

STATE AUDITOR DOUG HOFFER

PRESS RELEASE

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State Auditor: Despite Some Progress, There Are Still Serious Problems with Vermont Health Connect

MONTPELIER, VT – Vermont State Auditor Doug Hoffer today released an audit report of Vermont Health Connect (VHC), the state-run health insurance exchange.

Since its troubled rollout, the VHC has been the subject of numerous external and internal analyses. The Auditor's Office used this large body of work to assess the status of the State's corrective actions for resolving the project's shortcomings.

“Ultimately, we sought to determine if the state has the capacity to successfully implement this massive undertaking,” Auditor Hoffer said. “It is still an open question, and there is reason to remain skeptical.”

The audit report is organized into two main sections – information technology (IT) and operations. The IT section of the report focuses on IT system development, governance, project management, and security. The operations part focuses on enrollment, change of circumstances, renewals, and premium payment processing.

While the State has improved its management processes and developed a high-level plan to correct IT deficiencies, obstacles and challenges still remain. The State has recently approved a schedule for the activities and resources needed for the next release of system improvements-, but the schedule is aggressive. The State doesn't yet have a contract with Optum, its current vendor, for a second major release in the fall, and the current contract carries risk due to the lack of metrics to measure Optum's performance.

“The State's actions to address shortcomings of VHC's IT governance have been notable,” Auditor Hoffer said. “A lot of people have put a great deal of time and energy into this undertaking. But the effectiveness of their efforts, and the value of the roughly \$130 million spent on this project through

the end of 2014, will not be realized unless planned improvements to the exchange are successfully released in May and the fall of this year.”

Security risks still posed problems for the exchange at the end of January, and the State was grappling to reel in backlogs for renewals and requests regarding changes in circumstances (e.g., addresses, income, etc.) in mid-March. Although the State has taken actions to improve the enrollment process, there are still errors in the files sent to insurers, and key financial reconciliations had not been made as of late February and mid-March.

The State has also taken limited action to improve its premium payment process, which has many shortcomings.

“The financial controls of Vermont Health Connect’s premium processing system are seriously deficient,” Auditor Hoffer said. “The lack of financial reporting, account oversight, and a full validation of account balances is all very troubling.”

The audit report calls for a cost-benefit analysis to explore alternatives to Vermont Health Connect, and it makes recommendations about the completion of planning activities and regular reporting to the Legislature on the status of the project’s cost, schedule, and scope.

To read the full report, called “Vermont Health Connect: Future Improvement Contingent on Successful System Development Project,” [click here](#).

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