



MinnesotaCare Eligibility

October 2018

Financial Audit Division

OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA

Financial Audit Division

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OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

October 11, 2018

Senator Mary Kiffmeyer, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

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 objectives of this audit were to determine whether certain individuals enrolled in the MinnesotaCare program were eligible to receive benefits in calendar year 2017.

The audit was conducted by Valerie Bombach (Audit Director); Jordan Bjonfald, CPA (Audit Coordinator); Kelsey Carlson (Senior Auditor); Ryan Moltz, Ph. D (Senior Program Evaluator); and Melissa Strunc, CPA, CFE (Senior Auditor).

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

Sincerely,

A handwritten signature in black ink that reads "Jim Nobles".

James R. Nobles
Legislative Auditor

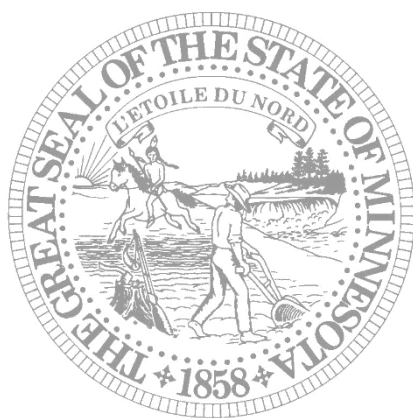
A handwritten signature in black ink that reads "Chris Buse".

Christopher P. Buse
Deputy Legislative Auditor



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Report Summary

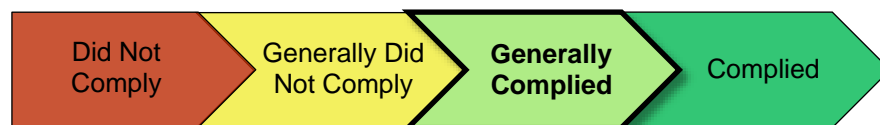
During calendar year 2017, the Minnesota Department of Human Services (DHS) paid approximately \$368 million for health insurance coverage for nearly 132,000 people who were enrolled in MinnesotaCare. MinnesotaCare covers adults without children, parents, and children who are not eligible for other public health care programs and who do not have access to employer-based insurance. DHS oversees and administers the MinnesotaCare eligibility processes, which require enrollees to report accurate income and other information to the department.

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 MinnesotaCare were eligible to receive benefits under the program. Our audit scope included eligibility determinations made during calendar year 2017.

Conclusion

We concluded that the Department of Human Services **generally complied** with eligibility requirements for the MinnesotaCare population included in our audit scope. DHS determined eligibility correctly for the samples we tested, based on information it had obtained at the time of its review. However, due to limitations in eligibility processes, MinnesotaCare coverage was provided to some enrollees who did not meet eligibility criteria for the program at some point during 2017.

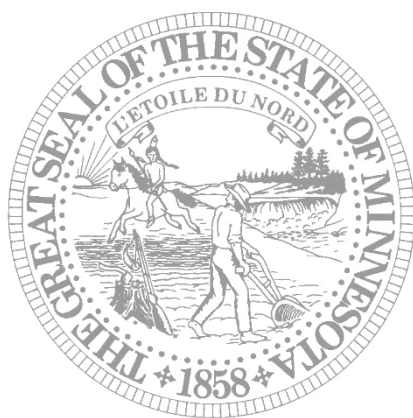
Legal Compliance



Findings

Finding 1. Some MinnesotaCare enrollees who were correctly determined eligible for the program did not later report to DHS changes in circumstances; these changes likely would have affected their eligibility if timely reported.

Finding 2. Due to deficiencies in DHS information systems, DHS made overpayments for MinnesotaCare enrollees who were no longer eligible for the program.



Audit Overview

This report presents the results of the second of three audits in 2018 of public health care program eligibility. Eligibility requirements and the Minnesota Department of Human Services' (DHS's) processes vary, depending on the program and population served.¹ For MinnesotaCare, eligibility is generally determined based on the enrollee's "projected annual income" for the calendar year of coverage, as well as other criteria.² Enrollees also must report any changes in income or state residency that occur during the year.³

Our audit objectives were to determine whether certain individuals enrolled in MinnesotaCare met state and federal eligibility requirements, and whether these individuals reported accurate income and other information necessary to maintain eligibility. For a sample of MinnesotaCare enrollees, we audited DHS's determinations of eligibility in calendar year 2017.

To assess the eligibility of the enrollees we tested, we reviewed information used by DHS at the time of its determination and also other income data filed at a later date with the Minnesota Department of Revenue and Minnesota Department of Employment and Economic Development.

Program Background

MinnesotaCare—the state's version of a federal Basic Health Plan—provides subsidized health care coverage for individuals who are not eligible for Medical Assistance or the Children's Health Insurance Program and who meet certain eligibility requirements.⁴ DHS oversees and administers MinnesotaCare, which is

¹ Within a household, some members may be on MinnesotaCare, Medical Assistance, or private insurance.

² 42 *CFR*, sec. 600.305 (2017). 42 *CFR*, sec. 600.330 (2017), requires DHS to make income eligibility determinations using the "modified adjusted gross income" methodology. *Minnesota Statutes* (2017), 256L.01, subd. 5, further defines income as the household's current income, or if income fluctuates month to month, the income for the 12-month eligibility period. DHS also uses enrollees' current income to estimate "projected annual income," which is an estimate of what an enrollee expects to receive in the calendar year of coverage. For more information about DHS's eligibility determination processes, see Department of Human Services, *Minnesota's Basic Health Plan Blueprint* (2017), 37-38, <https://www.medicaid.gov/basic-health-program/downloads/Minnesota-bhp-blueprint.pdf>, accessed September 20, 2018.

³ 42 *CFR*, sec. 600.340(a) (2017).

⁴ 42 *CFR*, sec. 600.305(a) (2017); and *Minnesota Statutes* 2017, 256L.04.

funded by state and federal dollars, as well as enrollee premiums.⁵ MinnesotaCare enrollees also must make copayments for medical care.⁶

As described below, DHS has primary responsibility for determining eligibility of individuals for MinnesotaCare, but the department relies significantly on the state's Minnesota Eligibility Technology System (METS) to process applications for public health care programs.⁷

Department of Human Services

DHS—through its Health Care Eligibility Operations division—oversees the administration of MinnesotaCare and eligibility processes. DHS also determines the amount of monthly premiums—up to \$80 per person—that enrollees must pay to the department as a condition of initiating and maintaining MinnesotaCare coverage.⁸ DHS determines the eligibility of individuals for MinnesotaCare upon initial application and during its annual redetermination of eligibility for all enrollees.⁹

DHS relies on METS to automatically process initial applications and to determine eligibility for specific health care programs by interfacing with other state and federal electronic data sources.¹⁰ These information systems compare data reported by the applicant—such as social security number, citizenship, and income—and verify the accuracy of the information using other data available at that point in time. In particular, MinnesotaCare eligibility determinations compare the applicant's projected annual income for the calendar year with his or her income that is available for previous years from state and federal sources.¹¹ METS then determines if the information is reasonably compatible.¹² If METS finds that the applicant is not eligible for any public health care program, METS then determines

⁵ *Minnesota Statutes* 2017, 256L.02, subd. 2; and 256L.15, subd. 1.

⁶ 42 *CFR*, secs. 600.510 and 600.520 (2017); and *Minnesota Statutes* 2017, 256L.03, subd. 5.

⁷ *Minnesota Statutes* 2017, 62V.055. DHS, in collaboration with MNSure and Minnesota IT Services (MNIT), maintains METS. The state's Minnesota Eligibility System Executive Steering Committee provides recommendations to MNSure, DHS, and MNIT for ongoing administration and business operations of METS.

⁸ 42 *CFR*, sec. 600.505 (2017); and *Minnesota Statutes* 2017, 256L.06, subd. 3(d); and 256L.15, subd. 2.

⁹ 42 *CFR*, sec. 600.340(a) (2017); and *Minnesota Statutes* 2017, 256L.05, subds. 2a and 3a.

¹⁰ *Minnesota Statutes* 2017, 256L.05, subd. 2, states, "The commissioner or county agency shall use electronic verification through MNSure as the primary method of income verification. If there is a discrepancy between reported income and electronically verified income, an individual may be required to submit additional verification to the extent permitted under the Affordable Care Act." METS accesses, for example, data reported to the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

¹¹ 45 *CFR*, sec. 155.320(c)(3)(ii) (2017).

¹² 45 *CFR*, sec. 155.320(a) (2017).

whether the individual is eligible for a federal tax credit for a qualified private health insurance plan.

When METS cannot automatically determine eligibility due to inconsistencies in data, DHS must obtain additional information from the applicant to confirm the accuracy of the data.¹³ If the applicant does not provide sufficient documentation within 95 days of DHS's request, the department must determine eligibility based on the information available from the other data sources.¹⁴ DHS follows a somewhat similar process in October of each year when it redetermines the eligibility of all enrollees for the coming year.¹⁵ The eligibility processes are shown in Appendix A.

DHS manages MinnesotaCare eligibility processes, however, county agencies also accept paper applications for all public health care programs and enter them into METS.¹⁶ When a paper application results in a determination of MinnesotaCare, the case is transferred electronically to DHS's Health Care Eligibility Operations for ongoing case management.

Enrollees

Enrollees are directed to provide all financial and nonfinancial information necessary to determine eligibility for MinnesotaCare.¹⁷ The enrollee can submit an electronic application through the MNsure website or a paper application to DHS or a county agency for processing in METS. If the enrollee has given consent for DHS to access federal tax information, METS gathers data from electronic sources for verification.¹⁸ Enrollees are not required to submit supporting documents—such as paystubs or income tax returns—unless METS is unable to verify the data through electronic sources or DHS requests such documentation.

¹³ 45 *CFR*, sec. 155.315(a) (2017).

¹⁴ *Ibid.*

¹⁵ DHS uses the most recent data reported by the enrollee to compare against the most recent federal data available. If there are discrepancies in the two data sources, DHS directs the enrollee to send in updated information to the department.

¹⁶ *Minnesota Statutes* 2017, 256L.05, subd. 1.

¹⁷ 42 *CFR*, sec. 600.310(a) (2017); *Minnesota Statutes* 2017, 256L.05, subs. 1 and 2; and Department of Human Services, *MNsure Application for Health Coverage and Help Paying Costs* (November 2017), <https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6696-ENG>, accessed September 14, 2018.

¹⁸ DHS, *MNsure Application for Health Coverage and Help Paying Costs* (2017), 19. If the applicant does not consent to DHS's use of tax data, DHS will not electronically verify or renew the enrollee's eligibility. The applicant or enrollee then must provide paper verification.

Eligibility Criteria

To be eligible for MinnesotaCare in 2017, an individual must have met the following criteria:

- Was not eligible for employer-sponsored insurance.¹⁹
- Was a resident of Minnesota.²⁰
- Was a United States citizen or lawfully present noncitizen.²¹
- Household income did not exceed certain limits. That is, using the enrollee's reported income, the individual's projected annual income for the calendar year was between 133 and 200 percent of federal poverty guidelines (for example, \$23,760 for a household of one).²²
- Was not incarcerated, other than a period pending disposition of charges.²³

Additionally, enrollees who are required to pay a monthly premium must be current on payments in order to maintain eligibility coverage.²⁴

Financial Activity

During calendar year 2017, DHS paid approximately \$368 million for health care coverage for 131,746 people who were enrolled in and determined eligible for the MinnesotaCare program.²⁵ Expenditures for this population represent about 3.1 percent of the total \$12 billion expenditure for MinnesotaCare and Medical Assistance, combined.

¹⁹ *Minnesota Statutes 2017*, 256L.07, subd. 2. 26 *CFR*, sec. 1.36B-2(c)(3) (2017), defines "employer-sponsored insurance" as coverage that meets both certain minimum value and affordability standards. For example, the plan must cover at least 60 percent of the total allowed costs under the plan.

²⁰ *Minnesota Statutes 2017*, 256L.09.

²¹ *Minnesota Statutes 2017*, 256L.04, subd. 10.

²² 42 *CFR*, sec. 600.305(a)(2) (2017); and *Minnesota Statutes 2017*, 256L.04, subs. 1 and 10(b). The maximum household income limit for Medical Assistance is 133 percent of the federal poverty guidelines (FPG). To qualify for MinnesotaCare, an enrollee may not be eligible for Medical Assistance (MA). Lawfully present individuals who are ineligible for MA by reason of immigration status are eligible for MinnesotaCare if their income does not exceed 200 percent of FPG.

²³ 42 *CFR*, sec. 600.305(a) (2017); and *Minnesota Statutes (2017)* 256L.04, subd. 12.

²⁴ *Minnesota Statutes 2017*, 256L.06, subd. 3(d).

²⁵ These expenditures include both state and federal dollars.

Exhibit 1: Number of MinnesotaCare Enrollees and Total Expenditures, Calendar Year 2017

Eligibility Category	Total Number of Enrollees	Total MinnesotaCare Expenditures (in thousands)
Adults	63,582	\$208,999
Parents	58,796	132,372
Children	9,368	26,344
Total MinnesotaCare	131,746	\$367,715
Total MinnesotaCare and Medical Assistance All Populations	1,499,513	\$12,042,518

NOTES: Total enrollees represents the unduplicated count of MinnesotaCare enrollees who were ever eligible during calendar year 2017. The unduplicated count includes all Basic Health Plan enrollees, state-only funded elderly enrollees, and state-only funded Deferred Action for Childhood Arrivals (DACA) enrollees.

SOURCE: Minnesota Department of Human Services.

Audit Scope

Our audit scope included initial eligibility determinations and annual redeterminations by DHS for people who were MinnesotaCare enrollees in calendar year 2017.

Audit Objectives

We designed our audit to answer the following questions:

- Did MinnesotaCare enrollees report accurate eligibility information during calendar year 2017?
- Were enrollees who received MinnesotaCare coverage in 2017 eligible for the program?
- Did DHS determine eligibility correctly?

Audit Methodology and Criteria

To answer these audit questions, we reviewed federal and state laws governing the MinnesotaCare 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 125 households (including 153 people) from our target population and an additional sample of 76 enrollees whose records suggested that they resided in a state other than Minnesota. Our sample sizes were intended for compliance purposes and were not large enough to statistically project likely payments for ineligible individuals. We also obtained and reviewed case file records from DHS and, when appropriate, from the county agency in which these individuals were enrolled in 2017. Based on this documentation, we tested whether DHS determined eligibility correctly using data and information it had at the time of its review.

We also obtained data from the Department of Employment and Economic Development and the Department of Revenue for the entire calendar year 2017 that was not available to DHS at the time of application or renewal. We then tested retrospectively whether our sample enrollees reported to DHS accurate income data or income changes that could have affected their eligibility, and whether the enrollees would have remained eligible for MinnesotaCare.

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 the Department of Human Services **generally complied** with eligibility requirements for the MinnesotaCare population included in our audit scope. DHS determined eligibility correctly for the samples we tested, based on information it had obtained at the time of its review. However, due to limitations in eligibility processes, MinnesotaCare coverage was provided to some enrollees who did not meet eligibility criteria for the program at some point during 2017.

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

Findings and Recommendations

FINDING 1

Some MinnesotaCare enrollees who were correctly determined eligible for the program did not later report to DHS changes in circumstances; these changes likely would have affected their eligibility if timely reported.

MinnesotaCare enrollees must report to DHS their estimated income for the calendar year of coverage, as well as any changes during the year that might affect their eligibility.²⁶ Among the sample of 125 household cases (including 153 people) that we tested, DHS correctly approved the enrollees' eligibility, based on information available in METS at the time of application or renewal. However, based on income data later reported to the state, we found some cases in which the enrollee's total income at the end of calendar year 2017 exceeded legal limits for eligibility. Additionally, among a sample of 76 enrollees with state addresses other than Minnesota, we found some cases in which the enrollee did not timely report moving out of the state.

Actual Income Exceeded Eligibility Limit

For 20 of 125 sample cases (16 percent), the enrollee's actual income for calendar year 2017 exceeded their initial projected annual income reported to DHS and the household income limit set in federal law.²⁷ Thus, these individuals would not have met income eligibility criteria for MinnesotaCare at some point during 2017.²⁸ These differences may have occurred because the enrollee either incorrectly estimated their future income at the time of review or did not report a subsequent change in income or employment to DHS.

²⁶ 45 *CFR*, sec. 155.330(b)(1) (2017); 42 *CFR*, sec. 600.340(a) (2017); *Minnesota Statutes 2017*, 256L.05, subd. 1; Department of Human Services, *Minnesota's Basic Health Plan Blueprint* (2017), 37-38, <https://www.medicaid.gov/basic-health-program/downloads/Minnesota-bhp-blueprint.pdf>, accessed September 20, 2018; and DHS, *MNsure Application for Health Coverage and Help Paying Costs, Attachment A*, 4.

²⁷ These 20 sample household cases included 26 individuals who were enrolled in MinnesotaCare. We used the modified adjusted gross income methodology used by DHS; however, it is possible that there could be different outcomes between our testing and DHS's eligibility determinations.

²⁸ *Minnesota Statutes 2017*, 256L.07, subd. 1, states that MinnesotaCare enrollees whose income increases above 200 percent of the federal poverty guidelines are no longer eligible for the program and shall be disenrolled by the commissioner.

As shown in Exhibit 2, the average variance between projected annual income and actual income for these MinnesotaCare enrollees was about \$24,000.²⁹ For example, one enrollee’s projected annual household income for 2017 was about \$18,000. However, our testing showed that actual income in this case totaled about \$52,000 for the entire year. Based on the discrepancies shown in Exhibit 2, we estimated that DHS paid managed care organizations an amount that ranged from about \$20,500 up to \$69,000 after these individuals could have been deemed ineligible in 2017.³⁰

Exhibit 2: Sample MinnesotaCare Cases in Which Enrollees Did Not Report a Change in Income to DHS, Calendar Year 2017

Number of Sample Cases	Percentage Difference between Projected Annual Income Reported to DHS and Actual Annual Income	Average Income Not Reported to DHS
5	Less than 25%	\$ 4,353
8	25-100%	\$14,810
4	100-200%	\$32,418
3	Over 200%	\$70,717
Total of 20		\$24,104

NOTES: These 20 sample household cases included 26 individuals who were enrolled in MinnesotaCare. These sample enrollees were correctly determined eligible to receive MinnesotaCare coverage but incorrectly estimated their income or did not later report to DHS a change in income that exceeded eligibility limits at some point during 2017.

SOURCE: Office of the Legislative Auditor’s analysis of data from DHS, the Department of Revenue, and the Department of Employment and Economic Development.

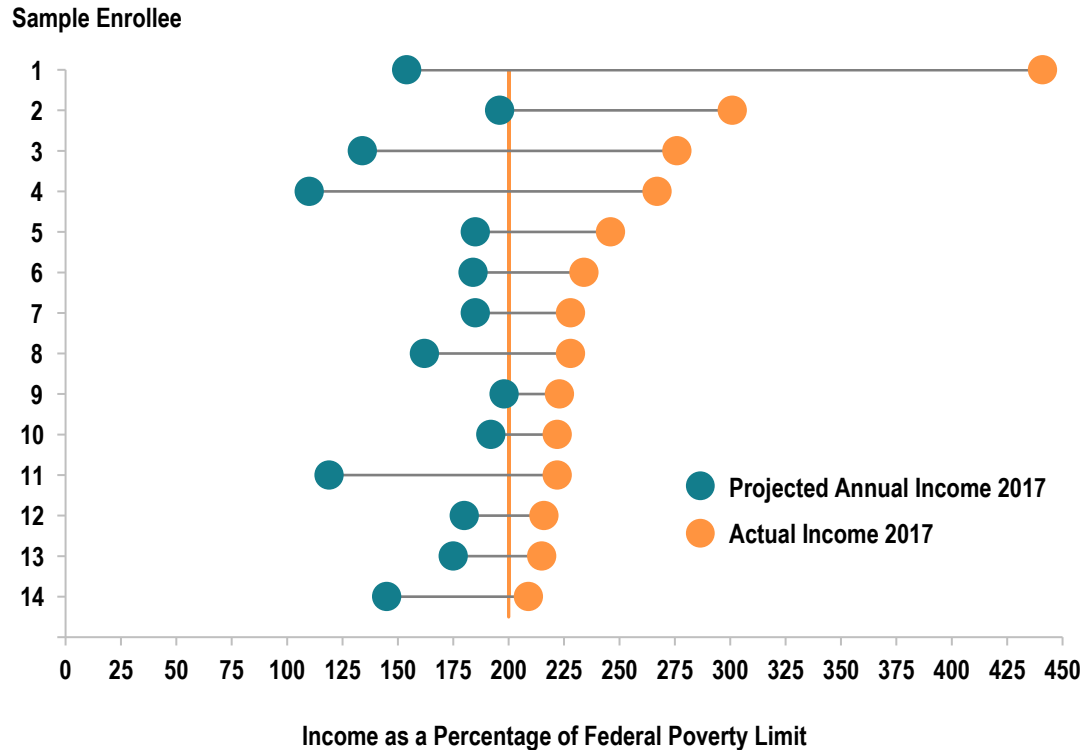
To be eligible for MinnesotaCare, the enrollee’s household income must be between 133 percent and 200 percent of federal poverty guidelines.³¹ Exhibit 3 shows that, among 14 samples we tested, actual 2017 household income in excess of the federal poverty guidelines ranged from 9 percent to 250 percent.

²⁹ Actual income not reported to DHS may have included wage or nonwage income, such as capital gains, sale of stocks, rental, or business income.

³⁰ This is an estimate based on when we determined the enrollees likely could have become ineligible. Because electronic wage data are reported quarterly to the Department of Employment and Economic Development and tax data are reported annually to the Department of Revenue, it is not possible to determine the exact point at which an enrollee could have become ineligible.

³¹ *Minnesota Statutes* 2017, 256L.04, subs. 1 and 10(b).

Exhibit 3: Examples of Sample Enrollees' Projected Annual Income and Actual Income, Calendar Year 2017



NOTES: Includes 14 of 20 sample household cases. These 14 household cases included 16 enrollees who DHS correctly determined were eligible to receive MinnesotaCare. Based on 2017 data from the Department of Employment and Economic Development, these enrollees either did not accurately estimate their projected annual income or failed to report to DHS a change in income that exceeded 200 percent of the federal poverty limit and, thus, they did not meet eligibility criteria for MinnesotaCare.

SOURCE: Office of the Legislative Auditor's analysis of data from DHS, the Department of Revenue, and the Department of Employment and Economic Development.

Change of Minnesota Residence

Enrollees must report a change in circumstance that could affect eligibility, including moving to a state other than Minnesota.³² Enrollees who reside in another state may still be eligible under certain scenarios, for example, an enrollee who attends college in another state. For eligibility record purposes, these enrollees should still report their address change to DHS. However, individuals who permanently move from Minnesota are no longer eligible for the program.

In a separate test of 76 of 969 enrollees with non-Minnesota addresses recorded in METS, we found that 31 enrollees did not timely notify DHS that they had permanently moved out of state and that MinnesotaCare coverage should have been terminated. For most of these enrollees, DHS was not informed of the change in

³² 45 CFR, sec. 155.330(b)(1); and DHS, *MNsure Application for Health Coverage and Help Paying Costs*, Appendix A, 4.

address until the department received returned mail for the enrollee. DHS then subsequently terminated eligibility for the enrollee. Although a MinnesotaCare enrollee may temporarily or seasonally live in a different state, these particular enrollees likely were no longer Minnesota residents, since they did not report the address change. We were unable to determine how many healthcare payments DHS made on behalf of these enrollees because we did not have enough information to identify when the enrollee became a nonresident of Minnesota.

Periodic Data Matching

Currently, eligibility for MinnesotaCare is determined based upon information available to DHS at three points in time: (1) at initial application, (2) when an enrollee reports a change, and (3) during the redetermination process that begins in October of each year for the coming year. DHS could identify cases of ineligible persons similar to those we found here through a more frequent comparison of enrollee data to external data sources that could contain updated information, such as state or federal tax data or Department of Employment and Economic Development wage data.³³ In these cases, DHS could seek repayment from enrollees for past periods of ineligibility or review cases for disenrolling individuals from MinnesotaCare.

Beginning April 1, 2018, DHS is required to conduct periodic data matches (for example, on income data) at least once during an enrollee's 12-month period of eligibility and at a time between regularly scheduled renewals, for the purpose of evaluating continued eligibility.³⁴ As of the release of this report, DHS and MNIT had not fully implemented the periodic data matching functionality in METS.

RECOMMENDATION

The Department of Human Services should implement a more frequent review of enrollee eligibility for MinnesotaCare, as required in state statute.

³³ *Minnesota Statutes 2017*, 256L.05, subd. 2, states that "...the commissioner shall perform random audits to verify reported income and eligibility. The commissioner may execute data sharing arrangements with the Department of Revenue and any other governmental agency in order to perform income verification related to eligibility and premium payment under the MinnesotaCare program." As of the release of this report, DHS did not have a data sharing agreement with the Department of Revenue.

³⁴ *Minnesota Statutes 2017*, 256B.0561, subs. 1-2. The statute initially required DHS to implement the data matching beginning March 1, 2016; however, the 2017 Legislature amended the law to extend the implementation date to April 1, 2018. *Laws of Minnesota 2017*, First Special Session, chapter 6, art. 4, sec. 21.

FINDING 2

Due to deficiencies in DHS information systems, DHS made overpayments for MinnesotaCare enrollees who were no longer eligible for the program.

When METS determines an enrollee is ineligible for MinnesotaCare, METS should then automatically close the case and send the closure data to the DHS Medicaid Management Information System (MMIS).³⁵ Then, when MMIS records the case closure, it ends all MinnesotaCare capitation payments to managed care organizations or medical claim reimbursements to providers.

Based on our review of 125 randomly selected MinnesotaCare enrollees and a review of 76 MinnesotaCare enrollees with non-Minnesota addresses, we identified 20 instances in which METS correctly ended eligibility, but key data were not processed correctly and were not accepted by MMIS to complete the case closures.³⁶ This system deficiency resulted in DHS making \$1,844 in medical payments for these individuals until DHS identified the discrepancy and properly ended MinnesotaCare coverage.³⁷

We were not able to determine the precise cause of the failure in these information systems to initiate a complete closure on these cases. DHS administrators attributed these errors to problems in the technical interface between METS and MMIS.

RECOMMENDATION

The Department of Human Services should ensure the complete and accurate transfer of case closure data from METS to MMIS.

³⁵ The Medicaid Management Information System (MMIS) is the state's payment system for Medical Assistance and MinnesotaCare.

³⁶ Among our sample of 125 cases, we also found one case in which the applicant reported that they had access to employer-sponsored health insurance but METS incorrectly determined the individual eligible for MinnesotaCare.

³⁷ We identified and reported on this issue in a prior audit conducted by this office in 2016. See Office of the Legislative Auditor, *Department of Human Services: Oversight of MNsure Eligibility Determinations for Public Health Care Programs* (St. Paul, 2016), 14.



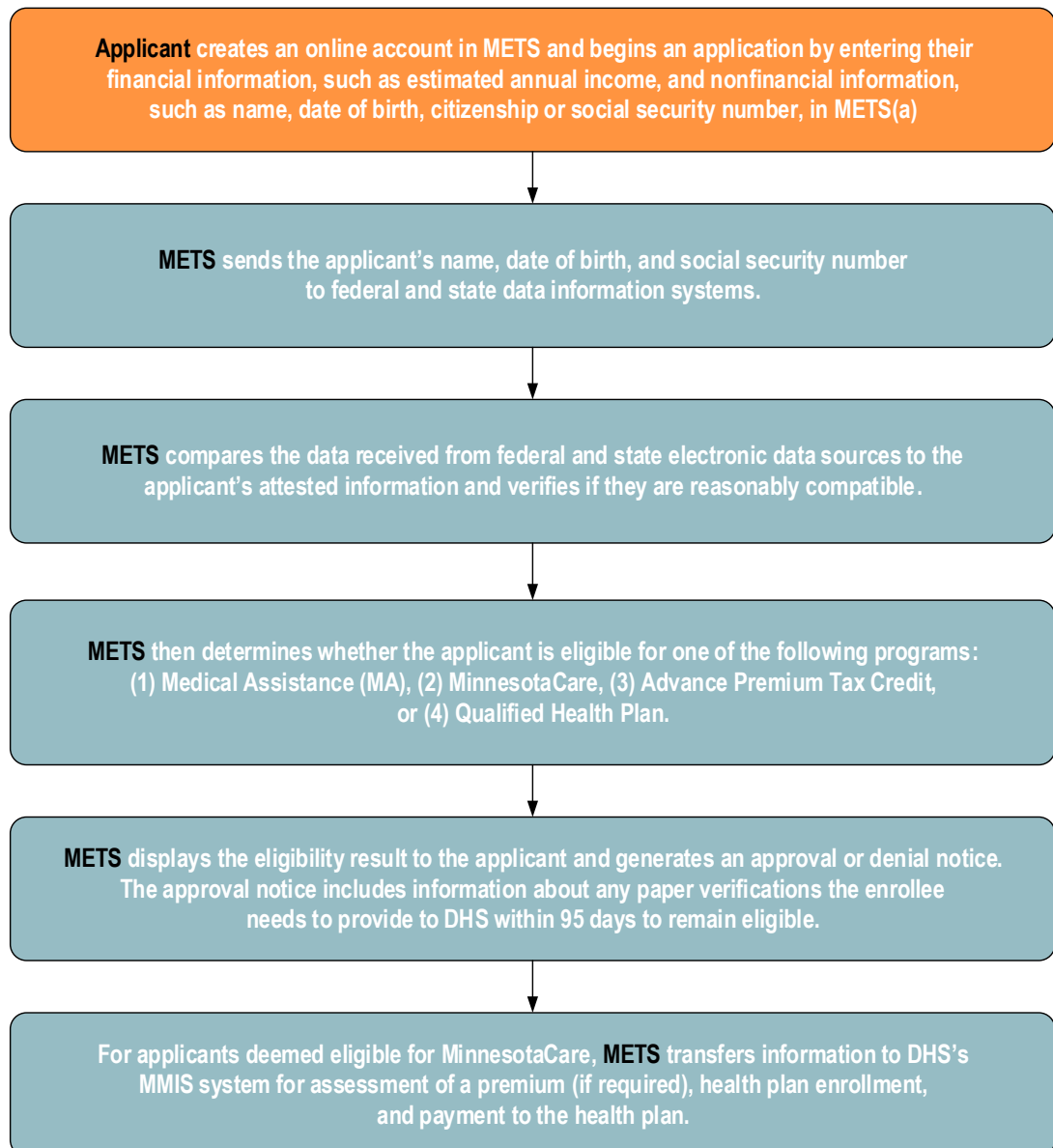
Appendix: MinnesotaCare Application Process

MinnesotaCare provides subsidized health care coverage for enrollees who meet certain eligibility requirements. The enrollee becomes eligible for MinnesotaCare after the Minnesota Eligibility Technology System (METS) makes the automated determination. DHS, working with Minnesota IT Services (MNIT), is responsible for the coding of state and federal laws used in METS to determine eligibility.

When a person applies for health care coverage through the MNsure web portal, the individual completes an application for all Minnesota health care programs. METS then determines which health care program the applicant qualifies for, such as Medical Assistance or MinnesotaCare. METS makes this decision after it compares the applicant-entered financial and nonfinancial data against verified electronic state and federal data sources, such as the Internal Revenue Service, the Social Security Administration, the Department of Homeland Security, and the Minnesota Department of Employment and Economic Development. METS first determines if the applicant is eligible for Medical Assistance. If the applicant is not eligible for Medical Assistance, then METS determines if the applicant is eligible for MinnesotaCare. If the applicant is not eligible for either program, then the applicant moves to an Advanced Premium Tax Credit on the Minnesota Healthcare Exchange.

When METS determines the applicant is eligible for MinnesotaCare, METS generates a notice with the results, and the person is considered eligible at this point. If METS requires any verifications of financial or nonfinancial data, the enrollee is directed to submit the documentation to the Department of Human Services within 95 days in order to remain eligible. Additionally, for enrollees who are required to pay a monthly premium, the enrollee must pay their monthly payment to initiate and retain MinnesotaCare coverage. Exhibit 1A on the following page illustrates this process.

Exhibit 1A: MinnesotaCare Application and Eligibility Verification Processes



NOTE: This exhibit represents the "behind the scenes" process when an applicant applies for health care with financial help through the MNsure web portal.

(a) The Minnesota Eligibility Technology System (METS) determines Minnesotans' eligibility for all of Minnesota's insurance affordability programs—Medicaid, MinnesotaCare, and qualified health programs with advanced premium tax credits.

SOURCE: Office of the Legislative Auditor, based on correspondence with the Department of Human Services.



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October 8, 2018

James Nobles, Legislative Auditor
Office of the Legislative Auditor
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658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Nobles:

Thank you for the opportunity to review and comment on your office's report on MinnesotaCare eligibility. We appreciate the professionalism of your staff and their willingness to work with us throughout the audit process. We are pleased that your audit found DHS determined eligibility correctly for the samples tested based on the information available to us at the time of the determination. Our priority is to ensure that qualifying Minnesotans have access to the health care coverage they need, and the Department of Human Services (DHS), MNIT Services, and county agencies work hard to ensure that our systems and processes accurately determine eligibility for our public healthcare programs in accordance with state and federal law.

As reflected in your report, income eligibility for MinnesotaCare is determined prospectively using annual federal adjusted gross income based on Internal Revenue Service regulations with some modifications.¹ DHS requires MinnesotaCare applicants to provide their modified adjusted gross income (referred to as "projected annual income") for the current calendar year. To renew their coverage, MinnesotaCare enrollees must also provide their projected annual income for the next calendar year. This eligibility process, mandated by law, essentially requires people to estimate their next year's income to determine eligibility in MinnesotaCare and when there are changes to the prediction, report those changes.

Under Finding 1, in the test of 125 sample cases to determine if actual income exceeded the MinnesotaCare program income limit, we agree that some enrollees fail to report actual income changes, including some times when a person has a higher actual income than they projected they would have when they applied for MinnesotaCare. Also under Finding 1, in the test related to reporting non-Minnesota addresses, we acknowledge that not all enrollees report address changes immediately upon moving and so we rely on returned mail to update addresses and send closing notices to enrollees.

¹ The modifications to federal adjusted gross income (AGI) include adding to AGI certain types of income (such as nontaxable interest income and the nontaxable portion of Social Security benefits) to arrive at modified adjusted gross income (MAGI).

These test results not only highlight the need to remind enrollees of their reporting responsibilities but also the difficulty in the legislatively mandated way eligibility is determined and managed – particularly for those enrollees who may have incomes that, by nature of the type of employment, fluctuate monthly or by pay period. The variations graphically identified on page 11 of the report highlight this issue. For example, on 10 of the 14 enrollee cases their actual income for 2017 did not exceed 250 percent of the federal poverty level (FPL). The difference between 200 percent FPL and 250 percent FPL is less than \$6,000 annually if the enrollee were in a single person household. Additionally, on page 10 – two of the samples with among the highest variations, one enrollee received and inaccurately calculated reporting of pension disbursements and another a capital gain distribution. The eligibility calculations the law requires are complex and the reporting requirements are extensive and ongoing. People who have incomes that vary month to month or pay period to pay period are particularly at risk of making a mistake in estimating and/or falling on and off coverage over the course of a year.

The audit recommends that DHS conduct more frequent reviews of enrollee eligibility, beyond the federally required annual renewal, and recommends Periodic Data Matching (PDM). To that end, DHS is in the process of implementing PDM and this will serve as an additional eligibility check, occurring once between annual renewals using updated information obtained from electronic federal data sources² to identify enrollees who appear to be ineligible. These enrollees will receive a notice of discrepancy with 30 days to respond. Enrollees who do not respond to the notice, do not provide information that supports continued eligibility, or do not provide an explanation for the discrepancy will have their eligibility closed.

Counties are currently conducting a PDM field test of Medical Assistance cases with the support of DHS and MNIT. The Minnesota Eligibility Technology System (METS) Executive Steering Committee will review field test results and, pending approval from that IT governing body, the PDM process would start at the end of 2018 with the first discrepancy notices going out to MinnesotaCare enrollees at the beginning of 2019.³

In response to Finding 2, DHS has been working with MNIT to improve the system issues that resulted in discrepancies between eligibility information in METS and coverage information in the Medicaid Management Information System (MMIS). In September, system changes were deployed to improve the transmission and acceptance of correct data from METS to MMIS. Because of these changes, we are experiencing increased accuracy in interface processing with significantly increased data acceptance rates in MMIS.

Finally, I'd like to comment on the use of the Legal Compliance rating (Did Not Comply, Generally Did Not Comply, Generally Complied and Complied). This audit finds that DHS correctly determined eligibility for the tested samples based on the information available at the time and in accordance with the requirements of law. That suggests full compliance, although the report identified general compliance as the current state of the program. The basis for this finding of general compliance is, in part, due to some people not reporting income changes that may have impacted their eligibility, and recommends DHS check eligibility more often. We plan to do that when PDM is fully implemented; we will check eligibility using external data sources once

² The electronic federal data sources available via the Federal Data Services Hub include data from the Internal Revenue Service, Social Security Administration and wage information from participating providers from Equifax.

³ The caseload of MinnesotaCare enrollees will be distributed across a six month period each year with PDM discrepancy notices mailed from February through July.

Mr. James Nobles
October 8, 2018
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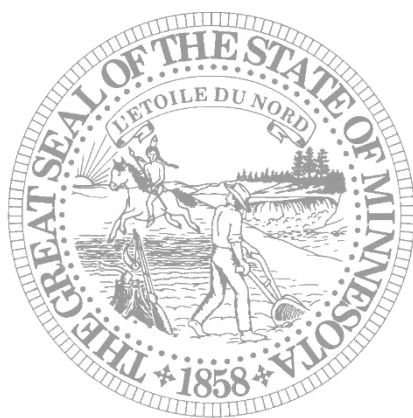
each year between annual renewals periods. It is not clear if implementation of PDM will resolve the audit finding, or if there exists another standard we will subsequently be held to in a future audit. Choices about how often we check eligibility are complex policy and resource questions, and because we look to audits to help us improve compliance, we are challenged when the work is applied to undefined or subjective standards.

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

Sincerely,

/s/ Emily Piper

Emily Piper
Commissioner



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