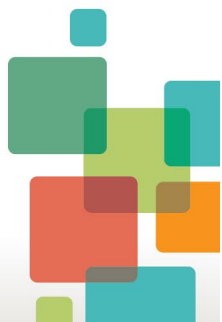




Cover Page

# FY2015 MNsure Programmatic Audit Report and Agency Response Letter

MNsurance's Accessibility & Equal Opportunity (AEO) office can provide this information in accessible formats for individuals with disabilities. Additionally, the AEO office can provide information on disability rights and protections to access MNsure programs. The AEO office can be reached via 855-366-7873 or [AEO@MNsurance.org](mailto:AEO@MNsurance.org).





**INDEPENDENT EXTERNAL AUDIT:  
2015 AUDIT FINDINGS REPORT  
MINNESOTA  
MINNESOTA HEALTH INSURANCE EXCHANGE (MNsure)**



# INDEPENDENT EXTERNAL AUDIT: 2015 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

FROM: BERRY DUNN MCNEIL & PARKER, LLC (BERRYDUNN)

DATE: JUNE 20, 2016

SUBJECT: AUDIT FINDINGS REPORT FOR MINNESOTA

AUDIT PERIOD: JULY 1, 2014 – JUNE 30, 2015

## I. EXECUTIVE SUMMARY

### PURPOSE

The purpose of this independent external audit is to assist the State of Minnesota in determining whether MNsure, the Minnesota State-Based Marketplace (SBM), is in compliance with the programmatic requirements set forth by the Centers for Medicare and Medicaid Services (CMS).

Name of SBM: MNsure

State of SBM: Minnesota

Name of Auditing Firm: BerryDunn

Our responsibility was to perform a programmatic audit to report on MNsure's compliance with 45 CFR 155 as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of SBMs. The Program Integrity Rule Part II ("PI, Reg."), 45 CFR 155.1200 (c), states, "The State Exchange must engage an independent qualified auditing entity which follows generally accepted governmental auditing standards (GAGAS) to perform an annual independent external financial and programmatic audit and must make such information available to the United States (U.S.) Department of Health and Human Services for review."

### SCOPE

The scope of this engagement was limited to an examination of MNsure's compliance with the programmatic requirements under 45 CFR 155. The engagement did not include an audit of the Statement of Appropriations and Expenditures of MNsure, nor did it include an examination of MNsure's financial controls and compliance with the financial accounting and reporting requirements of 45 CFR 155.

We conducted our audit in accordance with U.S. GAGAS contained in Government Auditing Standards, issued by the Comptroller General of the United States. We completed an

examination of MNSure's compliance with the programmatic requirements under 45 CFR 155 and issued our reports, dated June 20, 2016.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, testing, and staff interviews to obtain reasonable assurance regarding whether MNSure is in compliance with 45 CFR 155 in all material respects.

## **METHODOLOGY**

### **Audit Firm Background:**

BerryDunn is the largest certified public accounting and consulting firm headquartered in New England, with more than 280 professionals. BerryDunn has, for more than 40 years, provided comprehensive audit and tax services for a broad range of healthcare, not-for profit, and governmental entities. Those services include conducting audits in accordance with the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (previously referred to as OMB Circular A-133 and hereinafter referred to as the OMB Uniform Administrative Requirements) for several sizable healthcare organizations, many of which receive U.S. Department of Health and Human Services federal grants or funding. In addition, we provide audit services for higher education, social service, and economic development organizations, as well as other entities that receive federal grants and are subject to the OMB Uniform Administrative Requirements, including other SBMs.

### **Programmatic Audit:**

We have examined MNSure's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2015, and have issued a report thereon dated June 20, 2016.

### **Summary of Programmatic Audit Procedures:**

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to test MNSure's compliance with the subparts of 45 CFR Part 155. BerryDunn examined compliance with the requirements under Title 45, Part 155, in the following programmatic areas:

- General Standards (Subpart B)
- General Functions (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Oversight and Program Integrity Standards (Subpart M)<sup>1</sup>

We selected a sample of clients and tested for compliance with requirements under Title 45, Part 155, for eligibility determination, verification of data, and enrollment with a QHP.

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<sup>1</sup> Excluding financial oversight and integrity requirements.

We reviewed the processes and procedures under Title 45, Part 155, in the following programmatic areas in order to determine whether they are in compliance with the requirements of the ACA:

- Navigators, Certified Application Counselors, and Brokers
- Contact Center Processes and Procedures
- Eligibility Processes and Procedures
- Compliance and Program Integrity

We reviewed the following documentation, which was obtained directly from MNsure, or located on either the MNsure website or the CMS website:

- 42 CFR Parts 431, 435, and 457, Medicaid Program Eligibility Changes Under the Affordable Care Act of 2010
- Affordable Care Act (ACA) # 22—Conversion of Net Income Standards to MAGI Equivalent Income Standards
- Certified Brokers Listing
- CMS Monthly Reports
- CMS Quarterly Reports
- Contract Template for Certified Application Counselors (CAC)
- Contract Template for In-Person Assister (IPA)
- Contract Template for Navigators
- Deloitte Assessment of MNsure reports
- Employee Voluntary Separation Checklist
- MNsure Annual Report
- MNsure Blueprint Report
- MNsure Board Meeting Notes
- MNsure Brokers Complaint Procedures
- MNsure Carrier Business Agent Agreement
- MNsure Compliance Program Roadmap
- MNsure Compliance Strategic Plan
- MNsure Compliance Work Plan
- MNsure Health Advisory Industry Committee Reports
- MNsure IT Governance Chart
- MNsure Metrics Dashboard Reports
- MNsure Navigator and CAC Roadmap
- MNsure Navigator Complaint Procedures
- MNsure Navigator Program Evaluation

- MNsire New Hire Participant Training Manual
- MNsire Plan Data and Tools 2015
- MNsire Subsidized Coverage Structure
- Navigator/IPA/CAC Listing
- OIG February 2016 Report on MNsire Audit
- Office of the Legislative Auditor January 2016 Report on MNsire Eligibility Determinations
- Optum MNsire Assessment Summary Report
- Second Lowest Cost Silver Plan Data
- Security Documents, Including
  - Third-Party Independent Security Assessment Report (SAR) [Cross-Reference Control Family SSP]
  - IRS SSR Acceptance Letter
  - IT Governance Flowchart
  - Plan of Action & Milestone (POA&M)
  - Privacy Impact Assessment
  - System Security Plan (SSP) and Workbook
- SERFF ACA Binder
- Training Guide Back Pocket Materials
- Training Guide Front Pocket Materials
- Verifications Manual
- Verifications Processes and Procedures
- Verifications—Sample Notice
- Verification Training Document

In order to understand management and staff responsibilities and processes as they relate to compliance with 45 CFR, Part 155, we performed walkthroughs of data systems and operations and interviewed the following MNsire staff:

- Data Management Team
- Contact Center and Business Ops Supervisor
- Contact Center and Business Ops Lead
- Contact Center and Business Ops Director
- Contact Center Manager
- Contact Center Tier 1 Guide
- Contact Center Broker Shop Lead
- Eligibility and Enrollment Director

- Life Events Specialist
- Privacy and Security/Appeals Manager
- Broker and Agent Relations Director
- Navigator Relations Director
- Compliance and Program Integrity Manager
- Policy and Plan Management Director

We analyzed the following information to assess MNsure's compliance with the requirements of 45 CFR, Part 155:

- From a listing of 190,873 applicants who had an eligibility determination completed on or before June 30, 2015, we selected a sample of 160 cases to test the compliance with 45 CFR, Part 155, Subpart D – Eligibility and Subpart E – Enrollment. As part of this process, we reviewed a subset of the 160 cases to assess and evaluate MNsure's verification processes and procedures.

**CONFIDENTIAL INFORMATION OMITTED**

N/A

## II. AUDIT FINDINGS

### KEY FINDINGS

#### FINDING #2015-001

**Criteria:**

Subpart D – Eligibility, 45 CFR §155.315 requires that a State Based Marketplace (SBM) make a determination based upon the data entered by an applicant in the application, and data received from automated data sources. Under 45 CFR §155.315 (f), the Exchange must make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and the information obtained from outside data sources by contacting the applicant and requesting them to provide additional information to resolve the inconsistency. Pursuant to 45 CFR §155.315 (f) (2) (ii), the Exchange must provide the applicant with a period of 90 days (beginning with the date when the applicant receives the notice requesting documentation) to resolve an inconsistency between the self-attested data and the data received from outside sources. We note that, due to the uncertainty of when an applicant actually receives a notice, MNsure followed a policy of setting the time limit to 95 days after the notice was issued. Pursuant to 45 CFR §155.315 (f) (3), the Exchange can extend the period if an applicant demonstrates a good-faith effort to provide sufficient documentation to resolve the inconsistency. During this inconsistency period, an applicant (who is otherwise qualified) is eligible to enroll in a Qualified Health Plan and is eligible for insurance affordability programs (45 CFR § 155.315(f) (4)). If, after the 90-day period (or applicable extensions), the Exchange is unable to resolve the discrepancy between the self-attested information and the data sources with customer-provided information, then it must re-perform the eligibility calculations and notify the applicant of their new eligibility determination.

**Condition:**

As discussed with MNsure staff and substantiated by our review of a sample of cases, there were a significant number of cases in which self-attested data was not properly verified within the required 90-day period. The defined procedure requires MNsure to initially determine eligibility based upon the applicant's self-attested data in his or her application and subsequently verify that data through a match with the Federal Data Services Hub. Where there is no relevant data available within the Federal Data Services Hub, or the data is not reasonably compatible with the self-attested data (i.e., with defined parameters), then MNsure is required to notify the consumer and ask for documentation to resolve the inconsistency. We sampled 51 cases to review the status of this verification process. Of the 51 cases reviewed, 26 (51%) still displayed open verification flags reflecting an unresolved data inconsistency as of March 3, 2016.

**Cause:**

The METS system generated notices to clients with discrepancies between the self-attested data on their application and data provided by external data sources, such as the Federal Data Services Hub. However, MNsure did not have adequate resources in place to ensure that either the consumer resolved the inconsistency or the eligibility was re-determined based upon the



data available in external data sources within 90 days after notice of the inconsistency was received. During the audit period, MNSure had a verifications manual but it did not include procedures clearly describing the case redetermination process for cases in which an individual failed to resolve the data inconsistency after the reasonable opportunity period of 90 days. However, we note that such a procedure was developed after the audit period. A critical factor resulting in the lack of adequate resources was the absence of system functionality to support the automated processing of cases where verifications have not been received after the end of the reasonable opportunity period (90 days).

***Effect:***

The absence of adequate resources to ensure that discrepancies between self-attested data and data provided by external data sources were resolved within the required 90-day period resulted in some cases retaining the eligibility status determined using the original self-attested data, without completing a verification process. In our sample of 51 cases reviewed, the verification process was not completed within the required 90-day period for 51% of the sample (26 cases).

These cases retained the eligibility status determined, using the self-attested data, with no verification processes completed within the required 90-day period. Had the verification process been completed, some of those cases may have been assigned a different eligibility status. Applicants who were inappropriately provided Advanced Premium Tax Credit (APTC) eligibility beyond the 90-day period will, ultimately, reconcile their actual premium tax credit eligibility through the tax filing process. However, there is no recoupment of benefits for those individuals incorrectly provided Cost Sharing Reduction (CSR) eligibility. Therefore, it is possible that, if MNSure had completed the verification process for all of the cases as required, some of the cases that received APTC or CSR would ultimately have been determined ineligible for such benefits.

**FINDING #2015-002**

***Criteria:***

Subpart D – Eligibility, 45 CFR §155.305(f) (1) (i) (B) states that a person may not receive APTC if they are eligible for Minimum Essential Coverage (MEC). 45 CFR §155.305(g) (1) (B) states that a person may not be eligible for CSR if they are not also eligible for APTC.

26 U.S. Code § 5000A (f) specifically states that TRICARE is considered MEC, and thus consumers who are eligible for or enrolled in TRICARE cannot receive APTC or CSR. The Exchange must verify whether an applicant reasonably expects to be enrolled in or is eligible for MEC in the benefit year for which coverage is requested (45 CFR § 155.320(d) (1)). As part of this process, the Exchange is required to verify whether the applicant has coverage through TRICARE and other government-sponsored programs by transmitting identifying information through the Federal Data Services Hub (45 CFR § 155.320(b)).

***Condition:***

In our audit sample of 160 cases, we identified four cases in which the consumer was eligible for TRICARE, but was also determined eligible for APTC.

**Cause:**

Per the Affordable Care Act, consumers have 90 days to resolve the inconsistency. MNsure's policy was to issue a notice and request the consumer verify whether he or she, in fact, was eligible for TRICARE. METS did not appear to have sufficient controls in place to bar applicants who were eligible for TRICARE from receiving APTC if they failed to return verification of whether they were actually receiving TRICARE.

**Effect:**

Individuals who were eligible for TRICARE were able to receive APTC or CSR, even though they were not entitled to that benefit.

**FINDING #2015-003**

**Criteria:**

Pursuant to 45 CFR § 155.310(e), the Exchange is to determine eligibility "promptly and without undue delay."

**Condition:**

There were significant delays in processing verifications due to the suspension of issuing notices, the manual processing of verifications, life changes, and other technical issues with METS.

**Cause:**

There were significant technical issues with METS that hampered MNsure's ability to process changes in a timely manner.

**Effect:**

Because there were delays in processing changes, some consumers were either delayed in receiving benefits such as APTC and CSR, or received benefits to which they were not entitled, due to verifications not being processed after the 90-day reasonable opportunity period.

**FINDING #2015-004**

**Criteria:**

Pursuant to 45 CFR §155.1210, State Exchanges must maintain for 10 years any "data and records relating to the State Exchange's eligibility verifications and determinations." This means that MNsure must maintain for 10 years all data and documentation upon which it bases eligibility determination.

**Condition:**

MNsure could not produce some of the data or documentation upon which it based its eligibility determination for three (3) cases out of 95 cases selected for eligibility process and procedure testing. As a result, we could not verify whether eligibility was correctly determined for these test selections.

**Cause:**

MNsure did not have sufficient internal controls in place to ensure that some of the data and documentation used for eligibility determinations were properly maintained.

**Effect:**

Because some of the data needed to verify the accuracy of the eligibility determinations was not available, we could not assess the propriety of the eligibility determination for three (3) cases selected for testing.

**AUDITOR'S OPINION**

We have issued an Independent Auditor's Report on the Schedule of Appropriations and Expenditures for the Year Ended June 30, 2015, reflecting the following type of opinion: **N/A**

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

**ADDITIONAL COMMENTS**

N/A

### III. RECOMMENDATIONS

**FINDING #2015-001**

We recommend that MNsure work with the systems integrator to implement, as soon as practical, the code fixes needed to support automated monitoring of the cases that have not had the inconsistency between self-attested data and data from outside sources, such as the Federal Data Services Hub, resolved within the required 90 day period and assign them for resolution by a Customer Service Representative before the 90-day period concludes; in the interim, MNsure should implement a manual review process to ensure that all cases with inconsistencies identified during the verification process are properly processed within the required 90-day period.

**FINDING #2015-002**

We recommend that MNsure implement processes and procedures to ensure that MNsure verifies that applicants are not eligible for TRICARE or any other insurance that meets the MEC standard as a condition for determining eligibility for APTC and CSR.

**FINDING #2015-003**

Since the technical issues with MNsure notices and other issues impacting the State's ability to timely process application or insurance have been addressed, a recommendation is not applicable.

**FINDING #2015-004**

We recommend that MNsure work with the systems integrator to implement, as soon as practical, the code fixes needed to ensure that the data upon which the eligibility determination was based is preserved and clearly displayed within METS.

**IV. CONCLUSION**

We confirm to the best of our knowledge that the information included in this Audit Findings Report is accurate and based on a thorough review of the documentation required for this report.

**SIGNATURE OF AUDIT FIRM:**

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**COMPLETION DATE OF AUDIT FINDINGS  
REPORT:**6/20/16

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## **MNsure**

### **PROGRAMMATIC COMPLIANCE REPORT**

**For the Year Ended June 30, 2015**

**With Independent Accountant's Report**





## INDEPENDENT ACCOUNTANT'S REPORT

To Management of Minnesota Health Insurance Exchange  
d/b/a MNsure

We have examined Minnesota Health Insurance Exchange d/b/a MNsure's (the Exchange), an agency within an enterprise fund of the State of Minnesota, compliance with the requirements in Title 45, Part 155, Subparts B, C, D, E, and M of the Code of Federal Regulations during the year ended June 30, 2015. Management is responsible for the Exchange's compliance with those requirements. Our responsibility is to express an opinion on the Exchange's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and, accordingly, included examining, on a test basis, evidence about the Exchange's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Exchange's compliance with specified requirements.

Our examination disclosed material noncompliance with those requirements applicable to the Exchange during the year ended June 30, 2015, described in the accompanying schedule of findings.

In our opinion, except for the material noncompliance described in the third paragraph, the Exchange complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2015.

This report is intended solely for the information and use of the Exchange management and is not intended to be, and should not be, used by anyone other than this specified party.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
June 20, 2016

# MINNESOTA HEALTH INSURANCE EXCHANGE D/B/A MNSURE

## Schedule of Findings

Year Ended June 30, 2015

### FINDING #2015-001

**Criteria:**

Subpart D – Eligibility, 45 CFR §155.315 requires that a State Based Marketplace (SBM) make a determination based upon the data entered by an applicant in the application, and data received from automated data sources. Under 45 CFR §155.315 (f), Minnesota Health Insurance Exchange d/b/a MNSure (the Exchange) must make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and the information obtained from outside data sources by contacting the applicant and requesting them to provide additional information to resolve the inconsistency. Pursuant to 45 CFR §155.315 (f) (2) (ii), the Exchange must provide the applicant with a period of 90 days (beginning with the date when the applicant receives the notice requesting documentation) to resolve an inconsistency between the self-attested data and the data received from outside sources. We note that, due to the uncertainty of when an applicant actually receives a notice, MNSure followed a policy of setting the time limit to 95 days after the notice was issued. Pursuant to 45 CFR §155.315 (f) (3), the Exchange can extend the period if an applicant demonstrates a good-faith effort to provide sufficient documentation to resolve the inconsistency. During this inconsistency period, an applicant (who is otherwise qualified) is eligible to enroll in a Qualified Health Plan and is eligible for insurance affordability programs (45 CFR § 155.315(f) (4)). If, after the 90-day period (or applicable extensions), the Exchange is unable to resolve the discrepancy between the self-attested information and the data sources with customer-provided information, then it must re-perform the eligibility calculations and notify the applicant of their new eligibility determination.

**Condition:**

As discussed with MNSure staff and substantiated by our review of a sample of cases, there were a significant number of cases in which self-attested data was not properly verified within the required 90-day period. The defined procedure requires MNSure to initially determine eligibility based upon the applicant's self-attested data in his or her application and subsequently verify that data through a match with the Federal Data Services Hub. Where there is no relevant data available within the Federal Data Services Hub, or the data is not reasonably compatible with the self-attested data (i.e., with defined parameters), then MNSure is required to notify the consumer and ask for documentation to resolve the inconsistency. We sampled 51 cases to review the status of this verification process. Of the 51 cases reviewed, 26 (51%) still displayed open verification flags reflecting an unresolved data inconsistency as of March 3, 2016.

**Cause:**

The Minnesota Eligibility Technology System (METS) generated notices to clients with discrepancies between the self-attested data on their application and data provided by external data sources, such as the Federal Data Services Hub. However, MNSure did not have adequate resources in place to ensure that either the consumer resolved the inconsistency or the eligibility was re-determined based upon the data available in external data sources within 90 days after notice of the inconsistency was received. During the audit period, MNSure had a verifications manual but it did not include procedures clearly describing the case redetermination process for cases in which an individual failed to resolve the data inconsistency after the reasonable opportunity period of 90 days. However, we note that such a procedure was developed after the audit period. A critical factor resulting in the lack of adequate resources was the absence of system functionality to support the automated processing of cases where verifications have not been received after the end of the reasonable opportunity period (90 days).



# MINNESOTA HEALTH INSURANCE EXCHANGE D/B/A MNSURE

## Schedule of Findings (Continued)

Year Ended June 30, 2015

### **Effect:**

The absence of adequate resources to ensure that discrepancies between self-attested data and data provided by external data sources were resolved within the required 90-day period resulted in some cases retaining the eligibility status determined using the original self-attested data, without completing a verification process. In our sample of 51 cases reviewed, the verification process was not completed within the required 90-day period for 51% of the sample (26 cases).

These cases retained the eligibility status determined, using the self-attested data, with no verification processes completed within the required 90-day period. Had the verification process been completed, some of those cases may have been assigned a different eligibility status. Applicants who were inappropriately provided Advanced Premium Tax Credit (APTC) eligibility beyond the 90-day period will, ultimately, reconcile their actual premium tax credit eligibility through the tax filing process. However, there is no recoupment of benefits for those individuals incorrectly provided Cost Sharing Reduction (CSR) eligibility. Therefore, it is possible that, if MNSure had completed the verification process for all of the cases as required, some of the cases that received APTC or CSR would ultimately have been determined ineligible for such benefits.

### **Recommendation:**

We recommend that MNSure work with the systems integrator to implement, as soon as practical, the code fixes needed to support automated monitoring of cases that have not had the inconsistency between self-attested data and data from outside sources, such as the Federal Data Services Hub, resolved within the required 90-day period and assign them for resolution by a Customer Service Representative before the 90-day period concludes; in the interim, MNSure should implement a manual review process to ensure that all cases with inconsistencies identified during the verification process are properly processed within the required 90-day period.

### **Management's Response and Corrective Action Plan:**

**MNSure Response:** MNSure agrees with this finding. MNSure also notes that this is a repeat finding from the February 12, 2016 HHS OIG audit report on Minnesota's Marketplace.

**Corrective Action Plan:** MNSure is finalizing a two-phase plan to bring it into compliance with federal requirements related to inconsistencies (also known as verifications). The plan was finalized and approved by MNSure's executive team in mid-March 2016.

Phase 1 of the plan focuses on citizenship, lawful presence, Social Security numbers (SSN) and incarceration-related inconsistencies and has three categories of tasks: (1) processing a backlog of inconsistency-related documents that consumers have submitted in response to notices from MNSure; (2) identifying and following up on consumers who received inconsistency-related notices for these four types of inconsistencies but have never responded; and (3) processing current citizenship, lawful presence, SSN and incarceration-related inconsistencies as they occur.

Phase 1 Key Items and Completion Dates:

- Implement a plan for resolving Citizenship, Lawful Presence, SSN and Incarceration inconsistencies (Phase I): Completed March 18, 2016
- Clear the existing backlog of Phase I verifications: Completed March 22, 2016

**MINNESOTA HEALTH INSURANCE EXCHANGE D/B/A MNSURE**

**Schedule of Findings (Continued)**

**Year Ended June 30, 2015**

- Implement operational practices to prevent recurrence of the backlog: Completed May 2, 2016
- Send notices to current enrollees with outstanding Phase I inconsistencies: In progress, notices expected to mail by June 30, 2016

Phase 2 of the plan focuses on the other inconsistencies such as projected annual income, household composition, and current income and deductions.

Phase 2 Key Items and Completion Dates:

- Define a plan and timeline for handling remaining verification types (Phase II): Projected Annual Income (PAI), Income, Income and Deductions, Household Composition and Tribal Membership. Expected Plan Implementation date: June 30, 2016

**Responsible MNsure Official:** Katie Burns, Deputy Director of Operations and Chief Operating Officer

**Scheduled Completion Date:** In progress. Estimated completion date for plan implementation is June 30, 2016.

**MINNESOTA HEALTH INSURANCE EXCHANGE D/B/A MNSURE**

**Schedule of Findings (Continued)**

**Year Ended June 30, 2015**

**FINDING #2015-002**

***Criteria:***

Subpart D – Eligibility, 45 CFR §155.305(f) (1) (i) (B) states that a person may not receive APTC if they are eligible for Minimum Essential Coverage (MEC). 45 CFR §155.305(g) (1) (B) states that a person may not be eligible for CSR if they are not also eligible for APTC.

26 U.S. Code § 5000A (f) specifically states that TRICARE is considered MEC, and thus consumers who are eligible for or enrolled in TRICARE cannot receive APTC or CSR. The Exchange must verify whether an applicant reasonably expects to be enrolled in or is eligible for MEC in the benefit year for which coverage is requested (45 CFR § 155.320(d) (1)). As part of this process, the Exchange is required to verify whether the applicant has coverage through TRICARE and other government-sponsored programs by transmitting identifying information through the Federal Data Services Hub (45 CFR § 155.320(b)).

***Condition:***

In our audit sample of 160 cases, we identified four cases in which the consumer was eligible for TRICARE, but was also determined eligible for APTC.

***Cause:***

Per the Affordable Care Act, consumers have 90 days to resolve the inconsistency. MNSure's policy was to issue a notice and request the consumer verify whether he or she, in fact, was eligible for TRICARE. METS did not appear to have sufficient controls in place to bar applicants who were eligible for TRICARE from receiving APTC if they failed to return verification of whether they were actually receiving TRICARE.

***Effect:***

Individuals who were eligible for TRICARE were able to receive APTC or CSR, even though they were not entitled to that benefit.

***Recommendation:***

We recommend that MNSure implement processes and procedures to ensure that MNSure verifies that applicants are not eligible for TRICARE or any other insurance that meets the MEC standard as a condition for determining eligibility for APTC and CSR.

***Management's Response and Corrective Action Plan:***

**MNSure Response:** MNSure agrees with this finding.

**Corrective Action Plan:** MNSure will provide a copy of this audit report to the Minnesota Eligibility System Executive Steering Committee (ESC), who then, provides recommendations to the MNSure Board, the commission of human services, and the commissioner of MN.IT services on the governance, administration, and business operations of the METS. The ESC steering committee is composed of: (1) two members appointed by the commissioner of human services; (2) two members appointed by the Board; (3) two members to represent the counties; and (4) two nonvoting members appointed by the commissioner of MN.IT.

**Responsible MNSure Official:** Katie Burns, Deputy Director of Operations and Chief Operating Officer

**Scheduled Completion Date:** On-going.

**MINNESOTA HEALTH INSURANCE EXCHANGE D/B/A MNSURE**

**Schedule of Findings (Continued)**

**Year Ended June 30, 2015**

**FINDING #2015-003**

***Criteria:***

Pursuant to 45 CFR § 155.310(e), the Exchange is to determine eligibility “promptly and without undue delay.”

***Condition:***

There were significant delays in processing verifications due to the suspension of issuing notices, the manual processing of verifications, life changes, and other technical issues with METS.

***Cause:***

There were significant technical issues with METS that hampered MNSure’s ability to process changes in a timely manner.

***Effect:***

Because there were delays in processing changes, some consumers were either delayed in receiving benefits such as APTC and CSR, or received benefits to which they were not entitled, due to verifications not being processed after the 90-day reasonable opportunity period.

***Recommendation:***

Since the technical issues with MNSure notices and other issues impacting the State’s ability to timely process application or insurance have been addressed, a recommendation is not applicable.

***Management’s Response and Corrective Action Plan:***

**MNSure Response:** MNSure agrees with this finding.

**Corrective Action Plan:** While there have been significant technical challenges with METS and a staffing backlog, several system upgrades, manual workarounds and hiring of additional staff have been implemented in order to process changes in a timely manner. Additionally, see Corrective Action Plan for Finding #1 related to processing of verifications.

**Responsible MNSure Official:** Katie Burns, Deputy Director of Operations and Chief Operating Officer

**Scheduled Completion Date:** On-going.

**MINNESOTA HEALTH INSURANCE EXCHANGE D/B/A MNSURE**

**Schedule of Findings (Concluded)**

**Year Ended June 30, 2015**

**FINDING #2015-004**

***Criteria:***

Pursuant to 45 CFR §155.1210, State Exchanges must maintain for 10 years any “data and records relating to the State Exchange's eligibility verifications and determinations.” This means that MNSure must maintain for 10 years all data and documentation upon which it bases eligibility determination.

***Condition:***

MNSure could not produce some of the data or documentation upon which it based its eligibility determination for three (3) cases out of 95 cases selected for eligibility process and procedure testing. As a result, we could not verify whether eligibility was correctly determined for these test selections.

***Cause:***

MNSure did not have sufficient internal controls in place to ensure that some of the data and documentation used for eligibility determinations were properly maintained.

***Effect:***

Because some of the data needed to verify the accuracy of the eligibility determinations was not available, we could not assess the propriety of the eligibility determination for three (3) cases selected for testing.

***Recommendation:***

We recommend that MNSure work with the systems integrator to implement, as soon as practical, the code fixes needed to ensure that the data upon which the eligibility determination was based is preserved and clearly displayed within METS.

***Management's Response and Corrective Action Plan:***

**MNSure Response:** MNSure agrees with this finding. This was a known defect in the caseworker portal view. While MNSure believes the data remains available in METS, it has been technically difficult to retrieve this data.

**Corrective Action Plan:** MNSure will provide a copy of this audit report to the ESC, who then, will provide a recommendation as to the prioritization of the technical fix related to this finding.

**Responsible MNSure Official:** Katie Burns, Deputy Director of Operations and Chief Operating Officer

**Scheduled Completion Date:** On-going.





June 20, 2016

CDR John Maynard, Ph.D., BCD  
State Exchange Group  
Division of State Operations  
Center for Consumer Information and Insurance Oversight (CCIIO)  
Centers for Medicare & Medicaid Services (CMS)

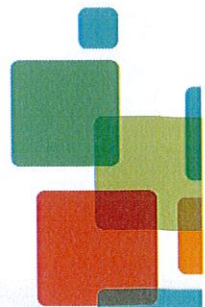
Dear CDR Maynard,

Enclosed is the *Independent External Audit: 2015 Audit Findings Report, Minnesota* which was completed by the auditing firm of Berry Dunn McNeil & Parker, LLC. As you know, we welcome this annual review and view it as part of an ongoing process of improvement of MNsure as well as the Minnesota Eligibility Technology System ("METS"). MNsure's response and corrective action plan for each finding is attached.

Since the beginning of the first open enrollment on October 1, 2013, more than 700,000 Minnesotans have used METS to apply for health insurance coverage. Now, 96% of Minnesotans have health insurance coverage. Between 2013 and 2015, 200,000 Minnesotans gained health insurance coverage for the first time. Minnesotans are also saving money. Since 2014, Minnesotans have saved more than \$80 million through tax credits, thanks to financial help only available through MNsure.

MNsure also has made dramatic improvements to the consumer experience. We recently completed our third open enrollment period. During that time, MNsure consumers continued to see strong, steady improvements. Evidence of this includes:

- We exceeded our enrollment goal and enrolled 85,390 consumers in qualified health plans (QHPs).
- MNsure led the nation with the highest percentage of new enrollees.
- More than half of our QHP enrollees are new to MNsure this year.
- Consumers' Checkbook, an online plan comparison tool, was added to MNsure.org to help consumers get a better picture of the costs of coverage and make more informed decisions.
- Call volume remained high, yet 95% of calls were answered in five minutes or less.
- Nearly 2,000 navigators, brokers and other assisters statewide were in place to help consumers enroll.
- We have a strong, multi-agency project management team and decision-making process in place to set priorities.
- We have a deep commitment to transparency and accountability.
- We are listening, and our partners and stakeholders are informed and engaged with us as we continue to grow and improve.



The work to improve MNsure not only includes this organization, but also the dedicated staff at the Minnesota Department of Human Services and the Office of MN.IT Services. We are grateful for their partnership and look forward to continuing our work together.

We continue to take our responsibility to be an accountable and transparent organization seriously. We have been working as an organization since early 2014 to proactively identify and make improvements to all areas of MNsure, including those documented in various state and federal audit reports completed on MNsure

Reviews and audits such as this one are important tools for us to improve. In the interest of transparency and accountability, we will continue to make necessary adjustments to the organization, while maintaining our focus on improving the consumer experience.

Finally, would like to thank Berry Dunn McNeil & Parker, LLC for their work on this audit. We appreciate the professionalism shown by the audit team throughout this engagement.

Sincerely,



Allison O'Toole  
Chief Executive Officer





## MNsurance Responses

### A. Detailed Responses to Findings

#### 1. Finding #2015-001

**MNsurance Response:** MNsure agrees with this finding. MNsure also notes that this is a repeat finding from the February 12, 2016 HHS OIG audit report on Minnesota's Marketplace.

**Corrective Action Plan:** MNsure is finalizing a two-phase plan to bring it into compliance with federal requirements related to inconsistencies (also known as verifications). The plan was finalized and approved by MNsure's executive team in mid-March 2016.

Phase 1 of the plan focuses on citizenship, lawful presence, Social Security numbers (SSN) and incarceration-related inconsistencies and has three categories of tasks: (1) processing a backlog of inconsistency-related documents that consumers have submitted in response to notices from MNsure; (2) identifying and following up on consumers who received inconsistency-related notices for these four types of inconsistencies but have never responded; and (3) processing current citizenship, lawful presence, Social Security numbers and incarceration-related inconsistencies as they occur.

Phase 1 Key Items & Completion Dates:

- Implement a plan for resolving Citizenship, Lawful Presence, SSN and Incarceration inconsistencies (Phase I): Completed March 18, 2016
- Clear the existing backlog of Phase I verifications: Completed March 22, 2016
- Implement operational practices to prevent recurrence of the backlog: Completed May 2, 2016
- Send notices to current enrollees with outstanding Phase I inconsistencies: In progress, notices expected to mail by June 30, 2016

Phase 2 of the plan focuses on the other inconsistencies such as projected annual income, household composition, and current income and deductions.

Phase 2 Key Items & Completion Dates:

- Define a plan and timeline for handling remaining verification types (Phase II): Projected Annual Income (PAI), Income, Income & Deductions, Household Composition and Tribal Membership. Expected Plan Implementation date: June 30, 2016

**Responsible MNSure Official:** Katie Burns, Deputy Director of Operations & Chief Operating Officer

**Scheduled Completion Date:** In progress. Estimated completion date for plan implementation is June 30, 2016.

**2. Finding #2015-002**

**MNSure Response:** MNSure agrees with this finding.

**Corrective Action Plan:** MNSure will provide a copy of this audit report to the Minnesota Eligibility System Executive Steering Committee (ESC), who then, provides recommendations to the MNSure board, the commission of human services, and the commissioner of MN.IT services on the governance, administration, and business operations of the Minnesota Eligibility Technology System (METS).

The ESC steering committee is composed of: (1) two members appointed by the commissioner of human services; (2) two members appointed by the board; (3) two members to represent the counties; and (4) two nonvoting members appointed by the commissioner of MN.IT.

**Responsible MNSure Official:** Katie Burns, Deputy Director of Operations & Chief Operating Officer

**Scheduled Completion Date:** On-going.

**3. Finding #2015-003:**

**MNSure Response:** MNSure agrees with this finding.

**Corrective Action Plan:** While there have been significant technical challenges with METS and a staffing backlog, several system upgrades, manual workarounds and hiring of additional staff have been implemented in order to process changes in a timely manner. Additionally, see Corrective Action Plan for Finding #1 related to processing of verifications.

**Responsible MNSure Official:** Katie Burns, Deputy Director of Operations & Chief Operating Officer

**Scheduled Completion Date:** On-going.

**4. Finding #2015-004:**

**MNSure Response:** MNSure agrees with this finding. This was a known defect in the caseworker portal view. While MNSure believes the data remains available in METS, it has been technically difficult to retrieve this data.

**Corrective Action Plan:** MNSure will provide a copy of this audit report to the ESC, who then, will provide a recommendation as to the prioritization of the technical fix related to this finding.

**Responsible MNSure Official:** Katie Burns, Deputy Director of Operations & Chief Operating Officer

**Scheduled Completion Date:** On-going.