



October 31, 2023

Senator Erin Murphy, Chair  
Senate State and Local Government and  
Veterans Committee  
3211 Minnesota Senate Building  
Saint Paul, MN 55155

Representative Ginny Klevorn, Chair  
House State and Local Government Finance and  
Policy Committee  
581 State Office Building  
Saint Paul, MN 55155

Senator Bruce Anderson, Ranking Minority Member  
Senate State and Local Government and  
Veterans Committee  
2209 Minnesota State Building  
Saint Paul, MN 55155

Representative Jim Nash, Ranking Minority Member  
House State and Local Government Finance and  
Policy Committee  
349 State Office Building  
Saint Paul, MN 55155

Dear Representatives and Senators:

Attached is the annual uncollectible debt summary report for FY 2023 as required by Minn. Stat. § 16D.09.

The statute provides eight reasons for writing off debt owed to the state:

1. All reasonable collection efforts have been exhausted.
2. The cost of further collection action will exceed the amount recoverable.
3. The debt is legally without merit or cannot be substantiated by evidence.
4. The debtor cannot be located.
5. The available assets or income, current or anticipated, that may be available for payment of the debt are insufficient.
6. The debt has been discharged in bankruptcy.
7. The applicable statute of limitations for collection of the debt has expired.
8. It is not in the public interest to pursue collection of the debt.

In FY 2023 the total number of uncollectible debts increased 180 percent, from 47,661 to 133,653, compared to FY 2022, and 98 percent, from 67,578 to 133,653, compared to FY 2021. The total amount of uncollectible debts increased 32 percent, from \$81,174,917 to \$107,186,607, compared to FY 2022, and four percent, from \$102,603,185 to \$107,186,607, compared to FY 2021.

The increase in uncollectible debts at the Department of Human Services (DHS) represents 75 percent of the increase in the total number state government-wide, and 73 percent of the increase in the total amount state government-wide, when comparing FY 2022 to FY 2023. Due to the size of DHS's programs, the agency's uncollectible debts can vary year to year: DHS wrote off \$52,970,776 in FY 2023, \$33,988,437 in FY 2022, and \$44,994,870 in FY 2021.

DHS attributes most of the increase from FY 2022 to FY 2023 to normal fluctuations in the agency's schedule for reviewing and writing-off uncollectible parental fees primarily under the Medical Assistance, Tax Equity and

Fiscal Responsibility Act (TEFRA) Option. The TEFRA Option provides access to the Medical Assistance program to children with disabilities whose families have incomes that are otherwise too high to qualify. Until July 1, 2023, the program used a sliding-scale fee based on parental income and certain household information, as required by statute. The TEFRA parental fee was eliminated in the 2023 legislative session effective July 1, 2023. After exhausting efforts to recover delinquent parental fees, DHS eventually writes them off when they are deemed uncollectible.

Additionally, Medicaid continuous care requirements were a significant contributor to one-time growth in DHS's uncollectible debt write-offs. To be eligible for increased federal financial participation on Medicaid under the federally declared public health emergency for the COVID-19 pandemic, states were required to maintain continuous Medicaid eligibility and were prohibited from suspending eligibility for those who failed to pay insurance cost sharing and premiums. DHS continued to charge cost sharing and premiums for the Medical Assistance and MinnesotaCare programs but did not take action if these costs were not paid. With the expiration of the federal COVID-19 public health emergency on May 11, 2023, DHS wrote off these Medicaid continuous care-related debts that it determined were uncollectible, and the agency has returned to its normal debt collection procedures for the program.

If you have any questions at the uncollectible debt summary report, please contact Paul Moore, Assistant Commissioner of Accounting Services, at 651-201-8004.

Sincerely,

A handwritten signature in black ink that reads "Erin M. Campbell". The signature is written in a cursive, flowing style.

Erin Campbell  
Commissioner

Cc: Eric Nauman, Senate Counsel, Research and Fiscal Analysis Office  
Emily Adriaens, House Fiscal Analysis Department  
Andrew Erickson, Senate Counsel, Research and Fiscal Analysis Office  
Helen Roberts, House Fiscal Analysis Department

**Minnesota Management and Budget**

M.S. 16D.09 Uncollectible Debt Summary Report

*Fiscal Year 2023*

	<u>Number</u>	<u>Percent of Total</u>	<u>Dollar Amount</u>	<u>Percent of Total</u>
<b>Write Offs</b>				
Under \$10,000	132,085	99%	\$46,640,813	44%
\$10,000 or more	1,568	1%	\$60,545,794	56%
Total Write-Offs	133,653	100%	\$107,186,607	100%

**Debt Breakdown**

Over \$999,999	0	\$0
\$500,000 - \$999,999	9	\$6,080,223
\$250,000 - \$499,999	13	\$4,141,264
\$100,000 - \$249,999	86	\$12,620,893
\$50,000 - \$99,999	172	\$11,800,671
\$10,000 - \$49,999	1,288	\$25,902,742
Under \$10,000	132,085	\$46,640,813
	133,653	\$107,186,607