



# Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data

September 2020

Financial Audit Division

**OFFICE OF THE LEGISLATIVE AUDITOR**  
STATE OF MINNESOTA

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September 30, 2020

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Blue Plus, HealthPartners, Hennepin Health, Itasca Medical Care, Medica Health Plans,  
PrimeWest Health, South Country Health Alliance, and UCare Minnesota

Jodi Harpstead, Commissioner  
Department of Human Services

This report presents the results of our compliance audit of managed care organizations for the period January 2017 through December 2018. The objectives of this audit were to determine if the managed care organizations complied with selected legal and Department of Human Services' contract requirements regarding oversight of third-party administrators for dental and mental health services and reporting of dental and mental health encounter claims data to DHS.

This audit was conducted by Valerie Bombach (Audit Director), Jennyfer Hildre (Audit Team Lead), April Lee (Senior Auditor), Crystal Nibbe (Staff Auditor), and Robert Timmerman (Senior Auditor).

We received the full cooperation of the managed care organizations while performing this audit.

Sincerely,

Valerie Bombach  
Audit Director



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# Report Summary

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The Department of Human Services (DHS) is responsible for overseeing Minnesota's public health care programs and the department contracts with managed care organizations (MCOs) to provide certain administrative functions and services to enrollees. To manage dental and mental health benefits services under these programs, several MCOs contract with third-party administrators. For calendar year 2018, eight MCOs reported \$5.2 billion in expenses for medical benefits and other professional services. Our audit scope represented a small percentage of total services for this time period. For example, on average, MCO dental expenses accounted for about 3.1 percent of total 2018 reported Medicaid expenses. The average monthly enrollment for MHCP in 2018 was approximately 961,000 individuals for all MCOs.

The Office of the Legislative Auditor (OLA) audited these eight MCOs to determine their compliance with key legal and DHS contract requirements regarding MCO oversight of third-party administrators for dental and mental health services and reporting of dental and mental health encounter claims data to DHS. Our audit scope focused on DHS contracts and samples of payments to providers reported to DHS by the MCOs during calendar years 2017 and 2018.

## Conclusions

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Blue Plus, Hennepin Health, Medica Health Plans, South Country Health Alliance, and UCare Minnesota complied with the legal and DHS contract requirements we tested for oversight of their respective third-party administrators for dental or mental health benefits. HealthPartners, Itasca Medical Care, and PrimeWest Health did not subcontract for these administrative services.

For the sample of mental health encounter records we tested, Blue Plus, HealthPartners, Hennepin Health, Itasca Medical Care, Medica Health Plans, PrimeWest Health, South Country Health Alliance, and UCare Minnesota complied with selected legal and DHS reporting requirements, and the payment information was accurate, complete, and timely.

For the sample of dental encounter records we tested, HealthPartners, Itasca Medical Care, Medica Health Plans, and PrimeWest Health complied with selected legal and DHS reporting requirements, and the payment information was accurate, complete, and timely.

Blue Plus, Hennepin Health, South Country Health Alliance, and UCare Minnesota also generally complied with these requirements; we found a small number of exceptions in their reporting of dental encounter claim data, discussed more thoroughly in the findings and recommendations in this report.

- **Finding 1.** For 2 of 84 dental claims that we audited, Blue Plus did not comply with a Department of Human Services contract requirement for submitting corrected encounter claims. (p. 10)
- **Finding 2.** For 1 of 84 dental claims that we audited, UCare Minnesota did not comply with a Department of Human Services contract requirement for submitting corrected encounter claims. (p. 11)
- **Finding 3.** For 1 of 84 dental claims that we audited, Hennepin Health did not comply with a Department of Human Services contract requirement for submitting corrected encounter claims. (p. 12)
- **Finding 4.** For 2 of 84 dental claims that we audited, South Country Health Alliance did not comply with a Department of Human Services contract requirement for submitting corrected encounter claims. (p. 13)
- **Finding 5.** For 3 of 84 dental claims that we audited, South Country Health Alliance did not comply with a Department of Human Services contract requirement to report denied claims for payment. (p. 13)

We also concluded that, for the samples we tested, the MCOs serving MinnesotaCare enrollees in 2018—Blue Plus, HealthPartners, Hennepin Health, Itasca Medical Care, PrimeWest Health, South Country Health Alliance, and UCare Minnesota—complied with legal requirements related to dental payment rate increases for this program.

# Audit Overview

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DHS uses managed care organizations' encounter claims data for many purposes, including analyzing patient use of services, forecasting program costs, and setting future rates paid by DHS to MCOs for services and expenses. DHS also sends information about MCO encounter data to the Centers for Medicare and Medicaid Services. Audits that examine the accuracy and completeness of the encounter data help determine its usability for these purposes. This report presents the results of our audit of MCOs' dental and mental health encounter data and expenses for Minnesota Health Care Programs (MHCP).<sup>1</sup>

For this audit, we reviewed each MCO's contract with a third-party administrator for dental and mental health benefits, as applicable. We also tested a sample of each MCO's reported encounter data and payments to dental and mental health providers during the period from January 2017 through December 2018. Finally, we reviewed the MCO payment rates for dental providers to determine the extent to which MCOs had reimbursed providers in accordance with MinnesotaCare rate increases specified in law.

## Program Overview and History

The Department of Human Services is responsible for overseeing Minnesota Health Care Programs, which includes Medical Assistance (Minnesota's version of the federal Medicaid program) and MinnesotaCare (a federally approved Basic Health Program for individuals who do not qualify for regular Medical Assistance). Medical Assistance consists of the following programs: Prepaid Medical Assistance Program (PMAP), Minnesota Senior Care Plus (MSC+), Minnesota Senior Health Options (MSHO), and Special Needs BasicCare (SNBC).

As specified in federal law and state statutes, DHS contracts with MCOs to provide certain administrative functions and services to enrollees under public health care programs.<sup>2</sup> DHS contracted with eight MCOs to each provide services for one or more of these programs in 2017 and 2018. These MCOs included five entities licensed as health maintenance organizations (Blue Plus, HealthPartners, Hennepin Health, Medica Health Plans, and UCare Minnesota) and three "county based purchasing organizations" (Itasca Medical Care, PrimeWest Health, and South Country Health Alliance). For calendar year 2018, these eight MCOs reported nearly \$5.2 billion in expenses for hospital, medical, and other professional services (including dental), as shown in Exhibit 1. Dental services represented about 3.1 percent of these expenses.

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<sup>1</sup> *Minnesota Statutes* 2019, 3.972, subd. 2b, directs the Office of the Legislative Auditor to audit managed care organizations that contract with DHS for Minnesota's public health care programs. The statute requires OLA to audit these MCOs to determine whether they used public money in compliance with federal and state laws, rules, and DHS contracts.

<sup>2</sup> 42 CFR, sec. 438 (2019); and *Minnesota Statutes* 2019, 256B.035; and 256B.69, subd. 5a.

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## Exhibit 1: MHCP Expenses for Hospital/Medical Benefits and Other Professional Services (Including Dental), Calendar Year 2018

Managed Care Organization	Total Expenses (in thousands) <sup>a</sup>	PMAP and MinnesotaCare Expenses (per Member Month)	MSC+ and MSHO Expenses (per Member Month)	SNBC Expenses (per Member Month)
Blue Plus <sup>b</sup>	\$1,615,272	\$307	\$2,210	NA
HealthPartners	871,319	360	1,908	\$1,141
Hennepin Health <sup>c</sup>	142,782	397	NA	869
Itasca Medical Care <sup>b</sup>	34,370	216	1,693	NA
Medica Health Plans <sup>d</sup>	570,110	NA	2,335	921
PrimeWest Health	236,258	328	1,916	893
South Country Health Alliance	176,528	227	1,730	644
UCare Minnesota	<u>1,547,648</u>	284	1,974	844
Total	\$5,194,287			

NOTES: Totals include MCO-reported expenses for hospital/medical benefits and other professional services for PMAP, MinnesotaCare, MSC+, MSHO, and SNBC. Totals exclude outside referrals, emergency room and out-of-service area, and prescription drugs.

<sup>a</sup> Enrollees may have some or all expenses covered by third parties.

<sup>b</sup> Blue Plus and Itasca Medical Care did not have a contract with DHS for SNBC in 2018.

<sup>c</sup> Hennepin Health did not have a contract with DHS for MSC+ and MSHO in 2018.

<sup>d</sup> Medica Health Plans did not have a contract with DHS for PMAP and MinnesotaCare in 2018.

SOURCES: Office of the Legislative Auditor, summary of MCOs' 2018 Supplement Report #1, Statement of Revenue, Expenses, and Net Income.

Minnesota's public health care programs cover dental and mental health services for enrollees.<sup>3</sup> MCOs may subcontract with other entities for administrative services, including the administration of dental and mental health services. These administrators may perform various delegated functions, such as coordination of benefits, managing the provider network, customer service for members and providers, response to grievances and appeals, and making payments to providers. Five of eight MCOs had written agreements with a third-party administrator to manage dental health services under MHCP in 2017 and 2018, shown in Exhibit 2. Two MCOs also contracted with other entities to administer mental health benefits; these functions varied and included management of the provider network, claims processing, payments to providers, and response to provider and enrollee appeals.

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<sup>3</sup> Minnesota Statutes 2019, 256B.0625, defines covered services for Medical Assistance. Per Minnesota Statutes 2019, 256L.03, subd. 1, "covered services" under MinnesotaCare means the health services reimbursed under Medical Assistance, with certain exceptions.

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## Exhibit 2: Managed Care Organizations and Third-Party Administrators for Dental and Mental Health Benefits, Calendar Years 2017 and 2018

Managed Care Organization	Dental Benefits Administrator	Mental Health Benefits Administrator
Blue Plus	Delta Dental of Minnesota	Magellan Healthcare, Inc.
HealthPartners	NA	NA
Hennepin Health	Delta Dental of Minnesota	NA
Itasca Medical Care	NA	NA
Medica Health Plans	Delta Dental Plan of Minnesota	United Behavioral Health
PrimeWest Health	NA	NA
South Country Health Alliance	DentaQuest of Minnesota, LLC (2017) Delta Dental of Minnesota (2018)	NA
UCare Minnesota	Delta Dental of Minnesota	NA

NOTES: Agreements were in effect during calendar years 2017 and 2018 unless otherwise noted. During our audit period, Delta Dental also further subcontracted with DeCare Dental to assist in processing and adjudication of claims and submission of dental encounter data to DHS.

SOURCE: Office of the Legislative Auditor.

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DHS requires the MCOs and their third-party administrators to comply with all federal and state laws.<sup>4</sup> Although an MCO may delegate certain functions to a third-party administrator, the MCO is still ultimately responsible for ensuring compliance with DHS's contracts.<sup>5</sup> MCOs must maintain current and fully executed agreements for all third-party administrators for public health care programs.<sup>6</sup> The MCOs are also required to perform certain oversight activities of third-party administrators to ensure compliance with program requirements, including monitoring the administrators via annual performance reviews.<sup>7</sup>

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<sup>4</sup> For example, Minnesota Department of Human Services, *Contract for Prepaid Medical Assistance and MinnesotaCare* (2017 and 2018), Article 9.1 states, “The MCO and its subcontractors shall comply with all applicable federal and state statutes and regulations....”

<sup>5</sup> Minnesota Department of Human Services, *Contract for Prepaid Medical Assistance and MinnesotaCare* (2017 and 2018), Article 9.3.4; Minnesota Department of Human Services, *Contract for Minnesota Senior Health Options and Minnesota Senior Care Plus Services* (2017 and 2018), Article 9.3.5; and Minnesota Department of Human Services, *Contract for Special Needs BasicCare Program Services for People with Disabilities* (2017 and 2018), Article 9.3.5 states, “The MCO shall oversee and is ultimately accountable for any functions and responsibilities that it delegates to any subcontractor....”

<sup>6</sup> *Minnesota Statutes 2019*, 256B.69, subd. 5a(m).

<sup>7</sup> Minnesota Department of Human Services, *Contract for Prepaid Medical Assistance and MinnesotaCare* (2017 and 2018), Article 9.3.4; Minnesota Department of Human Services, *Contract for Minnesota Senior Health Options and Minnesota Senior Care Plus Services* (2017 and 2018), Article 9.3.5; and Minnesota Department of Human Services, *Contract for Special Needs BasicCare Program Services for People with Disabilities* (2017 and 2018), Article 9.3.5 outlines MCO oversight responsibilities, including evaluating a prospective subcontractor’s ability to perform the delegated activities, having a written agreement, and monitoring the subcontractor’s performance at least annually through a formal review process.

As part of program oversight, federal regulations require states to include in their contracts with MCOs certain requirements for reporting program costs and medical—including dental—expenses. In particular, MCOs must submit “encounter data” to the state agency (that is, DHS).<sup>8</sup> Encounter data are individual electronic records that document each enrollee’s medical or dental visit. The data provide a broad range of information pulled from providers’ claims for payments and other sources, such as patient demographics, dates of service, medical or dental procedures performed, diagnosis detail, charges billed, and amounts paid. Minnesota statutes supplement the federal reporting mandate by requiring the MCOs to submit to DHS biweekly encounter data for MHCP.<sup>9</sup> The volume of encounter records sent by MCOs to DHS is significant. In 2018, the total number of medical and dental claims processed through DHS’s Medicaid Management Information System (MMIS) exceeded 24.7 million and 1 million claims, respectively.<sup>10</sup>

Given the importance of encounter data in MHCP oversight, state statutes require the MCOs to participate in a DHS quality assurance program that verifies the timeliness and completeness of the data through quality assurance protocols.<sup>11</sup> DHS staff actively monitor and evaluate encounter data submitted to the state. DHS uses an automated system of edits within MMIS to read and code encounter records based on the accuracy or completeness of the data.<sup>12</sup> For example, DHS currently has 37 specific edits—including edits related to claim payment values or duplicate records—for which DHS will exclude an encounter record for future rate setting purposes if it does not align with expected parameters.

DHS notifies MCOs when claims and individual claim lines data are accepted or rejected. If DHS rejects any claims data, MCOs are required to correct the data and resubmit the information. DHS also imposes monetary penalties against MCOs if they do not correct specified errors on submitted encounter records. Here and in prior audits, we found that the DHS quality assurance program has resulted in improved reporting of encounter data to the department.

DHS sets payment rates for providers that it pays directly for services, while MCOs may negotiate their own payment rates with providers. Minnesota statutes have provided for increased payment rates for dental providers under certain criteria; however, recent changes in federal regulations have limited how much the state can direct MCOs’ payment rates to providers.<sup>13</sup>

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<sup>8</sup> 42 CFR, sec. 438.604 (2019).

<sup>9</sup> Minnesota Statutes 2019, 256B.69, subd. 9d(b).

<sup>10</sup> The total number of medical claims does not include Medicare crossover claims.

<sup>11</sup> Minnesota Statutes 2019, 256B.69, subd. 9d(b). For information about this program, see Deloitte Consulting, LLP, *Department of Human Services, Encounter Data Quality Assurance Protocol Review* (St. Paul, June 2017).

<sup>12</sup> Edits are instructions written into software to verify and validate such things as the completeness, reasonableness, or accuracy of data. Electronic edits are used as initial checks on the integrity of data being used to record various types of electronic transactions, such as payments.

<sup>13</sup> 42 CFR, sec. 438.6(c)(1) (2019), states that “Except as specified...a State may not direct the MCO’s...expenditures under the contract.” 42 CFR, sec. 438.6(d) (2019), states that “States may not require MCOs...to make pass-through payments other than those permitted under this paragraph (d).” The federal regulation was effective January 1, 2018, for Medicaid programs.

# Audit Scope, Objectives, Methodology, and Criteria

## Subcontracts for the Administration of Dental and Mental Health Benefits

We assessed the MCOs' compliance with key provisions within the DHS contracts and federal and state statutes and regulations that we determined were significant for the purposes of program oversight. We designed our work to address the following questions:

- Did the MCOs comply with significant legal and DHS contract requirements for oversight of dental benefits and mental health benefits administrators?
- To what extent did the MCOs oversee their dental benefits and mental health benefits administrators?

To answer these questions, we reviewed federal regulations and state statutes, contract requirements, and DHS guidance to MCOs to administer public health care programs. For MCOs with dental benefits or mental health benefits administrators, we reviewed the MCO's contract with the administrator to gain an understanding of the agreement and delegated functions. We tested each contract for compliance with certain legal and DHS contract requirements regarding subcontracts. We gained an understanding of each MCO's oversight activities for its dental benefits and mental health benefits administrators through interviews with representatives of the MCOs and their respective administrators. Finally, we reviewed each MCO's most recently completed delegation audit report for their administrators to understand the level of oversight performed under the delegation audit.

## Reporting of Encounter Data

We assessed the MCOs' compliance with selected legal and DHS contract requirements regarding encounter data reporting. We designed our work to address the following question:

- To what extent did the MCOs report accurate, complete, and timely dental and mental health encounter claims data to DHS?

To answer this question, we reviewed federal regulations and state statutes, DHS contract requirements, and DHS guidance to MCOs on reporting encounter data to DHS. We gained an understanding of the end-to-end dental and mental health claims and encounter data submission processes through interviews with representatives of DHS, each MCO, and each applicable third-party administrator. We also obtained select encounter records from DHS that represented the final outcomes of dental and mental health claims reported by each MCO as paid to providers in 2017 and 2018. Using a combination of sampling methods, we tested a total of 660 dental and 160 mental health claims from providers (or their claims billing administrator) to determine

the accuracy, completeness, and timeliness of MCO encounter data reporting.<sup>14</sup> We obtained source documents—including bank statements, explanation of benefits, and remittance advices—directly from the dental and mental health providers to independently verify actual claim payments (or denials) against DHS encounter data and to confirm that the encounter records reflected valid dental and mental health services for public program enrollees.

We also reviewed documentation and MCO data related to DHS's encounter data quality assurance program. Specifically, we examined MCO compliance in 2017 and 2018 with DHS benchmarks for not reporting duplicate claims.

## **Dental Payment Rate Requirements**

This part of the audit focused on payment rate requirements for dental providers. We designed our work to address the following questions:

- To what extent did the MCO payments to MinnesotaCare providers reflect increases previously specified in state law?

To answer these questions, we reviewed federal regulations and state statutes, contract requirements, and DHS guidance to MCOs regarding payments to dental providers. We gained an understanding of the payment processes to critical access dental providers and other dental providers through interviews with representatives of DHS, each MCO, and each MCO's dental benefits administrator, if applicable. We also tested 12 claims reported by each MCO—excluding Medica Health Plans—to DHS as paid to dentists providing services to MinnesotaCare enrollees.<sup>15</sup> In addition to verifying the accuracy, completeness, and timeliness of the encounter records, we also performed additional analysis on the payment rates for certain procedures.

We gained an understanding of each MCO's internal controls, but we did not design our audit to determine whether those controls were effectively designed or implemented. To identify legal compliance criteria for the activity we reviewed, we examined state statutes and federal regulations, and DHS contracts and referenced policies and procedures.

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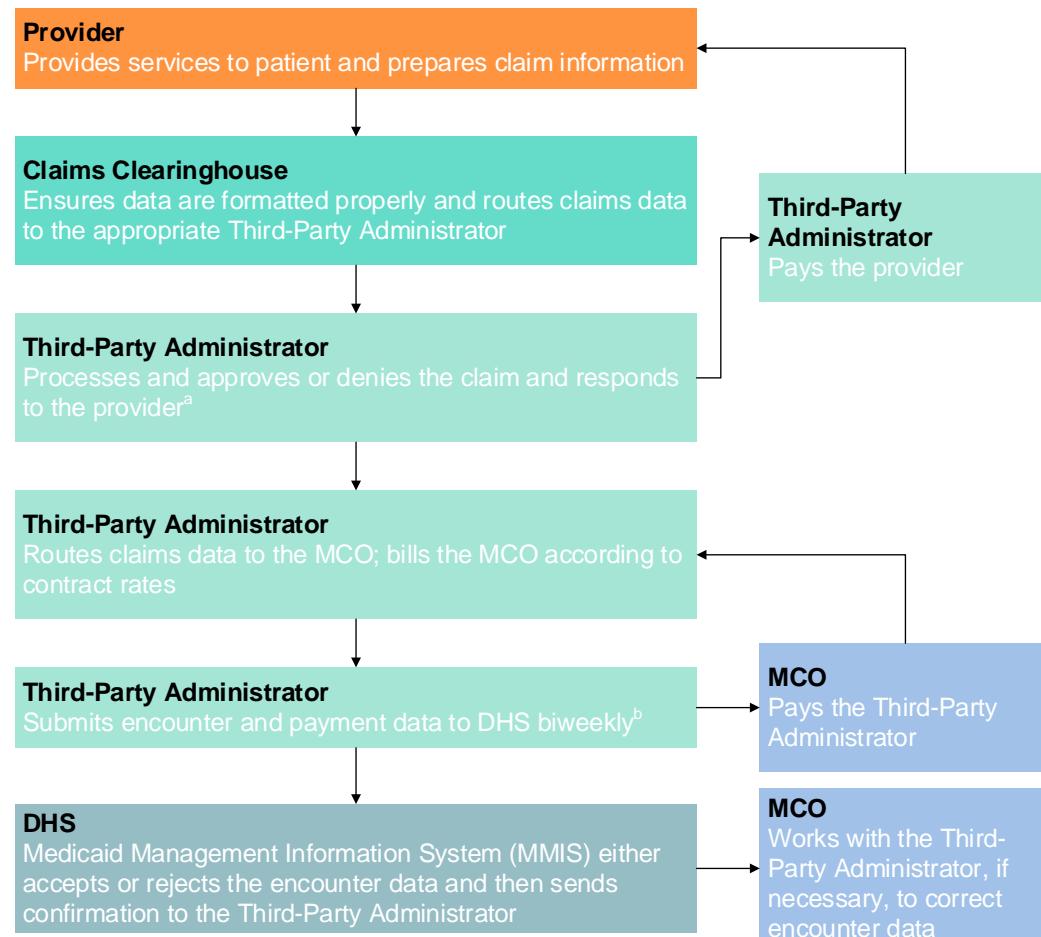
<sup>14</sup> In conducting this audit testing, we used a sampling method that complies with generally accepted auditing standards and that supports our findings and conclusions. That method does not, however, allow us to project the results we obtained to the population from which the sample was selected.

<sup>15</sup> Medica Health Plans' contract with DHS for MinnesotaCare ended in April 2017.

# Reporting of Encounter Data

MCOs are responsible for managing all aspects of the claims process and encounter data submissions to DHS. The process for submitting provider claims for payment and reporting the encounter data is lengthy and involves multiple steps. Some of the eight MCOs contract with third-party administrators for encounter data processing and submission to the State. We illustrate and describe this process in greater detail in Exhibit 3. Each MCO has a different process to review its data for accuracy and completeness. DHS also has criteria that defines the acceptable format of the submitted bulk data.

## Exhibit 3: Third-Party Administrator Claims Process and Encounter Data Reporting to DHS



<sup>a</sup> Many, but not all, MCOs contract with a third-party administrator to perform certain delegated functions.

<sup>b</sup> Each MCO is responsible for managing all aspects of the encounter data submission process. Some MCOs wholly manage these functions; others contract with third-party administrators for submitting encounter data to DHS.

We audited dental and mental health encounter records to determine whether each MCO complied with selected DHS reporting requirements in its 2017 and 2018 MHCP contracts.<sup>16</sup> For each MCO, we tested a sample of 84 dental encounter records that included at least one of five common dental procedures and we tested a sample of 30 mental health encounter records.<sup>17</sup> Specifically, we reviewed each sample record to determine whether (1) the encounter claim record matched the amount paid to the provider and other information—such as member enrollee name—in documents we obtained from the dental provider; (2) the claim was properly adjusted, if applicable; and (3) the MCO or third-party administrator submitted the encounter record to DHS in a timely manner.

For the sample of mental health encounter records we tested, Blue Plus, HealthPartners, Hennepin Health, Itasca Medical Care, Medica Health Plans, PrimeWest Health, South Country Health Alliance, and UCare Minnesota complied with selected legal and DHS reporting requirements, and the payment information was accurate, complete, and timely.

For the sample of dental encounter records we tested, HealthPartners, Itasca Medical Care, Medica Health Plans, and PrimeWest Health complied with selected legal and DHS reporting requirements, and the payment information was accurate, complete, and timely. Blue Plus, Hennepin Health, South Country Health Alliance, and UCare Minnesota also generally complied with these requirements; we found a small number of exceptions. We explain our findings below.

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## FINDING 1

### **For 2 of 84 dental claims that we audited, Blue Plus did not comply with a Department of Human Services contract requirement for submitting corrected encounter claims.**

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We tested 84 sample encounter records and the related dental claims for Blue Plus and verified that the encounter records reflected valid dental services for public program enrollees and were timely reported to DHS. We confirmed the accuracy of payments reported by the MCO to DHS by comparing these sample records with actual payments to dental providers.<sup>18</sup> Among the 84 dental encounter records we tested for Blue Plus, the payment information was accurate, complete, and timely reported, with two exceptions.

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<sup>16</sup> For each MCO, 12 of the 84 samples were selected from critical access providers, 12 samples were selected from payments to providers in 2017 and 2018 for MinnesotaCare enrollees, and the final 60 samples were selected at random. Because Medica's contract for MinnesotaCare expired in April 2017, we did not select the 12 MinnesotaCare samples for Medica and, therefore, we tested a total of 72 dental samples.

<sup>17</sup> In conducting this audit, we used a sampling method that complies with generally accepted auditing standards and that supports our findings and conclusions. That method does not, however, allow us to project the results we obtained to the population from which the sample was selected.

<sup>18</sup> All of the sample encounter records for Blue Plus were processed by Delta Dental.

For two samples, Delta Dental did not properly report the corrected encounter claim records to DHS after it adjusted the payments to the providers.<sup>19</sup> The misreporting resulted in duplicate encounter records for both samples, and the payments to the providers were underreported in the DHS encounter records by \$1,629.49.

DHS relies on encounter data for many purposes, and accurate and complete claim records are critical to support the usability of the information.

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## RECOMMENDATION

**Blue Plus should comply with the Department of Human Services contract requirement for submitting corrected encounter claims.**

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## FINDING 2

**For 1 of 84 dental claims that we audited, UCare Minnesota did not comply with a Department of Human Services contract requirement for submitting corrected encounter claims.**

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We tested 84 sample encounter records and the related dental claims for UCare Minnesota and verified that the encounter records reflected valid dental services for public program enrollees and were timely reported to DHS. We confirmed the accuracy of payments reported by the MCO to DHS by comparing these sample records with actual payments to dental providers.<sup>20</sup> Among the 84 dental encounter records we tested for UCare, the payment information was accurate, complete, and timely reported, with one exception.

For one sample, Delta Dental did not properly report the corrected encounter claim record to DHS after it adjusted the payment to the provider.<sup>21</sup> As a result, the payment to the provider was underreported in the DHS encounter records by \$80.27.

DHS relies on encounter data for many purposes, and accurate and complete claim records are critical to support the usability of the information.

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<sup>19</sup> Minnesota Department of Human Services, *Contract for Prepaid Medical Assistance and MinnesotaCare* (2018), Article 3.6.1(B)(5) states, “The MCO shall submit on the encounter claim for NCPDP Batch 1.2/D.0, 837P, 837D, and 837I the Provider allowed and paid amounts....” Article 3.6.1(C) states, “The MCO’s submission of claim adjustments must be done by voiding the original claim and submitting a corrected claim, within forty-five (45) days of the date adjusted at the MCO....”

<sup>20</sup> All of the sample encounter records for UCare Minnesota were processed by Delta Dental.

<sup>21</sup> Minnesota Department of Human Services, *Contract for Special Needs BasicCare Program Services for People with Disabilities* (2017), Article 3.4.1(B)(5) states, “The MCO shall submit on the encounter claim for NCPDP Batch 1.2/D.0, 837P, 837D, and 837I the Provider allowed and paid amounts....” Article 3.4.1(C) states, “The MCO’s submission of claim adjustments must be done by voiding the original claim and submitting a corrected claim, within forty-five (45) days of the date adjusted at the MCO....”

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**RECOMMENDATION**

**UCare Minnesota should comply with the Department of Human Services contract requirement for submitting corrected encounter claims.**

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**FINDING 3**

**For 1 of 84 dental claims that we audited, Hennepin Health did not comply with a Department of Human Services contract requirement for submitting corrected encounter claims.**

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We tested 84 sample encounter records and the related dental claims for Hennepin Health and verified that the encounter records reflected valid dental services for public program enrollees and were timely reported to DHS. We confirmed the accuracy of payments reported by the MCO to DHS by comparing these sample records with actual payments to dental providers.<sup>22</sup> Among the 84 dental encounter records we tested for Hennepin Health, the payment information was accurate, complete, and timely reported, with one exception.

For one sample, Delta Dental did not properly report the corrected encounter claim record to DHS after it adjusted the payment to the provider.<sup>23</sup> As a result, the payment to the provider was underreported in the DHS encounter records by \$44.75.

DHS relies on encounter data for many purposes, and accurate and complete claim records are critical to support the usability of the information.

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**RECOMMENDATION**

**Hennepin Health should comply with the Department of Human Services contract requirement for submitting corrected encounter claims.**

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<sup>22</sup> All of the sample encounter records for Hennepin Health were processed by Delta Dental.

<sup>23</sup> Minnesota Department of Human Services, *Contract for Medical Assistance and MinnesotaCare Services* (2017), Article Section 3.6.1(B)(5) states, “The MCO shall submit on the encounter claim for NCPDP Batch 1.2/D.0, 837P, 837D, and 837I the Provider allowed and paid amounts....” Article 3.6.1(C) states, “The MCO’s submission of claim adjustments must be done by voiding the original claim and submitting a corrected claim, within forty-five (45) days of the date adjusted at the MCO....”

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## FINDING 4

**For 2 of 84 dental claims that we audited, South Country Health Alliance did not comply with a Department of Human Services contract requirement for submitting corrected encounter claims.**

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We tested 84 sample encounter records and the related dental claims for South Country Health Alliance and verified that the encounter records reflected valid dental services for public program enrollees and were timely reported to DHS. We confirmed the accuracy of payments reported by the MCO to DHS by comparing these sample records with actual payments to dental providers.<sup>24</sup> Among the 84 encounter records we tested for South Country Health Alliance, the payment information was accurate, complete, and timely reported, with some exceptions.

For two sample claims, Delta Dental did not properly report the corrected encounter claim records to DHS after it adjusted the payments to the providers.<sup>25</sup> As a result, payments to the providers were underreported in the encounter records by a total of \$74.14.

DHS relies on encounter data for many purposes, and accurate and complete claim records are critical to support the usability of the information.

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## RECOMMENDATION

**South Country Health Alliance should comply with the Department of Human Services contract requirement for submitting corrected encounter claims.**

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## FINDING 5

**For 3 of 84 dental claims that we audited, South Country Health Alliance did not comply with a Department of Human Services contract requirement to report denied claims for payment.**

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We tested 84 sample encounter records and the related dental claims for South Country Health Alliance and verified that the encounter records reflected valid dental services for public program enrollees and were timely reported to DHS. We confirmed the accuracy of payments reported by the MCO to DHS by comparing these sample records with actual payments to dental providers. Among the 84 encounter records we tested

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<sup>24</sup> Of the 84 sample encounter records we tested, 45 encounter records were processed by DentaQuest in 2017 and 39 encounter records were processed by Delta Dental in 2018.

<sup>25</sup> Minnesota Department of Human Services, *Contract for Prepaid Medical Assistance and MinnesotaCare* (2018), Article 3.6.1(B)(5) states, “The MCO shall submit on the encounter claim for NCPDP Batch 1.2/D.0, 837P, 837D, and 837I the Provider allowed and paid amounts....” Article 3.6.1(C) states, “The MCO’s submission of claim adjustments must be done by voiding the original claim and submitting a corrected claim, within forty-five (45) days of the date adjusted at the MCO....”

for South Country Health Alliance, the payment information was accurate, complete, and timely reported, with some exceptions.

For three sample claims, DentaQuest did not report to DHS that it had denied payment for some services, which resulted in underreporting of denied claims for services.<sup>26</sup> The amounts billed by the providers for these denied services totaled \$215.00.

DHS relies on encounter data for many purposes, and accurate and complete claim records are critical to support the usability of the information.

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### **RECOMMENDATION**

**South Country Health Alliance should comply with the Department of Human Services contract requirement to report denied claims for payment.**

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<sup>26</sup> Minnesota Department of Human Services, *Contract for Medical Assistance and MinnesotaCare Services* (2017), Article 3.6.1(B)(2) states, “The MCO shall submit encounter data that includes all paid lines and all MCO-denied lines associated with the claim....”

# Dental Payment Rate Requirements

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The Centers for Medicare & Medicaid Services (CMS) allows states some flexibility to determine how much to reimburse participating providers for specific dental procedures. MCOs oversee their own rate setting for payments to providers. The MCOs' payment rates can vary, but they must also comply with all applicable federal and state laws.

Minnesota statutes have required multiple dental payment rate increases over several years. We list most of these rate increases in Appendix A. However, a 2016 federal regulation now restricts states from requiring MCOs to make pass-through or directed payments to Medicaid providers, including rate increases, with certain exceptions; this rule was in effect for the DHS contracts with MCOs beginning in 2018.<sup>27</sup> As a result, some of the rate increases that DHS is required by state law to pay to providers under fee-for-service may not be implemented by MCOs for Medical Assistance. These federal restrictions do not, however, apply to MinnesotaCare.

Minnesota statutes required DHS to increase fee-for-service payment rates to dental providers by 54 percent for services provided to MinnesotaCare enrollees on or after January 1, 2018.<sup>28</sup> As part of this law, the MCOs under contract with DHS were required to provide payments to dental providers that "are at least equal to a rate that includes the payment rate specified" in that statute. We reviewed the extent to which MCOs implemented this payment provision in law. For each MCO, we tested a sample of twelve dental encounter records representing payments to providers who rendered services to MinnesotaCare enrollees, and we concluded that all seven MCOs complied with this payment requirement.<sup>29</sup>

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<sup>27</sup> 42 CFR, sec. 438.6(c)(1) (2019), states that "Except as specified...a State may not direct the MCO's...expenditures under the contract." 42 CFR, sec. 438.6(d) (2019), states that "States may not require MCOs...to make pass-through payments other than those permitted under this paragraph (d)." The federal regulation was effective January 1, 2018, for Medicaid programs.

<sup>28</sup> Minnesota Statutes 2019, 256L.11, subd. 6a.

<sup>29</sup> We did not perform this test for Medica Health Plans because it did not have a contract with DHS for PMAP and MinnesotaCare in 2018. We randomly selected six sample encounter records of claims paid to providers for services rendered to MinnesotaCare enrollees in 2018. We also found corresponding sample encounter records in 2017 that were paid to the same provider for the same procedure, and then compared the reimbursement rates from year to year.



# List of Recommendations

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- Blue Plus should comply with the Department of Human Services contract requirement for submitting corrected encounter claims. (p. 11)
- UCare Minnesota should comply with the Department of Human Services contract requirement for submitting corrected encounter claims. (p. 12)
- Hennepin Health should comply with the Department of Human Services contract requirement for submitting corrected encounter claims. (p. 12)
- South Country Health Alliance should comply with the Department of Human Services contract requirement for submitting corrected encounter claims. (p. 13)
- South Country Health Alliance should comply with the Department of Human Services contract requirement to report denied claims for payment. (p. 14)



# Appendix

Minnesota statutes have required several incremental increases to dental payment rates for Medical Assistance and MinnesotaCare since 1999. For most of these increases, statutes do not specify that MCOs must pass along the rate increases to providers; however, several statutes specify that DHS payments to MCOs must reflect the increases. In Exhibit 1A, we list several of these rate increases in statute during our audit scope. However, federal regulations restrict states from imposing requirements on MCO provider payment rates under the state contract unless certain conditions are met.

## **Exhibit 1A: Select Minnesota Statutory Changes to Dental Payment Rates for Medical Assistance and MinnesotaCare**

Reference	Health Program	Description
<i>Minnesota Statutes 2018, 256B.76, subd. 2(c)</i>	Medical Assistance	For services rendered on or after January 1, 2000, payment rates increased by 3 percent over rates in effect on December 31, 1999.
<i>Minnesota Statutes 2018, 256B.76, subd. 2(j)</i>	Medical Assistance	For services rendered on or after January 1, 2014, payment rates increased by 5 percent from the rates in effect on December 31, 2013. <sup>a</sup>
<i>Minnesota Statutes 2018, 256B.76, subd. 2(l)</i>	Medical Assistance	For services provided on or after January 1, 2017, payment rates increased by 9.65 percent for dental services provided outside of the seven-county metropolitan area. <sup>a</sup>
<i>Minnesota Statutes 2018, 256B.76, subd. 2(m)</i>	Medical Assistance	For services provided on or after July 1, 2017, payment rates increased by 23.8 percent for dental services provided to enrollees under the age of 21. This does not apply to managed care plans and county-based purchasing plans. <sup>a</sup>
<i>Minnesota Statutes 2018, 256B.76, subd. 4(a)</i>	Medical Assistance	For services rendered on or after July 1, 2016, payment rates to critical access dental providers increased by 37.5 percent.
<i>Minnesota Statutes 2018, 256L.11, subd. 6(a)</i>	MinnesotaCare	For services provided to enrollees on or after January 1, 2018, payment rates increased by 54 percent. <sup>b</sup> The prepaid health plans under contract with DHS must pay dental providers a rate that is at least equal to the DHS rate.
<i>Minnesota Statutes 2018, 256L.11, subd. 7</i>	MinnesotaCare	For services provided to enrollees on or after July 1, 2017, payment rates to critical access dental providers increased by 20 percent. The prepaid health plans must pass this rate increase to critical access providers identified by DHS. <sup>c</sup>

NOTES: This list of payment rate increases does not include all statutory changes to dental payment rates.

<sup>a</sup> This rate increase does not apply to state-operated dental clinics, federally qualified health centers, rural health centers, or Indian health services.

<sup>b</sup> The prepaid health plans shall provide payments to providers that are at least equal to a rate that includes the payment rate specified in this subdivision and, if applicable, the critical access payment described in subdivision 7.

<sup>c</sup> Due to the 2016 federal rule change that was in effect for DHS contracts with MCOs beginning in 2018 and later, DHS may not impose this rate increase unless federal requirements are met. See 42 CFR, secs. 438.6(c) and (d) (2019).

SOURCE: Office of the Legislative Auditor, summary of Minnesota statutes.



**Blue Cross and Blue Shield of Minnesota  
and Blue Plus**

P.O. Box 64560  
St. Paul, MN 55164-0560  
(651) 662-8000 / (800) 382-2000



September 23, 2020

VIA ELECTRONIC MAIL TO [legislative.auditor@state.mn.us](mailto:legislative.auditor@state.mn.us)

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

Re: Final Draft Audit Report – Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data

Dear Mr. Nobles:

HMO Minnesota d/b/a Blue Plus ("Blue Plus") appreciates the opportunity to review and respond to the Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data final draft audit report dated September 18, 2020 ("Report"). In the Report, the Office of Legislative Auditor ("OLA") concluded that Blue Plus complied with selected legal and Minnesota Department of Human Services ("DHS") contract requirements for the sample of mental health encounter records tested during the audit and that payment information was accurate, complete and timely.

The OLA further found that for the sample of dental encounter records tested, Blue Plus generally complied with selected legal and DHS reporting requirements for timely and accurate reporting of dental claims to DHS. The Report further states that among the 84 dental encounter records tested, the payment information was accurate, complete, and timely reported with two exceptions. The Report notes that for two samples, Delta Dental did not properly report the corrected encounter claim records to DHS after it adjusted the payments to the providers. The Report further states that the incorrect reporting resulted in duplicate encounter records for both samples, and payment to one provider was underreported to DHS encounter records by \$1,629.49.

Blue Plus agrees with the conclusions stated in the Report with one clarification. As discussed with the auditors when the draft report was provided to Blue Plus on or about, May 26, 2020, we noted that after the incorrect reporting in the two sample claims was brought to our attention during the review of the samples selected by the auditors, this was reported to Delta Dental, and Delta Dental subsequently submitted corrected encounter records to DHS in November 2019.

Thank you for the opportunity to provide comments on the Final Draft Audit report.

Sincerely,

A handwritten signature in black ink that reads "Monica R. Engel".

Monica Engel  
President and CEO  
HMO Minnesota d/b/a Blue Plus

[bluecrossmn.com](http://bluecrossmn.com)



HealthPartners  
8170 33rd Avenue South  
Bloomington, MN 55425

[healthpartners.com](http://healthpartners.com)

Mailing Address:  
PO Box 1309  
Minneapolis, MN 55440-1309



September 22, 2020

James Nobles  
Legislative Auditor  
Office of the Legislative Auditor  
Centennial Office Building, Room 140  
658 Cedar Street  
Saint Paul, MN 55155-1603

Dear Mr. Nobles:

HealthPartners appreciates the opportunity to review and respond to the draft report *Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data* completed by the Office of the Legislative Auditor (“OLA”). We appreciate the work of the OLA team members who conducted the audit.

HealthPartners has reviewed the report and agrees with the conclusion that we complied with the selected legal and DHS reporting requirements, and that the payment information was accurate, complete and timely. We believe this audit affirms our effective processes and controls related to dental and mental health claims and encounter data reporting.

Once again, we appreciate the efforts of the OLA and the audit team that performed this audit.

Sincerely,

A handwritten signature in blue ink that reads "Sharilyn Campbell".

Sharilyn Campbell  
Health Plan CFO and Chief Accounting Officer





Minneapolis Grain Exchange Building

400 South Fourth Street, Suite 201

Minneapolis, MN 55415

September 22, 2020

Jim Nobles, Legislative Auditor  
Office of the Legislative Auditor, Finance Division  
140 Centennial Building  
658 Cedar Street  
Saint Paul, Minnesota 55155

**Re: Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data**

Dear Mr. Nobles:

Thank you very much for the opportunity to review the Final Report of the Office of the Legislative Auditor for the audit Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data.

The Final Report concluded that, with one exception related to a reprocessed dental claim, Hennepin Health complied with DHS' reporting requirements and all payment information was complete and accurate. Hennepin Health agrees with this conclusion and has corrected the underlying system issue that led to inaccurate reporting of the one reprocessed dental claim.

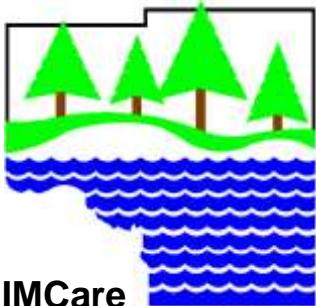
Hennepin Health appreciates the opportunity to have the OLA review our processes and values the feedback provided by your staff during the audit process and in the Final Report. Please let us know if we may provide any additional information or otherwise be of assistance to the OLA as you complete your work to audit managed care organizations.

Sincerely,

A handwritten signature in blue ink that reads "Anne Kanyusik Yoakum". The signature is fluid and cursive, with "Anne" on the first line and "Kanyusik Yoakum" on the second line.

Anne Kanyusik Yoakum  
Chief Executive Officer





## ITASCA MEDICAL CARE (IMCare)

### ITASCA RESOURCE CENTER

1219 SE 2<sup>nd</sup> Avenue

Grand Rapids, MN 55744-3983

Phone: (218) 327-6789

Toll Free Number: 1-800-843-9536 x2789

Hearing Impaired Number TDD: 1-800-627-3529

Visit us at: [www.imcare.org](http://www.imcare.org)

September 21, 2020

VIA ELECTRONIC MAIL

Mr. James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
140 Centennial Building  
658 Cedar Street  
St. Paul, MN 55155

Re: Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data

Dear Mr. Nobles:

This letter serves as response to the draft report *Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data* dated September 18, 2020. Thank you for the opportunity to review and comment on this report. We appreciate the professional manner in which this OLA review was conducted.

IMCare has reviewed the results of the draft report and we are pleased with the results that IMCare is meeting selected legal and reporting requirements, including accurate, complete and timely payment information.

I have no additional comments at this time.

Sincerely,

Sarah Duell  
Itasca Medical Care - CEO  
1219 SE 2<sup>nd</sup> Avenue  
Grand Rapids, MN 55744  
[sarah.duell@co.itasca.mn.us](mailto:sarah.duell@co.itasca.mn.us)



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**SENT VIA EMAIL**

September 21, 2020

James R. Nobles  
Legislative Auditor  
MN Office of the Legislative Auditor  
558 Cedar Street  
St. Paul, MN 55155-1603

**Re: Response to State of Minnesota Office of the Legislative Auditor (“OLA”) Final Draft Audit Report titled “Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data” (the “Final Draft Audit Report”)**

Dear Mr. Nobles:

This letter is in response to the OLA Final Draft Audit Report. Thank you for sharing the report with Medica Health Plans (“Medica”) and giving Medica the opportunity to respond.

According to the Final Draft Audit Report, Medica has complied with legal and DHS contract requirements related to oversight of third party administrators for dental and mental health benefits. In terms of encounter data reporting, Medica complied with the selected legal and DHS reporting requirements. The payment information to DHS was found to be accurate, complete, and timely. The audit resulted in no findings.

Medica is privileged to provide services to Minnesota Health Care Programs (“MHCP”) enrollees, and takes great pride in the work it does under its DHS contracts. The results of the audit are reflective of Medica’s strong commitment to meeting its enrollees’ needs while ensuring compliance with state and federal law, as well as DHS contract requirements.

Thank you again for giving Medica the opportunity to comment.

Sincerely,



Thomas Lindquist  
Sr. Vice President & General Manager  
Government Programs

Medica® is a registered service mark of Medica Health Plans. “Medica” refers to the family of health plan businesses that includes Medica Health Plans, Medica Community Health Plan, Medica Insurance Company, Medica Self-Insured and Medica Health Management, LLC.





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September 21, 2020

James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
State of Minnesota

Dear Mr. Nobles:

PrimeWest Health has reviewed the draft report on the results of the Office of the Legislative Auditor's compliance audit *Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data*. PrimeWest Health agrees with the results and does not have any questions or comments regarding the report or its results. Thank you for the opportunity to review and respond.

Sincerely,

A handwritten signature in black ink, appearing to read "J.A. Przybilla".

James A. Przybilla, Chief Executive Officer  
PrimeWest Health



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◆  
**HEALTH ALLIANCE**  
*Bringing Wellness Home*

*Via Electronic Mail*

September 23, 2020

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

Dear Mr. Nobles,

South Country Health Alliance received a copy of the final draft audit report on September 18, 2020. We do not have any comments at this time.

Please let me know if you need any additional information.

Sincerely,



Leota B. Lind





September 24, 2020

James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
Room 140 Centennial Building  
658 Cedar Street  
St. Paul, MN 55155-1603

**Re: Response to Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data**

Dear Mr. Nobles:

Thank you for the opportunity to review the Office of the Legislative Auditor's (OLA) report dated September 18, 2020 titled *Managed Care Organizations: Reporting of Dental and Mental Health Encounter Data* for Minnesota's public health care programs. The encounter and claims data reporting process is highly complex, but has an integral role in supporting the operation and integrity of the state's various health care programs.

We have reviewed the report and are pleased with OLA's conclusions that UCare complied with the legal and Department of Human Services (DHS) contract requirements for oversight of our third party administrator for dental benefits and that mental health encounter records tested also complied. We are also pleased that OLA testing found UCare's mental health encounter records included payment information that was accurate, complete and timely. Finally, UCare is pleased that OLA concluded UCare generally complied with the selected legal and DHS reporting requirements for dental encounter records, and with one exception, payment information was accurate, complete and timely reported.

The reported exception represents one dental claim where the original processed claim was submitted to DHS in a timely manner, but a subsequent manual adjustment to the claim payment amount was inadvertently missed for submission to update the related DHS encounter record. As a result, payment to the provider for this one claim was underreported in the dental encounter record by \$80.27. This encounter record has since been corrected. UCare continues to refine our DHS encounter submission controls to prevent such exceptions from occurring in the future.

Thank you for the opportunity to review and comment on this report.

Sincerely,

A handwritten signature in black ink that reads "Beth Monsrud". The signature is fluid and cursive, with "Beth" on top and "Monsrud" below it, though the two names are joined together in a single, continuous line.

Beth Monsrud  
Chief Financial Officer, UCare



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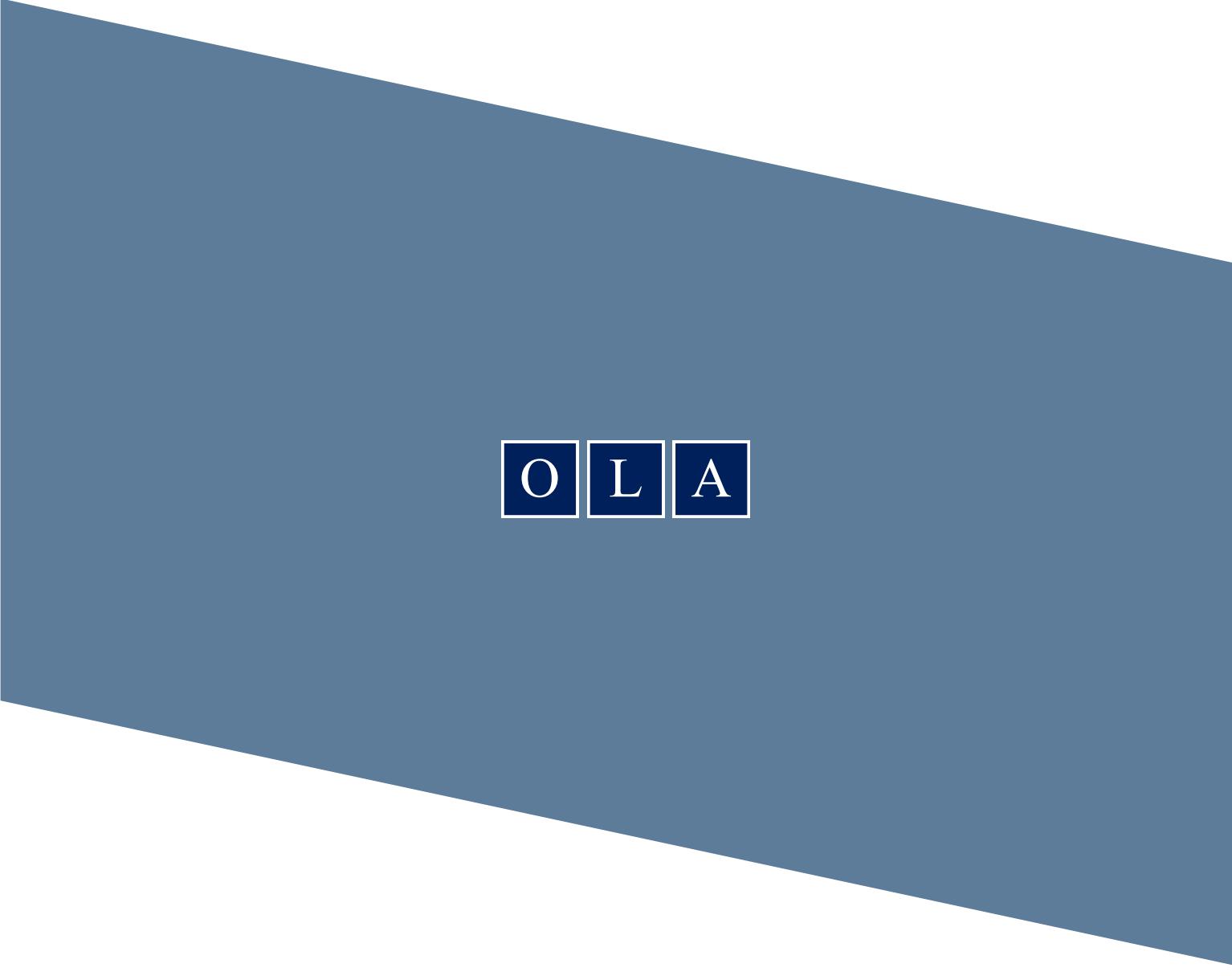
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