



**FINANCIAL AUDIT DIVISION REPORT**

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**Department of  
Human Services**

**Oversight of MNsure Eligibility  
Determinations for Public Health  
Care Programs**

**Internal Controls and  
Compliance Audit**

**January 2015 through March 2015**

**January 28, 2016**

**Report 16-02**

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## Conclusion on Internal Controls

The Financial Audit Division bases its conclusion about an organization's internal controls on the number and nature of the control weaknesses we found in the audit. The three possible conclusions are as follows:

<b>Conclusion</b>	<b>Characteristics</b>
<b>Adequate</b>	<b>The organization designed and implemented internal controls that effectively managed the risks related to its financial operations.</b>
<b>Generally Adequate</b>	<b>With some exceptions, the organization designed and implemented internal controls that effectively managed the risks related to its financial operations.</b>
<b>Not Adequate</b>	<b>The organization had significant weaknesses in the design and/or implementation of its internal controls and, as a result, the organization was unable to effectively manage the risks related to its financial operations.</b>

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## OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

January 28, 2016

Representative Sondra Erickson, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Emily Johnson Piper, Commissioner  
Department of Human Services

This report presents the results of our internal controls and compliance audit of the Department of Human Services' oversight of eligibility determinations for people enrolled in the Medical Assistance and MinnesotaCare programs. Our primary focus was people who had active accounts in MNsure between January 1, 2015, and March 31, 2015. We also did limited testing of people whose eligibility information was in the department's legacy eligibility system. This has not been a comprehensive audit of the Department of Human Services or all people enrolled in the Medical Assistance and MinnesotaCare programs.

We discussed the results of the audit with the department's staff on January 14, 2016. This audit was conducted by Brad White, CPA, CISA, CFE (Audit Director); Laura Wilson, CPA, CISA (Auditor-in-Charge); and assisted by Jordan Bjonfald, CPA; Scott Dunning, CPA; Ryan Moltz, Ph. D.; and Melissa Strunc, CPA.

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

Handwritten signature of James R. Nobles in black ink.

James R. Nobles  
Legislative Auditor

Handwritten signature of Cecile M. Ferkul in black ink.

Cecile M. Ferkul, CPA, CISA  
Deputy Legislative Auditor



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## Report Summary

In fiscal year 2015, the state spent approximately \$11 billion (\$4.6 billion of state money and \$6.4 billion of federal money) to pay for benefits provided under the state's public health care programs. The programs—Medical Assistance (Minnesota's Medicaid program) and MinnesotaCare—are available to residents with low incomes.<sup>1</sup>

The Department of Human Services is responsible for ensuring that people who receive benefits through the state's public health care programs meet federal and state eligibility requirements. In November 2014, we issued a report on the department's oversight responsibility for ensuring people who enrolled in a state public health care program through MNsure met federal and state eligibility requirements for the program in which they were enrolled.<sup>2</sup> Because that report contained significant findings, we decided to do this follow-up audit.

Only a portion of the people enrolled in the Medical Assistance and MinnesotaCare programs had their eligibility determined through MNsure. As of March 31, 2015, about 470,000 of the 870,000 people enrolled in a public health care program enrolled through MNsure.<sup>3</sup>

The primary objective of this audit was to determine whether the department's oversight of MNsure's eligibility determinations ensured people were eligible for the health care benefits they received. Another objective was to determine if the department complied with eligibility requirements in federal and state regulations for the Medical Assistance and MinnesotaCare enrollees, whose income calculations were based on the new federal requirements.

## Conclusion

The Department of Human Services did not ensure that people enrolled in Medical Assistance and MinnesotaCare met the federal and state eligibility requirements for the program in which they were enrolled. As a result, the department paid benefits for ineligible people enrolled in public health care programs.

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<sup>1</sup> Medical Assistance (Minnesota's Medicaid program) provides low-cost or free health coverage to low income residents. MinnesotaCare is available to low income Minnesotans who earn too much to qualify for Medical Assistance.

<sup>2</sup> Office of the Legislative Auditor, Financial Audit Division Report 14-22, *Department of Human Services Oversight of MNsure Eligibility Determinations for Public Health Care Programs*, issued November 12, 2014.

<sup>3</sup> The department used its legacy eligibility system, MAXIS, to enroll the other 400,000 Medical Assistance enrollees.

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The Department of Human Services did not ensure that data accurately and securely transferred from MNsure to the state's medical payment system.

As detailed in Appendix A, the Department of Human Services did not resolve 9 of 11 prior findings included in our *Oversight of MNsure Eligibility Determinations for Public Health Care Programs* report we issued in November 2014.

## Key Findings

- The Department of Human Services did not adequately verify that people who enrolled in public health care programs through MNsure were eligible for those programs. This is a repeat finding. ([Finding 1, page 9](#))
  - The Department of Human Services lacked adequate controls to ensure the accurate and complete transfer of enrollee data from MNsure to the department's medical payment system and to detect whether Office of MN.IT Services' staff inappropriately accessed enrollees' personal information. This is a repeat finding. ([Finding 2, page 12](#))
  - The Department of Human Services did not reverify that Medical Assistance and MinnesotaCare enrollees who enrolled through MNsure remained eligible for the program within the required timeframes established in federal and state laws. ([Finding 4, page 15](#))
  - The department did not adequately verify critical criteria for eligibility, such as social security numbers, citizenship, incomes, and household sizes, which resulted in ineligible persons receiving public health care benefits, as discussed in Findings 5 through 7. These are repeat findings. ([See pages 19 – 30](#))
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## Department of Human Services

# Oversight of MNsure Eligibility Determinations for Public Health Care Programs

## Background

The Minnesota Department of Human Services is responsible for ensuring that the State of Minnesota correctly determines whether people are eligible to receive benefits from one of the state's public health care programs.

The programs—Medical Assistance (Minnesota's Medicaid program) and MinnesotaCare—are available to residents with low incomes (as defined by federal and state standards).<sup>4</sup> As shown in Table 1, in fiscal year 2015, the state spent approximately \$4.6 billion of state money and \$6.4 billion of federal money to pay benefits for people enrolled in these programs.

**Table 1**  
**Health Care Costs by Program and Funding Source**  
**Fiscal Year 2015**  
**(in thousands)**

<b>Program</b>	<b>Federal</b>	<b>State</b>	<b>Total</b>
Medical Assistance	\$6,136,605	\$4,319,274	\$10,455,879
Minnesota Care	217,353	290,639	507,992
Children's Health Insurance Program <sup>1</sup>	38,755	9,293	48,048
<b>Total</b>	<b>\$6,392,713</b>	<b>\$4,619,206</b>	<b>\$11,011,919</b>

<sup>1</sup> We did not include the Children's Health Insurance Program in our audit this year because the department's Office of Internal Audit conducted case reviews of these enrollees during a recent review required by the federal government.

Source: The Department of Human Services.

On March 23, 2010, the president signed into law the Patient Protection and Affordable Care Act, commonly called the Affordable Care Act (ACA).<sup>5</sup> The ACA made comprehensive changes to the public health care programs, including raising the income thresholds used to determine who qualifies, the method of calculating people's income, and eliminating asset limits for many people. The

<sup>4</sup> Medical Assistance (Minnesota's Medicaid program) provides low cost or free health coverage to low income residents. MinnesotaCare is available to low income Minnesotans who earn too much to qualify for Medical Assistance.

<sup>5</sup> Public Law 111-148.

ACA also authorized the establishment of health care exchanges to help people purchase insurance. Minnesota chose to create its own health care exchange (MNSure) and uses the computer system developed for the exchange to enroll people in the public health care programs along with private insurance.

## **MinnesotaCare Converted to a Federal Basic Health Program**

Effective January 1, 2015, the department transitioned its existing MinnesotaCare program to a Basic Health Program as outlined in federal regulation.<sup>6</sup> Most of the eligibility requirements remained the same with the following exceptions:

- The department can no longer use federal funds to pay for MinnesotaCare enrollees age 65 and older.
- The department can now use federal funds to pay for MinnesotaCare enrollees who are not U.S. citizens but are in the United States legally.
- The rules for determining the household composition, when the people do not file tax returns, are now very similar to the Medical Assistance rules.<sup>7</sup>

Minnesota was the first state in the nation to have a federal Basic Health Program.

## **Modified Adjusted Gross Income**

Beginning on January 1, 2014, income calculations for many Medical Assistance enrollees and all MinnesotaCare enrollees are based on the modified adjusted gross income methodology. Generally, this methodology uses the taxable adjusted gross income increased by:

- 1) foreign earned income excluded from the adjusted gross income,
- 2) tax-exempt interest, and
- 3) the amount equal to the value of social security benefits not subject to tax.<sup>8</sup>

Generally, infants, children, parents, children's caretakers, pregnant women, and adults without children enrolled in Medical Assistance are required to have their income calculated using the new methodology. The elderly, blind, and disabled have their income calculated using the same methodology used for the

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<sup>6</sup> 42 CFR, sec. 600 (2015).

<sup>7</sup> Generally, the household composition for MinnesotaCare is based on the tax filing status (for example married filing jointly) and dependents. The Medical Assistance household composition also takes into consideration the people living in the home.

<sup>8</sup> 26 CFR, sec. 1.36B-1(e)(2) (2015). Also, see *Minnesota Statutes* 2014, 256L.01, subd. 5, for the MinnesotaCare income definition and *Minnesota Statutes* 2014, 256B.056, subd. 1a(b)(1), and 42 CFR, sec. 435.603(e) (2015) for the Medical Assistance definition.

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Supplemental Security Income program.<sup>9</sup> All MinnesotaCare enrollees use the new methodology.

See Appendix C for a summary of the additional eligibility requirements, other than income, for the Medical Assistance and MinnesotaCare programs.

## MNSure Enrollees

It is important to note that not all Medical Assistance enrollees had their eligibility determined or renewed through MNSure.<sup>10</sup> The only Medical Assistance enrollees who enrolled through MNSure were those who applied for coverage beginning January 1, 2014, or later, and whose incomes were based on the modified adjusted gross income methodology. As of March 31, 2015, the department had not converted about 400,000 existing Medical Assistance enrollees to MNSure. These enrollees' eligibility information remained in the legacy eligibility system, and the department plans to convert them to MNSure in the future.<sup>11</sup> As of January 1, 2015, the department had converted all MinnesotaCare enrollees to MNSure.

Table 2 shows the health care costs the department paid during our audit period for the people who enrolled through MNSure.

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**Table 2**  
**Health Care Costs for MNSure Enrollees**  
**January 1, 2015, through May 31, 2015**  
**(in thousands)**

<u>Program</u>	<u>Health Care Costs</u>
Medical Assistance	\$787,997
MinnesotaCare	201,700
Total	<u>\$989,697</u>

Source: The Department of Human Services.

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## Prior OLA Audits of the Public Health Care Programs

In November 2014, we issued a report on the department's oversight responsibility for ensuring that people who enrolled in a state public health care

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<sup>9</sup> *Minnesota Statutes* 2014, 256B.056, subd. 1a(a)(1). We did not include these people in our testing during this audit.

<sup>10</sup> MNSure refers to the online health insurance exchange the state developed under the Affordable Care Act. Applicants use MNSure to obtain health care coverage through the state's public health care programs, including Medical Assistance and MinnesotaCare. In November 2015, three state agencies, the Department of Human Services, the Office of MN.IT Services, and MNSure, named the public health care portion of MNSure the *Minnesota Eligibility Technology System (METS)*.

<sup>11</sup> MAXIS is the legacy eligibility system the department used to determine eligibility for certain Medical Assistance enrollees along with administering the cash and food assistance programs.

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program through MNsure met federal and state eligibility requirements for the program in which they were enrolled.<sup>12</sup>

The audit concluded that the Department of Human Services did not ensure that Medical Assistance, MinnesotaCare, and Children's Health Insurance Program enrollees who enrolled through MNsure were eligible for the benefits they received, and the department did not ensure that data accurately and securely transferred from MNsure into the state's medical payment system.<sup>13</sup>

In February 2015, we issued an evaluation report on the Minnesota Health Insurance Exchange (MNsure). The report noted that the Department of Human Services postponed eligibility reverification for people who had enrolled in public health care programs before October 2013.<sup>14</sup> This process requires the department to ensure annually that enrollees receiving benefits still meet the eligibility requirements. The department received a waiver from the federal government to delay the reverifications.

Based on the results of these audits and the history of problems the department had with the health care eligibility determinations, we decided to do this follow-up audit.<sup>15</sup>

## Scope, Objective, and Methodology

The audit scope included Medical Assistance and MinnesotaCare enrollees who received benefits during the period from January 1, 2015, through March 31, 2015, and whose income was calculated using the modified adjusted gross income methodology. For these enrollees we reviewed the health care costs from January 1, 2015, through May 31, 2015.

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<sup>12</sup> Office of the Legislative Auditor, Financial Audit Division Report 14-22, *Department of Human Services Oversight of MNsure Eligibility Determinations for Public Health Care Programs*, issued November 12, 2014.

<sup>13</sup> The department's medical payment system, the Medicaid Management Information System (MMIS), is a mechanized claims processing and information retrieval system required by the federal government.

<sup>14</sup> Office of the Legislative Auditor, Program Evaluation Division Report, *Minnesota Health Insurance Exchange (MNsure)*, pp. 45-46, issued February 17, 2015.

<sup>15</sup> For more than ten years, the Office of the Legislative Auditor (OLA) has raised concerns about the department's ability to ensure that its eligibility decisions were correct. For example, see the Office of the Legislative Auditor, Program Evaluation Division, report 03-03, *MinnesotaCare*, issued January 21, 2003, and the Financial Audit Division's *Federal Compliance Audit* reports for the last six years (reports 10-11, issued March 18, 2010; 11-13, issued May 6, 2011; 12-07 issued March 29, 2012; 13-15 issued July 11, 2013; 14-11 issued March 26, 2014; and 15-07 issued March 24, 2015).

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The audit objective was to answer the following questions:

- Did the Department of Human Services ensure that the people enrolled in Medical Assistance and MinnesotaCare, whose income calculation was based on the modified adjusted gross income methodology, met the federal and state eligibility requirements for the program in which they were enrolled?
- Did the Department of Human Services ensure that data accurately and securely transferred from MNsure to the state's medical payment system?
- Did the Department of Human Services resolve the prior findings included in our *Oversight of MNsure Eligibility Determinations for Public Health Care Programs* report issued in November 2014?<sup>16</sup>

To answer these questions we interviewed officials and staff at the Department of Human Services, the Office of MN.IT Services,<sup>17</sup> and county human service offices to gain an understanding of:

- The types of problems employees continued to encounter since our last audit when determining eligibility and getting applicants enrolled for medical services;
- The status and process for reverifying eligibility for the existing enrollees;
- The status of unresolved problems and our prior recommendations; and
- Training the department provided to its employees and county human services staff regarding accessing and navigating through MNsure's application process and case files.

We obtained data from the department on 870,000 people whose eligibility was based on the modified adjusted gross income methodology and were actively enrolled in public health care programs during the period from January 1, 2015, through March 31, 2015. From this population, we identified about 270,000 people who newly applied through MNsure for health care coverage or needed their eligibility reverified between January and March 2015. These 270,000 people made up about 178,000 households. From this group, we randomly selected 99 households (including 157 people) for detailed testing and verification. Our sample included 103 people enrolled in Medical Assistance and 54 people enrolled in MinnesotaCare.

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<sup>16</sup> Office of the Legislative Auditor, Financial Audit Division Report 14-22, *Department of Human Services Oversight of MNsure Eligibility Determinations for Public Health Care Programs*, issued November 12, 2014.

<sup>17</sup> Due to the state's consolidation of its information technology staff in 2011, state agencies, such as the Department of Human Services, rely on information technology staff from the Office of MN.IT Services for technical support of their systems, including the department's medical payment system and MNsure.

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We also analyzed the enrollment data for all 870,000 people to identify possible instances of noncompliance with certain eligibility requirements. For more information about our audit methodology, see Appendix B.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We used various criteria to evaluate the department's internal controls and compliance with regulations. We used, as our criteria to evaluate internal controls, the guidance contained in the *Standards of Internal Control in the Federal Government*, published by the Government Accountability Office in September 2014.<sup>18</sup> When assessing controls over information technology systems, we used the *Federal Information System Controls Audit Manual*, published by the Government Accountability Office in February 2009. Finally, we used state and federal regulations, as well as policies and procedures established by the department, as evaluation criteria over compliance.

## Conclusion

The Department of Human Services did not ensure that people enrolled in Medical Assistance and MinnesotaCare met the federal and state eligibility requirements for the program in which they were enrolled. As a result, the department paid benefits for ineligible people enrolled in public health care programs.

The Department of Human Services did not ensure that data accurately and securely transferred from MNsure to the state's medical payment system.

As detailed in Appendix A, the Department of Human Services did not resolve 9 of 11 prior findings included in our *Oversight of MNsure Eligibility Determinations for Public Health Care Programs* report issued in November 2014.

The following *Findings and Recommendations* section provides further explanation about the exceptions noted above.

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<sup>18</sup> The state adopted these standards as its internal control framework for the executive branch.

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## Findings and Recommendations

### Finding 1

**The Department of Human Services did not adequately verify that people who enrolled in public health care programs through MNSure were eligible for those programs. This is a repeat finding.<sup>19</sup>**

We tested a random sample of 157 people enrolled through MNSure in either Medical Assistance or MinnesotaCare for health care benefits during the period from January 2015 through March 2015.<sup>20</sup> We tested this sample to conclude whether people were eligible for the program in which they were enrolled. For each person we concluded was not eligible for the program in which they were enrolled, we 1) determined whether they were eligible for another public health care program, and 2) quantified the amount the state paid for the ineligible person's health care benefits from January 2015 through May 31, 2015.

We conducted our testing using the most current information available, as of May 31, 2015, including:

- Quarterly wage and unemployment information at the Department of Employment and Economic Development through March 31, 2015,
- 2014 income tax information at the Department of Revenue,
- Eligibility information about enrollees in MNSure,
- Enrollee information in the medical payment, legacy eligibility, and other systems at the Department of Human Services, and
- Documents from the department and county case files, such as copies of birth certificates, paycheck stubs, and driver licenses.

Using this information, we used our best judgement to conclude whether people were eligible for the benefits they received.

Because we reviewed people's eligibility retrospectively, we used the wage and unemployment information that corresponded to the time period we tested, that is January 2015 through March 2015. In addition, we used other types of income people reported on their 2014 income tax returns, such as self-employment and pension income. MNSure could not do a similar comparison because the income information was not yet available. Instead, MNSure used wage data from 2014 and tax return information from 2013.

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<sup>19</sup> Office of the Legislative Auditor, Financial Audit Division, *Department of Human Services Oversight of MNSure Eligibility Determinations for Public Health Care Programs*, report 14-22, issued November 12, 2014 (Finding 1).

<sup>20</sup> It may be misleading to compare the results of the sample testing in this report to the results of similar testing in our prior audit. Unlike in this audit, the sample selection methodology in our previous audit precluded us from generalizing the sample results to the population.

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Based on our testing, we concluded:

- Of the 157 people we tested, 59 people (38 percent) were not eligible for the public health care program in which they were enrolled.
- Of the 59 ineligible people we identified in our sample, 44 people (28 percent of the sample) were not eligible for any public health care program.
- For the 59 ineligible people we identified in our sample, the department overpaid about \$93,000 for health care benefits for the period from January 2015 through May 2015.
- For 12 people of the 98 people we concluded were eligible for the program in which they were enrolled, the department overpaid about \$11,000 for healthcare benefits for the period from January 2015 through May 2015.

Based on the results of our sample tests, we estimated the error rate of the total population of 269,674 people who enrolled through MNsure for public health care benefits for the period from January 2015 through March 2015.

Table 3 recaps the results of our sample tests and shows our estimates of error rates in the population.

**Table 3**  
**Results of Random Sample Tests and**  
**Statistical Generalization of Sample Error to the Population**

	<u>Error Found in</u> <u>Sample of 157 People</u>		<u>Estimated Range of Error in the</u> <u>Population of 269,674 People<sup>1</sup></u>	
	<u>Number</u> <u>of People</u>	<u>Percentage</u>	<u>Number of People</u>	<u>Percentage</u>
People not eligible for the program in which they were enrolled	59	38%	80,902 to 132,140	30% to 49%
Ineligible people not eligible for any program	44	28%	56,632 to 107,870	21% to 40%
Net overpayment of health care benefits (January 2015 through May 2015)		\$104,213		\$115 million to \$271 million

<sup>1</sup> Based on the design of our sample, we are 95 percent confident that the actual amount of error is within the estimated range.

Source: Office of the Legislative Auditor prepared based on the testing of a random sample of 157 people and statistical generalization of errors to the total population.



In addition, our testing showed that incorrect eligibility determinations were more likely among enrollees whose program eligibility was reverified through MNSure than among first time enrollees.

Findings 5 through 9 of this report give the details of the types of eligibility errors we identified while testing the 157 people.

In addition to the errors in Findings 5 through 9, we found the following errors:

- **Duplicate Accounts. This is a repeat finding.** Based on our data analysis, we identified three types of potential duplicate accounts: (1) accounts that had the same name and social security number, (2) accounts that had the same name and birthdate, and (3) accounts that had the same name, birthdate, and social security number. We selected 60 people that fit one of these categories and tested to determine whether duplicate accounts existed. We found that 37 people had an account in both the legacy eligibility system and MNSure, and another 10 people had two accounts in MNSure.

In March 2015, the department developed a report to identify enrollees with duplicate accounts whose health care payments were made to managed care organizations.<sup>21</sup> Through these reports, the department had identified 35 of the 47 duplicate accounts and began recovering duplicate managed care payments on 25 of 35 duplicate accounts.<sup>22</sup> However, the department had not developed procedures to identify duplicate accounts that use the fee-for-service payment method, including 12 of the 47 duplicate accounts, and had not recovered any fee-for-service payments.<sup>23</sup>

As of May 31, 2015, the department had paid for \$90,385 of duplicate health care benefits for the 47 people with duplicate accounts and recovered \$31,924 of those payments.<sup>24</sup>

- **Lack of Instructions for Workers.** In our sample testing of 157 people, we found one person's Medical Assistance should have ended in January

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<sup>21</sup> Managed care organizations are health insurance companies the department contracts with to manage the health care payments made on behalf of Medical Assistance and MinnesotaCare enrollees. Like private health insurance, the department pays monthly premiums to the managed care organizations.

<sup>22</sup> As of May 31, 2015, the department was still attempting to recover the duplicate managed care payments on the other ten accounts.

<sup>23</sup> When the department pays a health care provider directly for services rendered to a Medical Assistance or MinnesotaCare enrollee, the department classifies those payments as fee-for-service. Generally, the department uses the fee-for-service payment method until the enrollee chooses a managed care organization. The department then begins paying a monthly premium rather than paying the health care providers directly.

<sup>24</sup> All the over and underpayments of health care costs included in this report occurred during the period from January 1, 2015, through May 31, 2015.

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2015 when this person moved out of state. On a centralized website the department maintains written instructions on using MNsure (ONEsource). The department told county workers not to process a change in MNsure until it published instructions for processing that type of change. However, after the department released instructions for this procedure on ONEsource almost a month later, the worker did not ensure that the enrollee's Medical Assistance case closed. As a result, the enrollee's MNsure account remained open, and the department overpaid \$1,050 in health care costs for this person.

During our data analysis of children enrolled in MinnesotaCare, we concluded one child should have been enrolled in Medical Assistance.<sup>25</sup> The parent called the worker to correct the parents' tax filing status from not-married to married, but the department instructed the worker not to make the correction until it published a procedure in ONEsource. Because MNsure showed the parents having a not-married tax filing status, MNsure used only one parent's income as the MinnesotaCare household income size, resulting in the child being enrolled in MinnesotaCare instead of Medical Assistance. The department overpaid \$85 in health care costs for this child.

As an agency responsible for administering the state's public health care programs, the department must ensure that people who receive program benefits meet state and federal requirements. State policy requires each state agency to design, implement, and maintain an effective internal control structure to ensure the agency administers programs in compliance with federal and state laws.<sup>26</sup> A key internal control component includes analyzing the risks that could prevent the agency from achieving its goals, including complying with legal requirements. In our most recent audit of the department's federal compliance, we found that the department had not completed a comprehensive risk assessment for its health care programs, and we first reported this finding in 2009.<sup>27</sup> Without a comprehensive risk assessment, the department cannot ensure its internal controls address the risk that it does not comply with the federal and state health care eligibility requirements, and the department pays the correct health care benefits.

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<sup>25</sup> Because the income threshold for children is higher for Medical Assistance than MinnesotaCare, children should generally be enrolled in Medical Assistance.

<sup>26</sup> Minnesota Management and Budget, Statewide Operating Policy 0102-01, *Internal Control System*.

<sup>27</sup> Office of the Legislative Auditor, Financial Audit Division, report 15-07, *Department of Human Services Federal Compliance Audit* (Finding 2), issued March 24, 2015. Office of the Legislative Auditor, Financial Audit Division, report 09-10, *Department of Human Services Federal Compliance Audit* (Finding 1), issued March 26, 2009.

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### *Recommendations*

- *The Department of Human Services should continue to design ways to detect and assess the risk that errors may occur in the MNsure application and reverification processes that result in ineligible people obtaining public health care program benefits.*
- *The Department of Human Services should continue its efforts to analyze data it has for people enrolled in public health care programs to identify duplicate accounts and recover inappropriate payments to health care providers.*
- *The Department of Human Services should continue to develop its ONEsource procedures so workers can promptly update MNsure when people report changes in circumstances.*

**The Department of Human Services lacked adequate controls to ensure the accurate and complete transfer of enrollee data from MNsure to the department's medical payment system and to detect whether Office of MN.IT Services' staff inappropriately accessed enrollees' personal information. This is a repeat finding.**

## **Finding 2**

Periodically, throughout the day, changes to personal and enrollment information about people who enrolled in public health care programs through MNsure transfer electronically from MNsure to the department's medical payment system. The completeness and accuracy of this information is essential to the department's ability to create health care accounts for enrollees, pay for their medical benefits, and stop making payments when MNsure determines a person is no longer eligible.

Good internal controls over the data transfer process would ensure that the information, (1) transferred accurately from MNsure to the medical payment system (that is, no information was added, lost, or altered), and (2) was protected from unauthorized access or use.<sup>28</sup> The department did not have adequate controls over the electronic transfer process from MNsure to the medical payment system that provided this assurance. The department's reports to verify the accurate and complete transfer of enrollment data were inadequate because they did not ensure all enrollee data in the state's medical payment system was the same as the information in MNsure.

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<sup>28</sup> February 2009, U.S. Government Accountability Office, *Federal Information System Controls Audit Manual*, 4.3, *Interface Controls IN-2.3 and 3.2 Access Controls, AC-5.3.1*.

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We found several discrepancies between the two systems during our testing of individuals. If the department completed a full reconciliation, it could have identified the following:<sup>29</sup>

- The medical payment system had duplicate accounts for two people in the same household, but MNsure had only one account for the household.
- MNsure showed five people enrolled in MinnesotaCare, but the medical payment system had them enrolled in Medical Assistance.
- MNsure showed one person enrolled in Medical Assistance, but the medical payment system had them enrolled in MinnesotaCare.
- MNsure showed two people were ineligible for Medical Assistance, but the medical payment system showed them as eligible.
- MNsure showed two people were ineligible for MinnesotaCare, but the medical payment system showed them as eligible.<sup>30</sup>
- MNsure classified two people as adults without children, but the medical payment system had them classified as parents.

In addition, the department did not require the Office of MN.IT Services to log and monitor when any of its 22 employees with access to personal information viewed, modified, or copied that information.<sup>31</sup> The logs would allow MN.IT or the department to monitor whether the employees' actions were appropriate and authorized.

#### *Recommendations*

- *The Department of Human Services should verify the complete and accurate transfer of all enrollees' data from MNsure to the medical payment system.*
- *The Department of Human Services should work with the Office of MN.IT Services to log and monitor when MN.IT employees access enrollees' personal information in the MNsure and medical payment systems.*

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<sup>29</sup> We discuss these discrepancies in the other findings within this report. Those findings quantify most over or underpayments of health care benefits that occurred.

<sup>30</sup> The department overpaid \$2,835 in health care benefits for these two people; we do not discuss this error in the other findings.

<sup>31</sup> The Office of MN.IT Services provided information technology services to the Department of Human Services and other state agencies.

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**The Department of Human Services did not provide the county human service eligibility workers with sufficient training on MNsure. This is a repeat finding.**

## Finding 3

Although the department expanded some of the training and system resources for county eligibility workers since our last audit, most workers said the training and resources still were not sufficient to ensure they accurately performed their job responsibilities. The county eligibility worker has a key role to ensure that people enroll in the correct public health care program. This work includes meeting with applicants, providing applicants guidance and access to the MNsure website, and verifying additional information as needed.

We interviewed the department's Health Care Eligibility Operations staff to learn two things, 1) what user training the department required before granting system access to MNsure, and 2) what additional or improved training the department offered eligibility workers since our last audit. The department still only required workers take webinars on protecting private data before obtaining access to MNsure but offered the following training and guidance:

- Hosted weekly mentor meetings with designated county personnel and department staff to discuss policy, develop new procedures, work through problem cases, and share knowledge,
- Provided classroom training on processing paper applications,
- Added several written procedures to ONEsource along with online classes and video demonstrations showing how to implement the new procedures, and
- Provided interactive webinars that allowed workers to make changes in MNsure while having access to a live trainer.

We also interviewed county human services office managers from three metropolitan counties and asked eleven other county human services offices in greater Minnesota to complete a questionnaire.<sup>32</sup> Among other questions, we asked the county staff if they were satisfied with training and other guidance they received from the department and if the guidance had improved over the last year. Despite the changes made by the department, about 60 percent of the county staff said the MNsure training and guidance was not adequate, and 70 percent said the training and guidance had not improved over the last year. For example, several county staff said ONEsource was not well organized and difficult to navigate, and ONEsource and other manuals were not always up to date. Staff at one county said the training at times contradicted itself.

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<sup>32</sup> The three metropolitan counties included Anoka, Hennepin, and Ramsey. The 11 counties we sent questionnaires included Chisago, Douglas, Freeborn, Goodhue, Houston, Kanabec, Koochiching, Mahnomon, Renville, St. Louis, and Wadena.

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By not providing sufficient training to the eligibility workers and not requiring they take the training, the workers are likely to make errors when determining if people are eligible for public health care programs. As shown in findings 5, 6, and 8, we found instances where the eligibility workers made mistakes that resulted in the department paying unnecessary health care costs.

#### *Recommendations*

- *The Department of Human Services should continue to work with county staff to develop training that meets the needs of the county eligibility workers.*
- *The Department of Human Services should continue to develop MNsure user training and require employees and eligibility workers complete the training prior to granting access to the system.*

## **Finding 4**

**The Department of Human Services did not reverify that Medical Assistance and MinnesotaCare enrollees who enrolled through MNsure remained eligible for the program within the required timeframes established in federal and state laws.**

Federal and state regulations require the department to reverify both Medical Assistance and MinnesotaCare enrollees' eligibility for the public health care programs every 12 months.<sup>33</sup> The department uses MNsure for this purpose. For Medical Assistance, the new 12-month coverage period begins the same month each year that the enrollee initially applied for coverage. Because MinnesotaCare transitioned to a federal Basic Health Care Program on January 1, 2015, the reverification timeframe also transitioned. Effective May 2015, state law changed the 12-month reverification period from the period beginning in the same month the applicant initially applied to a calendar year basis.<sup>34</sup> Note that the effective date of the law change was five months after the calendar year began. The department chose to follow the new legislation before it became enacted and began the reverification process for all MinnesotaCare enrollees in January and February 2015. We also used the new legislation for our audit.

Of the 157 people from our random sample, 105 were due for renewal sometime between January and March 2015, which was our audit timeframe. As shown in Table 4, the department did not reverify most people's eligibility for the program within the timeframes required by federal and state laws.

<sup>33</sup> For Medical Assistance see *Minnesota Statutes* 2014, 256B.056, subd. 7, and 42 CFR, sec. 435.916 (2015), and for MinnesotaCare see *Minnesota Statutes* 2014, 256L.05, subd. 3a, and 42 CFR, sec. 600.340 (2015).

<sup>34</sup> *Minnesota Session Laws* 2015, chapter 71, article 11, sec. 53.

**Table 4**  
**Medical Assistance and MinnesotaCare**  
**Status of Enrollees' 2015 Reverification of Eligibility**  
**As of May 31, 2015**

	<u>Medical Assistance</u>	<u>MinnesotaCare</u>
Total number of enrollees reviewed	62	43
Number of enrollees' eligibility not reverified within required timeframes	24	40
Percentage of enrollees' eligibility not reverified within required timeframes	39%	93%
Health care benefits paid for enrollees that were not reverified <sup>1</sup>	\$39,548	\$122,450
Number of months reverifications were overdue	2-5	5

<sup>1</sup> These payments are not necessarily overpayments made to ineligible people. Rather, they are all health care payments the department made between the month the enrollees' coverage period ended and either May 31, 2015, or the month the department completed the reverification, whichever was earlier. We address the over and underpayments to ineligible people in the other findings in this report.

Source: Office of the Legislative Auditor prepared based on the random sample of 157 people.

In December 2014, the department received approval from the U.S. Health and Human Services' Centers for Medicare and Medicaid Services to delay reverifying people's eligibility for their 2015 public health care. The department requested this delay to provide additional time to implement changes to MNSure to support the reverification process. The center approved a two-month delay for MinnesotaCare (until February 28, 2015) and a three-month delay for Medical Assistance enrollees scheduled for reverification in January and February 2015. However, the federal approval to delay reverification did not relieve the department from state legal requirements.<sup>35</sup> In addition (as shown by number of months the reverifications were overdue in Table 4 above), overdue reverifications exceeded the two-month (MinnesotaCare) and three-month (Medical Assistance) extensions approved by the Centers for Medicare and Medicaid Services.

### **Factors Contributing to the Delays**

#### **Connectivity Problems Between MNSure and the Federal Services Data Hub.**

With the implementation of the Affordable Care Act, the method of reverifying enrollees' eligibility for public health care programs changed. Federal regulation now requires the states to "...make a redetermination [reverification] of eligibility without requiring information from the individual if able to do so based on

<sup>35</sup> *Minnesota Statutes* 2015, 256L.05, subd. 3a.

reliable information contained in the individual's account or other more current information available to the agency..."<sup>36</sup> The "other more current information" includes data accessible to MNSure through the Federal Services Data Hub. If the information MNSure obtains from the federal hub is sufficient to determine the enrollee is still eligible for a public health care program, MNSure automatically updates the enrollee information and sends a notice to the enrollee indicating the enrollee remained eligible for the program. If MNSure cannot conclude the enrollee is still eligible based on the information in the federal hub, it generates a letter requesting the enrollee provide additional information. During the 2015 reverification process, however, the connection between MNSure and the federal hub had problems obtaining information and fewer people than the department expected were automatically reverified. Department staff said they identified the problem in April 2015. As a result, staff had to manually review more accounts than expected, which contributed to significant delays.

**Problems and Delays with Notification Letters.** The department also had problems with the notification letters MNSure generated. Federal regulations say the state must send notification letters to enrollees informing them of the outcome of the automated reverification process done by MNSure.<sup>37</sup> If MNSure was able to reverify that the enrollee remained eligible, the department must notify the enrollees of the eligibility determinations and request the enrollees report back if any of the information in the notification letters was inaccurate.

If MNSure cannot automatically reverify that the enrollees remained eligible for a public health care program, the department must send pre-populated forms to the enrollees that contain the information available to MNSure and identify the additional information the enrollees should submit to the department. The enrollees have 30 days from the date on the notification letter to submit the additional information. Once the department receives the additional information, it can determine if the enrollees are still eligible for the program they are currently enrolled in, eligible for another public health care program, or not eligible for a public health care program.

Table 5 shows that, based on our random sample of 157 people, MNSure did not generate notification letters for some people and generated all others late.

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<sup>36</sup> 42 CFR, sec. 435.916 (a)(2) (2015).

<sup>37</sup> 42 CFR, sec. 435.916 (a) (2015).

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**Table 5**  
**Delays in the MNSure Reverification Notification Letters**  
**As of May 31, 2015**

	<u>Medical Assistance</u>	<u>MinnesotaCare</u>
<b>Total number of enrollees due for reverification</b>	62	43
<b>Notifications not sent:</b>		
Notification not sent to enrollees <sup>1</sup>	10	9
Percent of total enrollees	16%	21%
Range of months notification overdue	1-6	4-6
<b>Notifications sent late:</b>		
Notification not promptly sent <sup>2</sup>	52	34
Percent of total enrollees	84%	79%
Range of months notification overdue	1-2	1-2

<sup>1</sup> If the department had not sent notification letters by May 31, 2015, we included the enrollees in the *Notifications not sent* category. The department sent most of these enrollees a notification letter in July 2015.

<sup>2</sup> According to the department's policy, MNSure should send the notification letter to the enrollee at least one month before the new coverage period begins to allow for updating the person's information in MNSure. We did not take into account the Centers for Medicare and Medicaid Services approval to delay the reverification process when we determined the notifications were sent late.

Source: Office of the Legislative Auditor prepared based on the random sample of 157 people.

In response to our findings in Table 5, the department's staff said they delayed sending notification letters beyond May 31, 2015, to 16 enrollees because of known defects in MNSure or other known problems. Once the department fixed the defects in July 2015, it allowed MNSure to generate the notification letters. The majority of these enrollees belonged to households where some members were on Medical Assistance and others on MinnesotaCare.

As shown in the *Notifications sent late* section of Table 5, the department delayed sending letters one or two months to 86 people because the Centers for Medicare and Medicaid Services approved a delay in the reverification process. However, according to the department's policy, MNSure needed to send the notification letters at least one month before the enrollee's coverage period ends to ensure the department completes the reverification process before the new coverage period begins and complies with the reverification requirements in the state statutes.

In addition to the problems with the connection between MNSure and the federal hub, the delay in sending out the notification letters contributed to enrollees' eligibility not being reverified within the required timelines. The delays increased the risk that ineligible people continued to receive benefits months after they became ineligible.

*Recommendations*

- *The Department of Human Services should confirm that Medical Assistance and MinnesotaCare enrollees remain eligible for a public health care program within the requirements of federal and state laws.*
- *The Department of Human Services should send out notification letters one month before enrollees need their eligibility reverified.*

## Finding 5

**The Department of Human Services did not resolve discrepancies with social security numbers, citizenship or immigration status, or household income that MNsure identified for further verification.<sup>38</sup> This is a repeat finding.**

With a few exceptions, federal regulations and state law require public health care program applicants to furnish the following information:

- a valid social security number,<sup>39</sup>
- citizenship or immigration status, and<sup>40</sup>
- household income.<sup>41</sup>

MNsire verifies the applicant reported social security numbers, citizenship or immigration status, and household income by matching the information to records from the Social Security Administration, U.S. Department of Homeland Security, Internal Revenue Service, and Minnesota Department of Employment and Economic Development.<sup>42</sup> When MNsure finds there is no data from these sources or the data is not reasonably compatible with the information reported by

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<sup>38</sup> Discrepancies include, 1) data MNsure finds inconsistent with the information reported by the applicant, 2) verified income that is not reasonably compatible with the income reported by the applicant, and 3) data that is not available through the Federal Services Data Hub. If the federal hub is not available at the time MNsure attempts to validate information, MNsure creates a discrepancy for further verification.

<sup>39</sup> 42 CFR, sec. 435.910 (a) (2015) for Medical Assistance and *Minnesota Statutes* 2014, 256L.04, subd. 1(a), for MinnesotaCare.

<sup>40</sup> *Minnesota Statutes* 2014, 256B.06, subd. 4 and 42 CFR, sec. 435.406 (2015) outline the citizenship and immigration status requirements for Medical Assistance and *Minnesota Statutes* 2014, 256L.04, subd. 10 for MinnesotaCare.

<sup>41</sup> The definitions for household income are found in 42 CFR, sec. 435.603 (d) and (e) (2015) for Medical Assistance and 42 CFR, sec. 600.5 (2015) for MinnesotaCare.

<sup>42</sup> The information from the Social Security Administration, U.S. Department of Homeland Security, and Internal Revenue Service pass through the Federal Services Data Hub to MNsure. MNsure has a direct connection to the information at the Minnesota Department of Employment and Economic Development.

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the applicant, MNsure notifies the applicant and requests additional information.<sup>43</sup> With the exception of potential Medical Assistance enrollees needing verification of their household income, states are required to enroll individuals in such programs during the verification process.<sup>44</sup>

Applicants have 95 days from the date the department notifies them (that is the date on the notification letter) to provide additional information.<sup>45</sup> If applicants do not respond or do not have a good reason for not responding, federal regulations require the department to determine eligibility for public health care programs based on information from the Social Security Administration and U.S. Department of Homeland Security. The department must also inform applicants if it cannot verify the information that the department could drop the applicant from the program.<sup>46</sup>

### **Unresolved Discrepancies found from the Sample of 157 People**

Of the 157 people from our random sample, 58 needed information verified.<sup>47</sup> Table 6 shows the number of enrollees where the eligibility workers did not verify the social security numbers, citizenship or immigration status, and/or household income within 95 days.

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<sup>43</sup> MNsure creates different types of notification letters depending on whether someone newly applied for coverage or the department needs to reverify an enrollee's eligibility for a public health care program.

<sup>44</sup> 42 CFR, sec. 435.910 (f) (2015) for Medical Assistance social security number; *Minnesota Statutes* 2014, 256L.04, subd. 1a,(b), for MinnesotaCare social security number; and 42 CFR, sec. 435.406 (2015) for Medical Assistance and MinnesotaCare – citizenship and alienage. If MNsure cannot verify the household income used for the Medical Assistance Program, the department cannot enroll someone in the Medical Assistance program until it verifies the income with the applicant.

<sup>45</sup> 45 CFR, sec. 155.315 (b)(2) and (c)(3) (2015) and 42 CFR, sec. 435.407 (k).

<sup>46</sup> 45 CFR, sec. 155.315 (f)(5) (2015).

<sup>47</sup> The department overpaid health care costs for many of these 58 people, and we discuss the overpayments in the other findings of this report. However, 7 of 58 people are not included in the other findings, and because the discrepancies were not verified within the 95 days and the accounts were not closed, the department overpaid \$9,542 in health care costs.

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**Table 6**  
**Sampled Enrollees With Eligibility Discrepancies Not Resolved**  
**Within 95 Days From Date on Notification Letter**  
**As of May 31, 2015**

	Total Eligibility Verifications <sup>1</sup>	Unresolved		Percent Unresolved
		New Enrollees	Enrollees up for Reverification	
<b>Medical Assistance<sup>2</sup></b>				
Citizenship/Immigration Status	10	3	5	80%
Social Security Number	5	0	3	60%
<b>MinnesotaCare</b>				
Citizenship/Immigration Status	7	0	6	86%
Social Security Number	1	0	1	100%
Projected Annual Income <sup>3</sup>	36	4	25	81%

<sup>1</sup> Some of the people had more than one type of information that needed verification. For example, one person needed to provide evidence of their social security number and citizenship/immigration status.

<sup>2</sup> MNsure should not enroll a person in Medical Assistance until the household income is verified; however, as explained in Findings 6 and 8, MNsure did not always correctly verify the household income.

<sup>3</sup> MNsure identifies a discrepancy if the projected annual income reported by the applicant is not reasonably compatible with the income data from other sources, including the Department of Employment and Economic Development and the Federal Services Data Hub.

Source: Office of the Legislative Auditor prepared based on information from MNsure for the random sample of 157 people.

In addition, an eligibility worker did not correctly verify one woman's social security number. The woman filed a paper application in March 2015 and wrote the wrong number. MNsure correctly identified that the social security number did not match the number provided through the Federal Services Data Hub, and MNsure generated a notification letter requesting additional documentation from the applicant. The worker did not follow the procedure in ONEsource when clearing the discrepancy in MNsure and validated the incorrect number originally entered into MNsure. The woman died one month after enrolling in Medical Assistance, and county workers could not identify and close her account because MNsure had the wrong social security number. As a result, the department continued to pay the managed care premiums and, as of May 31, 2015, overpaid \$432.

### Unresolved Discrepancies Found from Data Analysis

Based on data analysis of social security numbers, we found additional instances where the department failed to resolve or the eligibility workers incorrectly resolved discrepancies with the social security numbers. On closer examination of 20 of these potential errors, we found:

- The department or county did not verify the social security number for 14 people within the required 95 days. Of those 14 people, MNSure showed 13 still had unresolved discrepancies as of May 31, 2015. The number of days the discrepancy remained unresolved after the 95 days ranged from 48 to 446 days.
- The eligibility workers did not correctly verify the social security numbers for three people that MNSure correctly identified for further verification. In these instances, the applicant entered the wrong social security number into MNSure, and that number was already in use by another enrollee. For two of the three people, the eligibility workers received documents from the applicant with the correct social security number but failed to correct the number in MNSure. For the third person, the eligibility worker made a note in MNSure identifying that the social security number listed was incorrect. However, the worker did not clear the discrepancy, and it remained unresolved as of May 31, 2015.

### **Factors Contributing to the Discrepancies Not Being Resolved**

The following factors contributed to the discrepancies not being resolved within the required 95 days:

- The department did not program MNSure to alert workers when the 95-day period was nearing. Eligibility workers do not become aware that discrepancies need verification until they receive the additional documentation from the applicant or look at the MNSure account for a different reason, for example, if enrollees call and ask questions about their coverage. Had MNSure alerted workers of the discrepancies, they could have followed up with the enrollees and resolved the discrepancies within 95 days.
- According to department staff, MNSure does not automatically terminate an enrollee's coverage at the end of the 95 days when the enrollee does not respond to the notification letter requesting additional evidence.
- Many of the discrepancies remained unresolved since 2014 when the department first implemented MNSure. Department staff said they would resolve any lingering discrepancies at the time they reverified that enrollees remained eligible for a public health care program; however, as described in Finding 4, the department significantly delayed re verifying that enrollees remained eligible.
- As mentioned in Finding 3, the department did not adequately train eligibility workers.

Had the department resolved discrepancies within the 95-day requirement, it could have prevented many overpayments similar to those mentioned in the other findings of this report.

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### *Recommendations*

- *The Department of Human Services should complete the necessary MNsure changes and enhancements to track and resolve discrepancies within the required 95 days.*
- *The Department of Human Services should assess whether people who do not return the required information within 95 days are eligible by using information from other electronic sources and terminate coverage when it determines people are not eligible.*

## **Finding 6**

### **The Department of Human Services paid Medical Assistance and MinnesotaCare benefits for enrollees whose incomes exceeded federal and state program limits. This is a repeat finding.**

Enrollment in public health programs is limited to people with low incomes. Federal regulations require the department to verify that income reported by an applicant is “reasonably compatible” with income records from the Minnesota Department of Employment and Economic Development, Internal Revenue Service, and Social Security Administration.<sup>48</sup> The department uses MNsure for this purpose. If MNsure finds an applicant’s reported income is not reasonably compatible with records at these other sources, federal regulations require the state to “confirm the accuracy of the information submitted by the application filer.”<sup>49</sup>

We concluded the household income for 42 of 157 people exceeded the income thresholds for the program in which they were enrolled, and only four of those people were eligible for a different public health care program. The department overpaid \$94,409 for these 42 ineligible people.

Many factors contributed to the department enrolling these 42 people in public health care programs when they were not eligible, including the problems explained in Findings 2 through 5 and Finding 7.

Another important factor includes the timeliness of income information that is available through the Department of Employment and Economic Development and Federal Services Data Hub. Minnesota employers report wage information to the Department of Employment and Economic Development quarterly, and the quarterly information is not available until the second month after the quarter

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<sup>48</sup> 45 CFR, sec. 155.320 (c)(1)(i)(A) and (B) (2015) and 42 CFR sec. 435.948.

<sup>49</sup> 45 CFR, sec. 155.315 (f)(1) (2015).

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ends.<sup>50</sup> Federal income tax information can be more than a year old because people only file taxes annually.

Because eligibility workers do not have direct access to the Department of Employment and Economic Development's wage and unemployment information, they rely on MNsure and information from the applicant. MNsure obtains and displays the wage and unemployment information used at the time of application. However, it does not display the information it uses to verify an enrollee remained eligible at the end of the 12-month coverage period. Had MNsure allowed workers to view the wage and unemployment information after each reverification process, many of the errors noted in this finding may have been avoided.

Prior to the Affordable Care Act (ACA), federal regulations required states to electronically check an enrollee's reported income against state wage information at least every three months.<sup>51</sup> However, when the ACA eliminated this regulation effective January 2014,<sup>52</sup> the department discontinued its quarterly file matches.

### **Ineligible Medical Assistance Enrollees due for Reverification of Eligibility**

Federal regulations say the financial eligibility for Medical Assistance enrollees is "based on current monthly household income and family size."<sup>53</sup> Based on this requirement, we used the wage and unemployment information from the Department of Employment and Economic Development for the same time period the enrollees received benefits, specifically, January through March 2015. For nonwage income, for example pension and self employment income, we used the 2014 tax information from the Department of Revenue since that was the most current tax information available.

Table 7 shows the Medical Assistance enrollees we concluded were ineligible because their income during the months we tested exceeded the program limits. This table also shows the income MNsure used to determine their eligibility and the health care payments through May 31, 2015, that the department made while these people were ineligible for Medical Assistance.

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<sup>50</sup> *Minnesota Statutes* 2015, 268.044, subd. 1.

<sup>51</sup> 42 CFR, sec. 435.952 (a) (2011) and 42 CFR, sec. 435.948 (a) (2011).

<sup>52</sup> Federal Register, Vol. 77, No. 57, March 23, 2012, page 17212.

<sup>53</sup> 42 CFR, sec. 435.603 (h) (2015).

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**Table 7**  
**Income Comparisons for Sampled Enrollees**  
**Ineligible for Medical Assistance at the Time of Reverification**  
**As of May 31, 2015**

Sample Enrollee	Household Income Limit <sup>1</sup>	Applicant Attested Income <sup>2</sup>	Auditor Verified Income <sup>3</sup>	Health Care Over (Under) Payments through May 2015
Adult	\$15,521	\$11,520	\$23,184	\$ 849
Two Children	65,588	58,800	99,802	1,951
Two Adults	20,921	16,152	40,225	8,215
Adult	15,521	0	45,004	3,927
Adult	15,521	15,121	25,014	4,091
Adult	37,120	0	53,340	833
Adult	15,521	8,306	29,956	3,950
Adult	15,521	8,208	65,215	728
Adult	15,521	0	24,054	4,359
Adult	15,521	0	39,236	3,340
Two Parents	37,120	33,904	52,980	651
Child <sup>4</sup>	26,321	0	37,796	(84)
Child	54,423	39,410	82,003	1,080
Parent	20,921	0	32,240	2,671
Parent <sup>5</sup>	20,921	0	29,448	0
Two Parents	31,721	12,500	47,027	4,933
Adult	15,521	12,764	34,856	3,340

<sup>1</sup> The income limits were based on the number of family members in the household and the percent of federal poverty guidelines for the type of individual. See Appendix C for the federal poverty guidelines.

<sup>2</sup> The applicant attested income is the most recent income from MNsure that the applicant reported and, when applicable, subtracting 5 percent of the federal poverty level from the applicant attested income, as required by *Minnesota Statutes* 2015, 256.B.056, subd. 1a(b)(2).

<sup>3</sup> We calculated the auditor verified income using quarterly wage and unemployment data at the Department of Employment and Economic Development and 2014 tax return information at the Department of Revenue.

<sup>4</sup> This child turned age 19 in 2014, which reduced the Medical Assistance income limit for his age group from \$54,423 to \$26,321. He was not eligible for Medical Assistance in 2015 but was eligible for MinnesotaCare.

<sup>5</sup> This parent was eligible for MinnesotaCare, and the department did not make an overpayment because it had not paid any managed care premiums for this parent. All the health care costs were payments directly to health care providers.

Source: Office of the Legislative Auditor based on information in MNsure, the Department of Employment and Economic Development's wage system, Department of Revenue 2014 tax returns, and the Medicaid Management Information System. The people listed in this table were included in our random sample of 157 people.



## Ineligible MinnesotaCare Enrollees Due for Reverification of Eligibility

Effective May 22, 2015,<sup>54</sup> state statutes define household income for MinnesotaCare enrollees as “projected annual income for the applicable tax year.”<sup>55</sup> Since the implementation of MNSure in October 2013, the department had used the projected annual income to determine eligibility for MinnesotaCare and based that decision on the federal regulations related to the Affordable Care Act’s premium tax credit program.<sup>56</sup>

Projected annual income means the income the MinnesotaCare enrollees expect to make in the upcoming calendar year. MNSure verifies the projected annual income is “reasonably compatible” with income data available at the Department of Employment and Economic Development and the Federal Services Data Hub. To audit the projected annual income, we used the January through March 2015 wage and unemployment information from the Department of Employment and Economic Development and projected that income for all of calendar year 2015. We also used the 2014 tax information from the Department of Revenue to identify any other types of nonwage income, for example, self-employment and pension income.

Table 8 shows the MinnesotaCare enrollees we concluded were ineligible because the projected annual income we calculated exceeded the program limits. This table also shows the projected annual income MNSure used to determine their eligibility and the health care payments through May 31, 2015, that the department made while these people were ineligible for MinnesotaCare.

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<sup>54</sup> *Minnesota Session Laws* 2015, chapter 71, article 11, sec. 47.

<sup>55</sup> *Minnesota Statutes* 2015, 256L.01, subd. 5.

<sup>56</sup> 45 CFR, sec. 155.320 (c)(3)(ii) (2015).

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**Table 8**  
**Income Comparisons for Sampled Enrollees**  
**Ineligible for MinnesotaCare at the Time of Reverification**  
**As of May 31, 2015**

<b>Sample Enrollee</b>	<b>Household Income Limit<sup>1</sup></b>	<b>Applicant Attested Income<sup>2</sup></b>	<b>Auditor Verified Income<sup>3</sup></b>	<b>Health Care Overpayments through May 2015</b>
Parent	\$47,770	\$18,900	\$60,315	\$1,929
Adult	23,340	22,048	25,016	3,038
Adult	23,340	22,000	26,618	2,948
Adult	23,340	20,337	50,769	2,948
Two Adults <sup>4</sup>	39,580	34,666	45,654	5,988
Adult	23,340	20,591	25,871	2,613
Adult	31,460	21,768	36,273	2,613
Adult	23,340	22,823	26,450	2,709
Parent	47,700	40,040	48,380	1,929
Two Parents	63,940	62,680	67,450	3,783
Parent	31,460	22,090	55,870	1,889
Adult	23,340	19,838	38,559	3,132
Parent	23,340	22,088	30,724	1,933
Parent	39,580	26,000	64,827	1,167
Two Parents	55,820	49,680	75,653	3,818

<sup>1</sup> The income limits were based on the number of family members in the household, and the percent of federal poverty guidelines for the type of individual. See Appendix C for the federal poverty guidelines.

<sup>2</sup> This applicant attested income is the most recent projected annual income from MNsure reported by the applicant.

<sup>3</sup> We calculated the auditor verified income using quarterly wage and unemployment data at the Department of Employment and Economic Development and 2014 tax return information at the Department of Revenue.

<sup>4</sup> These two adults are from the same household.

Source: Office of the Legislative Auditor based on information in MNsure, the Department of Employment and Economic Development's wage system, Department of Revenue 2014 tax returns, and the Medicaid Management Information System. The people listed in this table were included our random sample of 157 people.

### **Ineligible Enrollees at the Time They Applied**

As shown in Table 9, we found people whose household income reported in MNsure exceeded their income at the time they applied for coverage. This table also shows the income MNsure used to determine their eligibility and the health care payments through May 31, 2015, that the department made while these people were ineligible.

**Table 9**  
**Income Comparisons for Sampled Enrollees**  
**Ineligible at the Time of Application**  
**As of May 31, 2015**

Sample Enrollee	Household Income Limit <sup>1</sup>	Applicant Attested Income <sup>2</sup>	Auditor Verified Income <sup>3</sup>	Health Care Overpayments through May 2015
Medical Assistance:				
Adult <sup>4</sup>	\$20,921	\$1,927	\$35,193	\$3,547
Adult <sup>4</sup>	\$20,921	\$1,927	\$35,193	\$2,474
MinnesotaCare:				
Adult	\$23,340	\$22,128	\$26,561	\$1,116

<sup>1</sup>The income limits were based on the number of family members in the household, and the percent of federal poverty guidelines for the type of individual and program. See Appendix C for the federal poverty guidelines.

<sup>2</sup>This applicant attested income is the most recent income from MNsure reported by the applicant.

<sup>3</sup>We calculated the auditor verified income using quarterly wage and unemployment data at the Department of Employment and Economic Development and 2014 tax return information at the Department of Revenue.

<sup>4</sup>These two adults are from the same household.

Source: Office of the Legislative Auditor based on information in MNsure, the Department of Employment and Economic Development's wage system, Department of Revenue 2014 tax returns, and the Medicaid Management Information System. The people listed in this table were included in our random sample of 157 people.

### Children on MinnesotaCare Not Eligible for a Public Health Care Program

Generally, children are not eligible for MinnesotaCare because the income limits for the Medical Assistance program for children are higher than the limits for MinnesotaCare.<sup>57</sup> However, under limited circumstances, some children do not qualify for Medical Assistance but qualify for MinnesotaCare. We identified 1,680 children enrolled in MinnesotaCare and then selected 25 for further review. We concluded four children did not qualify for either Medical Assistance or MinnesotaCare because their parents' income exceeded the limits for both programs.<sup>58</sup>

Table 10 shows the four children enrolled in MinnesotaCare whose household income exceeded both the Medical Assistance and MinnesotaCare income limits. The table also shows the amount of health care costs the department paid for these ineligible children.

<sup>57</sup> *Minnesota Statutes* 2014, 256B.056, subd. 4(e), says the Medical Assistance income limit for children under age 19 is 275 percent of the federal poverty level. This is higher than the MinnesotaCare limit for families with children, which *Minnesota Statutes* 2014, 256L.04, subd. 1, sets at 200 percent.

<sup>58</sup> We also found the department should have enrolled 9 of 25 children in the Medical Assistance program; we discuss one of the children in Finding 1 and the other eight in Finding 8.

**Table 10**  
**Income Comparison for Sampled MinnesotaCare Children**  
**Ineligible for a Public Health Care Program**  
**As of May 31, 2015**

Child	Medical Assistance		MinnesotaCare		Auditor Verified Household Income <sup>5</sup>	Overpaid Health Care Costs
	Household Income Limit <sup>1</sup>	Household Income <sup>2</sup>	Household Income Limit <sup>3</sup>	Projected Annual Income <sup>4</sup>		
1	\$65,588	\$139,992	\$47,700	\$36,855	\$99,000	\$1,042
2	65,588	72,186	47,700	30,700	87,126	1,187
3	65,588	83,113	47,700	27,340	83,126	1,175
4	54,423	73,164	39,580	24,000	57,909	1,187

<sup>1</sup> The Medical Assistance household income limit is based on the number of people in the household and 275 percent of the federal poverty guidelines. See Appendix C for the federal poverty guidelines.

<sup>2</sup> The Medical Assistance household income is from the income reported by the enrollee in MNsure.

<sup>3</sup> The MinnesotaCare household income limit is based on the number of people in the household and 200 percent of the federal poverty guidelines.

<sup>4</sup> The Projected Annual Income is the income MNsure used to determine the children were eligible for MinnesotaCare.

<sup>5</sup> The auditor verified household income is from:

- child 1) worker notes in MNsure saying the parent requested the projected annual income be \$99,000,
- child 2) 2014 Income Tax Data from the Minnesota Department of Revenue,
- child 3) the income reported by the enrollee in MNsure during the 2015 renewal process, and
- child 4) wage information from the Department of Employment and Economic Development.

Source: Office of the Legislative Auditor based on information in MNsure, the Department of Employment and Economic Development wage system, Department of Revenue 2014 tax returns, and the Medicaid Management Information System. The children listed in this table were not selected as part of our sample of 157 people.

In our report from last year, we recommended the department consider developing procedures to verify household income with external sources at least quarterly and identify income changes affecting enrollees' eligibility.<sup>59, 60</sup> The department did not implement this recommendation. However, the 2015 Legislature passed a law that, beginning March 1, 2016, the department must conduct periodic data matching at least once during an enrollee's 12-month period of eligibility to identify those enrollees who may not meet the eligibility criteria for the public

<sup>59</sup> Office of the Legislative Auditor, Financial Audit Division, *Department of Human Services Oversight of MNsure Eligibility Determinations for Public Health Care Programs*, report 14-22, issued November 12, 2014 (Finding 6).

<sup>60</sup> The external sources used to verify household income include wage and unemployment information at the Department of Employment and Economic Development and tax information through the Federal Services Data Hub.

health care programs.<sup>61</sup> If the department conducts data matching quarterly, it can detect ineligible people enrolled in health care programs sooner.

### *Recommendations*

- *The Department of Human Services should consider developing procedures to verify reported income with external sources quarterly to align with the wage information available at the Department of Employment and Economic Development and through the Federal Services Data Hub and identify income changes affecting enrollees' eligibility.*
- *The Department of Human Services should enhance MNsure to display the Department of Employment and Economic Development's wage and unemployment information used to verify people remained eligible for Medical Assistance and MinnesotaCare.*

**The Department of Human Services paid health care costs for some ineligible people and paid incorrect costs for others based on the applicants' reported household size and family relationships. This is a repeat finding.**

## **Finding 7**

Federal regulations allow states to accept what applicants list as the number of people in their households and how those people are related to one another unless the state finds contradictory information.<sup>62</sup> In addition, federal regulations require states to develop plans describing their policies and procedures for verifying applicant information.<sup>63</sup> The department's verification plan established that it would accept an applicant's reported household size and member relationships without further review. Health care costs are based on the eligibility category assigned to the individuals that make up the household.<sup>64</sup> In addition, MNsure uses the number of household members and their relationships to one another to determine if a person is eligible for a public health care program.

### **Applicants Not Reporting All Members of the Household**

In our sample of 157 people, we found two people who reported only themselves in MNsure; however, based on the Department of Revenue's 2014 tax information, each had their child living with them. Because of the unreported children, MNsure assigned the parents to the "adult without children" eligibility category rather than the "parent" category. These wrong categories transferred to

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<sup>61</sup> *Minnesota Session Laws* 2015, chapter 71, article 11, sec. 17.

<sup>62</sup> 45 CFR, sec. 155.320(c)(2) (2015) and 42 CFR, sec. 435.945(a).

<sup>63</sup> 42 CFR, sec. 435.945(j) (2015).

<sup>64</sup> Examples of eligibility categories are children under 19, parents, and adults without children.

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the medical payment system, and the system paid a higher managed care premium, resulting in overpayments of \$1,483 and \$1,636. Had the department programmed MNsure to validate the household makeup with tax records, it could have detected these missing family members and prevented the overpayments in premiums.

### **Applicants Reporting the Wrong Household Member Relationships**

Last year we found that MNsure allowed applicants to enter incorrect member relationships between parents and their children. In the household we found last year, the parent(s) incorrectly selected that they were the children and their children were the parents. During this audit, we identified all the children that MNsure classified as adults, and we found MNsure classified 1,582, or 1.4 percent, of the children under age 13 as parents or some other adult.<sup>65</sup> We then selected 25 children and reviewed each member of the household to see if the family members were eligible for the program in which they were enrolled. We reviewed 82 people and concluded three enrolled in Medical Assistance that were not eligible for the program.

- One father was not eligible for Medical Assistance and should have been enrolled in MinnesotaCare. The 39-year-old father initially reported that he was the parent of his 31-year-old wife and that his two children, ages 3 and 6, were his parents. We assumed he realized his error because he registered himself into MNsure a second time with the correct relationships. MNsure then created a duplicate record for this father but used the initial record to enroll the father in Medical Assistance.<sup>66</sup> Because of the wrong family relationships in the initial record, MNsure did not take into consideration his wife's income when enrolling him in Medical Assistance. Instead, MNsure used his income alone, which was less than the income limit for the Medical Assistance program. The combined income for both the father and his wife fell within the MinnesotaCare limit. These errors caused the department to overpay \$3,143 in managed care premiums.
- Two children in the same household were not eligible for either Medical Assistance or MinnesotaCare. The 35-year-old mother incorrectly reported in MNsure that her three children, ages 6, 9, and 16, were her parents, and the 6-year-old child was the parent of the 36-year-old father. Because of the wrong family relationships, MNsure excluded the parents' income when determining if the two children were eligible for Medical Assistance, and the department overpaid \$2,230 in managed care premiums.

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<sup>65</sup> Examples of adult classifications include grandparents, legal guardians, and foster parents.

<sup>66</sup> We believed the father was the same person because the date of birth was the same on both records. The errors the applicant entered into MNsure only affected the father's enrollment and not the other family members.

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The department's decision to not verify household size and member relationships caused MNsure to enroll ineligible people in the public health care programs and make unnecessary health care payments. Last year we recommended the department program MNsure to not accept family relationships that are infeasible. For example, parents being younger than children and vice versa; but, as May 31, 2015, the department did not implement that recommendation.

#### *Recommendations*

- *The Department of Human Services should program MNsure to verify household compositions with information the members reported on their federal income tax returns.*
- *The Department of Human Services should ensure MNsure does not accept invalid member relationships during the enrollment process.*
- *The Department of Human Services should program MNsure to prevent duplicate entries of the same individual.*

**The Department of Human Services did not detect some people enrolled in MinnesotaCare who were eligible for Medical Assistance. This is a repeat finding.**

## **Finding 8**

State statutes do not allow people eligible for Medical Assistance to enroll in MinnesotaCare.<sup>67</sup> Our testing identified the following instances where MinnesotaCare enrollees were eligible, or may have been eligible, for Medical Assistance.

### **MinnesotaCare Children Eligible for Medical Assistance**

Because the Medical Assistance income limit<sup>68</sup> for children is higher than the MinnesotaCare limit,<sup>69</sup> children generally qualify for Medical Assistance rather than MinnesotaCare. Through data analysis, we identified 1,680 children receiving MinnesotaCare and selected 25 to determine if they should be on

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<sup>67</sup> *Minnesota Statutes* 2014, 256L.04, subd. 14.

<sup>68</sup> *Minnesota Statutes* 2014, 256B.056, subd. 4 (e).

<sup>69</sup> *Minnesota Statutes* 2014, 256L.04, subd. 1.

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Medical Assistance. We concluded 9 of 25 children qualified for Medical Assistance.<sup>70</sup> We discuss one of these children in Finding 1.

Table 11 shows the other eight children on MinnesotaCare who were eligible for Medical Assistance because the families' household income was lower than the Medical Assistance income limit. The table also shows the amount of overpayments the department made for the children.

**Table 11**  
**Sampled MinnesotaCare Children**  
**With Incorrect Household Incomes in MNsure**  
**Who Should be on Medical Assistance**  
**As of May 31, 2015**

Child	Medical Assistance Income Limit <sup>1</sup>	Auditor Verified Household Income <sup>2</sup>	Overpaid Health Care Costs Through May 2015 <sup>3</sup>
1	\$54,423	\$42,109	\$85
2	43,258	8,145	13
3	54,423	30,000	217
4	87,918	40,795	148
5	32,092	0	171
6	76,753	32,638	148
7	76,753	22,464	21
8	87,918	47,708	47

<sup>1</sup> The Medical Assistance income threshold for children under age 19 is 275 percent of the federal poverty guidelines for the appropriate household size.

<sup>2</sup> The auditor verified household income is from the income reported by the enrollee in MNsure or wage information from the Department of Employment and Economic Development.

<sup>3</sup> The overpaid health care costs are the differences between the Medical Assistance and MinnesotaCare managed care premiums.

Source: Office of the Legislative Auditor, based on information in MNsure, the Department of Employment and Economic Development's wage system, and the Medicaid Management Information System.

<sup>70</sup> Table 10 in Finding 6 shows that 4 of the 25 children had household income higher than both the Medical Assistance and MinnesotaCare income limits and were not eligible for either program. The remaining 12 children were eligible for MinnesotaCare. The requirements for determining which family members' incomes are considered during the enrollment process differ between Medical Assistance and MinnesotaCare. For example, Medical Assistance takes into consideration both parents' incomes as long as the parents live together. However, if the child's parents are not married but living together, the child's MinnesotaCare household income only includes the parent's income who claimed the child on his or her tax return. As a result, the household income used for Medical Assistance could be significantly higher than the MinnesotaCare household income making the child eligible only for MinnesotaCare.

For more detail on the family size requirements see 42 CFR, sec. 435.603(f) (2015) for Medical Assistance and 42 CFR, sec. 600.5 (2015) and 26 CFR 1.36B-1(d) (2015) for MinnesotaCare.



We found the following reasons why these eight children were erroneously enrolled in MinnesotaCare:

- An eligibility worker made an error on one of the children's accounts by not following the instructions for processing a household income discrepancy. The error caused MNSure to incorrectly enroll the child in MinnesotaCare. Additional training of eligibility workers may have prevented this error, and we discuss worker training in more depth in Finding 3.
- MNSure correctly showed one child enrolled in Medical Assistance; however, the medical payment system had the child enrolled in MinnesotaCare. We discuss the discrepancies between these two systems in Finding 2.
- The department did not reverify that four children remained eligible for a public health care program by January 1, 2015. The department staff said they planned to correct many of the 2014 enrollment errors MNSure made when they reverified if people remained eligible for a public health care program; however, the delay meant many enrollees continued to be enrolled in the wrong health care program. In Finding 4, we discuss the delays in the reverification process in more detail.
- MNSure incorrectly enrolled one child in MinnesotaCare in February 2015. The department staff said a system defect related to residency caused the error, and they fixed the defect later in February 2015. However, the department did not enroll the child in Medical Assistance until July of 2015, and department staff said they did not identify and correct other people affected by the defect.
- MNSure incorrectly enrolled one child in MinnesotaCare because it incorrectly verified the household income and had a defect that incorrectly calculated the unemployment income. According to department staff, the department fixed the unemployment defect in February 2015.

The family applied in January 2015, and MNSure used the wage and unemployment information from the Department of Employment and Economic Development to verify the household income reported by the applicant. However, MNSure used the March through June 2014, wage information to verify the father's income because the father did not earn wages between July and September 2014, the most recent quarter of wage information available. Department staff said MNSure uses prior quarter wage information, up to one year old, to verify the income the applicant reports in MNSure. However, the father was unemployed when the family applied for coverage and received unemployment income. MNSure did not take into consideration that the father and mother's attested wages were significantly different from the amount MNSure verified.

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Table 12 demonstrates the MNsure defect with the wrong unemployment amount and shows the attested household income by the applicant, the income MNsure verified, and the income we verified.

**Table 12**  
**MNsure Medical Assistance Household Income**  
**Verification for One Family and**  
**Auditor Verified Household Income**

<b>Family Member</b>	<b>Type of Income</b>	<b>Attested Income by Applicant<sup>1</sup></b>	<b>MNsure Verified Income<sup>2</sup></b>	<b>Auditor Verified Income<sup>3</sup></b>
Mother	Wages	\$23,040	\$4,889	\$4,889
Father	Wages	2,000	47,385	0
Father	Unemployment	<u>32,656</u>	<u>10,064</u>	<u>32,656</u>
		<u>\$57,696</u>	<u>\$62,338</u>	<u>\$37,545</u>

<sup>1</sup> The attested income by the applicant is the income reported in MNsure in January 2015.

<sup>2</sup> The MNsure verified income was the income MNsure pulled from the Department of Employment and Economic Development. The mother's wages came from the 2014 third quarter data, the father's wages came from the 2014 second quarter data, and the father's unemployment shows the defect with the MNsure verification process.

<sup>3</sup> The auditor verified income is the 2014 third quarter wage amount from the Department of Employment and Economic Development. The amount used in this table differs from the auditor verified household income in Table 11. In this table, we used the quarter MNsure had available at the time it verified the family's income. In Table 11, we used the quarter that aligned with the months the family received benefits.

Source: Office of the Legislative Auditor, based on information in MNsure, the Medicaid Management Information System, and the Department of Employment and Economic Development.

### **MinnesotaCare Enrollees Eligible for Medical Assistance**

Based on our sample of 157 people (103 enrolled in Medical Assistance and 54 in MinnesotaCare), we concluded 10 of 54 MinnesotaCare enrollees were eligible for Medical Assistance based on their actual wages and other income reported by the departments of Employment and Economic Development and Revenue. Table 13 shows the Medical Assistance household income limits, applicant attested income per MNsure, and the income we verified. The table also shows the incorrect health care costs the department paid because the enrollees were eligible for Medical Assistance.

**Table 13**  
**Sampled MinnesotaCare Enrollees**  
**With Incorrect Household Incomes in MNsure**  
**Eligible for Medical Assistance**  
**As of May 31, 2015**

<b>Sample Enrollee</b>	<b>Medical Assistance Income Limit<sup>1</sup></b>	<b>Applicant Attested Income<sup>2</sup></b>	<b>Auditor Verified Income<sup>3</sup></b>	<b>Health Care Over (Under) Payments Through May 2015</b>
Parent <sup>4</sup>	\$31,721	\$44,000	\$25,719	\$(664)
Parent <sup>4</sup>	31,721	44,000	25,719	(664)
Child age 19 <sup>4</sup>	31,721	44,000	25,719	84
Parent <sup>5</sup>	42,520	43,101	27,894	(252)
Parent <sup>5</sup>	42,520	43,101	27,894	(252)
Child age 19 <sup>5</sup>	42,520	43,101	27,894	217
Adult	15,521	20,000	7,678	(1,032)
Adult	15,521	16,704	11,684	(1,688)
Adult	15,521	19,606,866,216 <sup>6</sup>	4,872	(1,032)
Adult	15,521	19,200	14,367	(1,891)

<sup>1</sup> The Medical Assistance income threshold is based on the number of people in the household and the percent of the federal poverty guidelines for the type of individual.

<sup>2</sup> The applicant attested income is from the current income reported by the enrollee in MNsure.

<sup>3</sup> We calculated the auditor verified income using quarterly wage and unemployment data at the Department of Employment and Economic Development and 2014 tax return information at the Department of Revenue..

<sup>4</sup> These three family members have the same income because they live in the same household. The income limit for children ages 19 and 20 is the same as other adults or 133 percent of the federal poverty level.

<sup>5</sup> These three family members have the same income because they live in the same household.

<sup>6</sup> The attested income of \$19.6 billion resulted from a defect in MNsure that the department corrected in April 2014; however, the department did not identify the people affected by the defect and correct the errors. The department planned to correct the errors from this defect when it reverified enrollees remained eligible for a public health care program but had not yet completed the reverification process as of May 31, 2015. For more detail, see the Office of the Legislative Auditor, Financial Audit Division, *Department of Human Services Oversight of MNsure Eligibility Determinations for Public Health Care Programs*, report 14-22, issued November 12, 2014 (Finding 1).

Source: Office of the Legislative Auditor, based on information in MNsure, the Medicaid Management Information System, and the departments of Revenue and Employment and Economic Development.

The factors contributing to the people in Table 13 being enrolled in the wrong program are discussed in Findings 4 and 6 and include:

- Delays in reverifying that people remained eligible for a public health care program;
- MNsure not promptly generating notification letters;

- MNsure and the Federal Services Data Hub using older income information and not reverifying income quarterly; and

State statutes require most people enrolled in MinnesotaCare to pay premiums for the health care coverage.<sup>71</sup> By enrolling people in MinnesotaCare when they are eligible for Medical Assistance, the department is unnecessarily charging premiums for the lowest income people seeking health care coverage.<sup>72</sup>

#### *Recommendations*

- *The Department of Human Services should identify people erroneously enrolled in MinnesotaCare, enroll them in the correct health care program, and reimburse any premiums the enrollees paid while eligible for Medical Assistance.*
- *The Department of Human Services should consider redesigning the way MNsure verifies wage information with the Department of Employment and Economic Development when a person does not have reported wages in the most current quarter available.*
- *The Department of Human Services should identify people affected by the MNsure residency, wage verification, and unemployment defects and ensure these people are enrolled in the correct health care program.*

## **Finding 9**

**The Department of Human Services inappropriately used federal funds to pay for health care costs for MinnesotaCare enrollees age 65 and older and enrolled one person in MinnesotaCare when she was eligible for Medicare. This is a repeat finding.**

Beginning January 1, 2015, when the MinnesotaCare program became a federal Basic Health Program, the department could no longer use federal funds to pay the health care costs of people enrolled in MinnesotaCare who were age 65 and older.<sup>73</sup> Instead, the department must use all state funds. In addition, state statutes say people eligible for Medicare are not eligible for MinnesotaCare.<sup>74</sup>

We analyzed data in the medical payment system and identified 1288 people age 65 and older enrolled in MinnesotaCare. We then selected 24 people to see if the department used federal funds to pay their health care costs and if the enrollees

<sup>71</sup> *Minnesota Statutes* 2014, 256L.15.

<sup>72</sup> We discuss problems related to the MinnesotaCare premiums in more detail in Finding 11 of this report.

<sup>73</sup> 42 CFR, sec. 600.305(a)(4) (2015).

<sup>74</sup> *Minnesota Statutes* 2014, 256L.07, subd. 3(b).

were eligible for Medicare. We found one enrollee was eligible for Medicare and, therefore, not eligible for MinnesotaCare. The other 23 were eligible for MinnesotaCare; however, the department used federal funds to pay their health care costs.

### **System Defect Affecting the Funding of MinnesotaCare Enrollees Age 65 and Older**

The department used federal funds to pay about 37 percent of MinnesotaCare enrollees' health care costs. When a person turns age 65, MNSure should automatically prompt the medical payments system to change the person's classification from federal and state funded to just state funded. According to department staff, MNSure and the medical payment system had a defect, and the two systems did not reclassify a MinnesotaCare enrollee's funding percentage when the person turned age 65. The department identified the defect in December 2014, but did not correct it as of May 2015.

The department used \$25,219 of federal funds to pay the health care costs of the 23 MinnesotaCare enrollees we tested age 65 and older. Because the system defect affected all MinnesotaCare enrollees age 65 and older, we estimate the department incorrectly used about \$1.2 million of federal funds to pay the healthcare costs of the 1,200 or so MinnesotaCare enrollees age 65 and older.

### **MinnesotaCare Enrollees Eligible for Medicare**

Since our last audit, the department began running reports to identify MinnesotaCare enrollees turning age 65 and removing any from the program if they were eligible for Medicare.<sup>75</sup> Generally, we found this review process effective. According to the June 2015 report, the department noted that the MNSure account for one person in our review of 24 people had problems reverifying their eligibility for a public health care program. The department could not remove this person from MinnesotaCare until the department fixed the reverification problems with this person's account. The department continued to pay for the health care costs and, as of May 31, 2015, overpaid \$1,232.

#### *Recommendations*

- *The Department of Human Services should fix the functionality between MNSure and the medical payment system to ensure the source of funding changes to 100 percent state funded when a MinnesotaCare enrollee turns 65.*

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<sup>75</sup> Office of the Legislative Auditor, Financial Audit Division, *Department of Human Services Oversight of MNSure Eligibility Determinations for Public Health Care Programs*, report 14-22, issued November 12, 2014 (Finding 9).

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- *The Department of Human Services should determine the amount it owes and reimburse the federal government for the federal funds it used to pay health care costs for MinnesotaCare enrollees age 65 and older.*
- *The Department of Human Services should identify MinnesotaCare enrollees age 65 and older affected by the MNsure reverification problems and remove those no longer eligible for the program.*

## **Finding 10**      **The Department of Human Services did not ensure newborns turning age one remained eligible for Medical Assistance.**

State statutes say an infant born to a woman enrolled in Medical Assistance can be enrolled in the program until the child's first birthday, regardless of the other eligibility requirements.<sup>76</sup> The department classifies these infants as auto-newborns. Before each infant turns one year old, eligibility workers should determine if the infant will meet all the eligibility requirements by their birthday.

We analyzed data in the medical payment system and identified almost 1,700 infants classified as auto-newborn, whose mothers' accounts originated in the department's legacy eligibility system, and the newborns were added to their account.<sup>77</sup> We then selected 26 infants to see if a worker reverified the babies were still eligible for Medical Assistance about the time they turned age one. We found, as of May 2015, the workers had not reverified the eligibility for six infants and had reverified another five between 91 and 204 days after the infants' first birthday. The eligibility workers found one of these five infants was not eligible for Medical Assistance, and the department overpaid \$1,166 in health care costs.

According to staff at the department, with the exception of electronic messages sent to workers as reminders to reverify the infants remain eligible for Medical Assistance, the department does not conduct oversight to ensure the eligibility workers complete the reverification process before the infants turned age one. Had the department monitored the workers' follow up of the electronic messages, it likely could have prevented overpayments made for infants no longer eligible for Medical Assistance.

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<sup>76</sup> *Minnesota Statutes* 2014, 256B.057, subd. 1(b).

<sup>77</sup> MAXIS is the department's legacy eligibility system that determined if people were eligible for a public health care program prior to the implementation of MNsure. Because the department had not yet converted all the Medical Assistance enrollees (whose income is determined using the modified adjusted gross income method) to MNsure, many of the infants' Medical Assistance information was in MAXIS.

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*Recommendation*

- *The Department of Human Services should monitor the counties to ensure the workers reverify the auto-newborns remain eligible for Medical Assistance by their first birthday.*

**The Department of Human Services did not charge premiums for people enrolled in MinnesotaCare. This is a repeat finding.**

## Finding 11

State statutes require most MinnesotaCare enrollees who are age 21 or older to pay income-based premiums in order to stay enrolled in the program.<sup>78</sup>

As shown in Table 14, we found from our sample of 157 people, 103 enrolled in Medical Assistance and 54 in MinnesotaCare, the department did not charge MinnesotaCare premiums for 41 of 54 people enrolled in the program.

**Table 14**  
**Sample of MinnesotaCare Enrollees'**  
**Premium Billings between January and May 2015**

Application Status	Enrollees Not Billed	Total Enrollees	Percentage Not Billed
New Applicants	1 <sup>1</sup>	10	10%
Reverification Processed	0	4	0%
Reverification Not Processed	40	40	100%
<b>Total Enrollees</b>	<b>41</b>	<b>54</b>	

<sup>1</sup> MNsure did not create one enrollee's premium billing account until two months after the person applied. According to department staff, they have a reconciliation process that identifies these delays so it can bill enrollees for the months MNsure did not create a bill.

Source: Department of Human Services' staff.

Table 14 also shows that the four MinnesotaCare enrollees whose eligibility for the program was reverified received premium bills, while those whose eligibility was not reverified did not. MNsure does not carry forward an enrollee's billing account from one year to the next but creates a new account when the enrollee's eligibility for the program is reverified. This resulted in MNsure not billing MinnesotaCare enrollees until the department reverified their eligibility for the program. As discussed in Finding 4 and shown in Table 4, the department did not promptly reverify that people remained eligible for a public health care program, and 93 percent of the MinnesotaCare enrollees did not have their eligibility reverified by May 31, 2015.

<sup>78</sup> *Minnesota Statutes* 2014, 256L.15, subd. 2.

The department was aware of the issues in the MNsure billing process and stated their intention to move the function out of MNsure and back into the medical payment system. In a letter to legislators dated July 9, 2015, the commissioners of Human Services and MN.IT Services stated:

*Given the series of problems we have had with premium invoices generated by the new MNsure IT [information technology] system, we also wanted to let you know that DHS is taking steps to bring premium billing back in-house for 2016. In addition, we are currently reviewing options for reconciling outstanding premiums.*

According to department staff, once the department moves the billing function to the medical payment system in early 2016, the premium billings will carry forward from year to year regardless of the reverification status. The department plans to retroactively bill MinnesotaCare enrollees for all unpaid premiums and make coverage contingent on premium payments once the billing function moves to the medical payment system. The department staff estimated that in fiscal year 2015 it collected \$10.5 million less in MinnesotaCare premiums because of problems with the MNsure billing functionality.

#### *Recommendation*

- *The Department of Human Services should continue to work to correct the MinnesotaCare billing errors, ensure enrollees pay their premiums, and terminate coverage for failure to pay.*
-



## Appendix A. Status of Prior Findings

Table 15 shows the status of the prior findings included in the Office of the Legislative Auditor, Financial Audit Division, Report 14-22, *Department of Human Services Oversight of MNSure Eligibility Determinations for Public Health Care Programs*, issued November 12, 2014. We determined the status of these prior findings based on the work done for this report.

**Table 15**  
**Department of Human Services**  
**Oversight of MNSure Eligibility Determinations**  
**for Public Health Care Programs**  
**Status of Prior Findings**  
**As of May 31, 2015**

Prior Finding Number	Prior Finding	Status	New Finding Number
1	<p>The Department of Human Services did not adequately verify that people who enrolled in public health care programs through MNSure were eligible for those programs.</p> <ul style="list-style-type: none"> <li>• Unnecessary benefit payments for duplicate accounts.</li> <li>• MNSure enrollees not included in federal data match to detect improper payments and fraud.</li> </ul>	<p>Partially Resolved</p> <p>Resolved</p>	1
2	The Department of Human Services lacked adequate controls to ensure the accurate and complete transfer of recipient data from MNSure to DHS's medical payment system, and to detect whether Office of MN.IT Services staff inappropriately accessed recipients' personal information.	Partially Resolved	2
3	The Department of Human Services did not provide the county human service eligibility workers with sufficient training on MNSure.	Partially Resolved	3
4	Eligibility workers were unable to close cases when recipients had income and family relationship changes that made them ineligible for benefits or when recipients asked workers to close their cases.	Resolved	N/A

*(Continued on next page)*

**Table 15**  
(Continued from previous page)

Prior Finding Number	Prior Finding	Status	New Finding Number
5	<p>The Department of Human Services did not have an effective process to resolve discrepancies with social security numbers and citizenship or immigration status that MNsure identified for further verification.</p> <ul style="list-style-type: none"> <li>• Problems with notification letters</li> <li>• Problems viewing verifications and other follow-up items</li> </ul>	<p>Not Resolved</p> <p>Partially Resolved</p> <p>Not Resolved</p>	5
6	<p>The Department of Human Services paid Medical Assistance and MinnesotaCare benefits for recipients whose income exceeded federal and state program limits.</p> <ul style="list-style-type: none"> <li>• Incomes exceeded program limit at the time they applied</li> <li>• Incomes exceeded the limit after enrollment</li> <li>• Income not verified prior to recipient receiving benefits</li> </ul>	<p>Not Resolved</p> <p>Not Resolved</p> <p>Resolved</p>	6
7	<p>The Department of Human Services paid health care costs for some ineligible people based on the applicants' reported household size and family relationships.</p>	<p>Not Resolved</p>	7
8	<p>MNsure incorrectly enrolled some people in MinnesotaCare when they were eligible for Medical Assistance, and the Department of Human Services did not transfer MinnesotaCare recipients to the Medical Assistance program when their income dropped.</p> <ul style="list-style-type: none"> <li>• MinnesotaCare children eligible for Medical Assistance</li> <li>• MinnesotaCare recipients whose income decreased below Medical Assistance income limits</li> <li>• MinnesotaCare recipients who may have been eligible for Medical Assistance</li> </ul>	<p>Not Resolved</p> <p>Not Resolved</p> <p>Not Resolved</p>	8

(Continued on next page)

**Table 15**  
(Continued from previous page)

Prior Finding Number	Prior Finding	Status	New Finding Number
9	The Department of Human Services paid benefits for MinnesotaCare recipients who were also enrolled in Medicare.	Partially Resolved	9
10	<p>The Department of Human Services did not assign women to the correct eligibility category and did not ensure the women were enrolled in the correct program when they were no longer eligible for the Children’s Health Insurance Program.</p> <ul style="list-style-type: none"> <li>• Incorrect eligibility category</li> <li>• Incorrect health care program</li> </ul>	We did not follow up on this finding.	N/A
11	The Department of Human Services did not charge premiums for MinnesotaCare recipients during the first three months of 2014, and MNsure did not properly calculate premiums starting in April 2014.	Not Resolved	11

Source: Office of the Legislative Auditor.



## Appendix B. Expanded Discussion of Audit Methodology

From the department's medical payment system, we obtained a file of Medical Assistance and MinnesotaCare enrollees whose incomes were calculated using the modified adjusted gross income methodology, and who received benefits from January 1, 2015, through March 31, 2015. We verified that the approximately 870,000 people with active accounts in our population was reasonably close to the number of people the department's Health Care and Eligibility Access staff said were active.

We used the file of public health care enrollees to:

- Analyze enrollees with different names but having the same social security number and enrollees with the same name but different social security numbers;
- Analyze MinnesotaCare enrollees who were 65 years or older because individuals receiving Medicare were not eligible for MinnesotaCare;
- Analyze MinnesotaCare enrollees who were 18 years and younger because the Medical Assistance income threshold for children was higher than the threshold for MinnesotaCare;
- Analyze Medical Assistance cases active in in the department's legacy eligibility system to see if the department performed an annual redetermination of the enrollees since March 31, 2014; and
- Identify 269,674 enrollees who either applied for health care coverage between January and March 2015, or needed their eligibility for a public health care program reverified during that time. These people made up about 178,000 households. We randomly selected 99 households to test whether people receiving benefits were eligible for those benefits. Each household consisted of one or more people. For each program, we tested the following numbers of people from the random sample:

<u>Program</u>	<u>Number of People</u>
Medical Assistance	103
MinnesotaCare	<u>54</u>
Total	<u>157</u>

We also used these sample enrollees to test, as applicable, whether the department paid the correct monthly health care rate or billed people in the MinnesotaCare program premiums.

To test the eligibility of people, we used data from the following sources:

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- From the Department of Employment and Economic Development, we used wage information submitted quarterly by employers and data about unemployment benefits to help us verify people's household incomes and addresses.
  - From the Department of Revenue, we used tax return information to help us verify social security numbers, tax dependencies, and household income.
  - From the department and county case files, we used documentation, such as copies of birth certificates, paycheck stubs, and driver's licenses, to the extent additional documents existed. The existence of additional documents was more likely if the person was also receiving cash or food support benefits through the department, or if MNsure identified the household for further verification.
-

## Appendix C – Summary of Public Health Care Programs Eligibility Requirements

*Minnesota Statutes* and federal regulations outline the requirements individuals must meet to be eligible for the Medical Assistance and MinnesotaCare programs. Following are some of the most common requirements:

### Medical Assistance

To be eligible for Medical Assistance under the modified adjusted gross income determination, an individual must meet the following requirements, among others:

- Be a citizen of the United States, qualified noncitizen, and other person residing lawfully in the United States.
- Be a resident of Minnesota.
- Be a member of a group for which Medical Assistance coverage is required or permitted under federal or state law.
- Have income below the percentage of the federal poverty guidelines; the percentage for children under age 2 is 283 percent, pregnant women is 278 percent, children age 2 to 18 is 275 percent, children age 19 to 20, parents or relative caretakers of a dependent child on Medical Assistance, and adults without children is 133 percent.

### MinnesotaCare

To be eligible for MinnesotaCare, an individual must meet the following requirements, among others:

- Not qualify for Medical Assistance or Medicare.
- Not have current employer subsidized health care or have access to subsidized health care that is considered affordable and provides a minimum value of benefits.
- Be a citizen or national of the United States, qualified noncitizens, and other persons residing lawfully in the United States.
- Be a resident of Minnesota.
- Have income above 133 percent and up to 200 percent of the federal poverty guidelines.
- Pay monthly premiums if age 21 or older.

Table 16 shows the 2014 Federal Poverty Guidelines and the income limits for Medical Assistance (133% for adults, 275% for children aged 2-18, 278% for

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pregnant women, and 283% for children under 2) and MinnesotaCare (200% for all enrollees).

**Table 16**  
**2014 Federal Poverty Guidelines and**  
**Income Limits**

<b>Household Members</b>	<b>FPG</b>	<b>133%</b>	<b>200%</b>	<b>275%</b>	<b>278%</b>	<b>283%</b>
1	\$11,670	\$15,521	\$23,340	\$32,093	\$32,443	\$33,026
2	\$15,730	\$20,921	\$31,460	\$43,258	\$43,729	\$44,516
3	\$19,790	\$26,321	\$39,580	\$54,423	\$55,016	\$56,006
4	\$23,850	\$31,721	\$47,700	\$65,588	\$66,303	\$67,496
5	\$27,910	\$37,120	\$55,820	\$76,753	\$77,590	\$78,985
6	\$31,970	\$42,520	\$63,940	\$87,918	\$88,877	\$90,475
7	\$36,030	\$47,920	\$72,060	\$99,083	\$100,163	\$101,965
8	\$40,090	\$53,320	\$80,180	\$110,248	\$111,450	\$113,455

Source: Office of the Assistant Secretary for Planning and Evaluation.



## Appendix D. Summary of Over and Underpayments Contained in this Report

Table 17 shows the net overpayments of health care costs identified in this report. We summarized the amounts by finding and testing type, including those that make up the \$104,213 net overpayments the department made for enrollees in our random sample, as discussed in Finding 1.

**Table 17**  
**Summary of Over and Underpayments Contained in this Report**  
**By Finding and Testing Type**

Finding Number	Finding	Random Sample	Data Analysis
1	The Department of Human Services did not adequately verify that people who enrolled in public health care programs through MNsure were eligible for those programs.	\$1,050	\$58,546
2	The Department of Human Services lacked adequate controls to ensure the accurate and complete transfer of enrollee data from MNsure to the department's medical payment system, and to detect whether Office of MN.IT Services staff inappropriately accessed enrollees' personal information.	\$2,835	\$0
3	The Department of Human Services did not provide the county human service eligibility workers with sufficient training on MNsure.	\$0	\$0
4	The Department of Human Services did not reverify that Medical Assistance and MinnesotaCare enrollees, who enrolled through MNsure, remained eligible for the program within the required timeframes established in federal and state law.	\$0	\$0
5	The Department of Human Services did not resolve discrepancies with social security numbers, citizenship or immigration status, or household income that MNsure identified for further verification.	\$9,974	\$0
6	The Department of Human Services paid Medical Assistance and MinnesotaCare benefits for enrollees whose income exceeded federal and state program limits.	\$94,409	\$4,591
7	The Department of Human Services paid health care costs for some ineligible people and paid incorrect costs for others based on the applicants' reported household size and family relationships.	\$3,119	\$5,373

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**Table 17**  
(Continued from previous page)

Finding Number	Finding	Random Sample	Data Analysis
8	The Department of Human Services did not detect some people enrolled in MinnesotaCare who were eligible for Medical Assistance.	(\$7,174)	\$850
9	The Department of Human Services inappropriately used federal funds to pay for health care costs for MinnesotaCare enrollees age 65 and older and enrolled one person in MinnesotaCare when she was eligible for Medicare.		\$1,232
10	The Department of Human Services did not ensure newborns turning age one remained eligible for Medical Assistance.		\$1,166
11	The Department of Human Services did not charge premiums for people enrolled in MinnesotaCare.	\$0	\$0
<b>Total Net Overpayments</b>		<b><u>\$104,213</u></b>	<b><u>\$71,758</u></b>

Source: Office of the Legislative Auditor.



## Minnesota Department of **Human Services**

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January 25, 2015

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

Dear Mr. Nobles:

Thank you for the opportunity to review the findings and recommendations from your audit of eligibility determinations for public health care programs in the new eligibility system, the Minnesota Eligibility Technology System (METS). You and your staff have been completely professional throughout this process and we appreciate the cooperation with our staff.

The findings in this report are serious, and the need for improvement is critical. Accurate eligibility determinations are a basic function that we must get right to ensure the integrity of our public health care programs. I am also committed to improving the customer service we provide to enrollees in our public health care programs. Too many of our enrollees are confused with our communications, and DHS staff and county staff are frustrated because they cannot provide effective customer service.

There have been many system improvements over the course of the last two years, but we still have areas to improve. Currently, initial eligibility for new applicants is working well in the system. However, we recognized coming into 2015 that we needed to improve the back-end and case management functions of the system and we set our work plan accordingly. As we read the audit, it appears most of the findings are a function of three significant issues that we worked on following this audit period and throughout 2015 and continue to work on going into 2016:

- **Annual renewals:** Annual renewal is a fundamental part managing program eligibility. The renewals process was not in place during the time of the audit (January to March of 2015), and clearly impacted the audit findings. While we now have renewal functionality working in METS, our recent experience with January renewals clearly demonstrates we need to work closely with our IT partners to assure the technology solutions developed and implemented meet our needs. Improvements in IT and in our business processes need to align to that ensure renewals are successfully implemented each month.
- **MMIS/METS interface:** This interface ensures that eligibility is aligned with payment, and that people are in the correct program. Significant improvements in the interface were made throughout 2015 that would not be captured in the audit. However, more improvement is needed and work will continue throughout 2016.
- **MinnesotaCare Premiums:** This has been a continuing challenge for the last two years. As we have announced previously, we will be moving MinnesotaCare premiums off of the EngagePoint software in the METS system and onto MMIS. This transition will begin in February.

In addition to these three system issues, we need to improve our business processes. I am particularly concerned that we improve our communications with the people we serve and county eligibility workers to reduce the confusion that has been too prevalent over the last year. Not every problem needs an IT solution; we need to focus on improving how we conduct our business using the new system.

While we fully acknowledge the problems that existed during the audit period, and that some of those problems persist today, we are concerned that error rate for eligibility determinations in the audit is overstated. First, the audit draws the sample from a sub-set of METS public program cases: only those that were determined initially eligible or scheduled for renewal during the audit period. These cases – particularly the renewal cases – are more prone to error than the other cases in METS. For example, this sampling method results in an over-representation of MinnesotaCare in the sample. We know MinnesotaCare cases had more problems during this time period due to the delay in renewals.

Second, the audit methodology for determining income eligibility is not the methodology we are required to use under state and federal laws, nor was the data used even available at the time people were determined eligible. By law, families attest to their income, that income is checked against data sources and the family is given an opportunity to explain any differences. The audit simply uses now-available data sources to determine whether the income of the family is within the program eligibility range.

For these reasons we are skeptical of whether the audit's calculation of eligibility errors is accurate when compared to how the department is required to determine eligibility under federal and state law. We conduct Payment Error Rate Measurement (PERM) audits of Medicaid eligibility under the federally directed PERM rules. Our most recent PERM audit found much lower error rates than the findings of this audit. While the error rate in the PERM audit was too high (16%), it was much lower than the 38% in Finding 1 of this audit. The PERM audit also found only one case in the sample of 128 cases – less than one percent – that was not eligible for any public program, a marked difference from the 28% reported in Finding 1 in this audit.

The methodology and sample for PERM audits does differ from the approach of this audit. PERM audits are done through comprehensive case reviews that examine the accuracy of system eligibility calculations and the appropriateness of case worker actions. The case reviews measure compliance with state and federal laws. The sample is broader than used in this audit: it includes MAGI and non-MAGI MA as well as MinnesotaCare, and includes cases both from METS and the legacy system.

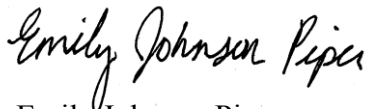
We raise these issues of sample and methodology because we believe the approach used in PERM audits is a more accurate and appropriate way to review eligibility determinations and identify errors. This is not to say that the approach in this audit is unreasonable; there are many ways that eligibility could be determined or verified after the fact. But there is only one way that it is required to be determined under state and federal laws. The sizable differences in error rates between these audits does raise questions about using a methodology that is not firmly based in the laws, rules and procedures that govern public health care program eligibility determinations.

Finally, the timing of this audit period did not allow the department adequate time to correct findings from the previous audit. Although the audit periods were themselves separated by a year, the previous

audit's findings and recommendations were published on November 12, 2014, less than two months before the beginning of the sampling period for this audit (January through March of 2015). While we had made progress on some findings in the interim, we had very little time analyze the audit findings and implement corrections. We firmly believe the purpose of the audit is to promote improvement; due to the short turn around, the ability for the department to respond was limited.

Thank you again for the professional and dedicated efforts of your staff during this audit. Responses to each specific audit finding are attached. The Department of Human Services policy is to follow up on all audit findings to evaluate the progress being made to resolve them. Progress is monitored until full resolution has occurred. If you have any further questions, please contact Gary L. Johnson, Internal Audit Director, at (651) 431-3623.

Sincerely,

A handwritten signature in black ink that reads "Emily Johnson Piper". The signature is written in a cursive, flowing style.

Emily Johnson Piper  
Commissioner

### **Audit Finding 1**

**The Department of Human Services did not adequately verify that people who enrolled in public health care programs through MNsure were eligible for those programs. This is a repeat finding.**

### **Audit Recommendations 1**

*The Department of Human Services should continue to design ways to detect and assess the risk that errors may occur in the MNsure application and renewal processes that result in ineligible people obtaining public health care program benefits.*

*The Department of Human Services should continue its efforts to analyze data it has for people enrolled in public health care programs to identify duplicate accounts and recover inappropriate payments to health care providers.*

*The Department of Human Services should continue to develop its ONEsource procedures so workers can promptly update MNsure when people report changes in circumstances.*

### **Response to Audit Recommendations 1**

The Department of Human Services has been working with MN.IT Services to identify and fix eligibility problems in the Minnesota Eligibility Technology System (METS) throughout the project. The department will continue to identify and resolve systems flaws that contribute to incorrect eligibility determinations.

All the work in METS is being coordinated through three agencies, DHS, MN.IT and MNsure, and items that require IT solutions must be prioritized by the MNsure Executive Steering Committee.

The department continues to identify duplicate records and has recovered duplicate payments as appropriate. The department will pursue the recovery of the remaining incorrect payments made under duplicate records by the end of the year. In addition, MN.IT Services has begun a project to improve the matching logic and merging of duplicate accounts.

The department will continue to develop ONEsource procedures so workers can promptly update METS when enrollees report changes in circumstances.

Responsible Persons: Nathan Moracco, DHS Assistant Commissioner, Health Care Administration

Estimated Completion Date: Ongoing activity

### **Audit Finding 2**

**The Department of Human Services lacked adequate controls to ensure the accurate and complete transfer of enrollee data from MNsure to the department's medical payment system and to detect**

**whether Office of MN.IT Services' staff inappropriately accessed enrollees' personal information. This is a repeat finding.**

**Audit Recommendation 2-1**

*The Department of Human Services should verify the complete and accurate transfer of all enrollees ' data from MN sure to the medical payment system.*

**Response to Audit Recommendation 2-1**

Work is in progress to enable transfer of enrollee eligibility data in METS to MMIS (Medicaid Management Information System), which houses enrollee coverage data and medical claims payment data. Subsequent to the transfer, a review and reconciliation will be conducted to correct variations between the eligibility and coverage data for enrollees.

Responsible Person: Scott Peterson, MN.IT Services; Gary Johnson, DHS  
Estimated Completion Date: December 2016

**Audit Recommendation 2-2**

*The Department of Human Services should work with the Office of MN.IT Services to log and monitor when MN.IT employees access enrollees ' personal information in the MNsure and medical payment systems.*

**Response to Audit Recommendation 2-2**

MN.IT Services in coordination with the department has implemented some logging in 2015 in response to the previous audit. The department continues working with MN.IT Services to add additional logging associated with the certain datasets and resources identified during the audit. Together, we plan to fine-tune the right level of monitoring and follow-up for any newly logged events. We are implementing a technical solution to address this finding with our existing toolset.

Responsible Person: Scott Peterson, MN.IT Services; Gary Johnson, DHS  
Estimated Completion Date: June 30, 2016

**Audit Finding 3**

**The Department of Human Services did not provide the county human service eligibility workers with sufficient training on MNsure. This is a repeat finding.**

**Audit Recommendations 3**

*The Department of Human Services should continue to work with county staff to develop training that meets the needs of the county eligibility workers.*

*The Department of Human Services should continue to develop MNsure user training and require employees and eligibility workers complete the training prior to granting access to the system.*

### **Response to Audit Recommendations 3**

The department continues to update training to keep it current, and will develop additional training as we move through the changes that occur in METS. Over the last year the department released In-Person Paper Application Training which runs on a monthly basis, released renewals training which included supported training sessions, and developed and published many new procedures in ONESource, our procedural manual. Additional support for the ONESource procedures included demonstration videos and supported training sessions.

Additionally, we have initiated an ONESource project that will resolve the issues that counties brought up during the audit, which includes reorganizing ONESource to make it a more user friendly tool. The department also continues to host a monthly video conferences with counties to address hot topics and answer questions in an effort to provide additional support. These video conferences are taped, and available for workers who are unavailable to view them at the time they are presented. The department is working towards requiring system training prior to granting employees and eligibility workers security access to METS.

Responsible Person: Nathan Moracco, DHS  
Estimated Completion Date: Ongoing

### **Audit Finding 4**

**The Department of Human Services did not reverify that Medical Assistance and MinnesotaCare enrollees who enrolled through MNsure remained eligible for the program within the required timeframes established in federal and state laws.**

### **Audit Recommendations 4**

*The Department of Human Services should reverify confirm that Medical Assistance and MinnesotaCare enrollees remained eligible for a public health care program within the requirements of federal and state laws.*

*The Department of Human Services should send out notification letters one month before enrollees need their eligibility reverified.*

### **Response to Audit Recommendations 4**

The department has worked with MN.IT Services to implement and improve system functionality related to renewals processing and timeliness. This work will continue in 2016. We will review the renewals timeline and adjust accordingly to ensure enrollees have one month to respond to renewal letters and county and state workers have time to process renewals timely. We will seek continued system improvement and improve enrollee renewal letters.



Responsible Person: Nathan Moracco, DHS  
Estimated Completion Date: Ongoing

**Audit Finding 5**

**The Department of Human Services did not resolve discrepancies with social security numbers, citizenship or immigration status, or household income that MNsure identified for further verification. This is a repeat finding.**

**Audit Recommendation 5-1**

*The Department of Human Services should complete the necessary MNsure changes and enhancements to track and resolve discrepancies within the required 95 days.*

**Response to Audit Recommendation 5-1**

DHS and MN.IT are assessing this issue, and will work to determine enhancements needed in METS or related business processes to track and resolve discrepancies of this type. The timing of IT fixes or enhancements depends on prioritization decisions made by the MNsure Executive Steering Committee.

Responsible Person: Scott Peterson, MN.IT Services  
Estimated Completion Date: November 2016

**Audit Recommendation 5-2**

*The Department of Human Services should assess whether people who do not return the required information within 95days are eligible by using information from other electronic sources and terminate coverage when it determines people are not eligible.*

**Response to Audit Recommendation 5-2**

The department's policy, based on federal requirements, requires the use of electronic data sources to verify an individual's attestation of eligibility factors. If verification cannot be made through this process, the individual's eligibility is determined based on their attestation. If eligible they are provided coverage and given a 95 day period to provide the verification. If they fail to do so their coverage should be terminated. The department is developing business processes to close enrollees in this circumstance and will work with MN.IT Services to develop needed system functionality.

Responsible Person: Nathan Moracco, DHS  
Estimated Completion Date: November 2016

**Audit Finding 6**

**The Department of Human Services paid Medical Assistance and MinnesotaCare benefits for enrollees whose income exceeded federal and state program limits. This is a repeat finding.**

**Audit Recommendations 6**

*The Department of Human Services should consider developing procedures to verify reported income with external sources quarterly to align with the wage information available at the Department of Employment and Economic Development and through the Federal Services Data Hub and identify income changes affecting enrollees' eligibility.*

*The Department of Human Services should enhance MNsure to display the Department of Employment and Economic Development's wage and unemployment information used to verify people remained eligible for Medical Assistance and MinnesotaCare.*

**Response to Audit Recommendations 6**

The department verifies attested wage and income information with available information in electronic data sources at the time the application or renewal is processed. The METS currently verifies reported income with wage and unemployment information available from the Department of Employment and Economic Development (DEED) and the Federal Services Data Hub (FSDH) at application. The METS currently displays the DEED wage and unemployment information.

The METS also verifies reported income with the FSDH information at renewal. The department will work with MN.IT Services to add DEED wage and unemployment information at renewal and to display this information.

Federal regulations do not permit a determination of ineligibility based solely on these electronic data sources. Therefore, the audit methodology for calculating income eligibility is not comparable to the actual eligibility determination and renewal processes the department is required to complete. For this reason, we are skeptical of the audit's calculation of eligibility errors that contribute to this finding.

The department is working with MN.IT Services to implement the periodic data matching legislation passed in the 2015 session which requires data matching to be conducted at least once during an enrollee's 12-month eligibility period to identify enrollees who may no longer be eligible.

Responsible Person: Nathan Moracco, DHS  
Estimated Completion Date: November 2016

**Audit Finding 7**

**The Department of Human Services paid health care costs for some ineligible people and paid incorrect costs for others based on the applicants' reported household size and family relationships. This is a repeat finding.**

**Audit Recommendations 7**

*The Department of Human Services should program MNsure to verify household compositions with information the members reported on their federal income tax returns.*

*The Department of Human Services should ensure MN sure does not accept invalid member relationships during the enrollment process.*

*The Department of Human Services should program MNsure to prevent duplicate entries of the same individual.*

### **Response to Audit Recommendations 7**

The department will consider the recommendation to verify household composition with the information reported on federal income tax returns. These verifications are not federally required and are not part of our federally approved verification plans.

The department will work with MN.IT Services to pursue system checks to prevent member relationship errors by applicants. The timing of IT fixes or enhancements depends on prioritization decisions made by the MNsure Executive Steering Committee.

MN.IT Services has begun a project to improve the matching logic and merging of duplicate accounts to prevent duplicate entries of the same individual.

Responsible Person: Nathan Moracco, DHS; Scott Peterson, MN.IT Services  
Estimated Completion Date: November 2016

### **Audit Finding 8**

**The Department of Human Services did not detect some people enrolled in MinnesotaCare who were eligible for Medical Assistance. This is a repeat finding.**

### **Audit Recommendations 8**

*The Department of Human Services should identify people erroneously enrolled in MinnesotaCare, enroll them in the correct health care program, and reimburse any premiums the enrollees paid while eligible for Medical Assistance.*

*The Department of Human Services should consider redesigning the way MNsure verifies wage information with the Department of Employment and Economic Development when a person does not have reported wages in the most current quarter available.*

*The Department of Human Services should identify people affected by the MNsure residency, wage verification, and unemployment defects and ensure these people are enrolled in the correct health care program.*

## **Response to Audit Recommendations 8**

The department verifies attested wage and income information with available information in electronic data sources at the time the application or renewal is processed. Federal regulations do not permit a determination of ineligibility based solely on these electronic data sources. Therefore, the audit methodology for calculating income eligibility is not comparable to the actual eligibility determination and renewal processes the department is required to complete. For this reason, we are skeptical of the audit's calculation of eligibility errors that contribute to this finding.

The department will work with MN.IT Services to add DEED wage and unemployment information at renewal and to display this information.

In February 2015 the department corrected the residency and unemployment defects that were cited.

Responsible Person: Nathan Moracco, DHS  
Estimated Completion Date: December 2017

## **Audit Finding 9**

**The Department of Human Services inappropriately used federal funds to pay for health care costs for MinnesotaCare enrollees age 65 and older and enrolled one person in MinnesotaCare when she was eligible for Medicare. This is a repeat finding.**

## **Audit Recommendations 9**

*The Department of Human Services should fix the functionality between MNsure and the medical payment system to ensure the source of funding changes to 100 percent state funded when a MinnesotaCare enrollee turns 65.*

*The Department of Human Services should determine the amount it owes and reimburse the federal government for the federal funds it used to pay health costs for MinnesotaCare enrollees age 65 and older.*

*The Department of Human Services should identify MinnesotaCare enrollees age 65 and older affected by the MNsure reverification problems and remove those no longer eligible for the program.*

## **Response to Audit Recommendations 9**

The department and MN.IT Services has been identifying and fixing interface problems between the METS and MMIS and will continue to identify and resolve these issues .The timing of IT fixes or enhancements depends on prioritization decisions made by the MNsure Executive Steering Committee.

The department will determine the amount it owes and reimburse the federal government for the federal funds it used to pay health costs for MinnesotaCare enrollees age 65 and older.

The department will continue to run reports to identify enrollees who become eligible for Medicare, and will redetermine eligibility for these enrollees as appropriate.

Responsible Person: Nathan Moracco, DHS  
Estimated Completion Date: Ongoing activity

### **Audit Finding 10**

**The Department of Human Services did not ensure newborns turning age one remained eligible for Medical Assistance.**

### **Audit Recommendation 10**

*The Department of Human Services should monitor the counties to ensure the workers reverify the auto-newborns remain eligible for Medical Assistance by their first birthday.*

### **Response to Audit Recommendation 10**

The department will monitor counties to ensure workers redetermine eligibility for auto-newborns turning age 1.

Responsible Person: Nathan Moracco, DHS  
Estimated Completion Date: November 2016

### **Audit Finding 11**

**The Department of Human Services did not charge premiums for people enrolled in MinnesotaCare. This is a repeat finding.**

### **Audit Recommendation 11**

*The Department of Human Services should continue to work to correct the MinnesotaCare billing errors, ensure enrollees pay their premiums, and terminate coverage for failure to pay.*

### **Response to Audit Recommendation 11**

The department has been working with MN.IT Services to determine the best way to ensure accurate and timely premium billings. We will return to our legacy IT system, MMIS, for this purpose. This is planned to be deployed in February 2016 for April 2016 coverage. This deploy will also implement coverage contingent on premium payment.

Responsible Person: Nathan Moracco, DHS  
Estimated Completion Date: February 2016

Thank you again for the professional and dedicated efforts of your staff during this audit. The Department of Human Services policy is to follow up on all audit findings to evaluate the progress being made to resolve them. Progress is monitored until full resolution has occurred. If you have any further questions, please contact Gary L. Johnson, Internal Audit Director, at (651) 431-3623.