

Minutes
Legislative Audit Commission
December 12, 2024

Members Present:

Representative Patti Anderson
Representative Emma Greenman
Representative Rick Hansen
Representative Steven Jacob
Representative Fue Lee
Representative Duane Quam
Senator Calvin K. Bahr
Senator D. Scott Dibble
Senator Mark W. Koran
Senator Tou Xiong

Members Absent:

Senator Steve S. Drazkowski
Senator Ann H. Rest

Other Legislators Present:

Representative Brion Curran

Representative Rick Hansen, Chair, called the Legislative Audit Commission meeting to order at 10:00 a.m. Chair Hansen stated the meeting's purpose was to hear the Office of the Legislative Auditor's (OLA's) presentation of the performance audit, *Department of Human Services: Outstanding Provider Debt in the Minnesota Medicaid Program*.

Chair Hansen introduced Judy Randall, Legislative Auditor; and Lori Leysen, Deputy Legislative Auditor for the Financial Audit Division. Ms. Randall said that the audit covered overpayments to Medical Assistance (MA) providers by the Department of Human Services (DHS). She said these overpayments were identified by OLA during its 2023 audit of the state's financial statements and then outlined three areas of concern regarding the overpayments: (1) that DHS did not know the extent of the overpayments until OLA asked about them and initiated the audit, (2) the data DHS maintains is so poor that neither DHS nor OLA can have an exact understanding of how much money was overpaid and to which providers, and (3) that DHS plans to forgo recovery of some overpayments that OLA believes are recoverable. She introduced Ms. Leysen to present details.

Ms. Leysen said the audit focused on DHS's overpayments to MA providers for fee-for-service claims and explained that these overpayments are caused by claim amount adjustments after a claim has been submitted through the Medicaid Management Information System (MMIS). She said the audit scope was October 2006 through June 2023, and the audit was initiated because in the fall of 2023, OLA noticed that DHS did not appear to be collecting on this outstanding provider balance.

The audit identified four findings: (1) DHS has not attempted to recover over \$40 million in outstanding overpayments to MA providers' accounts, (2) DHS program and finance staff were not aware of their responsibilities to notify providers of and collect overpayments, (3) DHS is planning to forgo recovery for some outstanding provider debt that may still be recoverable, and (4) DHS has not accurately reported its accounts receivable balance to Minnesota Management and Budget (MMB) for inclusion in the state's financial statements since 2019. Ms. Leysen also spoke to the inadequate quality of claims data maintained in MMIS.

Chair Hansen asked commission members for questions. Ms. Randall and Ms. Leysen addressed members' questions regarding federal audit requirements for DHS funds, the process of how MMIS reduces overpayments for active MA providers who continue to bill DHS, the reasons providers may not be submitting claims to DHS or may no longer be active, the reporting of the outstanding provider balance to MMB, and DHS's work to correct the balance information and collect outstanding debt.

Representative Hansen asked about the disagreement between OLA and DHS regarding case law and statutory authority for collecting the debt. Ms. Randall said that statutes are not clear about the ability to recover debt beyond the six-year level, and DHS and OLA have different interpretations as to the applicability of existing case law. She said OLA's recommendation is that DHS recover all of the overpaid funds it can, and to work with the Legislature to ensure the department has the authority it needs to recover overpayments.

Chair Hansen invited Jodi Harpstead, DHS Commissioner, and Dave Greeman, DHS Chief Financial Officer, to address the commission. Commissioner Harpstead explained the reasoning for DHS's intention to write off certain overpayments, including the fact that DHS's outside recovery contractor canceled its debt-collection work because it was not cost effective. She said DHS has already taken action to put systems in place to more efficiently keep up with these overpayments in years to come.

Mr. Greeman provided further details, and said that gaps in DHS IT systems, communication between DHS teams, and communication with providers are things DHS takes very seriously. He said that DHS has a process in place for collecting provider overpayments, but the process has not been actively followed since 2015. He said that DHS was aware the provider overpayments existed and had some success collecting the overpayments; however, the process has not been cost effective and, DHS believes, not worth the recovery effort.

Commissioner Harpstead and Mr. Greeman then answered questions regarding the providers from which they chose to recover balances, DHS's intention to pursue legislative clarification about its authority to recover debt, and their process for identifying accounts that are no longer active in MMIS. Mr. Greeman said DHS is sensitive to the fact that the human services industry is financially fragile, and that DHS wants to recover funds in a way that does not disrupt the human services system.

With no further discussion, Chair Hansen adjourned the meeting at 11:41 a.m.

Representative Rick Hansen, Chair

Jade Lange, Recording Secretary