



Department of Human Services

Medical Assistance Eligibility: Adults Without Children

December 2018

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

December 14, 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* 2018, 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 certain individuals enrolled in the Medical Assistance program were eligible to receive benefits in calendar year 2017.

The audit was conducted by Valerie Bombach (Audit Director); Jordan Bjonfald, CPA (Audit Coordinator); Michelle Bilyeu (Senior Auditor); Ryan Moltz, Ph. D (Senior Program Evaluator); and Todd Pisarski CPA, CFE (Senior Auditor).

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

Sincerely,

Handwritten signature of James R. Nobles in black ink.

James R. Nobles
Legislative Auditor

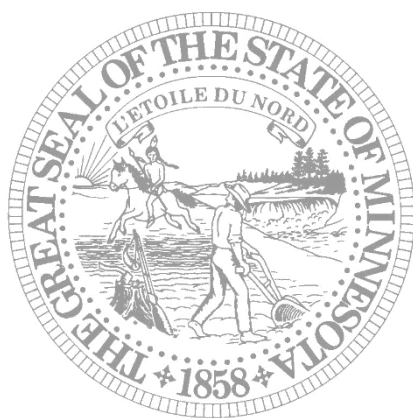
Handwritten signature of Christopher P. Buse in black ink.

Christopher P. Buse
Deputy Legislative Auditor



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Report Summary

During calendar year 2017, the Minnesota Department of Human Services (DHS) paid nearly \$1.8 billion for health insurance coverage for approximately 297,000 people who were enrolled in the Medical Assistance (MA) category “adults without children.” MA covers individuals who meet certain eligibility requirements. DHS oversees the MA eligibility processes, which require applicants and enrollees to report accurate income and other information to county agencies.

As required by *Minnesota Statutes* 2018, 3.972, subd. 2a(b), the Office of the Legislative Auditor conducted this audit to determine whether persons enrolled in Medical Assistance were eligible to receive benefits under the program. The 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 Medical Assistance population included in our audit scope. DHS and county agencies calculated eligibility accurately in most of the samples we tested, based on information provided by applicants and enrollees at the time of the review. However, DHS provided Medical Assistance to some sampled enrollees who did not meet eligibility criteria for the program at some point during 2017.

Legal Compliance

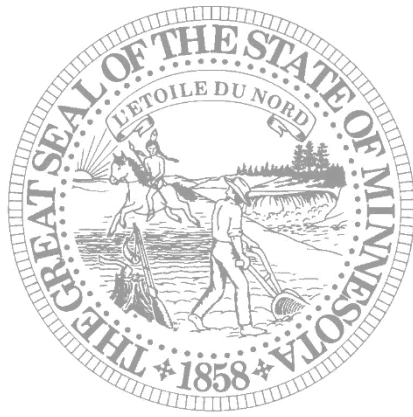


Findings

Finding 1. Some Medical Assistance 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. DHS made overpayments to managed care organizations for some Medical Assistance enrollees who were no longer eligible for the program.

Finding 3. DHS did not place some Medical Assistance enrollees in the correct eligibility category, which resulted in incorrect payments to managed care organizations.



Audit Overview

This report presents the results of our third audit 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. For Medical Assistance (MA), eligibility is generally determined based on the applicant or enrollee's reported income, as well as other criteria.¹ Enrollees also must report any changes in income or state residency that occur during the year.²

For this audit, our audit objectives were to determine whether adults without children who were enrolled in MA met state and federal eligibility requirements, and whether these individuals reported accurate income and other information necessary for eligibility. For a sample of these MA enrollees, we audited the determinations of eligibility made during calendar year 2017.

To assess the eligibility of the enrollees we tested, we reviewed information used by DHS and county agencies at the time of their 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

Medical Assistance—the state's version of the federal Medicaid program—provides health care for individuals who meet certain eligibility requirements. DHS oversees MA in accordance with federal and state program requirements and is responsible for ensuring individuals enrolled in MA are eligible.³ When determining eligibility for adults without children, the department also relies significantly on county agencies and the Minnesota Eligibility Technology System (METS) to process information submitted by applicants and enrollees.⁴

¹ 42 *CFR*, secs. 435.119, 435.403, and 435.406 (2018).

² 42 *CFR*, sec. 435.916(c) (2018); and Department of Human Services, *MNsure Application for Health Coverage and Help Paying Costs, Attachment A*, 4 (November 2017), <https://edocs.dhs.state.mn.us/lfsrver/Public/DHS-6696-ENG>, accessed September 14, 2018.

³ 42 *CFR*, sec. 435 (2018); and *Minnesota Statutes* 2018, 256B.056.

⁴ *Minnesota Statutes* 2018, 62V.055; and 256B.05, subd. 1. 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.

Department of Human Services

DHS oversees the administration of the MA program, which is jointly funded by state and federal dollars. 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.⁵ 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. METS then determines if the information is reasonably compatible.⁶

If METS finds the applicant is eligible for MA, it will determine the proper eligibility category—such as “adult without children,” “parent,” or “child”—and send data to DHS’s Medicaid Management Information System (MMIS) to initiate coverage and enroll the applicant in a health plan and managed care organization. If METS finds that the applicant is not eligible for MA, METS then determines whether the individual is eligible for MinnesotaCare or for a federal tax credit for a qualified private health insurance plan.⁷

DHS also must make annual redeterminations of eligibility for Medical Assistance enrollees, based on information available to the agency and by using data resources, such as electronic databases.⁸

County Agencies

While most applications are filed electronically through the MNsure website, county financial workers accept paper applications from individuals seeking to enroll in public health care programs and enter them into METS.⁹ When METS cannot automatically determine eligibility during initial application or during renewal, county agencies must obtain additional information from the applicant or enrollee to confirm the accuracy of the reported data.¹⁰ If the applicant or enrollee does not provide sufficient documentation within a reasonable timeframe, they are not eligible for MA, and the county financial worker closes the case.¹¹

⁵ *Minnesota Statutes* 2018, 256B.056, subd. 10(d).

⁶ 42 *CFR*, sec. 435.952(b) (2018).

⁷ *Minnesota Statutes* 2018, 256B.04, subd. 18 (c).

⁸ *Minnesota Statutes* 2018, 256B.056, subd. 7a. “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.”

⁹ *Minnesota Statutes* 2018, 256B.05.

¹⁰ 42 *CFR*, sec. 435.952(c) (2018).

¹¹ 42 *CFR*, secs. 435.952 (c-d) and 435.956(b)(2) (2018); and *Minnesota Rules*, 9505.0090, published electronically August 12, 2008. In general, the applicant is given a reasonable opportunity period of 95 days from the date of DHS’s request. *Minnesota Rules*, 9505.0090, subp. 3, defines certain situations in which the applicant must provide sufficient documentation within ten days.

Enrollees

Individuals seeking to receive public health care benefits are directed to provide all financial and nonfinancial information necessary to determine eligibility for MA.¹² The individual 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 individual has given consent for DHS to access federal tax information, METS gathers data from electronic sources for verification.¹³ Individuals 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 and a county agency requests such documentation.

Eligibility Criteria

To be eligible for Medical Assistance in 2017, an individual—including adults without children—must have met the following criteria:

- Resided in or was deemed a resident of Minnesota.¹⁴
- Was a U.S. citizen or qualified noncitizen.¹⁵
- Household income did not exceed certain limits. That is, using the enrollee's verified reported income, the individual's household income did not exceed 133 percent of federal poverty guidelines, after applying a required 5 percent reduction in household income (for example, income limit for a household of one is \$15,800).¹⁶
- Was not incarcerated.¹⁷

¹² 42 *CFR*, sec. 435.907 (2018); *Minnesota Statutes* 2018, 256B.04, subd. 18; and DHS, *MNsure Application for Health Coverage and Help Paying Costs* (2017).

¹³ DHS, *MNsure Application for Health Coverage and Help Paying Costs* (2017). If the enrollee did not consent to DHS's use of tax data during annual renewal, DHS will not electronically verify and renew the enrollee's eligibility. The enrollee must then provide paper verification.

¹⁴ 42 *CFR*, sec. 435.403 (2018); and *Minnesota Statutes* 2018, 256B.056, subd. 1.

¹⁵ 42 *CFR*, sec. 435.406 (2018); and *Minnesota Statutes* 2018, 256B.06, subd. 4.

¹⁶ 42 *CFR*, secs. 435.119 and 435.603(d)(4) (2018); *Minnesota Statutes* 2018, 256B.055, subd. 15; and 256B.056, subd. 4(c); and Minnesota Department of Human Services, "Insurance Affordability Programs (IAPs) Income and Asset Guidelines," (St. Paul, July, 2017), 1.

¹⁷ 42 *CFR*, sec. 435.1009 (a)(1) (2018); and *Minnesota Statutes* 2018, 256B.055, subd. 14.

Financial Activity

During calendar year 2017, DHS paid approximately \$1.77 billion for health care coverage for 297,205 people who were enrolled in the Medical Assistance category “adults without children” and determined eligible for the program.¹⁸ As shown in Exhibit 1, expenditures for this population represent about 14.7 percent of the total \$12 billion expenditures for Medical Assistance and MinnesotaCare, combined.

Exhibit 1: Number of “Adults Without Children” Enrollees and Medical Assistance Expenditures, Calendar Year 2017

Eligibility Category	Total Number of Enrollees	Total Medical Assistance Expenditures (in thousands)
Adults Without Children	297,205	\$ 1,767,707
Total MinnesotaCare and Medical Assistance Population	1,499,513	\$12,042,518

SOURCE: Minnesota Department of Human Services.

Audit Scope

Our audit scope included initial eligibility determinations and annual redeterminations for people who were enrolled in Medical Assistance as adults without children in calendar year 2017.

Audit Objectives

We designed our audit to answer the following questions:

- Did the Medical Assistance enrollees report accurate eligibility information during calendar year 2017?
- Were enrollees who received Medical Assistance coverage in 2017 eligible for the program?
- Did DHS and county agencies determine eligibility correctly?
- Did DHS resolve certain prior audit findings?

¹⁸ *Minnesota Statutes* 2018, 256B.055, subd. 15.

Audit Methodology and Criteria

To answer these audit objective questions, we reviewed federal and state laws governing the Medical Assistance 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 households (including 113 people) from our target population of individuals categorized as adults without children and an additional sample of 60 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 records from the county agency in which these individuals were enrolled in 2017. Based on this documentation, we tested whether the county agency determined eligibility correctly using the 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 or the county agency at the time of application or renewal. We then retrospectively tested 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 MA.

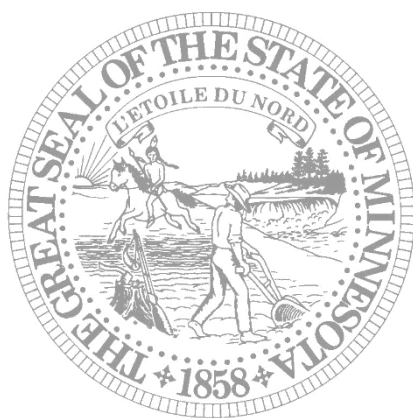
We conducted the audit in accordance with *Minnesota Statutes* 2018, 3.972, subd. 2a(b), which states:

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....

Conclusions

We concluded that the Department of Human Services **generally complied** with eligibility requirements for the Medical Assistance population included in our audit scope. DHS and county agencies calculated eligibility accurately in most of the samples we tested, based on information provided by applicants and enrollees at the time of the review. However, DHS provided Medical Assistance to some sampled 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 Medical Assistance 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.

Medical Assistance enrollees must report to DHS their current income at the time of application or renewal, as well as any changes during the year that might affect their eligibility.¹⁹ Among the sample of 100 household cases (including 113 people) that we tested, the county agency 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 15 cases in which the enrollee's income exceeded legal limits for eligibility. Additionally, among a sample of 60 enrollees with state addresses other than Minnesota, we found 24 cases in which the enrollee did not timely report moving out of the state.

Actual Income Exceeded Eligibility Limit

For 15 of 100 sample cases (15 percent), the enrollee's actual income for calendar year 2017 exceeded their income reported to the county agency and the household income limit set in federal law.²⁰ Thus, these individuals would not have met income eligibility criteria for MA at some point during 2017.²¹ Of these 15 sample cases—for 16 individuals—nine cases likely would have been eligible for MinnesotaCare, while the other six cases likely would not have been eligible for any public health care program.²² The differences may have occurred because the enrollee either reported inaccurate income at the time of review or did not report a subsequent change in income or employment to the county agency.

As shown in Exhibit 2, the average variance between reported income and actual income for these enrollees was about \$21,000.²³ For example, one enrollee reported annual income of \$15,000; however, our testing showed that actual income in this

¹⁹ 42 *CFR*, secs. 435.603(h) and 435.916(c) (2018); and DHS, *MNsure Application for Health Coverage and Help Paying Costs, Attachment A*, 4.

²⁰ These 15 sample cases included 16 individuals enrolled in Medical Assistance.

²¹ 42 *CFR*, secs. 435.119 and 435.603(d)(4) (2018); and *Minnesota Statutes* 2018, 256B.055, subd. 15; and 256B.056, subd. 4(c).

²² *Minnesota Statutes* 2018, 256L.04, subd. 1.

²³ Actual income not reported to DHS may have included wage or nonwage income, such as rental or business income.

case was about \$27,000 for the entire year. Based on the discrepancies shown in Exhibit 2, we estimated that DHS payments to managed care organizations ranged from about \$26,000 up to \$38,000 after these individuals could have been deemed ineligible in 2017.²⁴

Exhibit 2: Sample Medical Assistance Enrollees Who Did Not Report a Change in Income, Calendar Year 2017

Number of Sample Households: Adults Without Children	Percentage Difference Between Income Reported and Actual Income	Average Income Not Reported to DHS
2	Less than 25%	\$ 2,779
4	25-100%	\$13,423
5	100-200%	\$15,748
<u>4</u>	Over 200%	<u>\$43,828</u>
Total 15		\$20,887

NOTES: These 15 sample household cases included 16 individuals who were enrolled in Medical Assistance. These sample enrollees were correctly determined eligible to receive Medical Assistance coverage but incorrectly reported 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 MA, the household income of the population we tested—adults without children— must not exceed 133 percent of federal poverty guidelines.²⁵ Federal regulations require the state to subtract an amount equal to five percent of federal poverty guidelines from household income when determining eligibility.²⁶ Exhibit 3 shows that, among eight samples we tested, actual 2017 household income in excess of the federal poverty guidelines ranged from 9 percent to 132 percent.

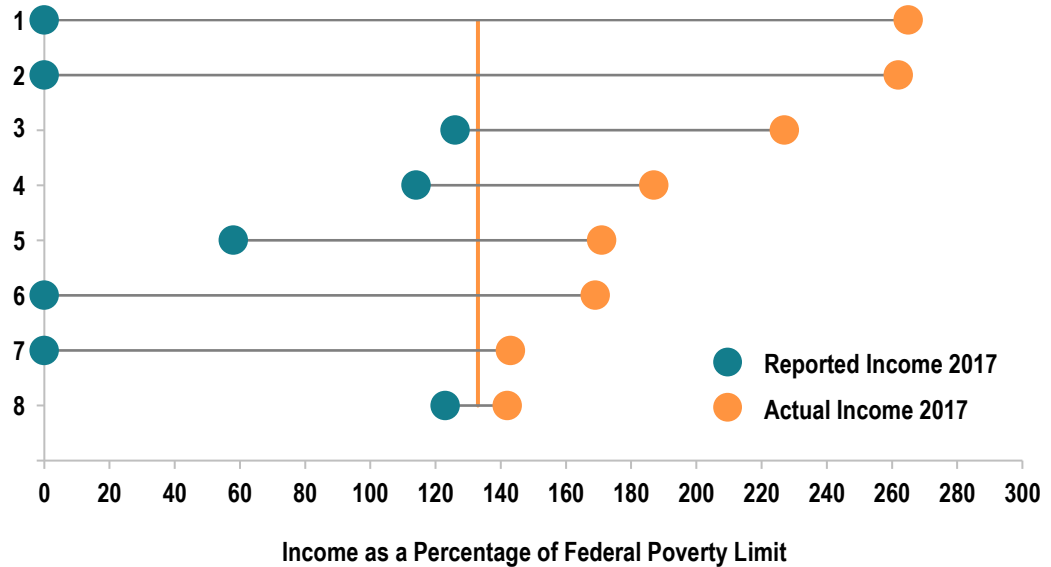
²⁴ This is an estimate based on when we determined the enrollees likely could have become ineligible. Because electronic wage data are reported quarterly to the Department of Employment and Economic Development and tax data are reported annually to the Department of Revenue, it is not possible to determine the exact point at which an enrollee could have become ineligible.

²⁵ 42 *CFR*, sec. 435.119 (2018); and *Minnesota Statutes* 2018, 256B.055, subd. 15; and 256B.056, subd. 4(c).

²⁶ 42 *CFR*, sec. 435.603(d)(4) (2018).

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

Sample Enrollee: Adults without Children



NOTES: Includes 8 of 15 sample household cases of adults without children. These 8 household cases included 8 enrollees who were correctly determined eligible to receive Medical Assistance. Based on 2017 data from the Department of Employment and Economic Development, these enrollees either did not accurately report their income or failed to report a change in income that exceeded 133 percent of the federal poverty limit—after the federally mandated 5 percent reduction in household income—and, thus, they did not meet eligibility criteria for Medical Assistance.

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

Change in Minnesota Residence

Enrollees must report a change in circumstances that could affect eligibility, including moving to a state other than Minnesota.²⁷ 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 purposes, these enrollees should still report their address change to their county agency. However, individuals who permanently move from Minnesota are no longer eligible for the program.

In a separate test of 60 of 2,735 enrollees with non-Minnesota addresses recorded in METS, we found 24 enrollees did not timely notify their county agency that they had permanently moved out of state and that MA coverage should have been terminated. For most of these enrollees, the county agency was not informed of the change in address until the county agency received returned mail for the enrollees. We were unable to determine how many additional healthcare payments DHS made

²⁷ 42 CFR, sec. 435.916(c) (2018); and DHS, *MNsure Application for Health Coverage and Help Paying Costs, Attachment A*, 4.

on behalf of these enrollees after they moved because we did not have enough information to identify when the enrollee became a nonresident of Minnesota.

Periodic Data Matching

Currently, eligibility for MA is determined based on information available at three different points in time: (1) at initial application, (2) when an enrollee reports a change, and (3) during the annual redetermination process. 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. In these cases, DHS could seek repayment from enrollees for past periods of ineligibility or review cases for disenrolling individuals from MA.

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.²⁸ As we noted in our recently released audit of MinnesotaCare eligibility, DHS and MNIT have not fully implemented the periodic data matching functionality in METS.²⁹ The department reports it is expecting to complete implementation of this process in 2019.

RECOMMENDATION

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

FINDING 2

DHS made overpayments to managed care organizations for some Medical Assistance enrollees who were no longer eligible for the program.

Among our samples, we identified 18 eligibility errors in which DHS made medical payments for enrollees who were not eligible for MA. We attributed these errors to county financial worker error, information system deficiencies, and incomplete verification of incarceration status.

²⁸ *Minnesota Statutes* 2018, 256B.0561, subs. 1-2. The law 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.

²⁹ Office of the Legislative Auditor, *MinnesotaCare Eligibility* (St. Paul, 2018), 12.

County Financial Worker Error

Enrollees must report changes in circumstances that could affect eligibility and provide additional information to the county financial worker when METS cannot automatically determine eligibility.³⁰ Based on our review of 100 MA households and a review of 60 MA enrollees with non-Minnesota addresses, we identified 12 cases in which a county financial worker did not close the METS case when a change in circumstance was reported or the enrollee failed to provide additional required documentation.³¹ DHS made \$15,683 in medical payments to managed care organizations for these enrollees after they should have been deemed ineligible.

Change in Circumstance: County financial workers did not timely close the METS cases for nine enrollees after the county financial worker learned that the enrollees moved out of state. County financial workers did not close the METS case for one enrollee who reported an increase in income that exceeded 133 percent of federal poverty limits.

Additional Documentation: County financial workers did not close METS cases for two enrollees who did not timely provide additional required documentation related to citizenship and income.

Information System Deficiencies

When an individual's renewal is processed by METS and METS determines an enrollee is ineligible for MA, METS should automatically close the case and send the closure data to the DHS Medicaid Management Information System (MMIS).³² Then, when MMIS records the case closure, it ends all MA payments to managed care organizations or medical claim reimbursements to providers.

Based on our review of 100 MA households and a review of 60 MA enrollees with non-Minnesota addresses, we identified five cases in which METS ended eligibility, but key data were not processed correctly and were not accepted by MMIS to complete the case closures. As a result of this system deficiency, DHS paid an additional \$10,435 in medical payments to managed care organizations for these individuals.³³

We were unable to determine the precise cause of the failure in these information systems to initiate a complete closure on these cases. As we reported in our prior

³⁰ 42 *CFR*, secs. 435.916(c) and 435.956(b)(2) (2018). In general, the applicant is given a reasonable opportunity period of 95 days from the date of DHS's request. *Minnesota Rules*, 9505.0090, subp. 3, defines certain situations in which the applicant must provide sufficient documentation within ten days.

³¹ 42 *CFR*, sec. 435.916(d) (2018).

³² The Medicaid Management Information System (MMIS) is the state's payment system for Medical Assistance and MinnesotaCare.

³³ We identified and reported on this issue in a prior audit report 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.

audit report, DHS administrators attributed these types of errors to problems in the technical interface between METS and MMIS.³⁴

Incomplete Verification of Incarceration Status

An inmate of a correctional facility is not eligible for MA coverage.³⁵ When an individual completes an initial application in METS, METS obtains available federal incarceration data from the Social Security Administration to determine initial eligibility; however, METS does not obtain federal incarceration data during the annual renewal of the enrollee's eligibility. Additionally, METS does not obtain incarceration data from state sources during the initial application or annual renewal.

In our review of 100 MA households, we identified one enrollee who received MA coverage while the individual was incarcerated. METS correctly approved the enrollee's eligibility based on information available at the time of initial application. However, during the subsequent renewal, METS failed to identify that the enrollee was later incarcerated. DHS paid \$6,308 in medical payments to a managed care organization while this enrollee was incarcerated and not eligible for MA coverage during calendar year 2017.

DHS or a county agency could identify persons who are incarcerated and ineligible through a review of state incarceration records during renewal. State statutes require DHS to 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.³⁶ Federal regulations do not explicitly address verification of enrollee incarceration status.³⁷

RECOMMENDATION

The Department of Human Services should ensure the timely and complete case closure process in METS and MMIS.

The Legislature should amend *Minnesota Statutes 256B.056*, subd. 7a, to require DHS to verify enrollee eligibility data against state information resources containing incarceration information.

³⁴ Office of the Legislative Auditor, *MinnesotaCare Eligibility* (St. Paul, 2018), 13.

³⁵ 42 *CFR*, sec. 435.1009 (2018); and *Minnesota Statutes* 2018, 256B.055, subd. 14.

³⁶ *Minnesota Statutes* 2018, 256B.056, subd. 7a(a).

³⁷ 42 *CFR*, sec. 435.956 (2018).

FINDING 3

DHS did not place some Medical Assistance enrollees in the correct eligibility category, which resulted in incorrect payments to managed care organizations.

DHS groups individuals into certain categories as part of calculating how much it will pay to managed care organizations to provide health coverage. These amounts vary depending on the category. For example, DHS pays managed care organizations about \$500 per month for a parent and about \$700 per month for an adult without children. Thus, it is important that individuals are placed into the correct category as part of the eligibility determination process.

When METS determines an enrollee is eligible for MA, it will determine the proper eligibility category—such as adult without children, parent, or child—and send data to MMIS for enrollment in a health plan and payments to a provider or managed care organization.³⁸

Based on our review of 100 MA sample households of adults without children, we identified 10 sample households—including 11 individuals—in which the enrollee was correctly approved for MA, but was incorrectly categorized as an adult without children.

- Nine of these sample households reported a child in the family and, thus, the enrollee should have been enrolled as a parent. However, a system error in METS caused these enrollees to be placed in the incorrect eligibility category.
- One of these sample households reported income that made them eligible for MA as a person with a disability.³⁹ However, a county financial worker did not use the correct eligibility determination process, which caused METS to place the enrollee in the incorrect eligibility category.

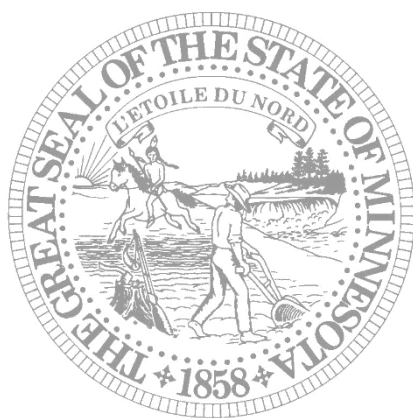
An enrollee's eligibility category determines the amount the state pays for an enrollee's MA coverage. DHS may over or under pay managed care organizations when enrollees are placed into the incorrect eligibility category.

RECOMMENDATION

The Department of Human Services should ensure it places each Medical Assistance enrollee in the correct eligibility category based on reported data.

³⁸ *Minnesota Statutes* 2018, 256B.055.

³⁹ *Minnesota Statutes* 2018, 256B.055, subd. 7(a).



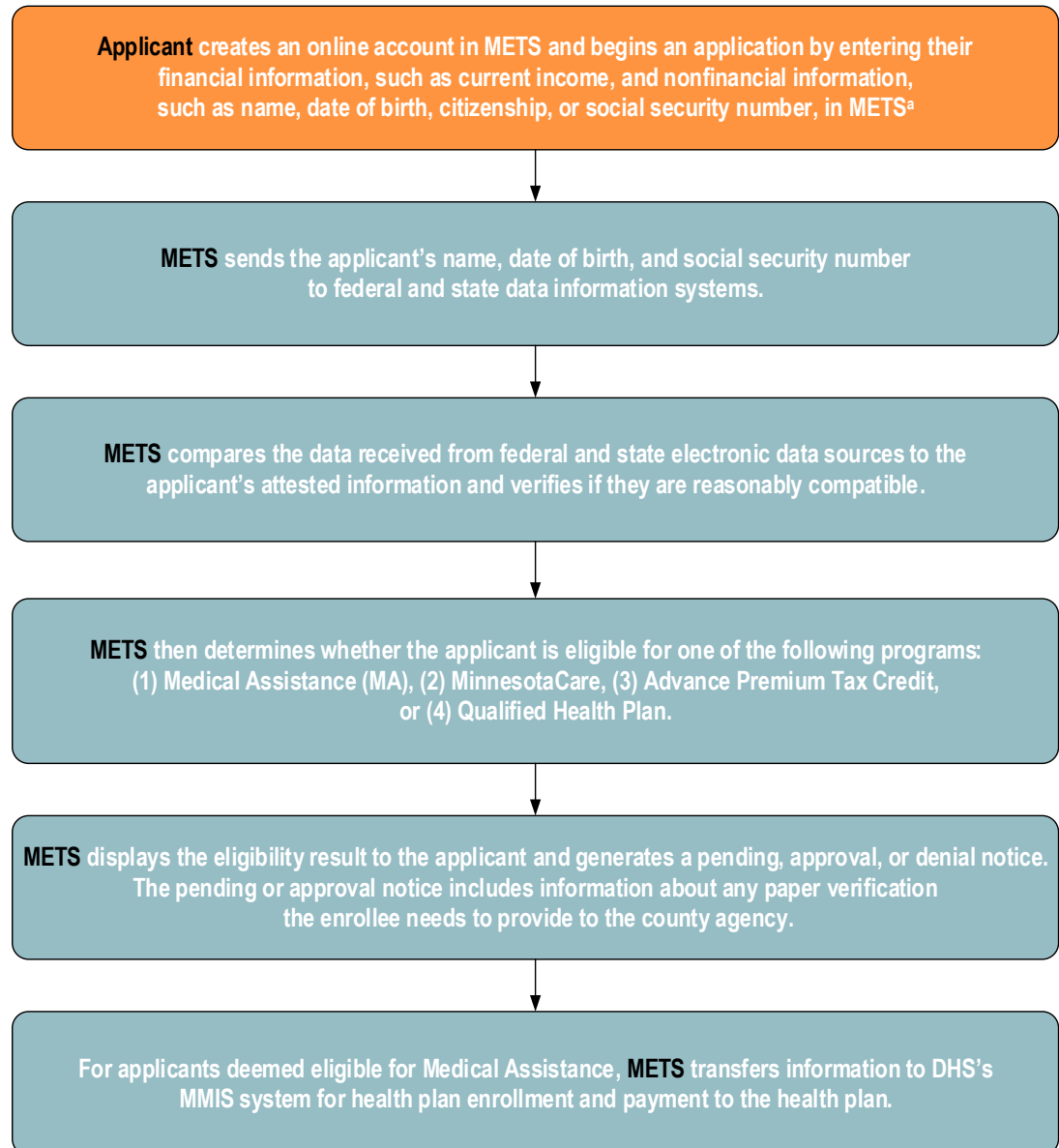
Appendix: Medical Assistance Application Process

Medical Assistance provides health care coverage for enrollees who meet certain eligibility requirements. The enrollee becomes eligible for Medical Assistance 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 Medical Assistance, 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 county agency within a reasonable timeframe. Exhibit 1A on the following page illustrates this process.

Exhibit 1A: Medical Assistance 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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December 12, 2018

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

Dear Mr. Nobles:

Thank you for the opportunity to review and comment on your office's report on Medical Assistance eligibility for adults without children. 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.

Under Finding 1, we agree that some Medical Assistance enrollees who were correctly determined eligible for the program later did not report changes in circumstance which may have affected their eligibility if reported timely. 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.

The audit recommends that DHS conduct more frequent reviews of enrollee eligibility for Medical Assistance. To that end, DHS is in the process of implementing Periodic Data Matching (PDM) that will serve as an additional eligibility check, occurring once between annual renewals using updated information obtained from electronic federal data sources¹ 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 completed a successful PDM field test with the support of DHS and MNIT. The field test results were reviewed by the Minnesota Eligibility Technology

¹ 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 employers from Equifax.

System (METS) Executive Steering Committee on November 27. The Executive Steering Committee unanimously approved statewide implementation. The monthly PDM process for the first cohort of Medical Assistance enrollees will start on December 20, 2018. Enrollees who do not respond to their PDM notice will be ineligible starting March 1, 2019. PDM will continue on a rolling monthly basis thereafter.

Under Finding 2, we agree that in some cases DHS made overpayments for Medical Assistance enrollees who were no longer eligible for the program due to county worker error, information system deficiencies, and incomplete verification of incarceration status. The county worker errors cited in this finding on changes in circumstance were primarily moves out of state as described above. Concerning the system deficiencies, 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 2018, 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.

Under Finding 3, we agree that system errors caused nine parents to be placed in an incorrect eligibility category and a worker failed to redetermine the eligibility of one person based on a change in circumstances. The METS issues have largely been addressed through interface improvements, the resolution of a system defect, and the development of a workaround. DHS has ongoing efforts to reduce worker error through worker training and communications.

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 most of the samples tested based on the information available at the time and in accordance with the requirements of law. 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. 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 Medical Assistance eligibility determinations are made for adults without children. 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
Commissioner

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