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Evaluation Report Summary / February 2015

Minnesota Health Insurance Exchange (MNsure)

In its first year of operations, MNsure's failures outweighed its achievements.

Key Facts:

- Minnesota is 1 of 13 states that are enrolling individuals in health insurance through state-based "exchanges," which facilitate the comparison and purchase of health insurance.
- Minnesota's health insurance exchange—called MNsure—shares some similarities with executive branch state agencies. But the exchange also has important differences, such as its governance by a board.

Key Findings:

- MNsure implemented its enrollment website in 2013 with serious technical problems. It did not adequately test the site, and it made insufficient use of state government technology experts.
- Federal law imposed an ambitious timeline on states developing exchanges. This challenge was heightened by late federal rules, delays in passing state legislation, and problems with vendor selection and performance.
- MNsure staff withheld information from the MNsure Board and other key officials before the enrollment website was launched.
- MNsure reported that it met its overall enrollment target in its first open enrollment period, but the target was seriously flawed. The target contained an error that resulted in an unrealistically low estimate.
- Many people who bought insurance through MNsure have been satisfied with the products they purchased. But the initial enrollment process was often lengthy, and technical problems frustrated consumers, insurers, and counties.
- About 28 percent of MNsure enrollees said they were uninsured immediately before enrolling.
- During its first year, MNsure failed to provide adequate customer service through its call center. Also, the roles played by consumer assisters were not sufficiently clear, so consumers were often referred back and forth among them.

Key Recommendations:

- The Legislature should amend state law to give the governor, rather than the MNsure Board, authority to appoint the MNsure chief executive officer. In addition, the Legislature should consider whether to retain the MNsure Board as a governing body or to make it purely advisory.
- The Legislature should amend statutes to formally create a governance structure for MNsure's enrollment system and ensure that MNsure's future information technology work is subject to oversight from the Office of MN.IT Services.
- MNsure and DHS should ensure that insurance brokers are fairly compensated for enrolling consumers through MNsure.
- MNsure should improve its ability to access and analyze the applicant and enrollee data it collects.

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Report Summary

In 2010, President Obama signed into law the Affordable Care Act. Among other things, the act authorized the establishment of health insurance "exchanges" to help people compare and purchase insurance online.

Many states rely on the federal government's exchange for this purpose, but Minnesota established its own exchange, called MNsure. In 2011, Governor Dayton directed the Department of Commerce to develop a state-based exchange. Minnesota has received $189 million in federal grants for this purpose.

The exchange began enrolling individuals in health insurance in October 2013. Individuals who purchase commercial insurance through MNsure may qualify for tax credits that are not available to individuals who purchase insurance outside of MNsure. Also, unlike most other states, Minnesota relies on its exchange to make eligibility determinations for its publicly funded health care programs, mainly Medical Assistance and MinnesotaCare.

Multiple factors complicated the already difficult challenge of building a health insurance exchange by October 2013.

In mid-2011, the Department of Commerce solicited vendors to build an online enrollment website. The contracting process took longer than expected, and exchange officials grew dissatisfied with the lead vendor just months into the contract.

The federal government required Minnesota to establish legal authority for its exchange. However, the Minnesota Legislature did not formally create MNsure until March 2013—about six months before the exchange began enrolling people. In addition, the federal government's rules that indicated how exchanges should operate trickled out piecemeal, well into 2013. These delays created additional time pressures on state officials and vendors developing the online enrollment system.

MNsure sought limited technical advice from state experts and did too little testing of the system.

Experience has shown that it is difficult to implement big information technology projects on time, within budget, and with all the expected features. The development of the MNsure enrollment system was large and complicated, and state officials undertook this project with limited technical expertise.

The 2011 Legislature created the Office of MN.IT Services to oversee all executive branch information technology projects. But state officials building the health insurance exchange initially shunned this office, and the Legislature later exempted MNsure from most oversight by the Office of MN.IT Services. MNsure's limited use of this agency may have contributed to technical problems that arose during development of the exchange. The Office of MN.IT Services became more involved in MNsure activities in 2014, but we recommend a statutory change to ensure this office's continued role in overseeing MNsure's technology development.

Various "red flags" in the weeks and months before October 2013 suggested that the launch of the online exchange might not go well. For example, an independent contractor's reviews of the exchange raised serious doubts about its readiness. MNsure staff did not share this information with MNsure's governing board.

MNsure failed to adequately test the exchange's website before enrollment began. The tests were limited in number and scope. The tests showed many problems, and there was little time to address them.

MNsure's technical problems escalated in late 2013 and continued well into 2014. For example, applications got stuck in the system, and MNsure could not easily make changes to individuals' insurance coverage

in response to events such as births or income changes.

MNsure enrolled many people in its first year, but its overall enrollment target was flawed.

MNsure reported 371,000 health insurance enrollments during its first year. About 56,000 (15 percent) of these were in commercial insurance, and the remainder were in public health care programs.

MNsure set enrollment targets in October 2013. The overall target for the first open enrollment period (through March 2014) included an erroneous Department of Human Services projection. Specifically, the department estimated that only about 12,000 people would enroll in Medical Assistance over a six-month period. If a more realistic estimate of Medical Assistance enrollment (perhaps over 100,000) had been included in MNsure's overall target, actual enrollments for the first open enrollment period would have fallen far short of the overall target.

The online enrollment system was built without authoritative documentation of consumers' enrollment choices. As a result, it was difficult during the first year to use MNsure records to definitively determine who enrolled and in which insurance products. MNsure's enrollment system lacks good reporting capabilities, making it difficult for MNsure staff to extract data for management and decision-making purposes. We recommend that MNsure address this weakness.

A 2014 analysis by University of Minnesota researchers indicated that the number of uninsured Minnesotans fell significantly after MNsure opened for business. The impact of MNsure on this reduction is unclear; other factors, such as Minnesota's expansion of its Medical Assistance program, may have played a role in this reduction. We surveyed individuals who enrolled in commercial insurance through MNsure, and 28 percent said they were uninsured immediately prior to buying insurance through MNsure.

MNsure's technical problems frustrated consumers, although many were satisfied with the products available through MNsure.

When MNsure was in development, state officials said enrollment would be simple and user-friendly. But a majority of people we surveyed who bought commercial insurance through MNsure said it took more than four hours to do so. Most said they experienced significant technical problems. Insurers and counties also had major problems using the MNsure system to manage cases.

MNsure's technical problems caused the Department of Human Services to defer until 2015 its plans to use MNsure to re-examine the eligibility of most individuals who had been enrolled before October 2013 in the state's public health care programs. These eligibility reviews are supposed to occur annually, but some individuals in Minnesota's public programs had gone two years without them, as of late 2014.

In our survey, most people who purchased commercial insurance through MNsure told us they would choose the same product again, if given the chance. Survey respondents reported mixed views when asked whether the premiums and out-of-pocket costs of products purchased through MNsure were better than insurance they had immediately prior to buying insurance through MNsure.

During MNsure's first year, many consumers were not notified about (1) the status of their applications for insurance or (2) their eligibility for public programs or tax credits. Thus, many did not know whether they had obtained insurance through MNsure or what they needed to do to complete their applications.

MNsure provided inadequate consumer assistance during its first year.

MNsure's customer service center did not answer calls within an acceptable amount of time. MNsure understaffed the center, did not have a plan for handling technical questions, and provided insufficient

training to staff. In MNsure's first 11 months, about one-third of calls were abandoned.

MNsure also arranged for in-person enrollment assistance from networks of MNsure-certified "navigators" and insurance brokers, but there were significant problems. A majority of consumer assisters we surveyed said the training they received from MNsure was inadequate. MNsure certified a limited number of assisters before open enrollment started in October 2013. MNsure provided weak oversight of grants it gave to organizations that helped consumers.

The roles played by various types of consumer assisters were, at times, confusing and inefficient. For example, some assisters were not authorized to offer advice on insurance products—so consumers seeking advice had to be referred to other assisters who could provide this. Some insurance brokers helped consumers enroll, only to find they did not qualify to be compensated for their work.

The Legislature should reconsider MNsure's governance arrangement.

MNsure is governed by a seven-person board—the Department of Human Services Commissioner plus six members appointed by the governor. The board appoints MNsure's chief executive officer.

The Governor appointed MNsure's board members in late April 2013. By law, the board could not assume its full authority until it adopted internal policies and bylaws, which it finished in mid-August 2013. As a result, the board had little influence over exchange operations before the launch of MNsure's website. Also, MNsure staff provided board members, the Governor, and others with limited information in 2013 about the exchange's operational readiness.

In our view, an agency with MNsure's impact and visibility should be directly accountable to the governor. There is some precedent for an agency having both a governor-appointed administrator and board (for example, the Minnesota Pollution Control Agency), but the Legislature should consider what future role it wants the MNsure Board to play.

The Legislature should create in law a governance structure for MNsure's enrollment system; the current multi-agency structure is entirely informal. MNsure's online system is used for enrollments in both commercial insurance and public health care programs. The Department of Human Services, which administers the public programs, wants more explicit authority to participate in decisions about this system.

Summary of Agency Response

In a letter dated February 9, 2015, MNsure Chief Executive Officer Scott Leitz said that MNsure "has been instrumental in the enrollment of hundreds of thousands of Minnesotans in comprehensive, affordable health coverage." He said MNsure "has made dramatic improvements to the consumer experience" over the first two enrollment periods and will continue to make necessary adjustments. In an attachment to Mr. Leitz's letter, MNsure said it "strongly disagrees" with the OLA conclusion that MNsure's failures in its first year outweighed its achievements, citing declines in the state's number of uninsured people and $30 million in tax credits Minnesotans have received for plans sold through MNsure.

The full evaluation report, *Minnesota Health Insurance Exchange (MNsure)*, is available at 651-296-4708 or: **www.auditor.leg.state.mn.us/ped/2015/mnsure.htm**