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FINANCIAL AUDIT DIVISION REPORT

Department of Human Services

Oversight of MNsure Eligibility Determinations for Public Health Care Programs

October 2013 through April 2014

November 12, 2014 **Report 14-22**

FINANCIAL AUDIT DIVISION
Centennial Building – Suite 140
658 Cedar Street – Saint Paul, MN 55155
Telephone: 651-296-4708 • Fax: 651-296-4712
E-mail: legislative.auditor@state.mn.us
Web site: http://www.auditor.leg.state.mn.us
Through Minnesota Relay: 1-800-627-3529 or 7-1-1

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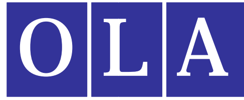
Conclusion on Internal Controls

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:

Conclusion	Characteristics
Adequate	**The organization designed and implemented internal controls that effectively managed the risks related to its financial operations.**
Generally Adequate	**With some exceptions, the organization designed and implemented internal controls that effectively managed the risks related to its financial operations.**
Not Adequate	**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.**



Office of the Legislative Auditor

State of Minnesota • James Nobles, Legislative Auditor

November 12, 2014

Senator Roger J. Reinert, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Lucinda Jesson, Commissioner
Department of Human Services

This report presents the results of our audit of the Department of Human Services' oversight of MNsure eligibility determinations for new enrollees of Medical Assistance, MinnesotaCare, and the Children's Health Insurance Program. The audit examined whether the eligibility of people who enrolled in these public programs through MNsure from October 2013 through April 2014 complied with federal regulations and state statutes. We emphasize that this has not been a comprehensive audit of the Department of Human Services.

We discussed the results of the audit with the department's staff at an exit conference on October 28, 2014. This audit was conducted by Michael Hassing, CPA, CISA (Audit Manager), Laura Wilson, CPA, CISA (Auditor-in-Charge), and assisted by auditors Jordan Bjonfald, CPA, Scott Dunning, Daphne Fabiano, CPA, Melissa Strunc, and David Westlund, CPA, CISA.

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

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

Room 140 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155-1603 • Phone: 651-296-4708 • Fax: 651-296-4712
E-mail: legislative.auditor@state.mn.us • Web Site: www.auditor.leg.state.mn.us • Minnesota Relay: 1-800-627-3529 or 7-1-1

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Report Summary

In fiscal year 2014, the state spent approximately $9.6 billion ($4.4 billion of state money and $5.2 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); MinnesotaCare; and the Children's Health Insurance Program—are available to residents with low incomes.[1]

The Department of Human Services (DHS) is responsible for ensuring that people who receive benefits through the state's public health care programs meet federal and state eligibility requirements. For more than 10 years, the Office of the Legislative Auditor (OLA) has raised concerns about DHS's ability to ensure that its eligibility decisions are correct.

Minnesota created a state-based health insurance exchange (MNsure) under the federal health care law, to help the state better manage its public health programs in two ways: (1) provide people with a convenient way to apply for benefits online, and (2) allow DHS to electronically determine who was eligible for coverage. MNsure began processing new applications for public health insurance programs on October 1, 2013. Through June 2014, the state paid $376 million of benefits for people MNsure enrolled in the state's public health care programs.

The objective of this audit was to determine the effectiveness of DHS's oversight of MNsure's eligibility determinations to ensure people were eligible for the benefits they received and in compliance with federal and state legal requirements.

Conclusion

The Department of Human Services did not ensure that Medical Assistance, MinnesotaCare, and Children's Health Insurance Program recipients who enrolled through MNsure were eligible for the benefits they received.

The department did not ensure that data accurately and securely transferred from MNsure into the state's medical payment system.

The department had many instances where it did not comply with the federal and state legal requirements related to recipients' eligibility for Medical Assistance, MinnesotaCare, and the Children's Health Insurance Program. It also charged incorrect MinnesotaCare premium rates.

[1] Medical Assistance (Minnesota's Medicaid Program) and the Children's Health Insurance Program provide 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.

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. (Finding 1, page 7)

- The Department of Human Services lacked adequate controls to validate the completeness and accuracy of data transferred from MNsure to DHS's medical payment system,[2] and the department lacked monitoring controls to detect whether Office of MN.IT Services staff inappropriately accessed personal information. (Finding 2, page 9)

- 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. (Finding 4, page 12)

- The department did not verify critical criteria for eligibility – such as social security numbers, citizenship, income, and household sizes – which resulted in ineligible persons receiving public health care benefits, as discussed in Findings 5 through 7. (See pages 14 – 23)

[2] DHS's medical payment system, the Medicaid Management Information System (MMIS), is a mechanized claims processing and information retrieval system required by the federal government.

Department of Human Services Oversight of MNsure Eligibility Determinations for Public Health Care Programs

Background

The Minnesota Department of Human Services (DHS) 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); MinnesotaCare; and the Children's Health Insurance Program—are available to residents with low incomes (as defined by federal and state standards).[3] In fiscal year 2014, the state spent approximately $4.4 billion of state money and $5.2 billion of federal money to pay for benefits under these programs, including $376 million of benefits paid for new recipients enrolling through MNsure from October 2013 through April 2014.

For more than 10 years, the Office of the Legislative Auditor (OLA) has raised concerns about DHS's ability to ensure that its eligibility decisions were correct. For example, in a 2003 report, OLA noted that DHS did not use electronic file matching to verify social security numbers and income for MinnesotaCare applicants.[4] More broadly, in five audits conducted to test the state's compliance with federal requirements, we concluded that DHS's internal controls did not provide "reasonable assurance" that the department could prevent ineligible people from receiving benefits.[5] In the two most recent audits, we concluded that DHS had not complied with federal eligibility requirements.[6]

[3] Medical Assistance (Minnesota's Medicaid program) and the Children's Health Insurance Program provide 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.

[4]Office of the Legislative Auditor, Program Evaluation Division, report 03-03, *MinnesotaCare*, issued January 21, 2003. In response, the department said it was developing a web-based computer system—HealthMatch—that would address the issue. However, after spending $40 million to develop the system, the department cancelled the project in 2008.

[5] See the audit opinion in the Department of Management and Budget's Financial and Compliance Report on Federally Assisted Programs for 2009 through 2013.

[6] Office of the Legislative Auditor, Financial Audit Division, report 14-11, *Department of Human Services Federal Compliance Audit*, issued March 26, 2014, and Office of the Legislative Auditor, Financial Audit Division, report 13-15, *Department of Human Services Federal Compliance Audit*, issued July 11, 2013.

In a 2013 special review, OLA again raised concerns about DHS's approach to information verification for people deemed qualified for MinnesotaCare.[7] In response, DHS said that the state's development of an online health insurance exchange under the federal Affordable Care Act (ACA)[8] would address the concern. In her letter of response, DHS Commissioner Lucinda Jesson said:

> The Affordable Care Act requires states to have an online eligibility application process for their Medicaid programs starting in January 2014. States must rely on electronic verification sources to the greatest extent possible in determining eligibility, and must use the verification available through the federal data hub sponsored by the U.S. Department of Health and Human Services.

To meet the federal requirement and achieve other objectives, DHS officials and staff were directly involved in the development of MNsure, Minnesota's health insurance exchange system.[9] The department's goal was to use MNsure to validate the following information provided by applicants:

- income
- social security number
- citizenship or immigration status
- Medicare enrollment

MNsure began processing new applications for public health insurance programs on October 1, 2013. See Appendix B for a summary of the eligibility requirements for the public health care programs.

Scope, Objective, and Methodology

The audit scope included people who newly enrolled in public health care programs through MNsure during the period from October 1, 2013, through April 30, 2014.

The audit objective was to answer the following questions:

- Did the Department of Human Services ensure that 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?

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[7] Office of the Legislative Auditor, Financial Audit Division, report 13-05, *Department of Human Services Information Verification in Eligibility Determinations*, issued March 26, 2013.

[8] Public Law 111-148, as amended by Public Law 111-152.

[9] Throughout this report, we refer to the Minnesota health insurance exchange system as MNsure.

- 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 charge people who enrolled in MinnesotaCare through MNsure the correct premium amounts?

To answer these questions we interviewed officials and staff at the Department of Human Services, MNsure, the Office of MN.IT Services,[10] and county human service offices to gain an understanding of:

- The types of problems employees encountered after MNsure's October 1, 2013, implementation in determining eligibility and getting applicants enrolled for medical services, and the processes used to work around those problems until they were resolved;

- The status of unresolved problems; and

- Training provided to DHS and county human services staff about how to access and navigate through the system's application process and case files within MNsure.

We obtained data from DHS on 167,179 people who were newly enrolled in public health care programs during the period from October 1, 2013, through April 30, 2014. From this population, we randomly selected 100 cases (including 193 people) for detailed testing and verification. For more information about our audit methodology, see Appendix A.

Finally, in conducting this audit, we coordinated our work with other OLA auditors and evaluators examining different aspects of MNsure's design, development, and implementation.[11]

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 the guidance contained in the *Internal Control-Integrated Framework*, published by the Committee of Sponsoring

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[10] Due to the state's consolidation of its information technology staff in 2011, state agencies, such as DHS and MNsure, rely on information technology staff from the Office of MN.IT Services for technical support of their systems, including DHS's medical payment system and MNsure.

[11] In addition to this audit, our office also conducted a separate audit of the federal grant funds the state received to develop MNsure. The Program Evaluation Division of the Office of Legislative Auditor is currently conducting an evaluation of the implementation of MNsure.

Organizations of the Treadway Commission,[12] as our criteria to evaluate the department's controls. We used state and federal regulations,[13] 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 Medical Assistance, MinnesotaCare, and Children's Health Insurance Program recipients who enrolled through MNsure were eligible for the benefits they received.

The department did not ensure that data accurately and securely transferred from MNsure into the state's medical payment system.

The department had many instances where it did not comply with the federal and state legal requirements related to recipients' eligibility for Medical Assistance, MinnesotaCare, and the Children's Health Insurance Program. It also charged incorrect MinnesotaCare premium rates.

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

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[12] In 1985, the major national associations of accountants established the Treadway Commission and its Committee of Sponsoring Organizations. One of the associations' primary tasks was to identify the components of internal control that organizations should have in place to prevent inappropriate financial activity. The resulting *Internal Control-Integrated Framework* is the accepted accounting and auditing standard for internal control design and assessment.

[13] Appendix C (available in the online report) provides the specific legal requirements referenced throughout this report.

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.

We found that nearly 17 percent of the people in the sample we tested were not eligible for the public health care program in which they were enrolled.[14] Of the 193 people we tested, our testing identified 32 ineligible people.[15] Some of the errors resulted in payment errors for medical care.

For example, MNsure sometimes provided applicants with the wrong income information to verify. During the online application process, MNsure asked applicants to verify income information MNsure had obtained through a file transfer from the Department of Employment and Economic Development. Sometimes, however, instead of showing an income amount, MNsure showed the employer identification number. For example, MNsure would show an employer identification number of 41-5777140 as $415,777,140, and ask the applicant if this was their correct monthly income.

Most people, including six in our sample, answered that the amount was incorrect; but one person in our sample mistakenly answered that it was the correct amount. Because the amount was too high to qualify for Medical Assistance, MNsure determined the woman and her children were ineligible. However, using other income information, MNsure determined that the woman and her children were eligible for MinnesotaCare.

Based on our review of the correct wage information from the Department of Employment and Economic Development, the woman did not qualify for Medical Assistance but her children did. As a result, DHS paid $303 more for the children's MinnesotaCare benefits than it would have paid for Medical Assistance benefits.

MNsure corrected the file transfer problem that caused this error in April 2014, but DHS has not gone back to review cases affected by this error to ensure people are enrolled in the correct public health care program.

Findings 5 through 10 provide further information about eligibility errors we found through our sample tests.

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[14] Some of the people were eligible for other public health care programs.

[15] We were unable to fully verify the eligibility of about 100 people in our sample, primarily because we did not have access to citizenship records.

In addition to the eligibility errors we found through our sample tests, we identified the following concerns:

- **Unnecessary benefit payments for duplicate accounts.** DHS unnecessarily paid for $44,993 of health care benefits because 24 people who enrolled through MNsure had duplicate accounts in the state's health care programs. We analyzed two types of potential duplicate MNsure enrollee accounts: (1) accounts that had the same social security numbers as other accounts, and (2) accounts that had the same name and birthdate as other accounts. Our review showed that while MNsure identified many of these accounts for further verification, it failed to identify eight people who had clearly duplicate accounts with active enrollments in public health care programs. In March 2014, DHS put changes in place to prevent duplicate accounts from occurring. However, DHS did not take steps to identify existing duplicate accounts, close them, or recover any duplicate payments.

- **MNsure enrollees not included in federal data match to detect improper payments and fraud.** DHS did not include MNsure enrollees in information it provided to the federal government to help identify people receiving benefits in more than one state. The federal government requires states to provide enrollee data to match with data from other states through the Public Assistance Reporting Information System (PARIS).[16] DHS's federally approved eligibility verification plan identifies this match as a way DHS will uncover improper payments and fraud in the Medical Assistance program. While DHS participates in the PARIS program, it only provides information about people who enrolled through the state's old eligibility system, not those who enrolled through MNsure. As of August 2014, DHS had not included MNsure enrollment data in the federal data-matching program.

As the agency responsible for administering the state's public health care programs,[17] DHS needs to ensure that people who receive program benefits meet state and federal requirements. DHS was deeply involved in MNsure's design, was well aware that MNsure did not perform adequate testing, and that many problems existed. In a March 2014 report (about our audit of the department's compliance with federal program requirements), we stated that DHS was not adequately prepared for the changes MNsure would make to its enrollment and eligibility verification processes.[18]

[16] 42 CFR, sec. 435.945(d) (2013).

[17] *Minnesota Statutes* 2013, 256B.04 (Medical Assistance); *Minnesota Statutes* 2013, 256L.02 (MinnesotaCare).

[18] Office of the Legislative Auditor, Financial Audit Division, report 14-11, *Department of Human Services Federal Compliance Audit* (Finding 1), issued March 26, 2014.

Recommendations

- *The Department of Human Services should design ways to detect and assess the risk that errors may occur in the MNsure application process that result in ineligible people obtaining public health care program benefits. The Department of Human Services should test its error detection and verification practices to ensure they are effective.*

- *The Department of Human Services should analyze data it has for people who enrolled in its public health care programs through MNsure to identify people whose eligibility may not be accurate due to application problems, including duplicate accounts and clearly incorrect income amounts.*

- *To the extent possible, the Department of Human Services should recover overpayments related to these eligibility errors.*

- *The Department of Human Services should include people who enrolled in its public health care programs through MNsure in the information it provides quarterly to the federal government for data matching through the Public Assistance Reporting Information System (PARIS).*

Finding 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,[19] and to detect whether Office of MN.IT Services staff inappropriately accessed recipients' personal information.

Periodically, throughout the day, personal information about people who enrolled in public health care programs through MNsure transfers electronically from MNsure to the DHS medical payment system. The completeness and accuracy of this information is essential to DHS's ability to create health care accounts for recipients and pay for their medical benefits.

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 is added, lost or altered), and (2) was protected

[19] DHS's medical payment system, the Medicaid Management Information System (MMIS), is a mechanized claims processing and information retrieval system required by the federal government.

from unauthorized access or use.[20] The electronic transfer process from MNsure to the medical payment system lacked adequate controls to provide this assurance.

DHS had some reports that verified the accurate and complete transfer of certain enrollment data. However, the verification was inadequate because there was no check to ensure the accurate and complete transfer of all recipient data, and that data in the state's medical payment system is the same as the information in MNsure.

In addition, DHS did not require the Office of MN.IT Services to log and monitor when any of the 23 MN.IT employees with access to personal information viewed or copied that information.[21] The logs would allow MN.IT or DHS 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 recipients' data from MNsure to DHS's medical payment system.*

- *The Department of Human Services should log and monitor when MN.IT employees access recipients' personal information in the Department of Human Services' medical payment system.*

Finding 3

The Department of Human Services did not provide the county human service eligibility workers with sufficient training on MNsure.

Although DHS provided county eligibility workers with various methods of training on MNsure, most workers said the training was not sufficient to prepare them for using the system. County human services offices continue to have a vital role in getting people enrolled in the correct public health care programs, including meeting with applicants, providing applicants with guidance and access to the MNsure website, and verifying additional information as needed.

We interviewed managers and some eligibility workers at seven metropolitan county human services offices and five counties in greater Minnesota.[22] We asked the eligibility workers what type of training they received from DHS to

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[20] 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*.

[21] The Office of MN.IT Services provided information technology services to DHS.

[22] We interviewed eligibility workers at Anoka, Benton, Carver, Chisago, Dakota, Goodhue, Hennepin, Ramsey, Scott, Stearns, Washington, and Wright counties.

prepare for the implementation of MNsure. We also interviewed DHS's Health Care Eligibility and Access staff to learn what training it offered.

DHS provided a centralized website—ONEsource—that provided written instructions on using MNsure; however, some counties' staff said DHS did not always communicate timely updates to ONEsource and that ONEsource was cumbersome to use. Staff at one county said the DHS instructions sometimes changed a day after DHS issued them, and the county expressed frustration that DHS did not collaborate with counties when developing these instructions. Another county said they would have preferred hands-on training in a classroom setting rather than written instructions.

DHS developed some webinars showing how to use MNsure, but several counties said the training was not detailed enough to address the complex case scenarios they dealt with daily. One county eligibility worker said the training only provided about 10 percent of what they really needed. Officials in a couple of counties said their eligibility workers were left on their own to learn how to navigate the system. The only training DHS required before granting an eligibility worker access to MNsure was on-line courses on protecting private data. DHS did not require training on how to use MNsure.

In December 2013, DHS began holding phone conferences with the county training specialists to disseminate information, but staff at one county said these conferences "have been fairly ineffective mainly because of lack of follow-up in writing and inconsistent information being provided to counties." In March 2014, DHS suspended these phone conferences to transition to a mentor program.

In May 2014, DHS started the mentor program to increase the knowledge and skill in the counties regarding policy discussions, developing new procedures, and working through problem cases. The mentors met every month with DHS staff and then shared what they learned with their county eligibility workers. One county said the meetings contained good information that the mentor could share with other county eligibility workers. In contrast, another county said the meetings turned out to be more testing of the system than actual training. Two counties in greater Minnesota told us they felt less informed because they were unable to participate in the mentor program.

The DHS Health Care Eligibility and Access staff said providing sufficient training was problematic because the training staff did not have enough time before the October 1, 2013, implementation date. Delays in developing MNsure prevented staff from learning how the system functioned, and staff did not have enough time to finalize the training curriculum before October 1.

Recommendations

- *The Department of Human Services should work with county staff and continue to develop training that meets the needs of the county eligibility workers, including working through examples of the complex case scenarios the workers encounter daily.*

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

Finding 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.

DHS originally intended MNsure to have the capacity that would allow recipients to report changes within the system; however, as of September 2014 the system did not have this functionality. Only staff at DHS could close certain cases, including when someone died or moved out of state. Neither DHS nor county eligibility workers could close cases when people had changes to their income or family relationships that made them ineligible for public health care programs. These cases were not closed because DHS did not know how to close them.

In our discussions with DHS and county staff, they expressed frustration that they could not close cases when people became ineligible. They had to keep manual records of the cases that needed closing for future resolution. For example, Olmsted County staff told us about six Medical Assistance cases that should have been closed from January through March 2014 that DHS did not close. In August 2014, DHS developed a new procedure and began closing cases, including five of these cases. However, one case was still open as of September 2014. Table 1 shows why and when DHS should have closed these six cases and the amount of health care overpayments DHS made through June 30, 2014.

Table 1
Olmsted County Medical Assistance Cases Not Closed Timely

Recipient	Reason Case Needed Closing	Date Case Should Have Closed	Amount of Overpayments Through June 2014
1	The recipient said she accidently applied for Medical Assistance and wanted her case closed because she had other health insurance.	2/20/2014	$3,448
2	The recipient called the county to have her case closed. She started a new job and had higher income.	3/3/2014	$806
3	The recipient wrote the county requesting the case be closed.	2/26/2014	$2,149
4	The recipient requested her Medical Assistance case be closed.	2/28/2014	$1,780
5	The recipient moved out of state.[1]	2/7/2014	$2,374
6	The recipient moved out of state.[2]	1/22/2014	$0

[1] Although DHS could close cases in MNsure when a recipient moved out of state, it did not close this case until August 31, 2014.

[2] As of September 2014, this case was still open. The recipient never selected a managed care organization so he remained on the fee-for-service method of paying for health care costs.

Source: Office of the Legislative Auditor, based on information in MNsure and DHS's medical payment system.

In addition, we identified one household in our sample of 60 Medical Assistance cases where a mother notified the county eligibility worker that she obtained a new job, and that she and her child were no longer eligible for Medical Assistance and MinnesotaCare. However, because the county eligibility worker could not close the case, DHS continued to provide the family with medical coverage, costing $3,093, from the time the family became ineligible in March 2014 through June 30, 2014.

DHS was aware it could not close certain cases and was working with MNsure to correct the problem. However, as of September 2014, DHS had not fully resolved the system weakness; it could close some cases but not all that needed closing.

Recommendations

- *The Department of Human Services should ensure eligibility workers can close cases in MNsure.*

- *The Department of Human Services should identify and close all cases where people became ineligible for a public health care program.*

Finding 5

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.

With a few exceptions, federal regulations and state law require public health care program applicants to furnish a valid social security number[23] and evidence documenting citizenship or immigration status.[24] States are required to enroll individuals in such programs during the verification process.[25]

DHS had problems sending accurate notification letters to applicants whose information needed verification, and viewing data about people needing further verification, such as social security numbers and citizenship or immigration status. These problems hindered eligibility workers from verifying eligibility timely.

Problems with Notification Letters

Notification letters are supposed to inform applicants whether they are eligible for a public assistance program or whether they needed to provide additional documentation. DHS said it began mailing those letters in December 2013, but learned in January 2014 that the letters contained errors. As a result, DHS stopped mailing the letters and instructed county staff to create and send their own notification letters. DHS did not monitor whether or when the counties notified recipients of eligibility or requested information for further verifications.

[23] 42 CFR, sec, 435.910 (a) (2013) for Medical Assistance and *Minnesota Statutes* 2013, 256L.04 subd. 1(a) for MinnesotaCare.

[24] *Minnesota Statutes*, 256B.06, subd. 4 and 42 CFR, sec. 435.406 outline the citizenship and immigration status for Medical Assistance, and *Minnesota Statutes*, 256L.04, subd. 10 for MinnesotaCare.

[25] 42 CFR, sec. 435.910 (f) (2013) for Medical Assistance Social Security Number; *Minnesota Statutes 2013*, 256L.04, subd. 1a,(b) for MinnesotaCare Social Security Number; and 42 CFR, sec. 435.406 for Medical Assistance and MinnesotaCare – Citizenship and alienage.

Problems viewing verifications and other follow-up items

County eligibility workers also had difficulty following up on verifications because MNsure only displayed 500 follow-up items at a time. For counties with large numbers of recipients, this limit made it impossible for workers to prioritize their workloads, including when to send notification letters. In February 2014, DHS provided a report to individual counties listing follow-up items. As of September 2014, however, DHS had not issued a second report to the counties.

MNsure verifies social security numbers and citizenship or immigration status by matching what applicants report with records from the Social Security Administration and the U.S. Department of Homeland Security. When MNsure is unable to verify the information or finds inconsistencies, it marks the case so the eligibility workers know further verification is needed. The original plan was for MNsure to create a list of notification letters, and DHS would print and mail the letters to applicants that needed to provide additional documentation.

People who need to provide additional information have 95 days from the date the state notifies them to provide the documentation.[26] If applicants do not respond or have a good reason for not responding, federal regulations require DHS to determine eligibility for public health care programs based on information from the Social Security Administration and the U.S. Department of Homeland Security. DHS must also notify applicants if it cannot verify their information and as a result, could drop them from the program.[27]

Based on our testing of 343 recipients,[28] DHS and county eligibility workers did not always verify social security numbers, citizenship or immigration status when MNsure identified cases for additional verification. We were unable to determine if DHS and the county eligibility workers complied with the 95-day requirement because MNsure did not create accurate notification letters, and often DHS did not send any letters. For our testing, we calculated the number of days between the date of enrollment[29] and June 30, 2014, that the verification remained unresolved.

Of the 343 recipients we tested, 35 needed to verify their citizenship or immigration status, and 103 needed to verify their social security number. Table 2 shows the number of recipients needing information verified and how many verifications the eligibility workers did not resolve within 95 days. The

[26] 45 CFR, sec. 155.315 (b)(2) and (c)(3) (2013).

[27] 45 CFR, sec. 155.315 (f)(5) (2013).

[28] The 343 recipients we tested included 152 from our sample test of Medical Assistance and Children's Health Insurance Program, 41 from our sample test of MinnesotaCare, and 150 from our analytical test of duplicate social security numbers and names as described in Finding 1.

[29] On the date of enrollment, DHS should have notified recipients to provide additional information, which would have started the 95-day period.

percentage of these required verifications that were unresolved ranged from 20 to 88 percent.

Table 2
Sampled Recipients that Required Eligibility Verifications Not Resolved Within 95 Days from Enrollment As of June 30, 2014

	Medical Assistance	Children's Health Insurance	MinnesotaCare
Citizenship/Immigration Status			
Total verifications needed[1]	22	5	8
Unresolved verifications[2]	8	1	7
Percentage unresolved	**36%**	**20%**	**88%**
Social Security Number			
Total verifications needed[1]	80	11	12
Unresolved verifications[2]	52	7	9
Percentage unresolved	**65%**	**64%**	**75%**

[1] Includes all sample recipients with information MNsure identified as needing verification.

[2] The number of sample recipients DHS and counties had not verified the information within 95 days after enrollment.

Source: Office of the Legislative Auditor, based on information from MNsure.

By not verifying applicant information within the 95-day window, DHS likely used both federal and state dollars to pay health care costs for ineligible people.

Recommendations

- *The Department of Human Services should correct the MNsure notification letter weaknesses.*
- *The Department of Human Services should notify applicants when information needs verification and obtain all required information within 95 days or notify the applicant of their eligibility status.*
- *The Department of Human Services should redesign MNsure so eligibility workers can see all of their assigned follow-up items.*

The Department of Human Services paid Medical Assistance and MinnesotaCare benefits for recipients whose income exceeded federal and state program limits.

Finding 6

Enrollment in public health care programs is limited to people with low incomes. Federal regulations[30] require MNsure 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. 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."[31]

To determine if income for our sample of recipients was within the program limits, we compared the income reported in MNsure with tax records from the Department of Revenue and wage information from the Unemployment Insurance system at the Department of Employment and Economic Development.

We found 11 of 137 recipients tested had incomes that were too high to qualify for Medical Assistance, and 1 of 41 MinnesotaCare recipients tested whose income exceeded the MinnesotaCare income limits. Eight Medical Assistance recipients had incomes above program limits at the time they applied, and three Medical Assistance recipients and one MinnesotaCare recipient had incomes that exceeded the limits after they had enrolled. We also found one Medical Assistance recipient who received benefits before the eligibility worker verified his income. As a result, DHS overpaid $17,421 in health care costs for these 13 recipients.

Incomes exceeded program limit at the time they applied

Of the eight people whose incomes exceeded income limits at the time they applied, six reported incomes that were less than the Department Employment and Economic Development's wage records. In each case, their actual income exceeded the federal and state program income limits.[32]

Table 3 shows that for the six Medical Assistance people we found ineligible through our sample testing, their actual income exceeded both the program income limits and the income they reported on their applications. The table also shows the health care payments DHS made for these ineligible recipients.

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[30] 45 CFR, sec.155.320 (c)(1)(i)(A) and (B) (2013).

[31] 45 CFR, sec. 155.315(f)(1).

[32] *Minnesota Statutes* 2013, 256B.056, subd. 4(b) through (e) and *Minnesota Statutes* 2013, 256B.057, subd. 1.

Table 3
Income Comparisons for Sampled Recipients Ineligible for Medical Assistance at the Time of Application through MNsure

Sample Recipient	Medical Assistance Income Limits[1]	Application Income[2]	Auditor-verified Income[3]	Health Care Payments through June 2014
Adult[4]	$20,628	$17,823	$36,580	$2,010
Adult[4]	20,628	17,823	36,580	2,016
Adult	15,282	1,000	69,480	2,494
Parent[5]	25,975	0	67,308	1,216
Parent[5]	25,975	0	67,308	1,877
Child 2-18[5]	53,707	0	67,308	461

[1] The Medical Assistance income limits were based on the number of family members in the household and the percent of the federal poverty guidelines for the type of individual.
[2] The application income is from MNsure.
[3] The auditor-verified income is the actual income amount from the Department of Employment and Economic Development available at the time of application.
[4] These two adults have the same income because they live in the same household.
[5] These three family members have the same income because they live in the same household.

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

MNsure enrolled all of these recipients into Medical Assistance. As part of our test, we verified the wage information from the Department of Employment and Economic Development for the quarter prior to the application date. While there is sometimes a delay in obtaining current wage information, we verified information that would have been available at the time each of these recipients applied for public health care assistance. For example, one recipient applied in January 2014. We verified the recipient's wage information for the quarter ended September 2013, which would have been available in November 2013. The income we verified was not reasonably compatible with the information the recipient entered into MNsure at the time of application.

One other person in our sample had conflicting income information at the time he applied for Medical Assistance through MNsure. The single adult applied for Medical Assistance through MNsure in February 2014 and reported a monthly household income of $972 (annual income of $11,664). MNsure enrolled him in Medical Assistance, based on this reported income, which was below the program income limit of $15,282. However, in January 2014, case notes in the DHS cash and food assistance system indicated he was working for $22 per hour and working 40 hours a week (annual income of $42,240), and that he was denied cash and food assistant benefits because he was over the income limits. We also

found that his quarterly wages reported by the Department of Employment and Economic Development for the first quarter of 2014 was $4,831 (annual income of $19,324). These other income amounts exceeded the program income limit, potentially making this person ineligible for Medical Assistance, and were not reasonably compatible with the income the person reported at the time he applied. DHS paid $240 in health care costs for this person through June 2014.

For another person in our sample, during the online application process, MNsure showed her weekly unemployment benefit, but incorrectly asked her if this was her monthly benefit. She affirmed her weekly $385 unemployment benefit as her total monthly benefit without realizing the error. MNsure multiplied the weekly amount by 12 months, to calculate an annual income of $4,620, and enrolled her in Medical Assistance. However, if the error had not occurred, we think MNsure would have calculated her annual income as $20,020, exceeding the income limit of $15,282, and making her ineligible for Medical Assistance. DHS overpaid $1,517 in health care costs for this ineligible person. DHS was aware MNsure incorrectly asked if the unemployment benefits were monthly but had not fixed this problem as of September 2014.

Incomes exceeded the limit after enrollment

Once enrolled in a public health care program, a recipient's income must stay below program limits. Prior to the Affordable Care Act (ACA), federal regulations required states to electronically check an applicant's reported income against state wage data at least every three months.[33] However, when the ACA repealed this regulation effective January 1, 2014,[34] DHS discontinued its quarterly file matches. If DHS had continued matching applicants' reported income amounts to actual wage data, it would likely have detected the errors we found in our sample test.

We found that the incomes for 3 of 137 Medical Assistance recipients and 1 of 41 MinnesotaCare recipients we tested increased above the income limits after the person initially enrolled through MNsure. None of the recipients or their parents reported these income changes to DHS as required by Minnesota Rules.[35] Moreover, federal regulations require states to have procedures in place to ensure recipients report changes affecting their eligibility, including income.[36]

Table 4 shows the household income for these recipients increased above the income limits after they enrolled, making them ineligible. The table also shows the health care payments DHS made for these ineligible recipients.

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[33] 42 CFR, sec. 435.952 (a) (2011) and 42 CFR, sec. 435.948 (a) (2011).

[34] Federal Register, Vol. 77, No. 57, March 23, 2012, page 17212.

[35] *Minnesota Rules* 2013, 9505.0115, subpart 1, and *Minnesota Rules*, 2013, 9506.0040, subpart 2.

[36] 42 CFR, sec. 435.916(c) and (d) (2013).

Table 4
Income Comparisons for Sampled Recipients Becoming Ineligible After Enrolling Through MNsure (Through June 30, 2014)

	Medical Assistance			MnCare
Recipient	**Child Age 2-18**	**Infant[1] under 2**	**Child[1] Age 2-18**	**Parent**
Month enrolled	December 2013	November 2013	November 2013	November 2013
Household Income at enrollment[2]	$35,000	$64,320	$64,320	$37,325
Income limit	$53,708	$67,824	$65,940	$47,100
Month of increase	January 2014	January 2014	January 2014	January 2014
Revised household income[3]	$95,576	$70,897	$70,897	$56,497
Healthcare overpayments[4]	$1,317	$791	$329	$1,812

[1] The infant and child under 18 are siblings, and because of their age have different income limits.

[2] The household income at enrollment came from MNsure.

[3] We determined the revised household income using wage information from the Department of Employment and Economic Development

[4] These health care overpayments are for the period these recipients were ineligible.

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

As mentioned above, DHS could reinstate its quarterly income verification process to identify unreported income changes to help limit paying health care costs for ineligible recipients.

Income not verified prior to recipient receiving benefits

As allowed by federal regulations, MNsure identified another recipient for further income verification because the reported income amount did not reasonably match other data sources.[37] Identifying this discrepancy should have delayed the person's enrollment in Medical Assistance until DHS or the county eligibility worker followed up. However, DHS paid $1,341 in health care costs for the person even though the county eligibility worker had not yet verified the income. Because the county eligibility worker had not verified this person's income, the

[37] 45 CFR sec. 155.320(c) (1) (i) (A) (2013).

person should not have received Medical Assistance benefits. DHS did not know why MNsure allowed the worker to activate the Medical Assistance benefits without a final income verification.

Recommendations

- *The Department of Human Services should consider developing procedures to verify reported income with external sources at least quarterly and identify income changes affecting recipients' eligibility.*
- *The Department of Human Services should fix the error that asks applicants if their unemployment income is monthly rather than weekly.*
- *The Department of Human Services should identify and fix the error that allowed the Department of Human Services to make benefit payments before eligibility workers resolved income discrepancies identified by MNsure.*

Finding 7

The Department of Human Services paid health care costs for some ineligible people based on the applicants' reported household size and family relationships.

Federal regulations allow states to accept what applicants list as the number of people in their households and whether those people are related to one another unless the state finds contradictory information.[38] In addition, federal regulations require states to develop plans describing their policies and procedures for verifying applicant information.[39] DHS'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[40] assigned to the individuals that make up the household.

DHS's decision to not verify household size and member relationships, while in compliance with the law, increases the risk that ineligible people may be enrolled in the public health care programs. We found evidence that DHS overpaid health care costs for 4 of 100 households we tested, based on inaccurate reporting of household size and member relationships, as follows:

- Two recipients in the same household were ineligible for Medical Assistance because the applicant erroneously reported that her children

[38] 45 CFR, sec. 155.320(c)(2) (2013).

[39] 42 CFR, sec. 435.945(j) (2013).

[40] Examples of eligibility categories are children under 19, parents, and adults without children.

were the parents in the household. Consequently, MNsure used the children's income and incorrectly enrolled the children in Medical Assistance. Because MNsure did not detect the reported "children" were older than the "parents," DHS paid health care costs for ineligible recipients.[41]

- In another household, we determined a wife was ineligible for Medical Assistance because she reported that she and her husband were "another relative of" each other rather than married. However, the household member information in DHS's cash and food assistance system, as of March 2014, showed the couple was married.[42] Because of the error, MNsure used their individual incomes to determine eligibility rather than the couple's combined income of $39,982. However, the Medical Assistance income limit for a married couple was $20,628, making them both ineligible for the program. DHS overpaid $3,311 in health care costs through June 30, 2014.

- When four members of a household applied for Medical Assistance through MNsure, they classified their relationships with each other as "another relative of" the others; however, DHS's cash and food assistance system showed that the household was a mother and her three children. Based on that family relationship, the family was still eligible for Medical Assistance, but DHS overpaid $1,487 in health care costs for the mother because she was incorrectly classified as an adult without children, rather than a parent.

- In the fourth household, the applicant reported that the household only included a father and his two children. MNsure enrolled the children in the Medical Assistance program. However, we verified information from DHS and the Department of Employment and Economic Development that identified the children's mother had the same address as the father. If DHS had verified whether the mother lived in the household, the children may not have been eligible for Medical Assistance. The parent's combined income ($98,505) would have exceeded the income limits for this household by about $30,000. DHS possibly overpaid $60 in health care costs for these ineligible children.

Had DHS verified the household size and member relationships with its cash and food assistance system and information from other state systems, it may have prevented the above errors. By not performing the verifications, DHS increased the risk that it used federal and state dollars to pay the health care costs for ineligible people.

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[41] DHS did not begin making payments to the managed care organization for this household until July 1, 2014.

[42] The department uses the MAXIS system to administer the food support and cash assistance programs. MAXIS contains similar eligibility information as MNsure.

Recommendations

- *The Department of Human Services should ensure MNsure will not accept invalid member relationships during the enrollment process.*
- *The Department of Human Services should consider modifying its verification plan to verify household size and member relationships with other available data, including the Department of Human Services'* cash and food assistance system.

Finding 8

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.

State statutes do not allow people eligible for Medical Assistance to enroll in MinnesotaCare.[43] Our testing identified the following instances where MinnesotaCare recipients were eligible or may have been eligible for Medical Assistance.

MinnesotaCare Children eligible for Medical Assistance

Because the Medical Assistance income limit[44] for children is higher than the MinnesotaCare limit,[45] children generally qualify for Medical Assistance rather than MinnesotaCare. Through an analytical test, we identified 1,050 children receiving MinnesotaCare and selected a sample of 27 to test the children's eligibility. We found more than a third (10) of the children qualified for Medical Assistance. We found two causes for these errors: MNsure used incorrect income, and recipients made errors during the application process.

MNsure incorrectly calculated the annual household income when the applicant indicated they earned semi-monthly income. This error caused MNsure to enroll seven children in MinnesotaCare when they were eligible for Medical Assistance.

Table 5 shows the household income for the seven children was below the Medical Assistance income limit and resulted in overpayments of health care costs.

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[43] *Minnesota Statutes* 2013, 256L.04, subd. 14.

[44] *Minnesota Statutes* 2013, 256B.056, subd. 4 (b)-(e).

[45] *Minnesota Statutes* 2013, 256L.04, subd. 1.

Table 5
Sampled MinnesotaCare Children With Incorrect Household Incomes in MNsure Who Should be on Medical Assistance

Child	Medical Assistance Income Limit[1]	Household Income[2]	Overpaid Health Care Costs Through June 2014
1	$97,927	$56,520	$288
2	42,652	20,016	433
3	53,707	28,800	144
4	53,707	17,952	214
5	64,762	45,171	268
6	53,707	32,100	171
7	64,762	45,940	214

[1] 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.

[2] The household income is from the income reported by the enrollee in MNsure.

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

DHS said it was aware of this programming error and corrected it in May 2014; however, it had not identified all the MinnesotaCare recipients affected by the error and taken corrective action.

MNsure incorrectly enrolled three other children in MinnesotaCare, rather than Medical Assistance, when the applicants erroneously reported that the children received Minnesota Supplemental Aid (MSA).[46] When the applicant responded that the children receive MSA, MNsure should have stopped the process and directed the applicant to contact DHS or the county because DHS uses another system to determine Medical Assistance eligibility for MSA recipients.[47] However, MNsure enrolled the applicants in MinnesotaCare. Had the applicant reported the children were not enrolled in MSA, MNsure would have correctly enrolled them in Medical Assistance. DHS overpaid $560 in health care costs for the ineligible children. DHS said it was aware of this programming error but had not fully resolved the problem by September 2014.

[46] *Minnesota Statutes* 2013, sec. 256B.055, subd. 4 - Medical assistance may be paid for a person who is receiving public assistance under the Minnesota supplemental aid program.

[47] DHS used the MAXIS system to determine eligibility for Medical Assistance recipients whose incomes were not calculated on the modified adjusted gross income, including people on Minnesota Supplemental Aid.

MinnesotaCare recipients whose income decreased below Medical Assistance income limits

Two MinnesotaCare recipients, a husband and wife, became eligible for Medical Assistance when the husband stopped working in May 2014. The husband called the eligibility worker saying he stopped working, but DHS could not update his income in MNsure and enroll the couple in Medical Assistance. As previously discussed in Finding 4, DHS said it was aware of this system weakness and was working to correct it; however, DHS had not fully resolved the problem as of September 2014. As a result, DHS underpaid the managed care organization $295 for June 2014.

MinnesotaCare recipients who may have been eligible for Medical Assistance

From October 2013 through March 2014, MNsure did not verify the MinnesotaCare household income with other data sources, including the Social Security Administration, Internal Revenue Service, and the Minnesota Department of Employment and Economic Development.[48] In March 2014, DHS worked with MNsure to ensure the system verified the applicants' income with these other sources. DHS, however, did not retroactively verify the income for the MinnesotaCare recipients who enrolled prior to March 2014.

Based on income information we reviewed from the departments of Revenue and Employment and Economic Development, 5 of 41 MinnesotaCare recipients we tested may have been eligible for Medical Assistance. Table 6 shows that the income we verified for these five recipients was less than the Medical Assistance limits. All five recipients enrolled between October 2013 and March 2014.

[48] 42 CFR, sec. 435.603(h) (2013) requires that Medical Assistance income be based on current monthly income, and *Minnesota Statutes* 2013, 256L.01, subd. 5 and 26 CFR, sec. 1.36B-1 (2013) requires that MinnesotaCare income be based on the taxable year income.

Table 6
Sampled MinnesotaCare Recipients Who May Have Been Eligible for Medical Assistance

Recipient	Medical Assistance Income Limit[1]	Household Income[2]	Auditor verified Income[3]	Incorrect Health Care Payments through June 2014
Adult[4]	$15,281	$30,615	$4,297	$(1,257)
Parent	25,974	36,000	0	128
Parent[5]	36,668	39,000	2,281	128
Parent[5]	36,668	39,000	2,281	128
Parent	20,628	22,880	18,999	0

[1] The Medical Assistance income limit was based on the number of people in the household and 133 percent of the federal poverty guidelines.

[2] The household income was from the current income reported by the enrollee in MNsure.

[3] The auditor-verified income came from the Unemployment Insurance system at the Department of Employment and Economic Development. We noted any additional information from the 2013 income tax records that may indicate the recipient had more income than that reported in the Unemployment Insurance system.

[4] This recipient had business income per his 2013 income tax records, but his adjusted gross income was less than $10,000.

[5] These two parents are married and living in the same household. The only additional income on their 2013 income tax record was $15 of taxable interest.

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.

Recommendations

- *The Department of Human Services should identify the recipients affected by MNsure's miscalculation of semi-monthly income and the impact of the Minnesota Supplemental Aid system error and enroll the recipients in the correct health care program.*
- *The Department of Human Services should continue its efforts to correct MNsure weaknesses that prevent eligibility workers from closing cases when income changes affect recipient eligibility.*
- *The Department of Human Services should review and verify the income of recipients who enrolled in MinnesotaCare prior to March 2014 and ensure that these recipients are enrolled in the correct program.*

The Department of Human Services paid benefits for MinnesotaCare recipients who were also enrolled in Medicare.

Finding 9

State law prohibits MinnesotaCare recipients from having other health insurance coverage, including Medicare.[49]

We found one person in our sample of 41 people in MinnesotaCare who also received Medicare benefits. As a result, we expanded our testing and identified 1,063 people aged 65 or older enrolled in MinnesotaCare.[50] We tested 25 of these people and found six who were enrolled in Medicare and, therefore, were not eligible for MinnesotaCare. DHS paid $5,593 in health care costs for these seven people through June 30, 2014.

In March 2014, DHS identified that several MinnesotaCare recipients were also receiving Medicare. In April 2014, DHS clarified the wording in the MNsure application question that asked if the person had other health care coverage. DHS also told us it created a report in June 2014, which identified the Medicare beneficiaries enrolled in MinnesotaCare. DHS closed the ineligible cases and notified the recipients why it terminated their MinnesotaCare coverage. DHS said it continues to create and review a report each month and takes the appropriate action on ineligible cases.

Recommendation

- *The Department of Human Services should continue to identify Medicare beneficiaries who are also enrolled in MinnesotaCare and close the cases prior to paying health care costs.*

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.

Finding 10

The Children's Health Insurance Program primarily covers low income pregnant women until 60 days after their pregnancy ends.[51] After 60 days and depending on the outcome of her pregnancy and age, a woman's health care eligibility category should change to parent, adult without children, or a child age 19 or 20. In addition, the woman is no longer eligible for the Children's Health Insurance Program, and DHS should determine if she is eligible for another public health

[49] *Minnesota Statutes* 2013, 256L.07, subd. 3(a).

[50] Some people aged 65 or older are not eligible to receive Medicare benefits, for example, individuals who do not qualify for Social Security benefits. See 42, U.S. Code, Chapter 7, Subpart XVIII, Part A, Section 1395c.

[51] *Minnesota Statutes* 2013, 256B.06, subd. 4(i), and *Minnesota Statutes* 2013, 256B.055, subd. 6.

care program. If she is eligible for another program, DHS uses the eligibility categories to determine the health care program costs.

We tested a sample of eight women who had passed the 60-day period. As explained below, we found errors in five of the eight cases we tested. It is likely there are other cases in which similar errors occurred.

Incorrect eligibility category

DHS overpaid $2,680 in health care costs through June 30, 2014, for three of eight women we tested because MNsure did not correctly update their eligibility categories. DHS did not the identify eligibility category errors for these women who reached the end of the 60-day period. The errors occurred because the updated eligibility category in MNsure did not transfer to the DHS medical payment system. In May 2014, DHS said MNsure fixed this problem but did not review all the affected cases, including these three.

Incorrect health care program

DHS did not verify the accuracy of two women's eligibility for health care programs 60 days after their pregnancies ended.

- DHS did not close the case of a woman who was no longer eligible for any public health care program 60 days after her pregnancy ended because she was not a legal immigrant. DHS overpaid $1,307 in managed care premiums through June 30, 2014, for this ineligible woman.
- MNsure incorrectly enrolled a woman in Medical Assistance after the 60 days ended without reassessing her program eligibility. Her income was too high for Medical Assistance but was within the income limits for MinnesotaCare.

DHS was aware that MNsure did not reassess the program women were eligible for at the end of their 60-day pregnancy status. As of September 2014, DHS had not fixed this problem and had not identified the women enrolled in the wrong program or not eligible for any program.

Recommendations

- *The Department of Human Services should ensure that MNsure and the DHS medical payment system have the correct eligibility category for women 60 days after their pregnancies end.*
- *The Department of Human Services should ensure that MNsure redetermines eligibility before it enrolls women in Medical Assistance 60 days after their pregnancies end.*

- *The Department of Human Services should identify and correct all the eligibility category and program enrollment errors to ensure the women past the 60-day period are enrolled in the correct health care program.*

Finding 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.

State law requires most MinnesotaCare recipients who are aged 21 or older to pay income-based premiums in order to stay enrolled in the program.[52]

January through March 2014 – Not billing recipients

DHS was unable to bill MinnesotaCare recipients through MNsure from January 2014 through the end of March 2014. Of the 41 MinnesotaCare recipients we tested, 27 received MinnesotaCare coverage during the first three months in 2014. DHS did not bill any of the 27 recipients for their premiums for January through March 2014, totaling $2,462. DHS staff said they planned to bill all MinnesotaCare recipients for these three months but had not done so as of September 2014.

April through June 2014 – Billing recipients the incorrect amounts

In April 2014, DHS began using MNsure to bill the MinnesotaCare recipients, but MNsure continued to have problems. MNsure billed incorrect amounts or failed to generate bills for some recipients. Table 7 shows that DHS did not correctly bill over 30 percent of MinnesotaCare recipients between April and June 2014, based on our sample of recipients.

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[52] *Minnesota Statutes* 2013, 256L.15, subds. 1 and 2.

Table 7
Sample of MinnesotaCare Recipients Incorrectly Billed
April through June 2014

Recipients	April	May	June
Not billed[1]	6	8	6
Billed the incorrect amount	2	3	5
Billed but should not have been[2]	4	4	6
Eligible for coverage	39	39	40
Percentage with incorrect billings	**31%**	**38%**	**42%**

[1] The unbilled premiums totaled $551.

[2] Because MNsure was unable to update recipients' eligibility for MinnesotaCare, DHS continued to bill them after they were no longer eligible.

Source: Office of the Legislative Auditor, based on a sample of MinnesotaCare premium information received from the Department of Human Services.

In addition, DHS did not terminate health care coverage for some MinnesotaCare recipients who did not pay their premiums. Table 8 shows that more than 25 percent of MinnesotaCare recipients, based on our sample, did not pay their premiums.

Table 8
Sample of MinnesotaCare Recipients Not Paying Premiums
April through June 2014

Recipients	April	May	June
Recipients not paying premiums[1]	11	8	10
Recipients billed premiums	33	31	34
Percentage not paying	**33%**	**26%**	**29%**

[1] These recipients did not pay $1,151 in premiums.

Source: Office of the Legislative Auditor, based on a sample of MinnesotaCare premium information received from the Department of Human Services and the Medicaid Management Information System.

DHS could not terminate MinnesotaCare coverage for recipients who failed to pay premiums because of MNsure programming errors. DHS continued to pay $11,644 in health care costs during the months these recipients were ineligible. DHS was aware of the problem and worked with the Office of MN.IT Services and MNsure to make some corrections; however, as of September 2014, the programming errors had not been fully resolved.

Recommendations

- *The Department of Human Services should continue to work to correct the MinnesotaCare billing errors.*
- *The Department of Human Services should ensure it collects the correct premium amounts from MinnesotaCare recipients who received coverage during 2014.*
- *The Department of Human Services should terminate coverage for MinnesotaCare recipients who do not pay their premiums.*

Appendix A – Expanded Discussion of Audit Methodology

From DHS's medical payment system, we obtained a file of public health care program cases that originated in MNsure from October 1, 2013 through April 30, 2014. We verified that 167,179 of those new cases was reasonably close to the number the MNsure board said had enrolled through the MNsure system as of April 2014.

We used the file of public health care cases to:

- Analyze recipients with different names having the same social security number and the opposite: recipients with the same name but different social security numbers;

- Analyze MinnesotaCare recipients who were 65 years or older because individuals receiving Medicare were not eligible for MinnesotaCare;

- Analyze MinnesotaCare recipients who were 18 years and younger because the Medical Assistance income threshold for children was higher than the threshold for MinnesotaCare; and

- Randomly select cases from each of the public health care programs to test whether people receiving benefits were eligible for those benefits. Each case represents a household, consisting of one or more people. For each program, our sample included the following numbers of cases and people:

Program	*Number of Cases*	*Number of People*
Medical Assistance	60	137
Children's Health Insurance Program	15	15
MinnesotaCare	25	41
Total	100	193

We also used these sample cases to test, as applicable, whether DHS paid the correct monthly health care rate, or billed people in the MinnesotaCare program the correct premium amounts.

To test the eligibility of people in the sample cases we selected, we used data from the following sources:

- 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 incomes and addresses.

- From the Department of Revenue, we used tax return information to help us verify social security numbers, tax dependencies, and income.

- From DHS 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 DHS, or if MNsure had identified the case for further verification.

While our testing focused on whether people who enrolled in a DHS public heath care program through MNsure were eligible, we also did a limited test of DHS's appeals process to see if DHS complied with legal requirements to review the cases of people who disagreed with the eligibility determined through MNsure.

We discussed the appeals process with employees in DHS's Appeals and Regulations division, and tested a random sample of ten appeals, to see whether, 1) based on the application information that the person had provided, MNsure had correctly determined eligibility; and 2) the department complied with the legal requirements for the appeals process.

Appendix B – Public Health Care Programs Eligibility Requirements

Minnesota Statutes and federal regulations outline the requirements individuals must meet to be eligible for the Medical Assistance, Children's Health Insurance, and MinnesotaCare programs. The requirements are complex, so in this appendix we provide a summary of the most common requirements. See Appendix C for detailed legal requirements.

Medical Assistance

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

- 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 19 and pregnant women is 278 percent and for parents, children age 19 to 20, and adults without children is 133 percent.

Children's Health Insurance Program

To be eligible for Children's Health Insurance Program, an individual must meet the following requirements:

- Be a resident of Minnesota.
- Be an uninsured infant under age 2, who is a citizen of the United States or a lawfully present noncitizen with household income above 275 percent but at or below 283 percent of the federal poverty guidelines.
- Be an uninsured pregnant woman with income at or below 278 percent of the federal poverty guidelines who is ineligible for Medical Assistance.

MinnesotaCare

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

- 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 9 shows the 2013 Federal Poverty Guidelines and the income limits for Medical Assistance (133% for adults and 275% for children) and MinnesotaCare (200% for all recipients).

Table 9
2013 Federal Poverty Guidelines and Income Limits

Household Members	FPG	133%	200%	275%
1	$11,490	$15,282	$22,980	$31,598
2	15,510	$20,628	$31,020	$42,653
3	19,530	$25,975	$39,060	$53,708
4	23,550	$31,322	$47,100	$64,763
5	27,570	$36,668	$55,140	$75,818
6	31,590	$42,015	$63,180	$86,873
7	35,610	$47,361	$71,220	$97,928
8	39,630	$52,708	$79,260	$108,983

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

Appendix C – Legal Requirements Discussed in the Report

This appendix includes the language from the various federal regulations and state statutes that we refer to in the report footnotes.

Code of Federal Regulations:

26 CFR, sec. 1.36B-1(d) and (e) (2013) - (d): *Family and family size*. A taxpayer's family means the individuals for whom a taxpayer properly claims a deduction for a personal exemption under section 151 for the taxable year. Family size means the number of individuals in the family. Family and family size may include individuals who are not subject to or are exempt from the penalty under section 5000A for failing to maintain minimum essential coverage.
(e) *Household income*—(1) *In general.* Household income means the sum of—
(i) A taxpayer's modified adjusted gross income; plus
(ii) The aggregate modified adjusted gross income of all other individuals who—
(A) Are included in the taxpayer's family under paragraph (d) of this section; and
(B) Are required to file a return of tax imposed by section 1 for the taxable year (determined without regard to the exception under section (1)(g)(7) to the requirement to file a return).
(2) *Modified adjusted gross income.* Modified adjusted gross income means adjusted gross income (within the meaning of section 62) increased by—
(i) Amounts excluded from gross income under section 911;
(ii) Tax-exempt interest the taxpayer receives or accrues during the taxable year; and
(iii) Social security benefits (within the meaning of section 86(d)) not included in gross income under section 86.

42 CFR, sec. 435.406 (2013) - *Citizenship and alienage*.
(a) The agency must provide Medicaid to otherwise eligible residents of the United States who are—
(1) Citizens: (i) Under a declaration required by section 1137(d) of the Act that the individual is a citizen or national of the United States; and
(ii) The individual has provided satisfactory documentary evidence of citizenship or national status, as described in §435.407.
(iii) An individual for purposes of the declaration and citizenship documentation requirements discussed in paragraphs (a)(1)(i) and (a)(1)(ii) of this section includes both applicants and beneficiaries under a section 1115 demonstration (including a family planning demonstration project) for which a State receives Federal financial participation in their expenditures, as though the expenditures were for medical assistance.
(iv) Individuals must declare their citizenship and the State must document the individual's citizenship in the individual's eligibility file on initial applications and initial redeterminations effective July 1, 2006.
(v) The following groups of individuals are exempt from the requirements in paragraph (a)(1)(ii) of this section:

(A) Individuals receiving SSI benefits under title XVI of the Act.
(B) Individuals entitled to or enrolled in any part of Medicare.
(C) Individuals receiving disability insurance benefits under section 223 of the Act or monthly benefits under section 202 of the Act, based on the individual's disability (as defined in section 223(d) of the Act).
(D) Individuals who are in foster care and who are assisted under Title IV-B of the Act, and individuals who are beneficiaries of foster care maintenance or adoption assistance payments under Title IV-E of the Act.
(2)(i) Except as specified in 8 U.S.C. 1612(b)(1) (permitting States an option with respect to coverage of certain qualified aliens), qualified aliens as described in section 431 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1641) (including qualified aliens subject to the 5-year bar) who have provided satisfactory documentary evidence of Qualified Alien status, which status has been verified with DHS of Homeland Security (DHS) under a declaration required by section 1137(d) of the Act that the applicant or beneficiary is an alien in a satisfactory immigration status.
(ii) The eligibility of qualified aliens who are subject to the 5-year bar in 8 U.S.C. 1613 is limited to the benefits described in paragraph (b) of this section.
(b) The agency must provide payment for the services described in §440.255(c) of this chapter to residents of the State who otherwise meet the eligibility requirements of the State plan (except for receipt of AFDC, SSI, or State Supplementary payments) who are qualified aliens subject to the 5-year bar or who are non-qualified aliens who meet all Medicaid eligibility criteria, except non-qualified aliens need not present a social security number or document immigration status.

42 CFR, sec. 435.603(h) (2013) – ***Budget Period – (1) Applicants and new enrollees***. Financial eligibility for Medicaid for applicants, and other individuals not receiving Medicaid benefits at the point at which eligibility for Medicaid is being determined, must be based on current monthly household income and family size.

42 CFR, sec. 435.910 - (a) (2013) Except as provided in paragraph (h) of this section, the agency must require, as a condition of eligibility, that each individual (including children) seeking Medicaid furnish each of his or her social security numbers (SSN).
(b) The agency must advise the applicant of—
(1) [Reserved]
(2) The statute or other authority under which the agency is requesting the applicant's SSN; and
(3) The uses the agency will make of each SSN, including its use for verifying income, eligibility, and amount of medical assistance payments under §§435.940 through 435.960.
(c)-(d) [Reserved]
(e) If an applicant cannot recall his SSN or SSNs or has not been issued a SSN the agency must—

(1) Assist the applicant in completing an application for an SSN;
(2) Obtain evidence required under SSA regulations to establish the age, the citizenship or alien status, and the true identity of the applicant; and
(3) Either send the application to SSA or, if there is evidence that the applicant has previously been issued a SSN, request SSA to furnish the number.
(f) The agency must not deny or delay services to an otherwise eligible individual pending issuance or verification of the individual's SSN by SSA or if the individual meets one of the exceptions in paragraph (h) of this section.
(g) The agency must verify the SSN furnished by an applicant or beneficiary to insure the SSN was issued to that individual, and to determine whether any other SSNs were issued to that individual.
(h) *Exception.* (1) The requirement of paragraph (a) of this section does not apply and a State may give a Medicaid identification number to an individual who—
(i) Is not eligible to receive an SSN;
(ii) Does not have an SSN and may only be issued an SSN for a valid non-work reason in accordance with 20 CFR sec. 422.104 (2013); or
(iii) Refuses to obtain an SSN because of well-established religious objections.
(2) The identification number may be either an SSN obtained by the State on the applicant's behalf or another unique identifier.
(3) The term *well established religious objections* means that the applicant—
(i) Is a member of a recognized religious sect or division of the sect; and
(ii) Adheres to the tenets or teachings of the sect or division of the sect and for that reason is conscientiously opposed to applying for or using a national identification number.
(4) A State may use the Medicaid identification number established by the State to the same extent as an SSN is used for purposes described in paragraph (b)(3) of this section.

42 CFR sec. 435.916(c) – (d) (2013) (c) ***Procedures for reporting changes***. The agency must have procedures designed to ensure that beneficiaries make timely and accurate reports of any change in circumstances that may affect their eligibility and that such changes may be reported through any of the modes for submission of applications described in §435.907(a) of this part.
(d) *Agency action on information about changes*. (1) Consistent with the requirements of §435.952 of this part, the agency must promptly redetermine eligibility between regular renewals of eligibility described in paragraphs (b) and (c) of this section whenever it receives information about a change in a beneficiary's circumstances that may affect eligibility….

42 CFR, sec. 435.945(a) (2013) - Except where the law requires other procedures (such as for citizenship and immigration status information), the agency may accept attestation of information needed to determine the eligibility of an individual for Medicaid (either self-attestation by the individual or attestation by an adult who is in the applicant's household, as defined in §435.603(f) of this part, or family, as defined in section 36B(d)(1) of the Internal Revenue Code, an authorized representative, or, if the individual is a minor or incapacitated,

someone acting responsibly for the individual) without requiring further information (including documentation) from the individual.

42 CFR, sec. 435.945(d) (2013) - All State eligibility determination systems must conduct data matching through the Public Assistance Reporting Information System (PARIS).

42 CFR, sec. 435.945(j) (2013) - *Verification plan*. The agency must develop, and update as modified, and submit to the Secretary, upon request, a verification plan describing the verification policies and procedures adopted by the State agency to implement the provisions set forth in §435.940 through §435.956 of this subpart in a format and manner prescribed by the Secretary.

42 CFR, sec. 435.948 (a) (2011) – Except as provided in paragraphs (a), (e), and (f) of this section, the agency must request information from the sources specified in this paragraph for verifying Medicaid eligibility and the correct amount of medical assistance payments for each applicant (unless obviously ineligible on the face of his or her application) and recipient. The agency must request –
(1) State wage information maintained by the SWICA during the application period and at least on a quarterly basis;

42 CFR, sec. 435.952 (a) (2011) – Except as provided under §435.953, the agency must review and compare against the case file all information received under §§435.940 through 435.960 [see § 435.948 below] to determine whether it affects the applicant's or recipient's eligibility or amount of medical assistance payment…

42 CFR, sec.435.952 (c) (2013) – An individual must not be required to provide additional information or documentation unless information needed by the agency in accordance with §435.948, §435.949 or §435.956 of this subpart cannot be obtained electronically or the information obtained electronically is not reasonably compatible, as provided in the verification plan described in §435.945(j) with information provided by or on behalf of the individual.

45 CFR, sec. 155.315 (a)-(c) - Verification process related to eligibility for enrollment in a QHP through the Exchange.
(a) *General requirement.* Unless a request for modification is granted in accordance with paragraph (h) of this section, the Exchange must verify or obtain information as provided in this section in order to determine that an applicant is eligible for enrollment in a QHP through the Exchange.
(b) *Validation of social security number.*
(1) For any individual who provides his or her social security number to the Exchange, the Exchange must transmit the social security number and other identifying information to HHS, which will submit it to the Social Security Administration.

(2) To the extent that the Exchange is unable to validate an individual's social security number through the Social Security Administration, or the Social Security Administration indicates that the individual is deceased, the Exchange must follow the procedures specified in paragraph (f) of this section, except that the Exchange must provide the individual with a period of 90 days from the date on which the notice described in paragraph (f)(2)(i) of this section is received for the applicant to provide satisfactory documentary evidence or resolve the inconsistency with the Social Security Administration. The date on which the notice is received means 5 days after the date on the notice, unless the individual demonstrates that he or she did not receive the notice within the 5-day period.
(c) *Verification of citizenship, status as a national, or lawful presence*—
(1) *Verification with records from the Social Security Administration.* For an applicant who attests to citizenship and has a social security number, the Exchange must transmit the applicant's social security number and other identifying information to HHS, which will submit it to the Social Security Administration.
(2) *Verification with the records of DHS of Homeland Security.* For an applicant who has documentation that can be verified through DHS of Homeland Security and who attests to lawful presence, or who attests to citizenship and for whom the Exchange cannot substantiate a claim of citizenship through the Social Security Administration, the Exchange must transmit information from the applicant's documentation and other identifying information to HHS, which will submit necessary information to DHS of Homeland Security for verification.
(3) *Inconsistencies and inability to verify information.* For an applicant who attests to citizenship, status as a national, or lawful presence, and for whom the Exchange cannot verify such attestation through the Social Security Administration or DHS of Homeland Security, the Exchange must follow the procedures specified in paragraph (f) of this section, except that the Exchange must provide the applicant with a period of 90 days from the date on which the notice described in paragraph (f)(2)(i) of this section is received for the applicant to provide satisfactory documentary evidence or resolve the inconsistency with the Social Security Administration or DHS of Homeland Security, as applicable. The date on which the notice is received means 5 days after the date on the notice, unless the applicant demonstrates that he or she did not receive the notice within the 5-day period.

45 CFR, sec. 155.315(f)(1) - Must make a reasonable effort to identify and address the causes of such inconsistency, including through typographical or other clerical errors, by contacting the application filer to confirm the accuracy of the information submitted by the application filer.

45 CFR, sec. 155.315 (f)(5) - If, after the period described in paragraph (f)(2)(ii) of this section, the Exchange remains unable to verify the attestation, the Exchange must determine the applicant's eligibility based on the information available from the data sources specified in this subpart, unless such applicant qualifies for the exception provided under paragraph (g) of this section, and notify

the applicant of such determination in accordance with the notice requirements specified in §155.310(g), including notice that the Exchange is unable to verify the attestation.

45 CFR, sec.155.320 (c)(1)(i)(A) and (B) (2013) - *Verification of household income and family/household size*—(1) *Data.*—(i) *Data regarding annual household income*.
(A) For all individuals whose income is counted in calculating a tax filer's household income, as defined in 26 CFR 1.36B-1(e), or an applicant's household income, calculated in accordance with 42 CFR 435.603(d), and for whom the Exchange has a social security number, the Exchange must request tax return data regarding MAGI and family size from the Secretary of the Treasury and data regarding Social security benefits described in 26 CFR 1.36B-1(e)(2)(iii) from the Commissioner of Social Security by transmitting identifying information specified by HHS to HHS.
(B) If the identifying information for one or more individuals does not match a tax record on file with the Secretary of the Treasury that may be disclosed in accordance with section 6103(l)(21) of the Code and its accompanying regulations, the Exchange must proceed in accordance with §155.315(f)(1).

45 CFR, sec. 155.320(c)(2) (2013) - *Verification process for Medicaid and CHIP*. (i) *Household size.* (A) The Exchange must verify household size in accordance with 42 CFR 435.945(a) or through other reasonable verification procedures consistent with the requirements in 42 CFR 435.952.

United States Code:

42, U.S. Code, Chapter 7, Subpart XVIII, Part A, Section 1395c - The insurance program for which entitlement is established by sections 426 and 426–1 of this title provides basic protection against the costs of hospital, related post-hospital, home health services, and hospice care in accordance with this part for (1) individuals who are age 65 or over and are eligible for retirement benefits under subchapter II of this chapter (or would be eligible for such benefits if certain government employment were covered employment under such subchapter) or under the railroad retirement system, (2) individuals under age 65 who have been entitled for not less than 24 months to benefits under subchapter II of this chapter (or would have been so entitled to such benefits if certain government employment were covered employment under such subchapter) or under the railroad retirement system on the basis of a disability, and (3) certain individuals who do not meet the conditions specified in either clause (1) or (2) but who are medically determined to have end stage renal disease.

Minnesota Statutes:

***Minnesota Statutes* 2013, 256B.04, subd. 1** - General. The state agency shall supervise the administration of medical assistance for eligible recipients by the county agencies hereunder.

***Minnesota Statutes* 2013, 256B.055**: [We only included certain subdivisions.]

Subd. 3a. Families with children. Medical assistance may be paid for a person who is a child under the age of 19; the parent or stepparent of a child under the age of 19, including a pregnant woman; or a caretaker relative of a child under the age of 19.

Subd. 4. Recipients of Minnesota supplemental aid. Medical assistance may be paid for a person who is receiving public assistance under the Minnesota supplemental aid program.

Subd. 6. Pregnant women; needy unborn child. Medical assistance may be paid for a pregnant woman who meets the other eligibility criteria of this section and whose unborn child would be eligible as a needy child under subdivision 10 if born and living with the woman. In accordance with 42 CFR, sec. 435.956 (2013), the commissioner must accept self-attestation of pregnancy unless the agency has information that is not reasonably compatible with such attestation. For purposes of this subdivision, a woman is considered pregnant for 60 days postpartum.

Subd. 10. Infants. Medical assistance may be paid for an infant less than one year of age, whose mother was eligible for and receiving medical assistance at the time of birth or who is less than two years of age and is in a family with countable income that is equal to or less than the income standard established under *Minnesota Statute*s 2013, 256B.057, subd. 1.

Subd. 15. Adults without children. Medical assistance may be paid for a person who is:

- at least age 21 and under age 65;
- not pregnant;
- not entitled to Medicare Part A or enrolled in Medicare Part B under Title XVIII of the Social Security Act;
- not otherwise eligible under subdivision 7 as a person who meets the categorical eligibility requirements of the Supplemental Security Income program;
- not enrolled under subdivision 7 as a person who would meet the categorical eligibility requirements of the Supplemental Security Income program except for excess income or assets; and
- not described in another subdivision of this section.

Subd. 16. Children ages 19 and 20. Medical assistance may be paid for children who are 19 to 20 years of age.

Minnesota Statutes **2013, 256B.056, subd. 1a(b)(1)** - The modified adjusted gross income methodology as defined in the Affordable Care Act shall be used for eligibility categories based on: (i) children under age 19 and their parents and relative caretakers as defined in section 256B.055, subdivision 3a; (ii) children ages 19 to 20 as defined in section 256B.055, subdivision 16; (iii) pregnant women as defined in section 256B.055, subdivision 6; (iv) infants as defined in sections 256B.055, subdivision 10, and 256B.057, subdivision 8; and (v) adults without children as defined in section 256B.055, subdivision 15.

Minnesota Statutes **2013, 256B.056, subd. 4(b) through (e)** - (b) Effective January 1, 2014, to be eligible for medical assistance, under section 256B.055, subdivision 3a, a parent or caretaker relative may have an income up to 133 percent of the federal poverty guidelines for the household size.
(c) To be eligible for medical assistance under section 256B.055, subdivision 15 [adult without children], a person may have an income up to 133 percent of federal poverty guidelines for the household size.
(d) To be eligible for medical assistance under section 256B.055, subdivision 16, a child age 19 to 20 may have an income up to 133 percent of the federal poverty guidelines for the household size.
(e) To be eligible for medical assistance under section 256B.055, subdivision 3a, a child under age 19 may have income up to 275 percent of the federal poverty guidelines for the household size or an equivalent standard when converted using modified adjusted gross income methodology as required under the Affordable Care Act…

Minnesota Statutes **2013, 256B.057, subd. 1** - Infants and pregnant women.
(a) An infant less than two years of age or a pregnant woman is eligible for medical assistance if the individual's countable household income is equal to or less than 275 percent of the federal poverty guideline for the same household size or an equivalent standard when converted using modified adjusted gross income methodology as required under the Affordable Care Act.
(b) An infant born to a woman who was eligible for and receiving medical assistance on the date of the child's birth shall continue to be eligible for medical assistance without redetermination until the child's first birthday.

Minnesota Statutes **2013, 256B.06, subd. 4** - Citizenship requirements.
(a) Eligibility for medical assistance is limited to citizens of the United States, qualified noncitizens as defined in this subdivision, and other persons residing lawfully in the United States. Citizens or nationals of the United States must cooperate in obtaining satisfactory documentary evidence of citizenship or nationality according to the requirements of the federal Deficit Reduction Act of 2005, Public Law 109-171.

(b) "Qualified noncitizen" means a person who meets one of the following immigration criteria:
(1) admitted for lawful permanent residence according to United States Code, title 8;
(2) admitted to the United States as a refugee according to United States Code, title 8, section 1157;
(3) granted asylum according to United States Code, title 8, section 1158;
(4) granted withholding of deportation according to United States Code, title 8, section 1253(h);
(5) paroled for a period of at least one year according to United States Code, title 8, section 1182(d)(5);
(6) granted conditional entrant status according to United States Code, title 8, section 1153(a)(7);
(7) determined to be a battered noncitizen by the United States Attorney General according to the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, title V of the Omnibus Consolidated Appropriations Bill, Public Law 104-200;
(8) is a child of a noncitizen determined to be a battered noncitizen by the United States Attorney General according to the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, title V, of the Omnibus Consolidated Appropriations Bill, Public Law 104-200; or
(9) determined to be a Cuban or Haitian entrant as defined in section 501(e) of Public Law 96-422, the Refugee Education Assistance Act of 1980.
(c) All qualified noncitizens who were residing in the United States before August 22, 1996, who otherwise meet the eligibility requirements of this chapter, are eligible for medical assistance with federal financial participation.
(d) Beginning December 1, 1996, qualified noncitizens who entered the United States on or after August 22, 1996, and who otherwise meet the eligibility requirements of this chapter are eligible for medical assistance with federal participation for five years if they meet one of the following criteria:
(1) refugees admitted to the United States according to United States Code, title 8, section 1157;
(2) persons granted asylum according to United States Code, title 8, section 1158;
(3) persons granted withholding of deportation according to United States Code, title 8, section 1253(h);
(4) veterans of the United States armed forces with an honorable discharge for a reason other than noncitizen status, their spouses and unmarried minor dependent children; or
(5) persons on active duty in the United States armed forces, other than for training, their spouses and unmarried minor dependent children.
Beginning July 1, 2010, children and pregnant women who are noncitizens described in paragraph (b) or who are lawfully present in the United States as defined in Code of Federal Regulations, title 8, section 103.12, and who otherwise meet eligibility requirements of this chapter, are eligible for medical assistance with federal financial participation as provided by the federal Children's Health Insurance Program Reauthorization Act of 2009, Public Law 111-3.

(e) Nonimmigrants who otherwise meet the eligibility requirements of this chapter are eligible for the benefits as provided in paragraphs (f) to (h). For purposes of this subdivision, a "nonimmigrant" is a person in one of the classes listed in United States Code, title 8, section 1101(a)(15).
(f) Payment shall also be made for care and services that are furnished to noncitizens, regardless of immigration status, who otherwise meet the eligibility requirements of this chapter, if such care and services are necessary for the treatment of an emergency medical condition.
(g) For purposes of this subdivision, the term "emergency medical condition" means a medical condition that meets the requirements of United States Code, title 42, section 1396b(v).
(h)(1) Notwithstanding paragraph (g), services that are necessary for the treatment of an emergency medical condition are limited to the following:
(i) services delivered in an emergency room or by an ambulance service licensed under chapter 144E that are directly related to the treatment of an emergency medical condition;
(ii) services delivered in an inpatient hospital setting following admission from an emergency room or clinic for an acute emergency condition; and
(iii) follow-up services that are directly related to the original service provided to treat the emergency medical condition and are covered by the global payment made to the provider.
(2) Services for the treatment of emergency medical conditions do not include:
(i) services delivered in an emergency room or inpatient setting to treat a nonemergency condition;
(ii) organ transplants, stem cell transplants, and related care;
(iii) services for routine prenatal care;
(iv) continuing care, including long-term care, nursing facility services, home health care, adult day care, day training, or supportive living services;
(v) elective surgery;
(vi) outpatient prescription drugs, unless the drugs are administered or dispensed as part of an emergency room visit;
(vii) preventative health care and family planning services;
(viii) rehabilitation services;
(ix) physical, occupational, or speech therapy;
(x) transportation services;
(xi) case management;
(xii) prosthetics, orthotics, durable medical equipment, or medical supplies;
(xiii) dental services;
(xiv) hospice care;
(xv) audiology services and hearing aids;
(xvi) podiatry services;
(xvii) chiropractic services;
(xviii) immunizations;
(xix) vision services and eyeglasses;
(xx) waiver services;

(xxi) individualized education programs; or
(xxii) chemical dependency treatment.
(i) Pregnant noncitizens who are ineligible for federally funded medical assistance because of immigration status, are not covered by a group health plan or health insurance coverage according to Code of Federal Regulations, title 42, section 457.310, and who otherwise meet the eligibility requirements of this chapter, are eligible for medical assistance through the period of pregnancy, including labor and delivery, and 60 days postpartum, to the extent federal funds are available under title XXI of the Social Security Act, and the state children's health insurance program.
(j) Beginning October 1, 2003, persons who are receiving care and rehabilitation services from a nonprofit center established to serve victims of torture and are otherwise ineligible for medical assistance under this chapter are eligible for medical assistance without federal financial participation. These individuals are eligible only for the period during which they are receiving services from the center. Individuals eligible under this paragraph shall not be required to participate in prepaid medical assistance. The nonprofit center referenced under this paragraph may establish itself as a provider of mental health targeted case management services through a county contract under section 256.0112, subdivision 6. If the nonprofit center is unable to secure a contract with a lead county in its service area, then, notwithstanding the requirements of section 256B.0625, subdivision 20, the commissioner may negotiate a contract with the nonprofit center for provision of mental health targeted case management services. When serving clients who are not the financial responsibility of their contracted lead county, the nonprofit center must gain the concurrence of the county of financial responsibility prior to providing mental health targeted case management services for those clients.
(k) Notwithstanding paragraph (h), clause (2), the following services are covered as emergency medical conditions under paragraph (f) except where coverage is prohibited under federal law:
(1) dialysis services provided in a hospital or freestanding dialysis facility; and
(2) surgery and the administration of chemotherapy, radiation, and related services necessary to treat cancer if the recipient has a cancer diagnosis that is not in remission and requires surgery, chemotherapy, or radiation treatment.
(l) Effective July 1, 2013, recipients of emergency medical assistance under this subdivision are eligible for coverage of the elderly waiver services provided under section 256B.0915, and coverage of rehabilitative services provided in a nursing facility. The age limit for elderly waiver services does not apply. In order to qualify for coverage, a recipient of emergency medical assistance is subject to the assessment and reassessment requirements of section 256B.0911. Initial and continued enrollment under this paragraph is subject to the limits of available funding.

***Minnesota Statutes* 2013, 256L.01, subd. 5** - "Income" has the meaning given for modified adjusted gross income, as defined in Code of Federal Regulations, title 26, section 1.36B-1.

***Minnesota Statutes* 2013, 256L.02, subd. 2** - .Commissioner's duties.
(a) The commissioner shall establish an office for the state administration of this plan. The plan shall be used to provide covered health services for eligible persons. Payment for these services shall be made to all participating entities under contract with the commissioner. The commissioner shall adopt rules to administer the MinnesotaCare program. The commissioner shall establish marketing efforts to encourage potentially eligible persons to receive information about the program and about other medical care programs administered or supervised by the Department of Human Services.
(b) A toll-free telephone number and Web site must be used to provide information about medical programs and to promote access to the covered services.

***Minnesota Statutes* 2013, 256L.04, subd. 1** - Families with children. Families with children with family income above 133 percent of the federal poverty guidelines and equal to or less than 200 percent of the federal poverty guidelines for the applicable family size shall be eligible for MinnesotaCare according to this section. All other provisions of sections 256L.01 to 256L.18 shall apply unless otherwise specified. Children under age 19 with family income at or below 200 percent of the federal poverty guidelines and who are ineligible for medical assistance by sole reason of the application of federal household composition rules for medical assistance are eligible for MinnesotaCare."

***Minnesota Statutes* 2013, 256L.04, subd. 1(a)** - Individuals and families applying for MinnesotaCare coverage must provide a social security number.

***Minnesota Statutes* 2013, 256L.04, subd. 1a,(b)** - The commissioner shall not deny eligibility to an otherwise eligible applicant who has applied for a social security number and is awaiting issuance of that social security number.

***Minnesota Statutes* 2013, 256L.04, subd. 10** - Citizenship requirements.
(a) Eligibility for MinnesotaCare is limited to citizens or nationals of the United States and lawfully present noncitizens as defined in Code of Federal Regulations, title 8, section 103.12. Undocumented noncitizens are ineligible for MinnesotaCare. For purposes of this subdivision, an undocumented noncitizen is an individual who resides in the United States without the approval or acquiescence of the United States Citizenship and Immigration Services. Families with children who are citizens or nationals of the United States must cooperate in obtaining satisfactory documentary evidence of citizenship or nationality according to the requirements of the federal Deficit Reduction Act of 2005, Public Law 109-171.
(b) Notwithstanding subdivisions 1 and 7, eligible persons include families and individuals who are lawfully present and ineligible for medical assistance by reason of immigration status and who have incomes equal to or less than 200 percent of federal poverty guidelines.

***Minnesota Statutes* 2013, 256L.04, subd. 14** - Coordination with medical assistance.
(a) Individuals eligible for medical assistance under chapter 256B are not eligible for MinnesotaCare under this section.
(b) The commissioner shall coordinate eligibility and coverage to ensure that individuals transitioning between medical assistance and MinnesotaCare have seamless eligibility and access to health care services.

***Minnesota Statutes* 2013, 256L.07, subd. 3(a)** - Families and individuals enrolled in the MinnesotaCare program must have no health coverage while enrolled.
(c) For purposes of this subdivision, an applicant or enrollee who is entitled to Medicare Part A or enrolled in Medicare Part B coverage under title XVIII of the Social Security Act, United States Code, title 42, sections 1395c to 1395w-152, is considered to have health coverage. An applicant or enrollee who is entitled to premium-free Medicare Part A may not refuse to apply for or enroll in Medicare coverage to establish eligibility for MinnesotaCare.

***Minnesota Statutes* 2013, 256L.15 - subd. 1**. Premium determination.
(a) Families with children and individuals shall pay a premium determined according to subdivision 2.
(b) Members of the military and their families who meet the eligibility criteria for MinnesotaCare upon eligibility approval made within 24 months following the end of the member's tour of active duty shall have their premiums paid by the commissioner. The effective date of coverage for an individual or family who meets the criteria of this paragraph shall be the first day of the month following the month in which eligibility is approved. This exemption applies for 12 months.
(c) Beginning July 1, 2009, American Indians enrolled in MinnesotaCare and their families shall have their premiums waived by the commissioner in accordance with section 5006 of the American Recovery and Reinvestment Act of 2009, Public Law 111-5. An individual must document status as an American Indian, as defined under Code of Federal Regulations, title 42, section 447.50, to qualify for the waiver of premiums.
Subd. 2. Sliding fee scale; monthly individual or family income.
(a) The commissioner shall establish a sliding fee scale to determine the percentage of monthly individual or family income that households at different income levels must pay to obtain coverage through the MinnesotaCare program. The sliding fee scale must be based on the enrollee's monthly individual or family income.
(b) Beginning January 1, 2014, MinnesotaCare enrollees shall pay premiums according to the premium scale specified in paragraph (c) with the exception that children 20 years of age and younger in families with income at or below 200 percent of the federal poverty guidelines shall pay no premiums.
(c) The following premium scale is established for each individual in the household who is 21 years of age or older and enrolled in MinnesotaCare:

Federal Poverty Guideline Greater than or Equal to	Less than	Individual Premium Amount
0%	55%	$4
55%	80%	$6
80%	90%	$8
90%	100%	$10
100%	110%	$12
110%	120%	$15
120%	130%	$18
130%	140%	$21
140%	150%	$25
150%	160%	$29
160%	170%	$33
170%	180%	$38
180%	190%	$43
190%		$50

Minnesota Department of **Human Services**

November 7, 2014

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 ("MNsure"). We appreciate the professionalism of you and your staff throughout this process. These findings are serious, and we are working to improve compliance as we move forward with technology improvements. The Department of Human Services is committed to accurate determination of eligibility for all our programs. We have historically performed at or better than the national average on federally-required Payment Error Rate Measurement (PERM) audits, which measure the accuracy of eligibility determinations for Medicaid. We want to continue that success into the future.

The implementation of the Affordable Care Act is a landmark event in our nation's health care policy. It represents an unprecedented expansion of access to health care coverage for all Americans. Minnesota has embraced this opportunity by expanding eligibility for public health care programs and implementing MNsure, a state-based exchange that creates a single access point to health care for all Minnesotans. The success of this approach is seen in the impact on people: more than 360,000 Minnesotans enrolled in health care coverage at some of the lowest rates in the nation. The vast majority of these people have been enrolled in public programs, providing access to quality care at little or no cost to their family. The number of uninsured Minnesotans has fallen by 40 percent in less than a year.

As the audit documents, we experienced problems with eligibility determination in the early period of implementation, and continue to work on fixing those problems. While problems are not unexpected on a new project, especially one of this scale and complexity, the scope of the problems we experienced is disappointing. The experience in late 2013 and early 2014 with the new eligibility system was particularly challenging because of the tight timelines for implementation. In this early period, we focused our manual efforts on ensuring that system problems did not cause people to lose health care coverage. While we made efforts to fix all identified problems, the priority was to ensure people did not wrongly lose coverage.

Since this time period, improvements have been made. Many of those improvements are documented in your audit and our responses below, including the functionality to prevent duplicate accounts, a fix to a flaw that caused miscalculation of semimonthly income, inclusion of Medical Assistance and MinnesotaCare enrollees in the PARIS data match, and ongoing efforts to close cases, with more than

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3,400 closed since mid-August. After the period covered in this audit report, Deloitte also did a full review of the new system as part of their overall project assessment. In June 2014, they reported that eligibility determination was one of the functions that worked as designed in the new system.

There are clearly still fixes needed. We are much better positioned to make these improvements now than we were early in the year. We have had a governance structure in place since spring. The project management structure has been greatly improved and the role of MN.IT Services clarified. The new IT governance structure provides DHS with an equal voice in decisions with MNsure and MN.IT, ensuring that the needs of public programs are represented in priority-setting. This does not mean all of the issues identified in the audit will be fixed immediately. Systems improvements take time, new functionality is needed in addition to fixes, and DHS is only one party in the priority-setting process.

We anticipate that other improvements will be made in the near future, including:

- Before the end of this month, approximately 500 county workers will have completed our training in the new eligibility system, giving them exposure to and experience with complex cases.
- A defect that results in denial of Medical Assistance to applicants who erroneously report Minnesota Supplemental Aid is scheduled to be fixed by the end of this month.
- We have already recovered some incorrect payments tied to duplicate accounts. By the end of the year, we will pursue recovery of the remaining incorrect payments triggered by this issue.
- Our effort to improve billing and collection of MinnesotaCare premiums continues.

Thank you again for the professional efforts of your staff in conducting this review.

Sincerely,

Lucinda E. Jesson
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.

Audit Recommendations

The Department of Human Services should design ways to detect and assess the risk that errors may occur in the MNsure application process that result in ineligible people obtaining public health care program benefits. The Department of Human Services should test its error detection and verification practices to ensure they are effective.

The Department of Human Services should analyze data it has for people who enrolled in its public health care programs through MNsure to identify people whose eligibility may not be accurate due to application problems, including duplicate accounts and clearly incorrect income amounts.

To the extent possible, the Department of Human Services should recover overpayments related to these eligibility errors.

The Department of Human Services should include people who enrolled in its public health care programs through MNsure in the information it provides quarterly to the federal government for data matching through the Public Assistance Reporting Information System (PARIS).

Response to Audit Recommendations

The Department of Human Services has been identifying and fixing eligibility problems throughout the project. As noted throughout this report, many of the system defects that contributed to errors found in the audit sample have been corrected. In March 2014 the functionality to prevent duplicate accounts was deployed, and in April 2014 the defect that caused employer identification number to display as income on the online application was corrected. The department will continue to identify and resolve systems flaws that contribute to incorrect eligibility determinations.

All the work in the new eligibility system 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 is reviewing all cleanup activities that are necessary from the first year of public program enrollment in the new eligibility system. We will prioritize cleanup activities based on our overall assessment.

The department has recovered some of the duplicate payments and will pursue recovery of the remaining incorrect payments made under duplicate records by the end of the year.

In September 2014, the department began including people enrolled in Medical Assistance and MinnesotaCare through MNsure in the PARIS quarterly data file.

Responsible Persons: Nathan Moracco
Estimated Completion Date: Ongoing activity

Audit Finding 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.

Audit Recommendation 2-1

The Department of Human Services should verify the complete and accurate transfer of all recipients' data from MNsure to DHS's medical payment system.

Response to Audit Recommendation 2-1

MN.IT has procedures in place to verify data transfers. MN.IT receives daily reports providing insights into transfer acceptance, rejection and total counts broken down by type of transaction (e.g., recipient demographic, eligibility, etc.). For those transactions which are rejected, counts are reported for each error code. The daily reports also include a log of each transaction received. We concur that we can do better with reconciliations that expand one day of activity. The department will work with MN.IT Services to develop processes and reports to reconcile interfaced transactions covering weekly, monthly and annual periods.

Responsible Person: Debra Tibstra, MN.IT Services; Gary Johnson, DHS
Estimated Completion Date: June 30, 2015

Audit Recommendation 2-2

The Department of Human Services should log and monitor when MN.IT employees access recipients' personal information in the Department of Human Services' medical payment system.

Response to Audit Recommendation 2-2

The department is working with MN.IT Services to begin the 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.

Responsible Person: Mark Mathison, MN.IT Services; Gary Johnson, DHS
Estimated Completion Date: December 31, 2014

Audit Finding 3

The Department of Human Services did not provide the county human service eligibility workers with sufficient training on MNsure.

Audit Recommendations

The Department of Human Services should work with county staff and continue to develop training that meets the needs of the county eligibility workers, including working through examples of the complex case scenarios the workers encounter daily.

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

Response to Audit Recommendations

The department believes counties are critical partners in helping Minnesotans access health care. We acknowledge the first year with the new system has been challenging for counties, and we need to improve moving forward

We have engaged counties at the governance level of the MNsure system, including the addition of a county representative on the Executive Steering Committee and the establishment of a county advisory group.

In October 2014, the department began training county staff to enter paper applications into the new eligibility system. This training has exposed county staff to a variety of complex cases. This is foundational systems training for county workers. By November 21, 2014, approximately 500 county workers will have been trained by the department. Once a county worker has been trained, they may train other workers in their county or other counties.

We plan to train county workers on entering changes in circumstances into the system as procedures are tested and issued. Until these have been issued county workers have been directed to submit these to the department for entry into the system.

While two counties in greater Minnesota indicated that they felt less informed because they were unable to participate in the mentor program, participation in the mentor program is open to all counties.

Responsible Person: Karen Gibson
Estimated Completion Date: March 1, 2015

Audit Finding 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.

Audit Recommendations

The Department of Human Services should ensure eligibility workers can close cases in MNsure.

The Department of Human Services should identify and close all cases where people became ineligible for a public health care program.

Response to Audit Recommendations

The new system will correctly close cases if a change in circumstances makes a person ineligible for health care. The department is working to test, finalize and issue procedures for entering changes in circumstances to counties. In cases where someone is ineligible, the system will redetermine eligibility and close coverage once the changes have been entered. Part of properly executing closure is making sure that enrollees understand that some changes that they report do not result in ineligibility. For example, they can have other health insurance and still remain eligible for Medical Assistance, and a change of job with higher income may not necessarily make them ineligible.

The department has developed a procedure for cases that wanted to voluntarily close and cases that have moved out of state. County workers submit these requests to the department for closure. Since August 13, 2014, the department has closed more than 3,400 cases. The department will continue to work to fully test procedures that will be issued for county workers.

Responsible Person: Nathan Moracco
Estimated Completion Date: March 2015

Audit Finding 5

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.

Audit Recommendations

The Department of Human Services should correct the MNsure notification letter weaknesses.

The Department of Human Services should notify applicants when information needs verification and obtain all required information within 95 days or notify the applicant of their eligibility status.

The Department of Human Services should redesign MNsure so eligibility workers can see all of their assigned follow-up items.

Response to Audit Recommendations

The department has been working and will continue to work to improve and enhance notice functionality for Medical Assistance and MinnesotaCare applicants and enrollees. Some of the problems identified in the audit period were corrected in July. There is still more work to do.

We are working to ensure timely reconciliation with regard to verifications not received within 95 days. On October 3, 2014, the department mailed reminder notices to Medical Assistance and MinnesotaCare enrollees who have outstanding verifications, prompting them to submit the necessary proofs or to contact their servicing agency to find out more about what they need to provide. The department sent an announcement to county workers informing them of this mailing, and encouraging them to process all verifications they receive from enrollees as quickly as possible. On October 20, 2014, and November 5, 2014, the department issued additional guidance for workers about the process of resolving verifications in the new eligibility system.

The department is planning for the MinnesotaCare and Medical Assistance renewals process on the new eligibility system, which begins in November. The renewal process requires that all outstanding verifications are resolved for an enrollee before eligibility can be renewed. The department expects all remaining outstanding verifications will be addressed with this process.

The department is also working to ensure workers are able to view and access the information they need to do their work.

The timing of IT fixes or enhancements depends on prioritization decisions made by the MNsure Executive Steering Committee.

Responsible Person: Nathan Moracco
Estimated Completion Date: November 2016

Audit Finding 6

The Department of Human Services paid Medical Assistance and MinnesotaCare benefits for recipients whose income exceeded federal and state program limits.

Audit Recommendations

The Department of Human Services should consider developing procedures to verify reported income with external sources at least quarterly and identify income changes affecting recipients ' eligibility.

The Department of Human Services should fix the error that asks applicants if their unemployment income is monthly rather than weekly.

The Department of Human Services should identify and fix the error that allowed the Department of Human Services to make benefit payments before eligibility workers resolved income discrepancies identified by MNsure.

Response to Audit Recommendations

Most of the initial application errors that are cited in the audit are the result of problems that have been fixed. The Department of Human Services has been identifying and fixing errors in eligibility determination throughout the project. The cases identified in the audit were in error because at the time the sample was drawn the match with data from the Department of Employment and Economic Development (DEED) was not working. This was fixed in April 2014; the new eligibility system currently verifies data with DEED at the time of application.

The DEED verification is one of a number of state and federal electronic data sources used to verify income for applicants. State sources include quarterly wage data and unemployment insurance data from DEED and alimony information from the statewide child support computer system. The system also connects to the federal data services hub and receives Internal Revenue Service tax data and, since March 2014, TALX[1] real-time wage data. For individuals who assert income within the Medical Assistance and MinnesotaCare income limits, the system determines whether the income reported is reasonably compatible with the electronic data received from these sources. When the reported income is not reasonably compatible with electronic sources, applicants are required to submit paper verification of income.

We have reviewed the error that allowed benefit payments to be made when there were unresolved income discrepancies and determined that this is not a widespread issue. It appears to be an anomalous case.

The department is working to correct the system flaw that causes unemployment income to display as a monthly figure rather than weekly. The department will consider periodic data matching of enrollees' income. The timing of IT fixes or enhancements depends on prioritization decisions made by the MNsure Executive Steering Committee.

Responsible Person: Nathan Moracco
Estimated Completion Date: November 2016

Audit Finding 7

The Department of Human Services paid health care costs for some ineligible people based on the applicants' reported household size and family relationships.

Audit Recommendation 7-1

The Department of Human Services should ensure MNsure will not accept invalid member relationships during the enrollment process.

Response to Audit Recommendation 7-1

[1] TALX is a national service that provides a secure way for DHS to obtain real time employment and income information

The department will work to pursue system checks to prevent member relationship errors by applicants. In our assessment this is not a widespread issue.

The timing of IT fixes or enhancements depends on prioritization decisions made by the MNsure Executive Steering Committee.

Responsible Person: Nathan Moracco
Estimated Completion Date: November 2016

Audit Recommendation 7-2

The Department of Human Services should consider modifying its verification plan to verify household size and member relationships with other available data, including the Department of Human Services' cash and food assistance system.

Response to Audit Recommendation 7-2

The department will consider this recommendation. These verifications are not required by the federal government and are not part of our federally approved verification plan.

The department does not currently use data from the Supplemental Nutrition Assistance Program, Minnesota Supplemental Aid, General Assistance or Temporary Assistance to Needy Families programs because this data is not electronically available. Making this data available electronically is part of our long-term plan to modernize human services systems.

Responsible Person: Nathan Moracco
Estimated Completion Date: N/A

Audit Finding 8

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.

Audit Recommendations

The Department of Human Services should identify the recipients affected by MNsure's miscalculation of semimonthly income and the impact of the Minnesota Supplemental Aid system error and enroll the recipients in the correct health care program.

The Department of Human Services should continue its efforts to correct MNsure weaknesses that prevent eligibility workers from closing cases when income changes affect recipient eligibility.

The Department of Human Services should review and verify the income of recipients who enrolled in MinnesotaCare prior to March 2014 and ensure that these recipients are enrolled in the correct program.

Response to Audit Recommendations

The system flaw that caused miscalculation of semimonthly income was fixed in May 2014. An enhancement to prevent applicants who erroneously report Minnesota Supplemental Aid from being denied Medical Assistance is scheduled to be deployed by the end of November 2014.

The department is working to implement the necessary procedures for changes in circumstances, which will enable workers to update eligibility data and income. Entering new income data will trigger a redetermination of eligibility, and closure of individuals who are no longer eligible for Medical Assistance or MinnesotaCare.

The department is reviewing all cleanup activities that are necessary from the first year of public program enrollment in the new eligibility system. We will prioritize cleanup activities based on our overall assessment.

Responsible Person: Nathan Moracco
Estimated Completion Date: March 2015 for changes in circumstances procedures
July 2015 for prioritization of cleanup activities

Audit Finding 9

The Department of Human Services paid benefits for MinnesotaCare recipients who were also enrolled in Medicare.

Audit Recommendation 9

The Department of Human Services should continue to identify Medicare beneficiaries who are also enrolled in MinnesotaCare and close the cases prior to paying health care costs.

Response to Audit Recommendation 9

Since the department learned of this issue in March 2014, we have determined the source of the error and taken corrective action. The error was caused when applicants with Medicare coverage incorrectly answered "no" to the online application question about having other health insurance. We have taken the following steps to correct this error:

1. On April 27, 2014, the online application question about other health insurance was changed to specifically ask applicants if they have Medicare.
2. Applicants who were Medicare beneficiaries were disenrolled from MinnesotaCare effective June 30, 2014. The department mailed a supplemental application to these people and invited them to apply for Medicare Savings Programs or Medical Assistance for people who are age 65 and older or persons who are blind or disabled.

The department will continue to run monthly reports to identify Medicare beneficiaries and those newly qualifying for Medicare and will continue to take action to prevent incorrect MinnesotaCare enrollment.

Responsible Person: Nathan Moracco
Estimated Completion Date: Ongoing activity

Audit Finding 10

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.

Audit Recommendations

The Department of Human Services should ensure that MNsure and the DHS medical payment system have the correct eligibility category for women 60 days after their pregnancies end.

The Department of Human Services should ensure that MNsure redetermines eligibility before it enrolls women in Medical Assistance 60 days after their pregnancies end.

The Department of Human Services should identify and correct all the eligibility category and program enrollment errors to ensure the women past the 60-day period are enrolled in the correct health care program.

Response to Audit Recommendations

The department will work to improve system functionality toward ensuring correct eligibility for women following pregnancy. This defect is on our list of cleanup activities. We have fixed all such cases that have come to our attention, including the ones identified by the auditor.

The department is reviewing all cleanup activities that are necessary from the first year of public program enrollment in the new eligibility system. We will prioritize cleanup activities based on our overall assessment.

The timing of IT fixes depends on prioritization decisions made by the MNsure Executive Steering Committee.

Responsible Person: Nathan Moracco
Estimated Completion Date: November 2016

Audit Finding 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.

Audit Recommendations

The Department of Human Services should continue to work with MNsure to correct the MinnesotaCare billing errors.

The Department of Human Services should ensure it collects the correct premium amounts from MinnesotaCare recipients who received coverage during 2014.

The Department of Human Services should terminate coverage for MinnesotaCare recipients who do not pay their premiums.

Response to Audit Recommendations

The department has been working and continues to work on improvements to the premium billing and collection process. We have created a comprehensive inventory of system errors and are in the process of researching and resolving them. We will also conduct an annual reconciliation of billing for calendar year 2014 and will send each enrollee a detailed statement by June 2015.

Our ability to terminate coverage for nonpayment of premiums is dependent on IT solutions. We are working toward having the functionality to do so. Items that require IT solutions need to be prioritized by the MNsure Executive Steering Committee.

Responsible Person: Nathan Moracco
Estimated Completion Date: June 30, 2015

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.