State Payments to Two Companies for COVID-19 Testing
State of Minnesota
Office of the Legislative Auditor

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July 2021

Members of the Legislative Audit Commission:

In response to complaints we received, we examined state payments to two companies that conducted COVID-19 specimen collection and analysis, starting in late 2020. Based on our review of payments during the initial months of testing, we found no evidence that the state or its contracted insurers made excessive payments to these companies. Managed care organizations—acting on behalf of the state—scrutinized the claims submitted by these companies and paid a fraction of the amounts billed by the companies. In addition, as of late March 2021, the Department of Human Services had received no bills from these companies for services to “fee-for-service” clients in the state’s publicly funded health care programs.

We received full cooperation from several state agencies, state-contracted health plans, and the affected companies.

Sincerely,

Joel Alter
Director, Special Reviews
In March 2021, our office received multiple complaints about billing related to certain COVID-19 testing services. In response to these questions, we initiated inquiries to examine billing by companies for services provided to individuals insured by state government programs.

We examined whether the State of Minnesota has made excessive payments to two companies—Vault Medical Services, P.A. (Vault) and Infinity BiologiX LLC (IBX)—for COVID-19 testing services provided to individuals. We focused on tests given to people enrolled in the state’s publicly funded health care programs and the health insurance program for state employees and their families.

We found no evidence that the state or its contracted insurers made excessive payments, at least through April 2021. Managed care organizations—acting on behalf of the state—scrutinized the claims submitted by Vault and IBX and paid a fraction of the amounts billed by the companies. The managed care organizations perceived that many of the claim amounts submitted by Vault and IBX were excessive, given the services provided. In contrast, the two testing companies told us they submitted appropriate claims, and that the reduced payments approved by the managed care organizations were a normal part of the health care billing process. The state remains liable—under an emergency contract between the Minnesota Department of Health and the testing companies—for certain testing costs not covered by state-contracted or private insurers. As of early June 2021, the department had paid about $3.1 million to Vault for direct testing costs, and it had made no payments to IBX for analysis of individual tests.
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Background

In November 2020, the Minnesota Department of Health entered into an emergency contract with Vault Medical Services, P.A. (Vault) and Infinity BiologiX LLC (IBX) for COVID-19 testing services.¹ The contract said Vault was responsible for developing and implementing a saliva specimen collection method that could be provided at an individual’s home or a collection site. IBX was responsible for specimen processing and analysis.

The initial contract obligated the State of Minnesota to pay a total of up to $24.66 million to Vault and IBX. The contract directed IBX to establish a laboratory in Minnesota for this testing. The maximum amounts specified in the initial contract included:

- $4.7 million for the purchase and installation of lab equipment, initial lease payments of lab office space, permitting costs, construction of the lab space, and costs associated with the establishment of Vault specimen collection sites. The contract said that IBX would own the laboratory equipment when the contract expired or was terminated.

- $19.0 million for payment to Vault and IBX for testing costs not covered by health insurers.

- $960,000 for a contingency budget.

In April 2021, an amendment to the contract increased the State of Minnesota’s maximum obligation to $74.96 million. The contract modification authorized Vault and IBX to assume responsibility for a previous state contract to provide COVID-19 testing to educators in Minnesota.

The Vault/IBX contract took effect on November 4, 2020. The contract will expire on September 1, 2021, or when “all obligations have been fulfilled, whichever occurs first.”²

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¹ Minnesota Statutes 2020, 16C.10, subd. 2, allows “emergency acquisition” by the State of Minnesota. Under this statute, the Department of Administration can authorize state agencies to write emergency contracts to obtain critical services immediately, without soliciting bids from multiple vendors.

The contract said Vault and IBX “will be compensated for Tests by health insurance payers, State, or both.” The contract specified that if the vendors received only a portion of the “Total Inclusive Price” from insurers, the State of Minnesota would make up the remaining portion. The contract established the total prices shown in the box below for specimens collected at various locations. The contract said, “[I]n no event is State required to pay IBX and Vault collectively more than the total price” set forth in this table.

<table>
<thead>
<tr>
<th>Location of Specimen Collection</th>
<th>Dates</th>
<th>Vault Price</th>
<th>IBX Price</th>
<th>Total Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient’s home</td>
<td>Through 11/30/20</td>
<td>$60.95</td>
<td>$60.04</td>
<td>$120.99</td>
</tr>
<tr>
<td>Patient’s home</td>
<td>Starting 12/1/20</td>
<td>70.99</td>
<td>50.00</td>
<td>120.99</td>
</tr>
<tr>
<td>Vault-managed collection site</td>
<td>Through 11/30/20</td>
<td>44.75</td>
<td>60.04</td>
<td>104.79</td>
</tr>
<tr>
<td>Vault-managed collection site</td>
<td>Starting 12/1/20</td>
<td>46.91</td>
<td>50.00</td>
<td>96.91</td>
</tr>
<tr>
<td>State-managed collection site</td>
<td>Through 11/30/20</td>
<td>27.04</td>
<td>60.04</td>
<td>87.08</td>
</tr>
<tr>
<td>State-managed collection site</td>
<td>Starting 12/1/20</td>
<td>31.44</td>
<td>50.00</td>
<td>81.44</td>
</tr>
<tr>
<td>Other central site, supervised virtually</td>
<td>Through 11/30/20</td>
<td>52.33</td>
<td>60.04</td>
<td>112.37</td>
</tr>
<tr>
<td>Other central site, supervised virtually</td>
<td>Starting 12/1/20</td>
<td>62.37</td>
<td>50.00</td>
<td>112.37</td>
</tr>
</tbody>
</table>

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 addressed the financial responsibility of insurers for COVID-19 testing. The act said a health plan or health insurer shall reimburse for testing at (1) the negotiated rate it had established with a testing provider prior to the pandemic or (2) the price a testing provider listed on its public internet site or a negotiated amount less than this price, if the health plan had no pre-pandemic negotiated rate with the provider. According to the Vault website, the price for an individual test “without leaving home” was $119.

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4 In addition, the contract specified prices for “[t]ests designated by State for which State will directly pay for Testing and Contractors will not seek insurance reimbursement (modality to be used is currently at-home only).”

5 State of Minnesota Emergency Contract, SWIFT Contract Number 185135/185136, p. 5; this language was in both the original and amended contract. The original contract said the testing prices it specified would be in effect through December 31, 2020, and that the price schedule beyond that time would be determined later. The April 2021 contract amendment changed the price schedule, specifying prices in effect through November 30, 2020, and those in effect starting December 1, 2020.


7 “Vault Health, COVID-19 Testing,” https://www.vaulthealth.com/covid, accessed March 25, 2021. A Minnesota health plan official told us this rate was a comprehensive rate covering both specimen collection by Vault and analysis by IBX.
Scope and Methods

Our review addressed the following questions:

- **Have Vault and IBX sought appropriate payment amounts for testing services provided to persons enrolled in Minnesota’s state-funded health care programs or in state government’s insurance program for employees?**

- **Have state agencies—or the health plans that contract with these agencies—authorized appropriate payment to Vault and IBX for services they have provided?**

To help us address these questions, we examined invoices submitted by Vault and IBX related to publicly funded programs—specifically, (1) state health care programs administered by the Minnesota Department of Human Services (DHS) for people with low incomes (such as Medicaid or MinnesotaCare), and (2) the State Employee Group Insurance Program (SEGIP) administered by the Minnesota Department of Management and Budget (MMB), through which state employees receive health insurance for themselves and family members.

In addition, we requested all Vault and IBX claims submitted to the Minnesota Department of Health (MDH) pursuant to that department’s emergency contract with those companies. MDH responded in late March 2021 that it had not yet received any invoices for expenses directly pertaining to the testing of individuals. MDH said: “The contract requires Vault to seek insurance reimbursement prior to invoicing the department for any direct testing costs. We have found in working with other testing partners that the insurance reimbursement process is very lengthy.” In early June 2021, MDH made its initial payment for direct testing of individuals ($3.1 million to Vault).

Our review did not examine claims Vault or IBX submitted to payors for individuals who are privately insured. In addition, we did not critique the terms of the contract that MDH entered into with Vault and IBX.

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8 Sandy Ludwig, Audit Director, Office of Internal Audit and Analytics, Minnesota Department of Health, e-mail to Joel Alter, Director of Special Reviews, Office of the Legislative Auditor, “Information Request – Response,” March 24, 2021. Vault and IBX had submitted invoices for other expenses—such as laboratory equipment, test site set-up, rent, and janitorial services—which MDH provided to us.
Payments for Vault and IBX Claims

This section summarizes the claims Vault and IBX had submitted on behalf of DHS-administered health care program participants and SEGIP participants at the time of our review—including the extent to which those claims had been paid.

DHS-Administered Health Insurance Programs

We obtained from DHS all Vault and IBX claims approved or disallowed by health plans through March 24, 2021. DHS pays for services in the state’s publicly funded health care programs through a combination of “fee-for-service” and “managed care” approaches. Complaints to our office expressed concern that there may have been excessive payments by DHS to Vault and IBX for fee-for-service clients, but the DHS data indicated there had been no Vault or IBX fee-for-service claims submitted or paid. Rather, all information DHS provided to us related to the participants enrolled in the state’s publicly funded health care programs via managed care organizations.

DHS provided us with information on 2,661 claims that had been submitted to managed care organizations by Vault, as well as 2,619 claims that had been submitted by IBX. About 90 percent of the claims had been submitted to one of the managed care organizations (Blue Plus) with which DHS contracts.

Altogether, managed care organizations that contract with DHS authorized payment for about one-quarter of the total amounts billed by Vault and one-third of the amounts billed by IBX.

In no instance did a managed care organization agree to pay Vault or IBX for the full amount that the company had billed for an individual test. In fact, the managed care organizations typically agreed to pay well under half of the billed amount.

9 The dates services were actually provided by Vault ranged from October 7, 2020, through December 23, 2020; for IBX, the service dates ranged from October 7, 2020, through January 20, 2021.
The box at right summarizes how the amounts billed by the companies compared with the amounts that the managed care organizations agreed to pay. Later, we discuss the managed care organizations’ perceptions about the appropriateness of claims submitted by Vault and IBX.

It is possible that MDH may yet be billed for some of the testing costs not covered by the DHS-contracted insurers, but—as noted previously—MDH had received limited direct testing claims from Vault and IBX as of early June 2021.

State Employee Group Insurance Program (SEGIP)

In April 2021, we requested that MMB provide us with claims that had been submitted on behalf of SEGIP participants by Vault or IBX. MMB worked with state-contracted health plans to assemble this information, plus data on payments authorized by the plans in response to these claims.

As of spring 2021, health plans for the state employee health insurance program had covered about one-third of the amounts claimed by Vault and IBX for their testing services.

One of the managed care organizations that contracts to provide SEGIP services had processed 8,540 Vault claims and 8,894 IBX claims for SEGIP participants as of mid-April 2021. Altogether, that organization approved payment for 35 percent of the total amount of the claims submitted by Vault and 32 percent of the total amount of the claims submitted by IBX. In only 2 of the more than 17,000 claims did this managed care organization approve payment for the full claim amount submitted by one of the companies.

Table: Extent to Which DHS-Contracted Health Plans Agreed to Pay Vault and IBX Invoices for COVID-19 Testing

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Total Submitted Charges</th>
<th>Total Amounts Paid</th>
<th>Percentage Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vault</td>
<td>$540,565</td>
<td>$139,104</td>
<td>25.7%</td>
</tr>
<tr>
<td>IBX</td>
<td>$780,525</td>
<td>$259,252</td>
<td>33.2%</td>
</tr>
</tbody>
</table>

10 For clarification, it is worth noting that persons enrolled in the state’s publicly funded health care programs were not responsible for paying any of these testing costs.

11 The information in this report is based on information provided to us by two of the three health plans that contract with MMB to serve SEGIP clients. The third managed care organization did not provide detailed data to us because it identified all Vault and IBX claims as pending at the time of our request, and it had not yet entered into contracts with those companies.

12 A majority of the charges Vault submitted to this managed care organization were for $230.00 or $140.00 per COVID-19 specimen. The managed care organization did not agree to pay more than $135.07 for any of the $230.00 charges, and it did not agree to pay more than $80.79 for any of the $140.00 charges. Most of the charges IBX submitted to this managed care organization were for $300.00 per COVID-19 specimen, and the organization usually paid $132.34 of this amount.

13 Both of these fully approved claims were submitted by IBX.
The other two managed care organizations that contract with the state to serve SEGIP participants categorized all of their Vault and IBX claims as of April 2021 as pending. At that time, both managed care organizations were in the process of negotiating their own contracts with Vault and IBX, so they had not yet authorized payment on these companies’ claims.\textsuperscript{14}

It is possible that MDH could yet be billed for some of the testing costs not covered by the state’s SEGIP insurers, but—as noted previously—MDH had received limited direct testing claims from Vault and IBX as of early June 2021.\textsuperscript{15}

\textsuperscript{14} One of these organizations provided us with all of the Vault and IBX claims it had received, and the other did not.

\textsuperscript{15} Individuals were not responsible for paying any of the testing costs.
To help us assess the claims submitted by Vault and IBX, we solicited comments from several of the managed care organizations that serve individuals in DHS-administered programs or the state employee health insurance program. We also asked officials with Vault and IBX to discuss the claims they submitted and the payment amounts approved by the managed care organizations.

Comments from Managed Care Organizations

Companies that submit claims to managed care organizations include codes for the services provided and indicate the amounts of the claims. Managed care organizations review the claims to determine whether the service was properly coded and eligible for the claimed amount of payment. As noted earlier, managed care organizations consistently paid Vault and IBX less than the amounts those companies billed for COVID-19 specimen collection and analysis.

Health plans told us that Vault and IBX submitted claims that did not accurately reflect the services provided.

For example, a representative of one Minnesota health plan said:

> We believe that the submitted codes represented a level of service above what was actually rendered. We have initiated conversation with the vendor[s] and it is my understanding that they have agreed to submit replacement claims for these services. They were in the process of identifying these changes before our initial conversation about this issue with them and are eager to ensure all corrections are made in a timely manner.

To put the request for replacement claims in perspective, this health plan representative told us that replacement claims are submitted for a small percentage of all claims submitted to her managed care organization in a typical month. She said this percentage may be significantly higher in cases where the health plan finds errors in a particular provider’s claims. Regarding the charges for COVID-related testing, the representative said:

> When a provider uses only a very small subset of codes, such as the case with [Vault and IBX], it is again not unusual for them to have to correct the use of a code resulting in a temporary high volume of replacement claims followed by very accurate coding going forward.
We asked this health plan representative whether Vault or IBX were “upcoding”—that is, intentionally submitting bills for services using inappropriate codes for the services provided. She said this did not appear to be the case:

Based on the information we have regarding these services, and the review we have done to date, we do not have any reason to believe that the coding of these services at higher levels than recommended was done intentionally. From the onset of the Public Health Emergency (PHE), all providers and payers have been working quickly to make sure that our members/patients have the services that they need. It is difficult to keep up with all of the publications and changes that have been communicated due to changes and clarifications of federal regulations, state regulations, specific payer requirements, etc.

Likewise, an official with another managed care organization reported to us that Vault had initially submitted incorrect codes on its claims, and she told us the following:

We can’t speak to what Vault’s “intent” was. In our conversations with Vault, it became clear they did not have experience billing for health plan covered labs or other health plan covered services prior to securing a contract with the State of [Minnesota]. During the time we have been working on our contract with Vault, they have educated themselves on billing and coding practices and appear better prepared to bill and code than when they started.

This official told us that Vault plans to submit revised claims to replace many of the claims she said were submitted incorrectly previously.16

An official with a third managed care organization told us that the Vault and IBX claims had contained excessive charges, so it negotiated a contract with the companies in April 2021 for amounts “far below” the charges the companies had previously submitted.17 This official said Vault and IBX had submitted claims that, for the most part, contained correct codes for the procedures performed, but the managed care organization believed the amounts of the claims “were a misrepresentation of the work being done.”

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16 In addition to the codes for which Vault will be submitting revisions, this official told us that, for some of the codes Vault had submitted, her health plan will edit the codes itself to result in proper payment amounts. This managed care organization had not yet processed claims from IBX at the time of our inquiry because it was working on developing a contract with IBX.

17 The company’s contracts established payment rates that were 43 to 54 percent of the rates that had been submitted by Vault and IBX.
Comments from Company Officials

We asked Vault and IBX to explain the sizable differences between what the companies billed for testing-related services and what Minnesota health plans agreed to pay.

Vault and IBX officials said their invoices for COVID-related testing reflected standard billing practices that are well established in the health care industry.

Vault officials told us that their company seeks the same payment from all payors for a given service, regardless of whether the payors are public or private. They said:

Given the COVID-19 public health emergency (‘PHE’), Vault has worked collaboratively with a number of Minnesota payors to reach temporary agreements containing various agreed-upon rates for a variety of [standardized medical procedure] codes in order to promote consistency and efficiency. Where Vault does not have a temporary or other agreement in place with a particular payor, the payor itself applies its own internal criteria to determine what amount the payor will reimburse Vault for the COVID-19 testing services. Vault has no control over a payor’s internal policies and procedures regarding the payors’ rates of reimbursement.18

Vault officials said differences between the invoice amounts submitted by Vault and the amounts approved by the health plans “are not unusual, and are consistent with the health care reimbursement process across the industry.”19

Similarly, an IBX official said that IBX bills all insurers at the same rates for a given service. She said: “Some payors pay amounts at or near the standardized rates charged, but more often they actually reimburse providers far less than the amounts billed.”20 She said IBX’s billing practices reflect those used throughout the health care industry, both for COVID-related and other services. She noted that managed care organizations commonly negotiate discounts from the standard amounts charged by the providers.

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19 Ibid.

20 Mary Storella, Vice President and General Counsel, Infinity-BiologiX LLC, e-mail to Joel Alter, Director of Special Reviews, Office of the Legislative Auditor, “RE: Questions regarding Minnesota billings,” June 2, 2021. She said: “Typically, the payor will either (1) pay a lower rate that has been negotiated contractually with the healthcare provider in order for that healthcare provider to attain ‘in-network’ status with such a payor; (2) pay a lower amount (typically 30% to 50% less) than the amount billed in cases where there is no contract between the payor and healthcare provider (in other words, services that are ‘out-of-network’); or (3) for Medicare and Medicaid, pay the Medicare or Medicaid rate.”
We also asked Vault and IBX whether they have submitted incorrect procedure codes with the invoices they sent to Minnesota health plans. Vault officials said they follow guidance they receive from the federal government and the company’s consultants. They said:

…Vault has responded to changes in interpretations of coding and billing guidance by acknowledging those changes and working cooperatively with impacted payors – private and public – in order to resolve issues in accordance with the payors’ preferred procedures. Consistent with this policy and practice, Vault has made repayments to payors or engaged in reconciliations with payors as appropriate to reflect revised interpretations of coding and billing guidance and remain compliant.21

Likewise, an IBX official said her company has used the correct billing codes for the services it has provided. She said that IBX used a single billing code for COVID-19 test analysis prior to January 1, 2021, and it added a second code after that date—consistent with federal guidance—for tests processed within 48 hours of collection.

Discussion

Our primary focus was to determine whether the State of Minnesota—through its managed care contractors—has made excessive payments for COVID-related testing to Vault or IBX. We found no evidence as of April 2021 that it has. Rather, managed care organizations—acting on behalf of the state—scrutinized the claims submitted by Vault and IBX and adjusted the amounts they paid to reflect the services actually provided. The managed care organizations perceived that at least some of the claim amounts submitted by Vault and IBX were excessive. In contrast, the two companies said they submitted appropriate claims, and that the reduced payments approved by the managed care organizations were a normal part of the health care billing process.

It is possible that some private insurers have paid more for the testing services billed by Vault and IBX than state-contracted managed care organizations paid for those same services. If Vault and IBX submitted charges to private insurers similar to those initially submitted to insurers that contract with the State of Minnesota, private insurers might have paid higher amounts per test than the state’s managed care organizations if those private insurers did not challenge the claimed amounts. We did not examine payment practices for individuals whose testing was covered by private insurance.

At the time we examined Vault and IBX claims, the State of Minnesota had not yet processed any fee-for-service claims from these companies, and the number of claims processed by managed care organizations on behalf of state programs was relatively small. Given the concerns identified by state-contracted managed care organizations in the claims submitted so far, it will be important for those organizations and DHS to continue monitoring future claims they receive from Vault and IBX.

Finally, MDH’s emergency contract with Vault and IBX allows those companies to bill that department (1) for the cost of testing that exceeds what the companies recovered from insurers and (2) up to the costs per test specified in the contract. As of early June 2021, MDH had paid a total of about $3.1 million for direct testing costs billed by Vault, and it had received no invoices for analysis of individual tests from IBX. We did not assess whether MDH negotiated reasonable payment rates per test with Vault and IBX for that contract. However, MDH is liable—under the terms of its contract—for COVID-related testing expenditures up to $74.96 million that are not covered by other payors.
July 6, 2021

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

Dear Mr. Nobles,

The Minnesota Department of Health has reviewed your report entitled “Special Review: State Payments to Two Companies for COVID-19 Testing.” We would like to acknowledge the diligence and thoroughness of your staff in conducting the review and preparing this report.

The state’s COVID-19 testing strategy has been a cornerstone of the state’s COVID response. Providing access to on-demand, barrier-free testing at sites across the state has been highlighted as nation-leading. Our success has relied on partners like Vault Medical Services, P.A. and Infinity BiologIX LLC to collect and process the millions of COVID-19 tests taken by Minnesotans during the last fifteen months.

We appreciate your review and confirmation that payments to date have been appropriate.

Sincerely,

Jan K. Malcolm  
Commissioner  
P.O. Box 64975  
St. Paul, MN 55164-0975  
www.health.state.mn.us

An equal opportunity employer.
July 2, 2021

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

Dear Mr. Nobles,

Thank you for the opportunity to review and comment on your office’s report, *State Payments to Two Companies for COVID-19 Testing, Revised Draft*. MMB is satisfied with the findings of this report.

The report reviewed the payment of the COVID-19 testing services delivered under the State’s contract with Vault Medical Services and Infinity Biologix (IBX). On our behalf, one of SEGIP’s health plan administrators paid claims for testing services to Vault and IBX, while the other two plan administrators pended claims from these providers. We believe that pending claims is a reasonable decision since these plan administrators are working to develop their own contracts with both testing providers. For the claims paid to date, we believe that the plan administrator appropriately paid both Vault and IBX on a discounted rate in nearly all cases rather than the full billed charges. Our three health plan administrators have worked with Vault and IBX to improve each provider’s billing practices and make sure testing services are coded appropriately.

We work closely with our plan administrators to ensure our funds are appropriately spent and are pleased to see our oversight in action.

Sincerely,

[Signature]

Jim Schowalter  
Commissioner

*Equal Opportunity Employer*
July 8, 2021

Mr. Joel Alter  
Director of Special Reviews  
Office of the Legislative Auditor  
Room 140 Centennial Building  
658 Cedar Street  
St. Paul, Minnesota 55155

Mr. Alter,

Thank you for the opportunity to review and comment on the Office of the Legislative Auditor (OLA) report titled State Payments to Two Companies for COVID-19 Testing.

The Minnesota Council of Health Plans (Council) is the state trade organization representing Minnesota’s nonprofit health plans, including those that contract with state agencies to administer state-funded health care programs.

Council member health plans have worked with providers throughout the pandemic to ensure that Minnesotans had barrier-free access to needed service, including testing. Vault and IBX were new vendors in Minnesota operating under an exclusive agreement with the State of Minnesota so health plans have been working to establish their own contractual relationships with Vault and IBX that are consistent with the billing and reimbursement practices commonly deemed appropriate by other providers.

The report concludes that managed care organizations appropriately scrutinized claims and typically agreed to pay well under half of the billed amount. This conclusion clearly demonstrates the value that Council members are providing the state in their management of state-funded health care programs. The Council has met regularly with state agency officials to keep them updated on our efforts and we are committed to ensuring members are not burdened by the administrative issues.

Thank you for your dedicated work on behalf of the State of Minnesota.

Sincerely,

Lucas Nesse  
President & CEO
July 8, 2021

VIA E-MAIL at joel.alter@state.mn.us

Mr. Joel Alter
Director of Special Reviews
Minnesota Office of the Legislative Auditor
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Alter,

Thank you again for the opportunity to take part in the special review related to our work in the State of Minnesota. Vault Medical Services, P.A. (“Vault”) is a proud partner with the State of Minnesota in our continued fight against the COVID-19 pandemic and we appreciate the chance to speak about our work and our company.

In that early phase of Vault’s COVID-19 services, Vault built a partnership with RUCDR Infinite Biologics, a lab through Rutgers University—now named Infinity BiologiX (IBX)—as IBX developed and obtained Emergency Use Authorization for a saliva-based COVID-19 diagnostic test.

In the months that followed, Vault and strategic partners quickly became one of the country’s most recognized providers of COVID-19 testing, with an ability to offer fast at-home testing and to stand up large-scale testing sites. When vaccinations became available, we quickly pivoted to standing up and running mass vaccination sites, and later, mobile vaccine clinics.

We are proud to partner with a large roster of reputable companies and institutions across both the private and public sectors. In addition to Minnesota, we provide testing capacity to states including Wisconsin, Michigan, Wyoming, Hawaii, Idaho, West Virginia, New Jersey, and New Mexico. To date, we’ve conducted more than six million COVID-19 tests across all 50 states and Puerto Rico and administered more than 350,000 vaccine doses.

We look forward to continuing to engage in open and productive dialogues while we continue our partnerships with public and private entities to fight the pandemic in Minnesota. We are humbled to play a role in
providing access to rapid and easy saliva testing to Minnesotans across the State and remain committed to acting with integrity and with the public interest at the heart of our work.

Sincerely,

__________________________
Alexander Pastuszak, M.D., Ph.D.
Vice President
Chief Clinical Officer
Vault Medical Services, P.A.

_________________________
Christopher Goldsmith
Chief Operating Officer
Vault Health, Inc.
July 8, 2021

Joel Alter  
Director of Special Reviews  
Office of the Legislative Auditor  
140 Centennial Building  
658 Cedar Street  
St. Paul, MN 55155


Dear Mr. Alter:

Thank you for providing us with a copy of the Report and inviting us to submit a letter for inclusion in the report. We are pleased that the Office of the Legislative Auditor of the State of Minnesota (“OLA”) found “no evidence that the State or its contracted insurers made excessive payments”.

We are proud of our partnership with the State of Minnesota in its mission to keep its communities healthy by increasing access to COVID-19 testing. Through our Infinity-Biologix LLC (“IBX”) lab in Oakdale, we provide Minnesotans easy access to a COVID-19 test they can trust, while also providing results in less time. To date, we have tested approximately a quarter of the State of Minnesota’s population at our Oakdale lab. IBX has not charged Minnesotans for tests performed through its agreement with the State of Minnesota and donated (along with Vault Health) more than 10,000 tests to the State of Minnesota to be provided to disadvantaged Minnesotans (for example, homeless and domestic violence shelter residents, volunteers, and workers, homeless encampment residents, staff and residents of community settings for Minnesotans rebuilding their lives after incarceration, children and youth awaiting foster care placement, and staff serving families of hospitalized children through Ronald McDonald Houses of the Upper Midwest). In addition to COVID-19 testing, we are now supporting vaccine distribution logistics at our Oakdale lab as we continue to support Minnesota’s COVID-19 response efforts. We look forward to working with the State of Minnesota as it continues to respond to the changing nature of the pandemic and help to ensure the health of Minnesotans during this challenging time.

As noted in the Report, IBX follows standard insurance billing practices in connection with the COVID-19 testing performed by IBX in the of Minnesota. Standard insurance billing practices are such that healthcare providers, such as IBX, bill all payors at the same standardized rates. Some payors pay amounts at or near the standardized rates charged, but more often they actually reimburse providers far less than the amounts billed. Typically, the payor will either (1) pay a lower rate that has been negotiated contractually with the healthcare provider in order for that healthcare provider to attain “in-network” status with such a payor; (2) pay a lower amount
(typically 30% to 50% less) than the amount billed in cases where there is no contract between the payor and healthcare provider (in other words, services that are “out-of-network”); or (3) for Medicare and Medicaid, pay the Medicare or Medicaid rate. Payors reimburse the lesser of (1) the amount they have agreed to pay for in-network services or are willing to pay for out-of-network services (or, in the case of Medicare and Medicaid, at the Medicare or Medicaid rate) or (2) the amount billed. Due to the fact that it is difficult to maintain different billing amounts for the same test or services in the billing systems, the standard industry practice is to bill the same standard charge amount to all payors with the knowledge that the payor will actually only reimburse at the lower rate as set forth above. Therefore, IBX did not submit “excessive charges” but rather was following standard industry practices in its billings.

It is important to note that these standard billing practices are not specific to COVID-19 testing, but rather are the standard billing practices that were in place prior to the pandemic and are the standard billing practices used in all aspects of the healthcare industry. This common practice is recognized and explained by the Minnesota Attorney General: “HMOs and insurance companies have agreements with doctors, clinics, and hospitals. Under these agreements, the HMO or insurance company negotiates discounts from the prices charged by the doctor/clinic/hospital. These discounts can sometimes result in confusion for patients, especially when they appear on the insurance company or HMO’s “explanation of benefits” form, or EOB. The EOB may set forth the original charge by the clinic or hospital, the amount of the discount, the amount paid by the insurance company, and the amount you owe. The original charge is the charge prior to the discount, and the discounted amount is how much of the provider’s bill the insurance company or HMO will pay.”

https://www.ag.state.mn.us/Consumer/Publications/MedicalBillingPointers.asp

Thank you again for the opportunity to submit this letter in connection with the Report. Our mission at IBX is to understand the genetic causes of common, complex diseases and to discover diagnoses, treatments and, eventually, cures for these diseases. To this end, we look forward to continuing to work with the State of Minnesota to help to ensure the health of Minnesotans, both now and in the future.

Very Truly Yours,

Mary Storella

Mary E. Storella
Vice President and General Counsel
For more information about OLA and to access its reports, go to: https://www.auditor.leg.state.mn.us.

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