



Medical Assistance Eligibility: People Age 65 or Older and People Who Are Blind or Have a Disability

January 2017 through December 2017

July 12, 2018
REPORT 18-09

Financial Audit Division

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

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OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

July 12, 2018

Senator Mary Kiffmeyer, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Emily Piper, Commissioner
Department of Human Services

This report presents the results of our eligibility audit as required by *Minnesota Statutes* 2017, 3.972, subd. 2a(b), which directs the Office of the Legislative Auditor to audit the eligibility of enrollees in public health care programs at least three times each year. The scope and objective of this audit was to determine whether people who were age 65 and older and people who were blind or had a disability and were enrolled in Medical Assistance in 2017 were eligible to receive services under this program.

The audit was conducted by Valerie Bombach (Audit Director); Jordan Bjonfald, CPA (Auditor-in-Charge); Michele Bilyeu; Kelsey Carlson; Dan Holmgren; Ryan Moltz, Ph. D; and Melissa Strunc, CPA.

We received the full cooperation of department staff while performing this audit.

Sincerely,

James R. Nobles
Legislative Auditor

Christopher P. Buse
Deputy Legislative Auditor



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Report Summary

During calendar year 2017, the Minnesota Department of Human Services (DHS) paid approximately \$6.68 billion for health care coverage for people who were age 65 or older and people who were blind or had a disability and were enrolled in Medical Assistance (MA). DHS oversees MA eligibility processes, while county agencies review applications and determine the eligibility of individuals for MA programs. Statutory requirements and DHS eligibility processes for these particular populations are complicated and require reporting and verification of enrollee income and assets, such as bank accounts, real estate, and vehicles.

As required by *Minnesota Statutes* 2017, 3.972, subd. 2a(b), the Office of the Legislative Auditor conducted this audit to determine whether persons enrolled in a Medical Assistance program were eligible to receive benefits under the program. The audit scope included eligibility determinations made during calendar year 2017.

Conclusion

We concluded that DHS and county agencies Generally Complied with eligibility requirements for the Medical Assistance population included in our audit scope. Among enrollees who were age 65 or older and enrollees who were blind or had a disability, DHS and county agencies determined eligibility accurately in most of the samples we tested. However, for a small percentage of enrollees, DHS eligibility policies were not followed, or the enrollees did not meet eligibility requirements.

Legal Compliance



Audit Findings

- The Department of Human Services did not ensure that some county agencies properly verified reported assets when determining the eligibility of some Medical Assistance enrollees.
- Using the Department of Public Safety's electronic vehicle registration system, we identified vehicles that were not reported by some Medical Assistance enrollees to county agencies; these vehicles did not affect eligibility.



Audit Overview

This report presents the results of the first of three audits in 2018 of public health care program eligibility. Eligibility requirements and the Minnesota Department of Human Services' (DHS's) processes vary in scope and complexity, depending on the health care program and the population served. For this first audit, our primary objective was to determine whether certain individuals enrolled in the Medical Assistance (MA) program met state and federal eligibility requirements. Specifically, we audited the determinations of eligibility in 2017 for a sample of enrollees who were age 65 or older, were blind, or had a disability.

Program Background

Medical Assistance, Minnesota's version of the federal Medicaid program, provides health care coverage for enrollees who meet certain eligibility requirements. MA operates under parameters set forth by the federal government. As described below, DHS, county agencies, and enrollees each have roles and responsibilities in fulfilling the requirements of the MA program.

DHS

DHS is responsible for overseeing the administration of MA, including the verification of income and assets for all program applicants, and for all recipients upon renewal.¹ Additionally, the DHS commissioner must make annual redeterminations of eligibility for MA enrollees, based on information available to the agency in enrollee case files or other information sources, such as electronic databases.² However, state statutes delegate the responsibility for processing applications and determining eligibility to county agencies.³ To support counties in this function, DHS provides training to county staff, publishes policies and procedures, serves as a resource for policy-related questions, and oversees information system resources, among other activities.

County

County financial workers are responsible for the intake and review of an initial MA application or enrollment renewal form from people who are age 65 or older and

¹ *Minnesota Statutes* 2017, 256B.056, subd. 10(c).

² *Minnesota Statutes* 2017, 256B.056, subd. 7a(a). "The commissioner shall make an annual redetermination of eligibility based on information contained in the enrollee's case file and other information available to the agency, including but not limited to information accessed through an electronic database, without requiring the enrollee to submit any information when sufficient data is available for the agency to renew eligibility."

³ *Minnesota Statutes* 2017, 256B.05, subd. 1.

people who are blind or have a disability. County financial workers input data from an initial application or renewal form into DHS's eligibility information system and review the data to determine if the individual meets the eligibility requirements or if more information is needed. The DHS eligibility system allows for electronic verification of certain information—such as immigration status for noncitizens or social security income—against data contained in other state and federal electronic systems. If the county financial worker needs further verification, the financial worker requests any required documentation from the enrollee and determines if the enrollee meets the pertinent eligibility criteria.

Eligibility Criteria

The county financial worker must ensure that an enrollee has met the relevant eligibility criteria in law and in DHS policy. For the population included in our audit scope, we focused on the following criteria for eligibility determinations in 2017:

- Enrollee was age 65 or older, was blind, or had a disability.⁴
- Enrollee was a citizen of or lawfully resided in the United States.⁵
- Enrollee resided in or was deemed a resident of Minnesota.⁶
- Enrollee's income and assets did not exceed certain limits. (Assets are items of value that people own, such as cash, bank accounts, stocks, bonds, vehicles, and real estate.⁷) These income and asset limits vary by eligibility category.⁸ For example:
 - Most people who are age 65 or older or are blind or have a disability cannot have income that exceeds 100% of federal poverty guidelines and have assets that exceed \$3,000 (for a single person) or \$6,000 (for a household of two, plus \$200 for each dependent).
 - Employed persons with disabilities are not subject to an income limit but must earn a minimum of \$65 per month; additionally, the total value of the individual's assets cannot be greater than \$20,000.

Enrollees

Enrollees are responsible for completing their application and annual renewal forms and submitting the forms to their county agency. Enrollees also are responsible for

⁴ *Minnesota Statutes* 2017, 256B.055, subd. 7.

⁵ *Minnesota Statutes* 2017, 256B.06, subd. 4.

⁶ *Minnesota Statutes* 2017, 256B.056, subd. 1.

⁷ The value of some assets are excluded from the eligibility calculation for people who are age 65 or older and people who are blind or have a disability, including the value of one vehicle, the value of the home a person owns, and certain prepaid burial assets.

⁸ *Minnesota Statutes* 2017, 256B.056, subds. 3-4.

providing documentation to validate certain assertions made during their application or renewal, as requested by the county. This documentation may include pay stubs, bank statements, life insurance policies, or prepaid burial contracts.

Financial Activity

During calendar year 2017, DHS paid approximately \$6.68 billion for health care coverage for 205,321 people who were age 65 or older, were blind, or had a disability, and were enrolled in and determined eligible for the Medical Assistance program.⁹ Expenditures for these populations accounted for about 57 percent of the overall \$11.7 billion for MA.

Table 1: Number of Enrollees and Total Medical Assistance Expenditures, by Eligibility Category, Calendar Year 2017

Eligibility Category	Total Number of Enrollees	Total Medical Assistance Expenditures (in thousands)
Total Population Tested	205,321	\$ 6,676,150
People who were age 65 or older	82,188	2,200,341
People who were blind	467	17,233
People who had a disability	122,666	4,458,576
Total Medical Assistance All Populations	1,367,767	\$11,674,803

SOURCE: Minnesota Department of Human Services.

Audit Scope

Our audit scope included county agency eligibility determinations for people who were age 65 or older and people who were blind or had a disability and were enrolled in Medical Assistance during calendar year 2017.

Audit Objectives

We designed our audit to answer the following questions:

- Did the Department of Human Services and county agencies determine eligibility accurately for people who were age 65 or older and people who were blind or had a disability and enrolled in Medical Assistance in 2017?
- Were these enrollees eligible for Medical Assistance in 2017?

⁹ These expenditures include both state and federal dollars.

Audit Methodology and Criteria

To answer these audit objective questions, we reviewed federal and state laws and statutes governing the MA program. We interviewed DHS staff to gain an understanding of the policies and procedures used in eligibility determinations. Using data obtained from DHS, we selected a sample of 100 enrollees from our target populations for testing. We also obtained and reviewed documentation from the counties in which these individuals were enrolled in 2017. Based on this documentation and also data from the departments of Employment and Economic Development, Public Safety, and Revenue, we then tested whether the county financial workers determined eligibility accurately and whether the enrollees were eligible for Medical Assistance.

We conducted the audit in accordance with *Minnesota Statutes* 2017, 3.972, subd. 2a(b), which states:

The legislative auditor shall, based on an assessment of risk and using professional standards to provide a statistically significant sample, no less than three times each year, test a representative sample of persons enrolled in a medical assistance program or MinnesotaCare to determine whether they are eligible to receive benefits under those programs....

Conclusion

We concluded that DHS and county agencies Generally Complied with eligibility requirements for the Medical Assistance populations included in our audit scope. Among enrollees who were age 65 or older and enrollees who were blind or had a disability, DHS and county agencies determined eligibility accurately in most of the samples we tested. However, for a small percentage of enrollees, DHS eligibility policies were not followed, or the enrollees did not meet eligibility requirements.

The following *Findings and Recommendations* section provides further explanation about the ineligible enrollees and noncompliance.

Findings and Recommendations

Finding 1

The Department of Human Services did not ensure that some county agencies properly verified reported assets when determining the eligibility of some Medical Assistance enrollees.

State statutes require DHS to verify each enrollee's assets at initial application and upon renewal.¹⁰ DHS policy also requires verification when an enrollee reports a new asset.¹¹ State statutes delegate eligibility determinations to county agencies. State statutes also limit the total value of allowed assets for certain public health care program enrollees, including enrollees who are age 65 or older, are blind, or have a disability.¹² In order to obtain eligibility or remain eligible for Medical Assistance, an enrollee must reduce excess countable assets to the applicable asset limit.

In 7 of the 100 samples that we reviewed, county financial workers did not properly verify assets according to requirements in DHS policy and state law.¹³ Specifically:

Inaccurate Asset Calculation: County financial workers incorrectly approved eligibility for 3 sample enrollees whose reported asset values exceeded the \$3,000 statutory limit by \$1,330; \$2,868; and \$3,282; respectively.¹⁴

Insufficient Documentation: In 4 of our 100 samples, the county files did not contain complete documentation for the assets reported by the enrollee. For two of these samples, the county financial workers did not have documentation to verify bank account balances of \$60 and \$200, respectively. While the account balances reported by the enrollees were well below the asset limit, without documentation, we were unable to determine whether these amounts were accurate and whether the enrollees were eligible.

¹⁰ *Minnesota Statutes* 2017, 256B.056, subd. 10(c).

¹¹ Department of Human Services, *Minnesota Health Care Programs Eligibility Policy Manual*, sec. 2.3.1.1, http://hcopub.dhs.state.mn.us/epm/index.htm#t=2_3_1_1.htm, accessed June 11, 2018.

¹² *Minnesota Statutes* 2017, 256B.056, subd. 3(a).

¹³ The small number of errors (7 samples) that we identified relative to our sample size (100 samples) does not permit us to reliably estimate the error in the overall population of Medical Assistance enrollees who were age 65 or older or were blind or had a disability.

¹⁴ In one sample, the county financial worker incorrectly excluded all funds set aside by the enrollee for prepaid burial expenses. In two samples, the county financial workers approved eligibility without requiring the enrollee to reduce their assets below the asset limit.

In the other two samples, the county financial workers did not have documentation to verify the enrollees reported prepaid burial expenses, which totaled \$600 and \$10,366, respectively. According to state and federal law, these expenses may be excluded when calculating the enrollee's total assets and when compared with the statutory limit, depending on the type of prepaid burial contract. We recognize that the documentation related to prepaid burial expenses can be complicated; however, we were unable to determine from the case files whether the assets could be excluded and whether these enrollees were eligible for MA.¹⁵

RECOMMENDATIONS

The Department of Human Services should ensure that county agencies verify that program applicants do not exceed the eligibility asset limits for Medical Assistance.

The Department of Human Services should ensure that county agencies obtain and retain all required documentation to support their eligibility determinations.

FINDING 2

Using the Department of Public Safety's electronic vehicle registration system, we identified vehicles that were not reported by some Medical Assistance enrollees to county agencies; these vehicles did not affect eligibility.

State laws establish Medical Assistance asset limits for people who are age 65 or older and people who are blind or have a disability.¹⁶ Under state and federal law, one vehicle is excluded as an asset, regardless of value, if it is used for transportation for the enrollee or a member of their household.¹⁷ If an enrollee reports more than one vehicle to the county financial worker, DHS policy requires the county financial worker to verify the value of all vehicles.¹⁸ Through the Department of Public Safety, the Driver and Vehicle Services Division has an electronic vehicle database known as the Minnesota Licensing and Registration System (MNLARS). MNLARS holds vehicle data, including the registered owner, make, model, year, and status of vehicle registration. However, county financial

¹⁵ *Minnesota Statutes* 2017, 256B.056, subd. 1a(a)(1); and 20 *CFR*, sec. 416.1231 (2017).

¹⁶ *Minnesota Statutes* 2017, 256B.056, subds. 3(a).

¹⁷ *Minnesota Statutes* 2017, 256B.056, subd. 3(a)(3); and 20 *CFR*, sec. 416.1218 (2017).

¹⁸ Department of Human Services, *Minnesota Health Care Programs Eligibility Policy Manual*, section 2.3.3.2.7.7, http://hcopub.dhs.state.mn.us/epm/index.htm#t=2_3_3_2_7_7.htm, accessed June 11, 2018.

workers currently do not have access to this electronic resource to identify unreported vehicles.

For our 100 sample enrollees, we searched MNLARS to identify any vehicles not reported by the enrollee. We identified 10 out of 100 enrollees who reportedly owned between one and three registered vehicles that they did not report to their county financial worker. The unidentified vehicles did not result in eligibility errors because the value of the unreported vehicles did not cause the enrollee to be above the asset limit. However, this finding demonstrates that enrollees may not report all assets and that DHS does not have proper controls in place to identify unreported assets. DHS representatives told us that county financial workers currently do not use MNLARS to identify unreported vehicles during the eligibility verification process. By not using state electronic resources to identify these types of unreported assets and to accurately determine eligibility, DHS could allow individuals who are not eligible for Medical Assistance to receive benefits under the program.

RECOMMENDATION

The Department of Human Services should consider ways to make use of state electronic resources to identify unreported vehicles for purposes of eligibility determinations.





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July 10, 2018

Mr. James Nobles, Legislative Auditor
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Dear Mr. Nobles:

Thank you for the opportunity to review and comment on your office's report titled "Medical Assistance Eligibility: People who are Age 65 or Older and People who are Blind or Have a Disability," for the period January 1, 2017, through December 31, 2017. We appreciate the professionalism of your staff and their willingness to work with our staff throughout the audit process. Determining eligibility for Medical Assistance (MA) is a complicated process, and the Department of Human Services (DHS) and county agencies work hard to assure that accurate determinations are made. We are pleased that in addition to some procedural errors, only a small number of errors – three percent – impacted eligibility for coverage.

In response to Finding 1, DHS will review the Minnesota Health Care Programs Eligibility Policy Manual and procedures to provide clarification on asset calculation and documentation of assets for workers. DHS will also provide guidance to counties to clarify the policy and procedures related to the evaluation of burial assets.

The Department does not agree with the recommendation for Finding 2. We believe the cost of using MNLARS in this manner would outweigh the potential benefits. As demonstrated in this report, vehicles identified by MNLARS, and presumably owned by recipients, did not impact eligibility. The additional work necessary to identify potential vehicles owned by the recipient and estimate the value is burdensome to county eligibility workers, because MNLARS does not provide sufficient detail to determine the value or condition of the vehicle and the recipient would need to be given an opportunity to dispute the vehicle ownership and estimated valuation. Implementing this would extend the eligibility process, delaying critical access to care.

Finally, I'd like to comment on the use of the Legal Compliance rating graphic (Did Not Comply, Generally Did Not Comply, Generally Complied and Complied). While we recognize that these categories are historically part of audit opinions, highlighting them in graphics raises the question of the exact meaning. In any of the eligibility work DHS and counties undertake, a 3 percent eligibility error

Mr. James Nobles

July 10, 2018

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rate would be considered low. In fact, based on the last federal standard for Medicaid eligibility, it would be considered within the targeted error rate. The graphic implies that we are not fully compliant, but the audit itself provides no guidance on what the standard is for being fully compliant. The graphic highlights a subjective opinion by the auditor with no definition or context provided on these categories. We look to audits to help us improve our compliance, but it is difficult to use audits for that purpose if the standards are undefined and subjective.

Thank you again for the professional and dedicated efforts of your staff during this audit. DHS will continue to work in partnership with counties to assure accurate MA eligibility determinations are made. The Department's policy is to follow up on all audit findings to evaluate the progress being made to resolve them. If you have any further questions, please contact Gary L. Johnson, Internal Audit Director, at (651) 431-3623.

Sincerely,

/Emily Piper/

Commissioner

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