context: For two out of the twenty-five appeals tested, we found that the Exchange did not provide an acknowledgement letter to the appellant acknowledging that the appeal that was filed for the initial eligibility determination. s

Questioned Cost: None.

Cause and Effect: The Exchange did not have controls in place to ensure that the appellant be sent a formal acknowledgement letter to the appellant for acknowledgement of the appeal request

Auditor's Recommendation: We recommend that procedures be evaluated and modified, as necessary, to ensure acknowledgement letters are issued for all appeals received.

Management's Response: In these instances, the acknowledgement notices were not loaded into the secure inbox of the member's online account. However, according to our records, the notices were mailed to the household. Exchange staff also worked directly with the appellant to resolve their concerns. Exchange staff have also implemented a more detailed notice tracking process for all notice types to ensure that notices are returned from the print vendor and loaded into online accounts.

New Mexico Health Insurance Exchange
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

2023-002 – Appellant Decision Notification

Criteria: The Exchange must issue written notice of the informal appeal decision to the appellant within 45 calendar days of the date an appeal request is received, as administratively feasible. The appeal process can take up to 90 days; however, the Exchange will work to resolve appeals promptly. An informal portion of the appeals process should take no longer than 45 days if the appellant provided all needed information with the initial appeal. If additional information is required, the process may take longer.

Condition/Context: For four out of the twenty-five appeals tested, we found that the appeal did not have a Notice of Appeal Decision letter issued to the appellant.

Questioned Cost: None.

Cause and Effect: The Exchange did not have controls in place to ensure that the appellant be sent a formal decision letter to the appellant for acknowledgement of the appeal request

Auditor's Recommendation: We recommend that management ensures the proper verification of appellant notifications are made to the individual upon receipt of the eligible appeal.

Management's Response: In these instances, the decision notices for these withdrawn or invalid appeals were not loaded into the secure inbox of the member's online account. However, according to our records, the notices were mailed to the household. Exchange staff have also implemented a more detailed notice tracking process for all notice types to ensure that notices are returned from the print vendor and loaded into online accounts.

New Mexico Health Insurance Exchange
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

2023-003 – Appeals Process Timeliness

Criteria: It is the Exchange’s policy to resolve eligibility-based appeals within 90 days of receipt. Should an appeal require adjudication, the appeal will be heard by the New Mexico Human Services Department (HSD) for a final determination. HSD will issue written notice of the appeal decision within 90 days of the date an appeal request is received.

Condition/Context: For one out of the twenty-five appeals tested, we found that one appeal submitted in January 2023 was investigated and researched; however, the final determination was not made in April 2023, beyond the 90-day policy requirement.

Questioned Cost: None.

Cause and Effect: The Exchange tracks all eligibility-based appeals using an automated database. However, older appeals were not entered into the automated database and required manually tracking. This resulted in the final determination being made after the 90-day policy requirement.

Auditor’s Recommendation: We recommend that Exchange tracks all eligibility-based appeals within their automated database to ensure appeals are resolved within 90-days of receipt.

Management’s Response: All appeal cases are now tracked through the automated database. Case notes for this instance indicate that the appeal was accepted, investigated, and resolved within the 90-day timeframe. However, the appeal was not marked ‘closed’ until the 91st day during the transition from a manual tracking process.