



Premium Subsidy Program

January 1, 2017, through December 31, 2017

SPECIAL REVIEW

May 7, 2018

Financial Audit Division

OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA

State of Minnesota
Office of the Legislative Auditor

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OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

May 7, 2018

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Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Myron Frans, Commissioner
Minnesota Department of Management and Budget

Ms. Emily Piper, Commissioner
Department of Human Services

This report presents the results of our special review of the premium subsidy program, as required by law. The objectives of this audit were to determine if persons receiving the premium subsidy were eligible as outlined in *Laws of Minnesota* 2017, chapter 13, art. 2, sec. 2.

The audit was conducted by Valerie Bombach (Audit Director); Jordan Bjonfald, CPA (Auditor-in-Charge); Michele Bilyeu; Kelsey Carlson; Dan Holmgren; David Kirchner, PhD; and Todd Pisarski, CPA.

We discussed the results of the audit with staff at the Minnesota Department of Management and Budget and the Department of Human Services; and representatives of American Republic, Blue Plus, HealthPartners, Medica Health Plans, PreferredOne, and UCare. We received the full cooperation of department staff and the health carriers while performing this audit.

Sincerely,

James R. Nobles
Legislative Auditor

Christopher P. Buse
Deputy Legislative Auditor



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Report Summary

In January 2017, the State of Minnesota established a program to provide a 25 percent subsidy to the health insurance premiums of eligible Minnesota residents who purchased health care coverage in the individual market in 2017. The state, through the Minnesota Department of Management and Budget (MMB), paid health insurance carriers about \$137 million dollars on behalf of 118,000 Minnesota residents who were deemed eligible for this premium subsidy program.

The Office of the Legislative Auditor conducted this audit, at the direction of the legislature, to determine the extent to which health insurance carriers provided premium subsidies to individuals who met eligibility criteria. The carriers participating in the program included: American Republic, Blue Plus, HealthPartners, Medica Health Plans, PreferredOne, and UCare.

Conclusion

Overall, the premium subsidy program met its objective to help eligible individuals pay for their health care coverage. In accordance with state law, the health insurance carriers that participated in the premium subsidy program appropriately passed the 25 percent subsidy through to their eligible enrollees.



Overview

This report presents the results of a special review of the premium subsidy program. The 2017 Legislature approved this program to help cover the costs of health insurance premiums for some Minnesota residents. The Minnesota Department of Management and Budget (MMB) administered the program and approved state payments to health insurance carriers that requested reimbursement for their eligible enrollees. We audited these processes and payments for calendar year 2017.

Program Background

On January 26, 2017, Governor Dayton signed into law the establishment of the premium subsidy program.¹ The program provided a 25 percent subsidy to the health insurance premiums of eligible Minnesota residents who purchased health care coverage in the individual market. The program only provided subsidies to health insurance premiums paid for coverage in calendar year 2017. To be eligible for the program, an individual must have met the following criteria in 2017:²

- Was a Minnesota resident.
- Did not receive a federal advance premium tax credit in a month in which their coverage was effective.
- Was not enrolled in a public health care program in the State of Minnesota.
- Had purchased an individual health plan from a health carrier in the individual market.

MMB administered the program in consultation with MNsure and the departments of Commerce and Human Services. The health carriers that provided health plans for the individual market during 2017 were American Republic, Blue Plus, HealthPartners, Medica Health Plans, PreferredOne, and UCare.³

Eligible individuals did not have to apply for the program; instead, the health carrier automatically applied the subsidy if the carrier determined an individual was eligible. Specifically, each health carrier identified potentially eligible individuals within its own individual insurance product and was required to reduce these individuals' monthly premiums by 25 percent.⁴ The health carriers requested

¹ *Laws of Minnesota 2017*, chapter 2, art. 1.

² *Laws of Minnesota 2017*, chapter 13, art. 2, sec. 2.

³ MMB identified these carriers as having an insurance product and individuals eligible for the program.

⁴ *Laws of Minnesota 2017*, chapter 2, art. 1, sec. 2. See Minnesota Department of Management and Budget, *Health Insurance Premium Assistance Program Policy Guidance on Invoice Submission Procedure* (St. Paul, updated July 14, 2017), 1-2.

reimbursement for the 25 percent subsidies from MMB by submitting invoices and supporting documentation for each policy to the department.⁵

MMB then reviewed the health carriers' reimbursement requests and worked with the Department of Human Services (DHS) to identify any individuals who were enrolled in a public health care program and, therefore, were ineligible for a subsidy.⁶ MMB advised the health carriers of any individuals deemed ineligible and then issued reimbursement payments to the carriers on behalf of eligible individuals for months in which the individual had paid their health insurance premium.⁷ For each individual deemed eligible, MMB provided reimbursement of approved amounts to the health carrier.

Expenditures

Minnesota law directed \$311,788,000 to MMB to administer the premium subsidy program, and the law further stated that any unused amounts must be transferred to the state's budget reserve account.⁸ As shown in Table 1, MMB reimbursements to health carriers totaled about \$137.3 million for 79,000 policies.⁹ Table 1 also summarizes the total number of policies and total premium subsidies provided to each health carrier for individuals who MMB approved as eligible.

⁵ *Laws of Minnesota* 2017, chapter 2, art. 1, sec. 2, subds. 2-3.

⁶ See Minnesota Department of Management and Budget, *Health Insurance Premium Assistance Program Policy Guidance on Invoice Submission Procedure* (St. Paul, updated July 14, 2017), 2; and Minnesota Department of Management and Budget, *Health Insurance Premium Assistance Program Policy Guidance on Public Programs* (St. Paul, updated July 14, 2017), 2-4. MMB's review of health carriers' reimbursement requests included, for example, checking for errors and duplicate submissions, verifying the accuracy of invoiced amounts relative to other data on file with MMB, and advising health carriers of needed corrections. Additionally, DHS compared information about individuals on the health carriers' reimbursement requests to the public program enrollment system to determine if the individuals were enrolled in a public program. Using these data, DHS was able to identify a range of matches on specific identification criteria, from individuals likely to be enrolled in a public program to individuals *possibly* enrolled in a public program to those not enrolled in any public program. MMB and the health carriers agreed that individuals who did not fully meet certain identification criteria related to public programs would not be eligible for a subsidy.

⁷ *Laws of Minnesota* 2017, chapter 2, art. 1, sec. 2, subd. 3; and chapter 13, art. 2, sec. 4.

⁸ *Laws of Minnesota* 2017, chapter 2, art. 1, secs. 7(a) and (c).

⁹ MMB returned \$98.8 million to the general fund in November 2017, pursuant to *Laws of Minnesota* 2017, First Special Session, chapter 6, art. 18, sec. 13. As of April 27, 2018, MMB had \$75 million in unused funds scheduled to be returned to the state's budget reserve account.

Table 1: Number of Policies and Individuals and Total Premium Subsidies, by Health Carrier, Calendar Year 2017

Health Carrier	Number of Policies ^a	Number of Individuals	Total Premium Subsidy ^b
Totals	78,677	117,985	\$137,316,005
HealthPartners	—	—	\$ 54,641,078
Blue Plus	—	—	\$ 38,611,681
Medica	—	—	\$ 30,876,002
UCare	—	—	\$ 12,274,022
PreferredOne	—	—	\$ 734,893
American Republic	—	—	\$ 178,329

^a Each policy may have included one or more individuals.

^b The payments to the health carriers represent reimbursement payments on behalf of individuals identified as eligible for the subsidy. The totals reported in this table represent payments to health carriers as of April 27, 2018, and exclude any subsequent premium subsidy adjustments by the state. The health carriers did not receive any state payments for administering these subsidies for their enrollees.

SOURCES: State of Minnesota's accounting system and the Minnesota Department of Management and Budget.

Among these expenditures, MMB reimbursed the health carriers for subsidies to a small number of individuals who we determined were not eligible for the program, based on our review of additional information.¹⁰ However, these payments were mostly due to limitations in state department processes to verify eligibility.

Audit Objective, Scope, and Methodology

The objective of our special review was to answer the following question:

- Were the persons who received the health insurance premium subsidy eligible as outlined in *Laws of Minnesota* 2017, chapter 13, art. 2, sec. 2?

Our audit scope included state premium subsidy expenditures made to health carriers for individual health plans purchased in the individual market with coverage effective for the months January 1, 2017, through December 31, 2017.

To meet our audit objective, we gained an understanding of the laws and statutes governing the premium subsidy program, the Minnesota Department of Management and Budget's policies and procedures for administering the program,

¹⁰ For our audit testing, we selected a sample of 1,370 policies, and also reviewed all payments for an additional 36 individuals whose eligibility information presented a higher risk of noncompliance with eligibility criteria. We determined that MMB approved premium subsidy payments to health carriers on behalf of 19 individuals who we determined were not eligible for the program. These payments were for: (1) 1 individual who was not identified as receiving an advance premium tax credit, and (2) 18 individuals who we determined *were* enrolled in a public program, based on additional review of information that was not known at the time the initial eligibility decision was made. (Among these 18 individuals, MMB had identified 17 individuals as "high risk" of potential ineligibility but did not have sufficient evidence to withhold payment.)

and the Department of Human Services' procedures for verifying public program enrollment.

We also obtained data from MMB that was provided by the health carriers listed in Table 1 on all insurance policies submitted for reimbursement from the state, and we analyzed these data and data from DHS to identify transactions with a higher risk of noncompliance with certain eligibility requirements. From the population of insurance policy subscribers, we selected a statistical sample from each carrier for detailed testing, for an overall sample of 1,370 policies. To verify whether the individual was a Minnesota resident, we used information obtained from the departments of Employment and Economic Development and Public Safety. We used information from DHS to verify whether the individual was enrolled in a public program and used information obtained from MNsure to verify whether the individual had received the advance premium tax credit. We also relied on information provided by the health carriers to verify whether the individual had an eligible policy in the individual market and whether the individual paid the health insurance premium.

Conclusion

Overall, the premium subsidy program met its objective to help eligible individuals pay for their health care coverage. In accordance with state law, the health insurance carriers that participated in the premium subsidy program appropriately passed the 25 percent subsidy through to their eligible enrollees.



May 3, 2018

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

RE: Report on the 2017 Health Insurance Premium Subsidy Program

Dear Auditor Nobles:

Thank you for the opportunity to review the Office of Legislative Auditor's report on the 2017 Health Insurance Premium Subsidy Program administered by Minnesota Management and Budget (MMB). We are in agreement and pleased with your conclusions that the program successfully met its objectives.

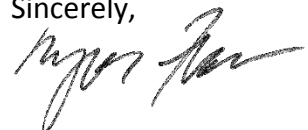
In the fall of 2016, health insurance premium costs increased by 50 to 60 percent for Minnesotans in the individual insurance market for the new plan year, 2017. There was widespread concern that Minnesota's individual insurance market could collapse entirely in 2017. In response, Governor Mark Dayton directed MMB to design a premium relief plan that could be implemented quickly with little cost in order to provide premium relief as soon as possible in 2017. In late January of 2017, the Minnesota Legislature passed and Governor Dayton signed into law the MMB-designed Premium Assistance Program.

Minnesota's Premium Assistance Program saved nearly 118,000 eligible Minnesotans and their families thousands of dollars on their health insurance premiums in 2017. This program has been successful because it was able to provide immediate premium relief to eligible Minnesotans, was able to stabilize the individual market in Minnesota, and was implemented in a cost-effective way. Minnesota's Premium Assistance Program was made possible due in part to a unique public-private partnership between MMB and insurance companies in the individual market and it is an example of the importance and effectiveness of this type of collaboration.

I also appreciate the OLA's cooperation as we designed and implemented the program. The work of the OLA contributed to our ability to ensure the program's success. As you are aware, MMB developed and maintained a rigorous internal review process to ensure accurate reimbursements to participating insurance carriers. I feel confident that this system of controls is the reason your review identified so few errors. In particular, we appreciate the work performed by the OLA in evaluating high risk areas of concern that we brought to your attention. Minnesotans can feel confident that the emergency relief

dollars appropriated for the premium subsidy program were used efficiently to provide relief to those that qualified for the program.

Sincerely,

A handwritten signature in black ink, appearing to read "Myron Frans", written in a cursive style.

Myron Frans
Commissioner

**Blue Cross and Blue Shield of Minnesota
and Blue Plus**

P.O. Box 64560
St. Paul, MN 55164-0560
(651) 662-8000 / (800) 382-2000



May 03, 2018

Via Electronic Mail

James Nobles, Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

Thank you for the opportunity to work with representatives from the Office of the Legislative Auditor ("OLA") during the special review of the premium subsidy program for the period of January 1, 2017 through December 31, 2017. After review of the Premium Subsidy Program Final Report dated May 1, 2018 (the "Report"), Blue Plus HMO Minnesota d/b/a Blue Plus ("Blue Plus") provides the following response.

Blue Plus appreciates the overall conclusion reached by the OLA in the Report that the premium subsidy program met its objectives and that health plans participating in the program "appropriately passed the 25 percent premium subsidy through to their eligible enrollees." (Report, page 1).

The 2017 premium subsidy program was managed by the state's health plans, including Blue Plus, on behalf of the State of Minnesota. Upon enactment, Blue Plus worked under an extremely compressed timeframe to assemble and administer the premium subsidy program for its members. Blue Plus also worked in close consultation with the Minnesota Department of Management and Budget and other appropriate agency staff to establish processes and criteria for reconciling information to administer the premium subsidy program. Given the complexities in determining an individual's eligibility for the program and administering the premium subsidy program, OLA's finding that premium subsidy funds were appropriately distributed is a positive outcome.

We note that health plans implemented the premium subsidy program without any reimbursement from the state for implementation and administration of this program. Funding received by the health plans for the premium subsidy program was wholly directed to premium relief. We appreciate the OLA's review of the premium subsidy program, and hope it furthers the conversation on the complexities of health care, including individual market premium costs.

Thank you again for the opportunity to work with the Office of the Legislative Auditor on the review of the premium subsidy program.

Sincerely,

A handwritten signature in blue ink, appearing to read "Frank Fernández".

Frank Fernández
President & CEO Blue Plus

bluecrossmn.com



HealthPartners
8170 33rd Avenue South
Bloomington, MN 55425

healthpartners.com

Mailing Address:
PO Box 1309
Minneapolis, MN 55440-1309



May 2, 2018

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

Re: Response to OLA Premium Subsidy Audit Report

Dear Mr. Nobles,

HealthPartners appreciates OLA's review of the Premium Subsidy Program and concurs with the conclusions drawn.

We reviewed and agree with the discrepancies identified by OLA and will be working with the MMB on resolving and refunding identified differences.

Thank you for the opportunity to review and comment on this report.

Sincerely,

Donna Zimmerman
Sr. Vice President, Government & Community Relations



May 3, 2018

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

Dear Mr. Nobles:

Thank you for the opportunity to submit a letter for inclusion in your special review of the premium subsidy program. We appreciate your staff's consideration of feedback we provided in establishing the premium subsidy program and conducting the special review.

We are proud of our employees' dedication and efforts to operationalize the premium subsidy program, which brought relief to our Minnesota members purchasing health insurance coverage on their own in 2017. Our operational lift required weeks of preparation with the Office of Minnesota Management and Budget (MMB), changing and testing our billing systems, and diverting resources from other projects. Through our employees' hard work, we agree with the conclusion of the special report: insurance carriers participating in the premium subsidy program appropriately passed the 25 percent subsidy through to eligible enrollees.

We further agree with the special report's assessment of subsidy payments to ineligible individuals; those payments were due solely to limitations in the State's processes to verify eligibility for Medical Assistance and MinnesotaCare, and not to any errors by the health plans. We appreciate the report clearly illuminates this assessment in footnote 10. Both of the examples in footnote 10 illustrate that the health plans properly relied on eligibility information provided by the state, which later turned out to be inaccurate information. In other words, the health plans had no way to know that the information provided by the state was inaccurate and thus have no responsibility for the incorrect premium subsidies for individuals who were not in fact eligible for the program.

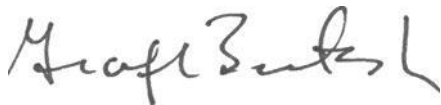
Finally, we appreciate and agree with the OLA's focus on payments for enrollees that it definitively determined to be ineligible for subsidies. Since November 2016, when negotiations with the administration and legislators over the premium subsidy program began, it was long acknowledged that the OLA audit would have access to information that carriers, when submitting their invoices to MMB, did not. It was further understood that carriers could not be held responsible for incomplete or inaccurate data from the State. The enabling legislation anticipated that health insurance carriers cannot be the source of truth on certain aspects of eligibility, particularly when the health insurance carrier relied on data from the Minnesota eligibility system, as defined in Minn. Stat. section 62V.055, subdivision 1. State public program eligibility verification was conducted by state agencies when invoices were submitted, but such verification was based on a snapshot in time, which is why the report does not include and could not include any further extrapolated amounts. As we have expressed from the inception of the program, any

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effort to extrapolate the amount of subsidies that could have been paid to ineligible individuals for the whole population does not meet the statutory definition of “determined” ineligibility, and the OLA’s report affirms this.¹ We believe we executed the premium subsidy program faithfully and provided the premium subsidies only to those Minnesotans who, at the time we submitted the necessary information to MMB, were eligible.

We continue to value our partnership with the state, and view our participation in the premium subsidy program as a way to live our mission to be the trusted health plan of choice for our customers, members, partners, and employees.

Sincerely,

A handwritten signature in dark ink, appearing to read "Geoff Bartsh". The signature is fluid and cursive, with a long horizontal stroke at the end.

Geoff Bartsh
Vice President & General Manager
Medica Individual and Family Business

¹ See 2017 Minn. Laws Chapter 2: “The commissioner . . . shall develop and implement a process to recover from health carriers the amount of premium subsidies received for enrollees *determined to be ineligible for premium subsidies by the legislative auditor.*” Emphasis added.



6105 Golden Hills Drive
Golden Valley, MN 55416

April 26, 2018

Mr. James R. Nobles, Legislative Auditor
Room 140, Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

Thank you for the opportunity to respond to the results of the special review of the Premium Subsidy Program for the period January 1, 2017 through December 31, 2017. I have reviewed the audit report with the Sr. Leadership Team at PreferredOne Insurance Company, Inc. and have concluded that we do not disagree with results of the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "David Crosby".

David Crosby
President and CEO
PreferredOne Insurance Company





April 25, 2018

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

Dear Mr. Nobles:

UCare MN has reviewed the results of the Premium Subsidy Audit Draft Report dated April 16, 2018. UCare is in agreement with the findings of the review. In addition, the error identified as a payment to UCare for an ineligible individual of \$135.24, due to not being identified as ineligible by the MMB, will be returned to the MMB in our final submission that is scheduled to be completed by May 4, 2018.

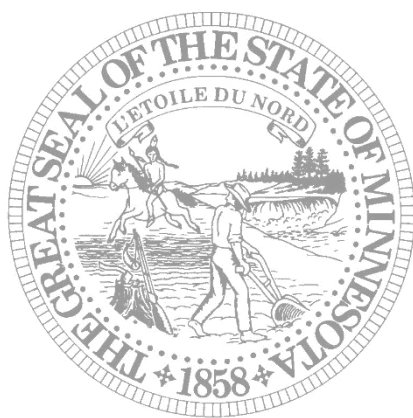
Sincerely,

A handwritten signature in black ink that reads 'Beth Monsrud'.

Beth Monsrud

Chief Financial Officer, UCare







For more information about OLA and to access its reports, go to: www.auditor.leg.state.mn.us.

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