



MinnesotaCare Eligibility: July 2019 through March 2020

August 2021

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

August 13, 2021

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Jodi Harpstead, Commissioner
Minnesota Department of Human Services

This report presents the results of our audit *Department of Human Services: MinnesotaCare Eligibility* as required by *Minnesota Statutes* 2020, 3.972, subd. 2a(b), which directs the Office of the Legislative Auditor to audit the eligibility of enrollees in public health care programs at least three times each year. The scope and objectives of this audit were to determine whether certain individuals enrolled in the MinnesotaCare program were eligible to receive benefits between July 1, 2019, and March 31, 2020.

This audit was conducted by Valerie Bombach (Audit Director), Jordan Bjonfald (Audit Coordinator), April Lee (Team Lead), Zach Kempen (Staff Auditor), and Crystal Nibbe (Staff Auditor).

We received the full cooperation of the Department of Human Services' staff while performing this audit.

Sincerely,

Lori Leysen, CPA
Deputy Legislative Auditor

Valerie Bombach
Audit Director



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Introduction

Between July 2019 and March 2020, the Minnesota Department of Human Services (DHS) paid approximately \$379 million for health care coverage for about 125,000 people who were enrolled in MinnesotaCare. MinnesotaCare covers adults without children, parents, and children who are not eligible for other public health care programs and who do not have access to employer-based insurance. DHS oversees and administers the MinnesotaCare eligibility processes, which require enrollees to report accurate income and other information to the department.

As required by *Minnesota Statutes* 2020, 3.972, subd. 2a(b), the Office of the Legislative Auditor conducted this audit to determine whether persons enrolled in MinnesotaCare were eligible to receive benefits under the program. Our audit scope included the DHS eligibility determinations made between July 2019 and March 2020.

Auditors focus on internal controls as a key indicator of whether an organization is well managed. Internal controls are the policies and procedures that management establishes to govern how an organization conducts its work and fulfills its responsibilities. A well-managed organization has strong controls across all of its internal operations. If effectively designed and implemented, controls help ensure, for example, that inventory is secured, computer systems are protected, laws and rules are complied with, and authorized personnel properly document and process financial transactions.

Minnesota Law Mandates Internal Controls in State Agencies

State agencies must have internal controls that:

- Safeguard public funds and assets and minimize incidences of fraud, waste, and abuse; and
- Ensure that agencies administer programs in compliance with applicable laws and rules.

The law also requires the commissioner of the Department of Management and Budget to review OLA audit reports and help agencies correct internal control problems noted in those reports.

— *Minnesota Statutes* 2020, 16A.057

In this audit, we focused on whether DHS—through its Health Care Eligibility Operations division—approved MinnesotaCare coverage for enrollees in compliance with state and federal legal requirements during our audit scope.

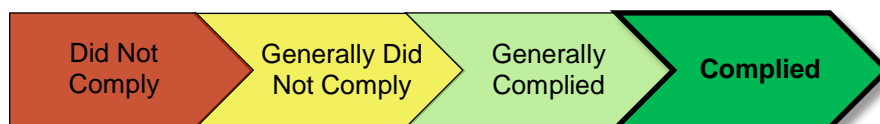


Report Summary

Conclusion

We concluded that the Department of Human Services (DHS) complied with the eligibility requirements for the MinnesotaCare population included in our audit scope. DHS determined eligibility correctly for nearly all of the samples we tested, based on information it had obtained at the time of its review. However, MinnesotaCare coverage was provided to some enrollees—about 18 percent of our sample—who did not comply with reporting requirements and likely became ineligible for the program at some point during 2019 or 2020.

Legal Compliance

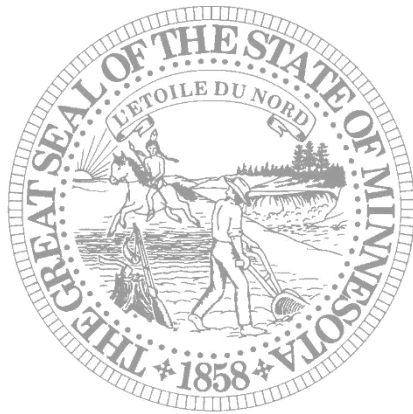


Findings

Finding 1. Some MinnesotaCare enrollees who were correctly determined eligible for the program did not later report changes in their income to DHS; these changes likely would have affected their eligibility if timely reported. (p. 11)

Finding 2. DHS did not accurately determine enrollee eligibility for about 1 percent of MinnesotaCare enrollees we tested. (p. 15)

Finding 3. Due to deficiencies in DHS information systems, DHS made overpayments for some MinnesotaCare enrollees who were no longer eligible for the program. (p. 16)



Background

MinnesotaCare Overview

MinnesotaCare—the state’s version of a federal Basic Health Program—provides subsidized health coverage for individuals who are not eligible for Medical Assistance or the Children’s Health Insurance Program and who meet certain eligibility requirements.¹ The Department of Human Services (DHS) oversees and administers MinnesotaCare, which is funded by state and federal dollars, as well as enrollee-paid premiums.² MinnesotaCare enrollees also must make copayments for medical care.³

DHS has primary responsibility for determining eligibility of individuals for MinnesotaCare, but the department relies significantly on the state’s Minnesota Eligibility Technology System (METS) to process applications for public health care programs.⁴ County human services agencies also play a role in determining eligibility.

Department of Human Services

DHS—through its Health Care Eligibility Operations division—oversees the administration of MinnesotaCare and eligibility processes. DHS also determines the amount of monthly premiums—up to \$80 per person—that enrollees must pay to the department as a condition of initiating and maintaining MinnesotaCare coverage.⁵ DHS and county human services agencies determine the eligibility of individuals for MinnesotaCare upon initial application, and DHS processes the annual redetermination of eligibility for all enrollees.⁶

For MinnesotaCare, eligibility is generally determined based on the enrollee’s “projected annual income” for the calendar year of coverage, as well as other criteria.⁷ DHS relies on METS to automatically process initial applications and to determine

¹ 42 *CFR*, secs. 600.1 and 600.305(a) (2020); and *Minnesota Statutes* 2020, 256L.02 and 256L.04.

² *Minnesota Statutes* 2020, 256L.02, subds. 2 and 5; and 256L.15, subd. 1.

³ 42 *CFR*, secs. 600.510 and 600.520 (2020); and *Minnesota Statutes* 2020, 256L.03, subd. 5. Children and American Indians are not required to make copayments for MinnesotaCare.

⁴ *Minnesota Statutes* 2020, 62V.055. DHS, in collaboration with MNsure and Minnesota IT Services (MNIT), maintains METS. The state’s Minnesota Eligibility System Executive Steering Committee provides recommendations to MNsure, DHS, and MNIT for ongoing administration and business operations of METS.

⁵ 42 *CFR*, sec. 600.505 (2020); and *Minnesota Statutes* 2020, 256L.06, subd. 3; and 256L.15, subd. 2.

⁶ 42 *CFR*, sec. 600.340(a) (2020); and *Minnesota Statutes* 2020, 256L.05, subds. 2a and 3a.

⁷ 42 *CFR*, sec. 600.305 (2020). 42 *CFR*, sec. 600.330(b) (2020), requires DHS to make income eligibility determinations using the “modified adjusted gross income” methodology. *Minnesota Statutes* 2020, 256L.01, subd. 5, further defines income as the household’s current income, or if income fluctuates month to month, the income for the 12-month eligibility period. DHS also uses enrollees’ current income to estimate “projected annual income,” which is an estimate of what an enrollee expects to receive in the calendar year of coverage. For more information about DHS’s eligibility determination processes, see Department of Human Services, *Minnesota’s Basic Health Program Blueprint* (2017), 37-38, <https://www.medicaid.gov/sites/default/files/2019-11/minnesota-bhp-blueprint.pdf>, accessed May 24, 2021.

eligibility for specific health care programs by interfacing with other state and federal electronic data sources.⁸ These information systems compare data reported by the applicant—such as social security number, citizenship, and income—and verify the accuracy of the information using other data available at that point in time. In particular, MinnesotaCare eligibility determinations compare the applicant’s projected annual income for the calendar year with their income that is available for previous years from state and federal sources.⁹ METS then determines if the information is reasonably compatible.¹⁰ If METS finds that the applicant is not eligible for any public health care program, METS then verifies whether the individual is eligible for a federal tax credit for a qualified private health insurance plan.

When METS cannot automatically determine eligibility due to inconsistencies in data, DHS and county caseworkers must obtain additional information from the applicant to confirm the accuracy of the data.¹¹ If the applicant does not provide sufficient documentation within 95 days of DHS’s request, the department must determine eligibility based on the information available from the other data sources.¹² DHS follows a somewhat similar process in October of each year when it redetermines the eligibility for all enrollees for the coming year.¹³

DHS manages MinnesotaCare eligibility processes, however, county caseworkers also accept paper applications for all public health care programs and enter them into METS.¹⁴ County human services agencies will manage cases in which a household has some members enrolled in Medical Assistance and some members in MinnesotaCare. When a paper application results in a determination of MinnesotaCare for all family members, the case is transferred electronically to DHS’s Health Care Eligibility Operations for ongoing case management.

⁸ 45 *CFR*, sec. 155.320 (2020). *Minnesota Statutes* 2020, 256L.05, subd. 2, states: “The commissioner or county agency shall use electronic verification through MNsure as the primary method of income verification. If there is a discrepancy between reported income and electronically verified income, an individual may be required to submit additional verification to the extent permitted under the affordable care act.” METS accesses, for example, data reported to the Minnesota Department of Employment and Economic Development (DEED), the Social Security Administration, and the Internal Revenue Service.

⁹ 45 *CFR*, sec. 155.320(c)(3)(ii) (2020).

¹⁰ 45 *CFR*, sec. 155.320(a) (2020).

¹¹ 45 *CFR*, sec. 155.315(a) (2020).

¹² 45 *CFR*, sec. 155.315(f) (2020); and 42 *CFR*, sec. 600.340 (2020).

¹³ *Minnesota Statutes* 2020, 256L.05, subd. 3a, requires DHS to redetermine eligibility annually in accordance with 42 *CFR*, sec. 435.916(a). DHS uses the most recent data reported by the enrollee to compare against the most recent federal data available. If there are discrepancies in the two data sources, DHS directs the enrollee to send updated information to the department.

¹⁴ *Minnesota Statutes* 2020, 256L.05, subd. 1.

Enrollees

Enrollees are directed to provide all financial and nonfinancial information necessary to determine eligibility for MinnesotaCare.¹⁵ The enrollee can submit an electronic application through the MNsure website or a paper application to DHS or a county agency for processing in METS. If the enrollee has given consent for DHS to access federal tax information, METS gathers data from electronic sources for verification.¹⁶ Enrollees are not required to submit supporting documents—such as paystubs or income tax returns—unless METS is unable to verify the data through electronic sources or DHS requests such documentation. Enrollees also must report to DHS any changes in income or state residency that occur during the year.¹⁷

Eligibility Criteria

To be eligible for MinnesotaCare, federal and state laws require that an individual must have met the following criteria:¹⁸

- Was not eligible for employer-sponsored insurance or certain other health care programs.¹⁹
- Was a resident of Minnesota.²⁰
- Was a United States citizen or lawfully present noncitizen.²¹
- Had household income that did not exceed certain limits. That is, using the enrollee's reported income, the individual's projected annual income for the calendar year was between 133 and 200 percent of federal poverty guidelines (for example, \$24,980 for a household of one).²²
- Was not incarcerated, other than a period pending disposition of charges.²³

¹⁵ 42 *CFR*, sec. 600.310(a) (2020); *Minnesota Statutes* 2020, 256L.05, subds. 1 and 2; and Department of Human Services, *MNsure Application for Health Coverage and Help Paying Costs* (November 2020), <https://edocs.dhs.state.mn.us/lfserver/Public/DHS-6696-ENG>, accessed June 7, 2021.

¹⁶ DHS, *MNsure Application for Health Coverage and Help Paying Costs*, 19. If the applicant does not consent to DHS's use of tax data, DHS will not electronically verify or renew the enrollee's eligibility. The applicant or enrollee then must provide paper verification.

¹⁷ 42 *CFR*, sec. 600.340(a) (2020).

¹⁸ Within a household, some members may be on MinnesotaCare, Medical Assistance, or private insurance.

¹⁹ 42 *CFR*, sec. 600.305(a)(3) (2020); and *Minnesota Statutes* 2020, 256L.07, subds. 2 and 3.

²⁰ 42 *CFR*, sec. 600.305(a)(1) (2020); and *Minnesota Statutes* 2020, 256L.09.

²¹ 42 *CFR*, sec. 600.305(a)(5) (2020); and *Minnesota Statutes* 2020, 256L.04, subd. 10.

²² 42 *CFR*, sec. 600.305(a)(2) (2020); and *Minnesota Statutes* 2020, 256L.04, subds. 1 and 10(b). The maximum household income limit for Medical Assistance is 133 percent of the federal poverty guidelines (FPG). To qualify for MinnesotaCare, an enrollee must be ineligible for Medical Assistance (MA). Lawfully present individuals who are ineligible for MA by reason of immigration status are eligible for MinnesotaCare if their income does not exceed 200 percent of FPG.

²³ 42 *CFR*, sec. 600.305(a)(6) (2020); and *Minnesota Statutes* 2020, 256L.04, subd. 12.

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

Recently, some of these eligibility requirements were modified in response to the COVID-19 pandemic. On March 20, 2020, Governor Walz issued Executive Order 20-12, which authorized the Commissioner of DHS to temporarily waive or modify certain provisions in law.²⁵ Under this Executive Order and through federal waivers, DHS implemented the following policy changes:

- Restored coverage for enrollees whose coverage ended March 31, 2020.
- Suspended annual reviews of eligibility for most enrollees.
- Suspended processing enrollee changes in circumstances that resulted in loss of coverage or reduction in benefits, except if the enrollee was no longer a state resident, requested that their case be closed, or passed away.
- Suspended disenrollment for failure to pay MinnesotaCare premiums.

The Governor's Executive Order and federal waiver were in effect during the last 12 days of our audit period, and we considered these exceptions in our audit work.

MinnesotaCare Enrollment

During our audit period, DHS paid for health care coverage for 125,221 people who were enrolled in and determined eligible for the MinnesotaCare program. Exhibit 1 shows the detailed enrollment by category.

Exhibit 1: Number of MinnesotaCare Enrollees and Expenditures, July 2019 through March 2020

Eligibility Category	Total Number of Enrollees	Total MinnesotaCare Expenditures (in thousands) ^a
Adults	68,133	\$236,639
Parents	46,493	111,708
Children	10,595	30,553
Total MinnesotaCare	125,221	\$378,900

NOTES: Total enrollees represents the unduplicated count of MinnesotaCare enrollees who were ever eligible between July 1, 2019, and March 31, 2020.

^a Total includes all expenditures and adjustments.

SOURCE: Office of Legislative Auditor, analysis of data from DHS.

²⁴ *Minnesota Statutes* 2020, 256L.06, subd. 3(d).

²⁵ State of Minnesota Executive Order 20-12, "Preserving Access to Human Services Programs During the COVID-19 Peacetime Emergency," March 20, 2020.

Audit Scope, Objectives, Methodology, and Criteria

The Office of the Legislative Auditor conducted this audit to determine whether the Department of Human Services complied with eligibility requirements for MinnesotaCare. Our audit scope included initial eligibility determinations and annual renewals for MinnesotaCare enrollees. The period under examination was from July 1, 2019, through March 31, 2020.

MinnesotaCare Eligibility Determinations

We designed our work to address the following questions:

- Did the Department of Human Services have adequate internal controls over the eligibility determination process for MinnesotaCare enrollees?
- Did MinnesotaCare enrollees report accurate eligibility information?
- Were enrollees who received MinnesotaCare coverage eligible for the program?
- Did the Department of Human Services determine eligibility correctly in compliance with legal requirements?

To answer these questions, we interviewed staff from DHS to gain an understanding of DHS policies and procedures used in MinnesotaCare eligibility determinations. We reviewed state and federal legal requirements related to MinnesotaCare eligibility, and we relied on these criteria as the basis for our testing of internal controls and compliance.

To determine whether DHS had adequate controls and complied with key eligibility requirements, we used data obtained from DHS to randomly select a sample of 270 enrollees from a population of all 125,221 individuals enrolled in MinnesotaCare during our audit period. For these 270 sample enrollees, we obtained and reviewed case file records from DHS, and when appropriate, from the county agency in which these individuals were enrolled during the audit period. Based on this documentation, we tested whether DHS determined eligibility correctly, using data and information it had at the time of its review.

To determine whether enrollees reported accurate eligibility information, we obtained income data from the Department of Employment and Economic Development (DEED) for calendar years 2019 and 2020 and the Department of Revenue for tax returns filed in 2019 and 2020 that was not available to DHS at the time of application or renewal. We then tested retrospectively whether our sample enrollees reported to DHS accurate income data or income changes that could have affected their eligibility, and whether the enrollees would have remained eligible for MinnesotaCare.

We conducted the audit in accordance with *Minnesota Statutes* 2020, 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.

Eligibility Determinations

Enrollee-Reported Eligibility Information

MinnesotaCare enrollees must report to DHS their estimated income for the calendar year of coverage at the time of application or renewal. DHS uses this estimated income to determine whether the individual is eligible for MinnesotaCare. After they are determined eligible for MinnesotaCare, the individual must report any changes during the year that might affect their eligibility.²⁶

FINDING 1

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

We found that 48 of the 270 sample enrollees (about 18 percent) that we tested did not accurately report their estimated income during the audit period. DHS correctly approved the eligibility of these sample enrollees, based on information available in METS at the time of the application or renewal. However, based on income data later reported to the state—either to DEED or the Department of Revenue—the actual income for the calendar year for each of the 48 enrollees exceeded their initial projected annual income reported to DHS and the household income limit set in federal law. Thus, these individuals would not have met income eligibility criteria for MinnesotaCare at some point during the audit period.

The difference between each enrollee's estimated future annual income and their actual annual income occurred because the enrollee either incorrectly estimated their future income at the time of the application or renewal, or did not report a subsequent change in income or employment to DHS. For example, one enrollee did not report to DHS that they had obtained a new job that significantly increased their income by more than \$25,000, which placed them well above the federal eligibility income limit of \$24,280. As another example, a self-employed enrollee did not report an income change to DHS when their actual income changed significantly from their initial estimated annual income for 2019. The total amount of the unreported income exceeded \$85,000, which made the individual ineligible for MinnesotaCare at some point during the year.

²⁶ 45 *CFR*, sec. 155.330(b)(1) (2020); 42 *CFR*, sec. 600.340(a) (2020); *Minnesota Statutes* 2020, 256L.05, subd. 1; Department of Human Services, *Minnesota's Basic Health Program Blueprint* (2017), 14, <https://www.medicaid.gov/sites/default/files/2019-11/minnesota-bhp-blueprint.pdf>, accessed June 8, 2021; and DHS, *MNsure Application for Health Coverage and Help Paying Costs, Attachment A*, (November 2020) 4.

As shown in Exhibit 2, the average variance between projected annual income and actual income for these MinnesotaCare enrollees was about \$24,000.²⁷ Based on the discrepancies shown in Exhibit 2, we estimated that DHS paid managed care organizations at least \$63,000 after these individuals could have been deemed ineligible.²⁸

Exhibit 2: Sample MinnesotaCare Cases in Which Enrollees Did Not Report a Change in Income to DHS, July 2019 through March 2020

Number of Sample Cases	Percentage Difference between Projected Annual Income Reported to DHS and Actual Annual Income	Average Income Not Reported to DHS
9	Less than 50%	\$ 5,950
14	50-99%	12,995
15	100-200%	27,098
10	Over 200%	51,470
Total of 48		\$24,097

NOTE: These sample enrollees were correctly determined eligible to receive MinnesotaCare coverage but incorrectly estimated their income or did not later report to DHS a change in income that exceeded eligibility limits at some point during our audit period.

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

To be eligible for MinnesotaCare, the enrollee's household income must be between 133 percent and 200 percent of federal poverty guidelines.²⁹ Exhibit 3 on the following page shows that, among 29 of the 48 samples we tested, actual household income in excess of the federal poverty guidelines ranged from 14 percent to 246 percent.

²⁷ Actual income not reported to DHS may have included wage or nonwage income, such as capital gains, sale of stocks, or rental or business income.

²⁸ 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.

²⁹ 42 *CFR*, sec. 600.305(a)(2) (2020); and *Minnesota Statutes* 2020, 256L.04, subds. 1 and 10(b).

Exhibit 3: Examples of Sample Enrollees' Projected Annual Income and Actual Income

Sample Enrollees



NOTES: Includes 29 of 48 sample enrollees. For these 29 enrollees, DHS correctly determined they were eligible to receive MinnesotaCare. Based on 2019 and 2020 data from the Department of Employment and Economic Development, these enrollees either did not accurately estimate their projected annual income or failed to report to DHS a change in income that exceeded 200 percent of the federal poverty limit and, thus, they did not meet eligibility criteria for MinnesotaCare.

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

DHS relies on the enrollee to accurately estimate their future annual income and promptly report any changes to their estimate; however, the department also took steps to identify individuals who fail to do so. Specifically, in February 2019, DHS implemented Periodic Data Matching (PDM) in which DHS periodically reviews eligibility through an automated data matching process and identifies MinnesotaCare enrollees who may not meet program criteria for the remainder of their year of eligibility.³⁰ DHS reported that, during our audit period, the department executed PDM for eight consecutive months and disenrolled about 1,500 individuals from MinnesotaCare.³¹

PDM is a statutorily required process; however, DHS does not include quarterly DEED data among its data sources for this purpose. For our audit period, DHS suspended using DEED data for annual eligibility renewals in December 2019 due to system functionality issues in the PDM processes.³² Thus, DHS may not have identified through PDM all of the ineligible sample enrollees that we noted in Exhibit 3.

RECOMMENDATION

Upon expiration of the federal COVID-19 waiver, the Department of Human Services should implement more frequent reviews of enrollee eligibility for MinnesotaCare in accordance with federal and state law.

DHS Eligibility Determinations

DHS determines eligibility for MinnesotaCare enrollees through a combination of Minnesota Eligibility Technology System (METS) and DHS manual processes. We concluded that a small percentage of sample enrollees we tested were not eligible for MinnesotaCare and were incorrectly enrolled in the program through these processes.

Manual Determinations

DHS relies on METS to compare the data reported by the applicant or enrollee—such as income—and verify the accuracy of the information using other data available at that point in time. Specifically, for MinnesotaCare, METS compares the applicant's or enrollee's projected annual income for the calendar year with their income that is available for previous years from state and federal sources.

³⁰ 45 *CFR*, sec. 155.330(d) (2020). *Minnesota Statutes* 2020, 256B.0561, subd. 2(a). “Periodic data matching” means obtaining updated electronic information about medical assistance and MinnesotaCare recipients on the MNsure information system from federal and state data sources accessible to the MNsure information system and using that data to evaluate continued eligibility between regularly scheduled renewals. For the most recent report of DHS PDM results, see https://mn.gov/dhs/assets/2020-09-pdm-annual-report_tcm1053-445463.pdf.

³¹ Department of Human Services, *Periodic Data Matching Annual Report* (September 2020), 8.

³² DHS suspended PDM altogether in March 2020 due to the COVID-19 public health emergency, in order to preserve access to health care programs in accordance with the Governor's Emergency Executive Orders 20-11 and 20-12 and to qualify for a temporary 6.2 percent Federal Medical Assistance Percentage (FMAP) increase authorized by the Families First Coronavirus Response Act.

When METS is unable to verify the projected annual income through other state and federal electronic data sources, DHS requires the applicant or enrollee to submit supporting documentation—such as paystubs or income tax returns. DHS and county caseworkers manually review the supporting documentation to determine whether the applicant or enrollee is eligible for MinnesotaCare.

FINDING 2

The Department of Human Services did not accurately determine enrollee eligibility for about 1 percent of MinnesotaCare enrollees we tested.

We found that for 4 of 270 MinnesotaCare sample enrollees (about 1 percent) that we tested, DHS did not accurately determine eligibility. For all four of these enrollees, DHS determined the enrollees were eligible for MinnesotaCare; however, the enrollees should have been determined ineligible based on the enrollee-provided documentation. For example, one of the four enrollees reported a projected annual income of about \$46,000 on their annual renewal form; however, DHS incorrectly entered the enrollee's income in METS as \$32,950. As one other example, DHS entered another enrollee's income in METS as \$60,000; however, according to paystubs provided by the enrollee, the enrollee's reported income was nearly \$68,000, which would have made the enrollee ineligible.³³ We concluded DHS paid managed care organizations \$4,564 during our audit period for these four enrollees who were not actually eligible for MinnesotaCare.

RECOMMENDATION

The Department of Human Services should strengthen its internal controls and ensure that caseworkers accurately calculate income based on documentation provided by the enrollee.

Incomplete Case Closure

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

In previous audits of enrollee eligibility, we found deficiencies in the METS system interface technology that transfers information from METS to MMIS.³⁴ Specifically, METS determined that some enrollees were no longer eligible for a program, but their

³³ We also identified that this enrollee did not report all of their household income or jobs to DHS, even after inquiry and request for information by a DHS caseworker. We documented this error as part of Finding 1 of this report.

³⁴ Office of the Legislative Auditor, Financial Audit Division, *Minnesota Eligibility Technology System* (St. Paul, 2020); Office of the Legislative Auditor, Financial Audit Division, *MinnesotaCare Eligibility* (St. Paul, 2018); and Office of the Legislative Auditor, Financial Audit Division, *Department of Human Services: Oversight of MNsure Eligibility Determinations for Public Health Care Programs* (St. Paul, 2016).

cases either did not close in METS or were incorrectly kept open in MMIS.³⁵ The failure to transfer information from METS to MMIS can also be caused by case worker errors in making corrections or manually closing cases in METS. As a result of these deficiencies, DHS continued to pay managed care organizations for individuals who were not eligible for a public health care program.

FINDING 3

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

We found that for 3 of 270 MinnesotaCare sample enrollees (about 1 percent) that we tested, DHS did not ensure METS closed the cases and sent the closure data to MMIS. For two of these three enrollees, DHS manually closed the MinnesotaCare cases in METS; however, the data did not interface with MMIS and the cases incorrectly remained open for one additional month. For one of the three enrollees, DHS closed the MinnesotaCare case in METS and incorrectly opened a Medical Assistance case. This caused the data to not correctly interface from METS to MMIS and resulted in the MinnesotaCare case remaining open for one additional month. As a result of these three errors, DHS made \$1,598 in capitation payments to managed care organizations for these enrollees after their eligibility had ended.

To help identify discrepancies in data between METS and MMIS, Minnesota IT Services created—and DHS staff monitor—a report that identifies potential mismatches in the eligibility status of enrollees between the two systems. This report does not address the issues with data transfer between METS and MMIS, but it does allow DHS to identify and correct the issues to prevent further incorrect payments.

RECOMMENDATION

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

³⁵ The Medicaid Management Information System (MMIS) is the state's payment system for the state's health care programs, including MinnesotaCare.

List of Recommendations

- Upon expiration of the federal COVID-19 waiver, the Department of Human Services should implement more frequent reviews of enrollee eligibility for MinnesotaCare in accordance with federal and state law. (p. 14)
- The Department of Human Services should strengthen its internal controls and ensure that caseworkers accurately calculate income based on documentation provided by the enrollee. (p. 15)
- The Department of Human Services should ensure the complete and accurate transfer of case closure data from METS to MMIS. (p. 16)





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August 11, 2021

James Nobles, Legislative Auditor
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Dear Mr. Nobles:

Thank you for the opportunity to review and comment on the draft report issued by your office titled *Department of Human Services: MinnesotaCare Eligibility*. We appreciated the opportunity to work with your staff during this audit, and value the opportunity to review and improve our MinnesotaCare eligibility process.

MinnesotaCare fulfills a critical need in our state's health care infrastructure, serving many of our working poor. The program provides health care coverage to Minnesotans who earn too much to be eligible for Medicaid but not enough to afford other health insurance. Enrollees pay premiums and very low out-of-pocket costs for coverage typically broader than insurance available on the individual market, including dental, vision and comprehensive behavioral health services.

As reflected in your report, income eligibility for MinnesotaCare is based on an applicant's projected annual income for the calendar year of coverage. DHS requires applicants to estimate their projected annual income for the current calendar year. Once enrolled, MinnesotaCare enrollees must also estimate their projected annual income for the upcoming calendar year upon renewing their coverage each fall.

This income eligibility process, mandated by federal law, essentially requires people to predict their income, and this poses unique challenges for many of the population served by MinnesotaCare. Low-wage workers typically have income fluctuations, with wages varying from month to month or even paycheck to paycheck. Income may vary depending on picking up extra shifts, losing shifts, working overtime, earning tips, taking on a second job and more. This makes it difficult to predict future income or recognize when a higher paycheck or two triggers the need to report changes to DHS. The complex eligibility calculations and ongoing reporting requirements required by federal law put people living in poverty at particular risk of making mistakes in estimating their income or repeatedly churning through

the system, falling off and back on coverage over the course of a year due to minor income changes. They also add burden to people living in poverty, who already face multiple stressors.

While we are pleased with the results of this audit and agree with its findings, we do believe this context gives you a fuller picture and greater understanding of the inner complexities involved. I will provide more context as well for each audit finding.

Under Finding 1, in the test of 270 sample cases to determine if actual income exceeded the MinnesotaCare income limit, we agree that some enrollees failed to report income changes, including at times when a person has a higher actual income than they projected they would have when they applied or renewed their coverage.

This finding highlights the need to regularly remind enrollees of their income reporting responsibilities, which we do several times a year. Perhaps more importantly, it also shines a light on the inherent difficulties in the legislatively mandated way financial eligibility gets determined — by projecting future income. The income variations in the graphic on page 13 of the report demonstrate this issue. Minnesotans must make 200% of the federal poverty level or less for MinnesotaCare eligibility. In nearly half of the cases identified in the graphic, enrollees' actual income did not exceed 250% of the federal poverty level. The difference between 200% and 250% of the federal poverty level is less than \$6,300 annually for a single adult.

The audit recommends that DHS conduct more frequent reviews of enrollee eligibility in accordance with federal and state law. To that end, DHS worked with Minnesota IT Services (MNIT) to improve how Minnesota Department of Employment and Economic Development (DEED) earnings and unemployment insurance data is used in the Minnesota Eligibility Technology System (METS) for annual eligibility renewals. The system functionality was deployed in METS in June 2021 and will be used in the upcoming MinnesotaCare renewal process for calendar year 2022.

Also, DHS will resume periodic data matching six months after the federal public health emergency ends as required by state law¹. This will serve as an additional eligibility check, occurring once between annual renewals using updated information from electronic federal data sources and DEED to identify enrollees who appear to be ineligible. These enrollees will receive a notice with 30 days to respond. Enrollees who fail to respond to the notice or fail to provide sufficient information or explanation to maintain their eligibility will have their coverage closed.

We are pleased that 99% of tested enrollees had accurate eligibility determinations in the audit. We aim for 100% accuracy. In response to Finding 2, DHS will resume supervisory reviews on a sampling of MinnesotaCare cases managed by the DHS Health Care Eligibility Operations division to identify and correct erroneous caseworker actions and develop or revise training materials. DHS will also develop a new worker tool for calculating projected annual income that we expect to have available in the next six months. DHS will provide training on this new tool to caseworkers.

¹ Laws of Minnesota 2021, 1st Special Session, Chapter 7, Article 1, Section 36, Paragraph (b)

In response to Finding 3, DHS worked 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). We are pleased with the much lower rate of MMIS closure failures, with only about 1% of the samples tested compared to about 10% in your previous report². We continue to monitor an internal report that identifies potential mismatches between the two systems and correct cases as needed.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Jodi Harpstead", written in a cursive style.

Jodi Harpstead
Commissioner

² Office of the Legislative Auditor, Financial Audit Division, *MinnesotaCare Eligibility* (St. Paul, 2018)







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