

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NOT ALL OF THE MINNESOTA
MARKETPLACE'S INTERNAL
CONTROLS WERE EFFECTIVE IN
ENSURING THAT INDIVIDUALS
WERE ENROLLED IN QUALIFIED
HEALTH PLANS ACCORDING TO
FEDERAL REQUIREMENTS**

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EXECUTIVE SUMMARY

Not all of the Minnesota marketplace's internal controls were effective in ensuring that individuals were enrolled in qualified health plans according to Federal requirements.

WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA) requires the establishment of a health insurance exchange (marketplace) in each State and the District of Columbia. A marketplace is designed to serve as a “one-stop shop” at which individuals get information about their health insurance options; are evaluated for eligibility for a qualified health plan (QHP) and, when applicable, eligibility for insurance affordability programs; and enroll in the QHP of their choice. As of October 1, 2013, Minnesota was 1 of 15 States that had established State-based marketplaces (State marketplaces).

A previous Office of Inspector General review found that not all internal controls implemented by the federally facilitated marketplace (Federal marketplace) and the State marketplaces in California and Connecticut were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements. This review of MNsure (the Minnesota marketplace) is part of an ongoing series of reviews of seven State marketplaces across the Nation. We selected the individual State marketplaces to cover States in different parts of the country. Our nationwide audit of State marketplace eligibility determinations is part of a larger body of ACA work, which also includes audits of how costs incurred to create State marketplaces were allocated to establishment grants.

Our objective was to determine whether the Minnesota marketplace's internal controls were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements.

BACKGROUND

Qualified Health Plans and Insurance Affordability Programs

QHPs are private health insurance plans that each marketplace recognizes and certifies as meeting certain participation standards and covering a core set of benefits. To lower individuals' insurance premiums or out-of-pocket costs for QHPs, the ACA provides for two types of insurance affordability programs: the premium tax credit and cost-sharing reductions. The premium tax credit reduces the cost of a plan's premium and is available at tax filing time or in advance. When paid in advance, the credit is referred to as the “advance premium tax credit” (APTC). Cost-sharing reductions help individuals with out-of-pocket costs, such as deductibles, coinsurance, and copayments. Depending on an individual's income, he or she may be eligible for either or both types of insurance affordability programs.

To be eligible to enroll in a QHP, an individual must be a U.S. citizen, a U.S. national, or lawfully present in the United States; not be incarcerated; and meet applicable residency standards. To be eligible for insurance affordability programs, the individual must meet additional requirements for annual household income. Additionally, an individual is not eligible

for these programs if he or she is eligible for minimum essential coverage that is not offered through a marketplace. Minimum essential coverage consists of employer-sponsored-insurance (ESI) and non-employer-sponsored insurance (non-ESI). The latter includes Government programs (such as Medicare and Medicaid), grandfathered plans, and other plans.

Application and Enrollment Process for Qualified Health Plans and Insurance Affordability Programs for All Marketplaces

An applicant may submit an application to enroll in a QHP during an open enrollment period. An applicant may also enroll in a QHP during a special enrollment period outside of the open enrollment period if the applicant experiences certain life changes, such as marriage or the birth of a child.

To enroll in a QHP, an applicant must complete an application and meet eligibility requirements defined by the ACA. An applicant can enroll in a QHP through the Federal or a State marketplace, depending on the applicant's State of residence. Applicants can enroll through a Web site, by phone, by mail, in person, or directly with a broker or an agent of a health insurance company. For online and phone applications, the marketplace verifies the applicant's identity through an identity-proofing process. For paper applications, the marketplace requires the applicant's signature before the marketplace processes the application. When completing any type of application, the applicant attests that answers to all questions are true and that the applicant is subject to the penalty of perjury.

After reviewing the applicant's information, the marketplace determines whether the applicant is eligible for a QHP and, when applicable, eligible for insurance affordability programs. To verify the information submitted by the applicant, the marketplace uses multiple electronic data sources, including those available through the Federal Data Services Hub (Data Hub). The data sources available through the Data Hub are the U.S. Department of Health and Human Services, Social Security Administration (SSA), U.S. Department of Homeland Security, and Internal Revenue Service, among others. The marketplace can verify an applicant's eligibility for ESI through Federal employment by obtaining information from the U.S. Office of Personnel Management (OPM) through the Data Hub.

State marketplaces can access additional sources of data to verify applicant information. For example, the Minnesota marketplace uses State wage data to verify annual household income. Furthermore, the Minnesota marketplace can use data from Minnesota's Small Business Health Options Program (SHOP) to verify whether applicants are eligible for ESI. (The SHOP marketplace enables small businesses to access health coverage for their employees.) If the marketplace determines that the applicant is eligible to enroll in a QHP, the applicant selects a QHP, and the marketplace transmits the enrollment information to the insurance company, i.e., the QHP issuer.

Generally, when a marketplace cannot verify information that the applicant submitted or the information is inconsistent with information available through the Data Hub or other sources, the marketplace must attempt to resolve the inconsistency. If the marketplace is unable to resolve an inconsistency through reasonable efforts, it must generally give the applicant 90 days to submit

satisfactory documentation or otherwise resolve the inconsistency (this 90-day period is referred to as “the inconsistency period”). The marketplace may extend the inconsistency period if the applicant demonstrates that a good-faith effort has been made to obtain required documentation. During the inconsistency period, the applicant may still enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions. After the inconsistency period, if the marketplace is unable to resolve the inconsistency, it determines the applicant’s eligibility on the basis of available data sources and, in certain circumstances, the applicant’s attestation.

HOW WE CONDUCTED THIS REVIEW

We reviewed the internal controls that were in place at the Minnesota marketplace during the open enrollment period for insurance coverage effective in calendar year (CY) 2014 (October 1, 2013, through March 31, 2014). We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Minnesota marketplace’s operations and compliance with applicable Federal requirements.

We limited our review to those internal controls related to (1) verifying applicants’ identities, (2) determining applicants’ eligibility for enrollment in QHPs and eligibility for insurance affordability programs, and (3) maintaining and updating eligibility and enrollment data.

To determine the effectiveness of the internal controls, we (1) reviewed a sample of 45 applicants randomly selected from applicants who enrolled in QHPs during the open enrollment period (44,876 applicants), which included the review of supporting documentation to evaluate whether the marketplace determined the applicants’ eligibility in accordance with Federal requirements, and (2) performed other audit procedures, which included interviews with marketplace management, staff, and contractors; observation of staff performing tasks related to eligibility determinations; and reviews of supporting documentation and enrollment records.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

WHAT WE FOUND

Not all of the Minnesota marketplace’s internal controls were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements.

On the basis of our review of 45 sample applicants from the enrollment period for insurance coverage effective in CY 2014 and performing other audit procedures, such as interviewing marketplace officials and reviewing supporting documentation, we determined that certain controls were effective, such as the controls for verifying applicants’ identities. However, certain controls were not effective. Specifically, the marketplace had the following deficiencies related to determining eligibility of applicants, resolving inconsistencies in eligibility data, and maintaining and updating eligibility and enrollment data:

- Deficiencies Related to Determining Applicants’ Eligibility:

- The marketplace did not always properly determine eligibility for insurance affordability programs.
- The marketplace did not verify SHOP marketplace enrollment records before determining eligibility.
- Deficiencies Related to Resolving Inconsistencies in Eligibility Data:
 - The marketplace did not notify applicants of inconsistencies in eligibility data and did not always attempt to resolve inconsistencies in eligibility data.
- Deficiencies Related to Maintaining and Updating Eligibility and Enrollment Data:
 - The marketplace did not always maintain accurate eligibility data.
 - The marketplace did not develop system functionality to allow enrollees to update enrollment information.

The presence of an internal control deficiency does not necessarily mean that the Minnesota marketplace improperly enrolled an applicant in a QHP or improperly determined eligibility for insurance affordability programs. Other mechanisms exist that may remedy the internal control deficiency, such as the resolution process during the inconsistency period. For example, if a marketplace did not have a control in place to verify an applicant’s citizenship through SSA, as required, the marketplace may still have been able to verify citizenship with satisfactory documentation provided by the applicant during the inconsistency period. The deficiencies that we identified occurred because of enrollment system design limitations and defects.

WHAT WE RECOMMEND

To address the specific deficiencies that we identified, we recommend that the Minnesota marketplace take action to improve its internal controls related to verifying applicants’ eligibility and maintaining and updating eligibility and enrollment data.

We also recommend that the Minnesota marketplace redetermine, if necessary, the eligibility of the sample applicants for whom we determined that verifications were not performed according to Federal requirements.

The “Recommendations” section in the body of the report lists our specific recommendations.

MINNESOTA MARKETPLACE COMMENTS AND OUR RESPONSE

In written comments on our draft report, the Minnesota marketplace generally agreed with all of our findings and all but one of our recommendations. The Minnesota marketplace described actions it had taken or planned to take to address our recommendations. We maintain that all of our findings and recommendations are valid.

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INTRODUCTION

WHY WE DID THIS REVIEW

The Patient Protection and Affordable Care Act (ACA)¹ requires the establishment of a health insurance exchange (marketplace) in each State and the District of Columbia. A marketplace is designed to serve as a “one-stop shop” at which individuals get information about their health insurance options; are evaluated for eligibility for a qualified health plan (QHP) and, when applicable, eligibility for insurance affordability programs; and enroll in the QHP of their choice.² As of October 1, 2013, Minnesota was 1 of 15 States that had established State-based marketplaces (State marketplaces).

A previous Office of Inspector General (OIG) review found that not all internal controls implemented by the federally facilitated marketplace (Federal marketplace) and the State marketplaces in California and Connecticut were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements (A-09-14-01000, issued June 30, 2014).³ This review of MNsure (the Minnesota marketplace) is part of an ongoing series of reviews of seven State marketplaces across the Nation.⁴ We selected the individual State marketplaces to cover States in different parts of the country.

This report, in part, responds to a congressional request for information on how State marketplaces use the Internal Revenue Service’s (IRS) household income data and self-reported, third-party, and other income data in eligibility determinations.

Our nationwide audit of State marketplace eligibility determinations is part of a larger body of ACA work, which also includes audits of how costs incurred to create State marketplaces were allocated to establishment grants. See “Affordable Care Act Reviews” on the OIG Web site for a list of related OIG reports on marketplace operations.⁵

¹ P.L. No. 111-148 (Mar. 23, 2010), as amended by the Health Care and Education Reconciliation Act of 2010, P.L. No. 111-152 (Mar. 30, 2010).

² An individual is considered to be enrolled in a QHP when he or she has been determined eligible and has paid the first monthly insurance premium. An individual may also obtain information from a marketplace about Medicaid and the Children’s Health Insurance Program (CHIP) (ACA § 1413 and 45 CFR § 155.405).

³ Our previous review covered the internal controls in place during the first 3 months of the open enrollment period for applicants enrolling in QHPs (October to December 2013).

⁴ The other six State marketplaces we reviewed were Colorado, the District of Columbia, Kentucky, New York, Vermont, and Washington.

⁵ <http://oig.hhs.gov/reports-and-publications/aca/>.

OBJECTIVE

Our objective was to determine whether the Minnesota marketplace's internal controls were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements.

BACKGROUND

Patient Protection and Affordable Care Act

The ACA established marketplaces to allow individuals and small businesses to shop for health insurance in all 50 States and the District of Columbia. Each State can have an individual marketplace and a Small Business Health Options Program (SHOP) marketplace, which enables small businesses to access health coverage for their employees.⁶ A goal of the ACA is to provide more Americans with access to affordable health care by, for example, providing financial assistance through insurance affordability programs for people who cannot afford insurance without it.

Health Insurance Marketplaces

The three types of marketplaces in operation as of October 1, 2013, were the Federal, State, and State-partnership marketplaces:

- **Federal marketplace:** The Department of Health and Human Services (HHS) operates the Federal marketplace in States that did not establish their own marketplaces. Individuals in these States enroll in QHPs through the Federal marketplace.
- **State marketplace:** A State may establish and operate its own marketplace. A State marketplace may use Federal services (e.g., the system that provides Federal data) to assist with certain functions, such as eligibility determinations for insurance affordability programs.
- **State-partnership marketplace:** A State may establish a State-partnership marketplace, in which HHS and a State share responsibilities for core functions. For example, HHS may perform certain functions, such as eligibility determinations, and the State may perform other functions, such as insurance plan management and consumer outreach. A key distinction between a State-partnership and State marketplace is that the former uses the Federal marketplace Web site (HealthCare.gov) to enroll individuals in QHPs, and the latter uses its own Web site for that purpose.

As of October 1, 2013, 36 States, including 7 State-partnership marketplaces, used the Federal marketplace, and 15 States, including the District of Columbia, had established State marketplaces. During our audit period, these were the types of marketplaces approved by the Centers for Medicare & Medicaid Services (CMS).

⁶ This report does not cover applicants who enrolled in QHPs through Minnesota's SHOP marketplace.

Qualified Health Plans and Insurance Affordability Programs

Qualified Health Plans

QHPs are private health insurance plans that each marketplace recognizes and certifies as meeting certain participation standards. QHPs are required to cover a core set of benefits (known as essential health benefits). QHPs are classified into “metal” levels: bronze, silver, gold, and platinum.⁷ These levels are determined by the percentage that each QHP expects to pay, on average, for the total allowable costs of providing essential health benefits.

Insurance Affordability Programs: Premium Tax Credit and Cost-Sharing Reductions

The ACA provides for two types of insurance affordability programs to lower individuals’ insurance premiums or out-of-pocket costs for QHPs: the premium tax credit and cost-sharing reductions.⁸

- **Premium tax credit:** The premium tax credit reduces the cost of a QHP’s premium and is available at tax filing time or in advance. Generally, the premium tax credit is available on a sliding scale to an individual or a family with annual household income from 100 percent through 400 percent of the Federal poverty level. When paid in advance, the credit is referred to as the “advance premium tax credit” (APTC).⁹ The Federal Government pays the APTC amount monthly to the QHP issuer on behalf of the taxpayer to offset a portion of the cost of the premium of any metal-level plan. For example, if an individual who selects a QHP with a \$500 monthly insurance premium qualifies for a \$400 monthly APTC (and chooses to use it all), the individual pays only \$100 to the QHP issuer. The Federal Government pays the remaining \$400 to the QHP issuer. Starting in January 2015, taxpayers were required to include on their calendar year (CY) 2014 tax returns (and subsequent years’ tax returns) the amount of any APTC made on their behalf. The IRS reconciles the APTC payments with the maximum allowable amount of the credit.
- **Cost-sharing reductions:** Cost-sharing reductions (CSR) help qualifying individuals with out-of-pocket costs, such as deductibles, coinsurance, and copayments.¹⁰ For example, an individual who visits a physician may be responsible for a \$30 copayment.

⁷ An individual who is under 30 years old or qualifies for a hardship exemption may also choose a catastrophic plan, which requires the individual to pay all of his or her medical expenses until the deductible amount is met (ACA § 1302(e) and 45 CFR §§ 156.155 and 156.440).

⁸ We did not review other types of insurance affordability programs, such as Medicaid and CHIP. An individual or a family with income below 100 percent of the Federal poverty level may be eligible for Medicaid under the State’s Medicaid rules but would not qualify for the premium tax credit or cost-sharing reductions.

⁹ ACA § 1401 and 45 CFR § 155.20.

¹⁰ ACA § 1402 and 45 CFR § 155.20.

If the individual qualifies for a cost-sharing reduction of \$20 for the copayment, the individual pays only \$10. In most cases, an individual must select a silver-level QHP to qualify for cost-sharing reductions. Generally, cost-sharing reductions are available to an individual or a family with annual household income from 100 percent through 250 percent of the Federal poverty level. The Federal Government makes monthly payments to QHP issuers to cover estimated costs of cost-sharing reductions provided to individuals. At the end of each year, HHS plans to reconcile the total amount of estimated payments of cost-sharing reductions made to QHP issuers with the actual costs of cost-sharing reductions incurred.¹¹

An individual may be eligible for either or both types of insurance affordability programs if he or she meets specified Federal requirements.

Federal Eligibility Requirements for Qualified Health Plans and Insurance Affordability Programs

To be eligible to enroll in a QHP, an individual must be a U.S. citizen, a U.S. national, or lawfully present in the United States;¹² not be incarcerated;¹³ and meet applicable residency standards.¹⁴

To be eligible for insurance affordability programs, an individual must meet additional requirements for annual household income.¹⁵ An individual is not eligible for these programs if he or she is eligible for minimum essential coverage that is not offered through a marketplace.¹⁶

To determine an individual's eligibility for enrollment in a QHP and for insurance affordability programs, the marketplaces verify the information submitted by the applicant using available electronic data sources. Through this verification process, the marketplaces can determine whether that applicant's information matches the information from available electronic data sources in accordance with certain Federal requirements.

¹¹ CMS issued guidance to delay reconciliation of cost-sharing reductions provided in CY 2014 and will reconcile 2014 cost-sharing reductions for all issuers beginning in April 2016 (*Timing of Reconciliation of Cost-Sharing Reductions for the 2014 Benefit Year* (Feb. 13, 2015)).

¹² An individual may be considered "lawfully present" if his or her immigration status meets any of the categories defined in 45 CFR § 152.2.

¹³ An individual must not be incarcerated, other than incarceration pending the disposition of charges (45 CFR § 155.305(a)(2)).

¹⁴ ACA §§ 1312(f) and 1411(b) and 45 CFR § 155.305(a)(3).

¹⁵ ACA §§ 1401 and 1402 and 45 CFR §§ 155.305(f) and (g).

¹⁶ 45 CFR § 155.20 and 26 U.S.C. § 5000A(f). Minimum essential coverage consists of employer-sponsored insurance (ESI) and non-employer-sponsored insurance (non-ESI).

Marketplaces must verify the following, as appropriate, when determining eligibility for QHPs and insurance affordability programs:

- Social Security number,
- citizenship,
- status as a national,¹⁷
- lawful presence,
- incarceration status (e.g., whether an individual is serving a term in prison or jail),
- residency,
- whether an individual is an Indian,¹⁸
- family size,
- annual household income,
- eligibility for minimum essential coverage through ESI, and
- eligibility for minimum essential coverage through non-ESI.¹⁹

¹⁷ The term “national” may refer to a person who, though not a citizen of the United States, owes permanent allegiance to the United States. All U.S. citizens are U.S. nationals, but only a relatively small number of people acquire U.S. nationality without becoming U.S. citizens (8 U.S.C. § 1101(a)).

¹⁸ “Indian” is defined as an individual who meets the definition in section 4(d) of the Indian Self-Determination and Education Assistance Act (ISDEAA), P.L. No. 93-638. Under section 4(d), an “Indian” is a person who is a member of an Indian tribe. The ISDEAA defines “Indian tribes” as “any Indian tribe, Band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians” (25 U.S.C. § 450b(e)).

¹⁹ 45 CFR §§ 155.315 and 155.320. For the purpose of this report, we use the term “non-ESI” to include Government-sponsored programs (e.g., Medicare, Medicaid, TRICARE, and Peace Corps), grandfathered plans, and other plans.

Application and Enrollment Process for Qualified Health Plans and Insurance Affordability Programs for All Marketplaces

An applicant²⁰ may submit an application to enroll in a QHP during an open enrollment period. An applicant may also enroll in a QHP during a special enrollment period outside of the open enrollment period if the applicant experiences certain life changes, such as marriage or the birth of a child.²¹ For insurance coverage effective in CY 2014, the Minnesota marketplace's open enrollment period was October 1, 2013, through March 31, 2014.²²

To enroll in a QHP, an applicant must complete an application and meet eligibility requirements defined by the ACA. An applicant can enroll in a QHP through the Federal or a State marketplace, depending on the applicant's State of residence. Applicants can enroll through a Web site, by phone, by mail, in person, or directly with a QHP issuer's broker or agent.

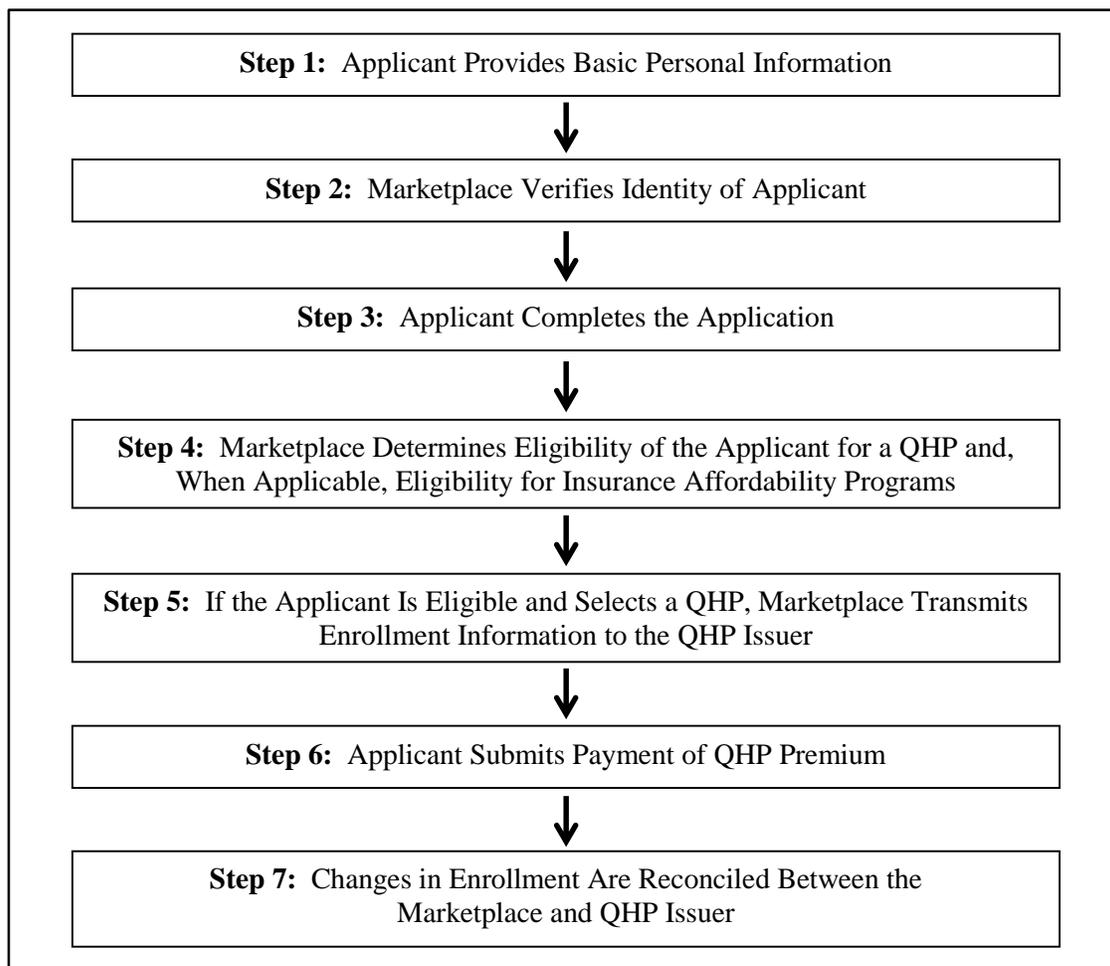
Figure 1 on the following page summarizes the steps in the application and enrollment process, and the sections that follow describe the key steps in more detail.

²⁰ For the purpose of this report, the term "applicant" refers to both the person who completes the application (application filer) and the person who seeks coverage in a QHP. The application filer may or may not be an applicant seeking coverage in a QHP (45 CFR § 155.20). For example, an application filer may be a parent seeking coverage for a child, who is the applicant.

²¹ ACA § 1311(c)(6)(C) and 45 CFR § 155.420.

²² The Minnesota marketplace created a special enrollment period to allow an applicant to finish the application and enrollment process by April 22, 2014. The special enrollment period was open to applicants who started their applications by March 31, 2014, but did not complete them by that date.

Figure 1: Seven Steps in the Application and Enrollment Process for a Qualified Health Plan



Verification of Applicant's Identity (Figure: Steps 1 Through 3)

An applicant begins the enrollment process in a QHP by providing basic personal information, such as name, birth date, and Social Security number. Before an applicant can submit an online or phone application, the marketplace must verify the applicant's identity through identity proofing. The purpose of identity proofing is to (1) prevent an unauthorized individual from creating a marketplace account for another individual and applying for health coverage without the individual's knowledge and (2) safeguard personally identifiable information created, collected, and used by the marketplace. For paper applications, the marketplace requires the applicant's signature before the marketplace processes the application.²³

²³ CMS's *Guidance Regarding Identity Proofing for the Marketplace, Medicaid, and CHIP, and the Disclosure of Certain Data Obtained through the Data Services Hub*, June 11, 2013.

When an applicant completes any type of application, the applicant attests that answers to all questions are true and that the applicant is subject to the penalty of perjury.²⁴

Verification of Applicant's Eligibility (Figure 1: Step 4)

After reviewing the applicant's information, the marketplace determines whether the applicant is eligible for a QHP and, when applicable, eligible for insurance affordability programs.²⁵ To verify the information submitted by the applicant, the marketplace uses multiple electronic data sources, including sources available through the Federal Data Services Hub (Data Hub).²⁶ The Data Hub is a single conduit for marketplaces to send electronic data to and receive electronic data from multiple Federal agencies; it does not store data. Federal agencies connected to the Data Hub are HHS, the Social Security Administration (SSA), the U.S. Department of Homeland Security, and the IRS, among others (ACA § 1411(c)).²⁷ Additionally, the marketplace can verify an applicant's eligibility for ESI through Federal employment by obtaining information from the U.S. Office of Personnel Management (OPM) through the Data Hub.

Resolution of Inconsistencies in Applicant Information (Figure 1: Step 4)

Generally, when a marketplace cannot verify information that the applicant submitted or the information is inconsistent with information available through the Data Hub or other sources, the marketplace must attempt to resolve the inconsistencies. For these purposes, applicant information is considered to be consistent with information from other sources if the information is reasonably compatible.²⁸ Information is considered reasonably compatible if any difference between the applicant information and that from other sources does not affect the eligibility of the applicant. Inconsistencies do not necessarily indicate that an applicant provided inaccurate information or is enrolled in a QHP or receiving financial assistance through insurance affordability programs inappropriately.

A marketplace must make a reasonable effort to identify and address the causes of an inconsistency by contacting the applicant to confirm the accuracy of the information on the

²⁴ Any person who fails to provide correct information may be subject to a civil monetary penalty (ACA § 1411(h)).

²⁵ An applicant can apply for enrollment in a QHP without applying for insurance affordability programs.

²⁶ State marketplaces can access additional sources of data to verify applicant information. For example, the Minnesota marketplace uses TALX (the Equifax Workforce Solutions Web site) and the Minnesota Department of Employment and Economic Development to verify wages and unemployment compensation. Furthermore, the Minnesota marketplace can use Minnesota's SHOP data to verify whether applicants are eligible for ESI.

²⁷ See Appendix A for information on the Minnesota marketplace's eligibility verification process for applicants' annual household income and eligibility for minimum essential coverage through ESI and non-ESI.

²⁸ 45 CFR § 155.300(d). For purposes of determining reasonable compatibility, "other sources" include information obtained through electronic data sources, other information provided by the applicant, or other information in the records of the marketplace.

application. If the marketplace is unable to resolve the inconsistency through reasonable efforts, it must generally give the applicant 90 days to submit satisfactory documentation or otherwise resolve the inconsistency. (This 90-day period is referred to as “the inconsistency period”).²⁹ The marketplace may extend the inconsistency period if the applicant demonstrates that a good-faith effort has been made to obtain required documentation.³⁰

During the inconsistency period, the applicant may still enroll in a QHP and, when applicable, may choose to receive the APTC and cost-sharing reductions.³¹ An applicant may choose to enroll during the period only if the applicant is otherwise eligible to enroll in a QHP and may receive the APTC and cost-sharing reductions if (1) the applicant meets other eligibility requirements and (2) the tax filer³² attests that he or she understands that the APTC is subject to reconciliation.³³ After the inconsistency period, if the marketplace is unable to resolve the inconsistency, it determines the applicant’s eligibility on the basis of available data sources and, in certain circumstances, the applicant’s attestation.³⁴ For example, if the marketplace is unable to resolve an inconsistency related to citizenship, it should determine the applicant ineligible for a QHP and terminate the applicant’s enrollment from the QHP if the applicant is already enrolled.

For more information on how marketplaces may resolve inconsistencies, see Appendix B.

Transmission of Applicant’s Enrollment Information to the Qualified Health Plan Issuer (Figure 1: Steps 5 Through 7)

If an applicant is determined to be eligible and selects a QHP, a marketplace transmits enrollment information to the QHP issuer (45 CFR § 155.400). Generally, an applicant must pay the first month’s QHP premium for the insurance coverage to be effective. If a change to the enrollee’s³⁵ coverage occurs after the coverage becomes effective, the marketplace and the QHP issuer must reconcile the revised enrollment records (45 CFR § 155.400).

²⁹ 45 CFR § 155.315(f).

³⁰ 45 CFR § 155.315(f)(3).

³¹ 45 CFR § 155.315(f)(4).

³² Generally, a “tax filer” is an individual or a married couple who indicate that they are filing an income tax return for the benefit year (45 CFR § 155.300(a)).

³³ 45 CFR § 155.315(f)(4).

³⁴ 45 CFR §§ 155.315(f)(5), (f)(6), and (g).

³⁵ For the purpose of this report, the term “enrollee” refers to an applicant who completed an application, was determined eligible, and selected a QHP and whose enrollment information was sent to a QHP issuer.

CMS's Oversight of Marketplaces

CMS oversees implementation of certain ACA provisions related to the marketplaces.³⁶ CMS also works with States to establish State and State-partnership marketplaces, including oversight functions such as performing onsite reviews of system functionality for eligibility determinations, enrollment of applicants, and consumer assistance.³⁷

The Minnesota Marketplace

Minnesota enacted legislation to create a State marketplace. The public entity known as MNsure established the Minnesota marketplace and is responsible for operating it.³⁸ For insurance coverage effective in CY 2014, the Minnesota marketplace had contracts with five health insurance companies to offer QHPs to individuals.

The Minnesota marketplace created a centralized eligibility and enrollment system known as the MNsure system (enrollment system). The enrollment system determines applicants' eligibility for enrollment in QHPs and, when applicable, eligibility for insurance affordability programs. The enrollment system also assesses applicants' eligibility for Medicaid and CHIP.

HOW WE CONDUCTED THIS REVIEW

We reviewed the internal controls that were in place at the Minnesota marketplace during the open enrollment period for insurance coverage effective in CY 2014 (October 1, 2013, through March 31, 2014). We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Minnesota marketplace's operations and compliance with applicable Federal requirements. Appendix C provides general information on internal controls.

We limited our review to those internal controls related to (1) verifying applicants' identities, (2) determining applicants' eligibility for enrollment in QHPs and eligibility for insurance affordability programs, and (3) maintaining and updating eligibility and enrollment data. To determine the effectiveness of the internal controls, we:

- reviewed a sample of 45 applicants randomly selected from applicants who enrolled in QHPs during the open enrollment period (44,876 applicants), which included the review of supporting documentation to evaluate whether the marketplace determined the applicants' eligibility in accordance with Federal requirements, and
- performed other audit procedures, which included interviews with marketplace management, staff, and contractors; observation of staff performing tasks related to

³⁶ The Center for Consumer Information and Insurance Oversight, within CMS, oversees implementation of the ACA with respect to marketplaces.

³⁷ ACA § 1313 and 45 CFR §§ 155.110 and 155.1200.

³⁸ Minnesota Statutes, chapter 62V, §§ 62V.03 and 62V.05.

eligibility determinations; and reviews of supporting documentation and enrollment records.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

Our attribute sampling approach is commonly used to test the effectiveness of internal controls for compliance with laws, regulations, and policies. According to the Government Accountability Office and the President's Council on Integrity and Efficiency's³⁹ *Financial Audit Manual* (July 2008), section 450, auditors may use a randomly selected sample of 45 items when testing internal controls. If all sample items are determined to be in compliance with requirements, a conclusion that the controls are effective can be made. If one or more sample items are determined not to be in compliance with requirements, a conclusion that the controls are ineffective can be made. Because our objective was limited to forming an opinion about whether the Minnesota marketplace's internal controls were effective, our sampling methodology was not designed to estimate the percentage of applicants for whom the marketplace did not perform the required eligibility verifications.

Although the first open enrollment period for applicants to enroll in QHPs ended on March 31, 2014, an applicant could also have enrolled in a QHP during a special enrollment period if the applicant experienced certain life changes, such as marriage or the birth of a child. We did not review the Minnesota marketplace's determinations of applicants' eligibility that resulted from changes in applicant information reported by applicants after March 31, 2014.

We performed fieldwork from June to December 2014 at the Minnesota marketplace office in St. Paul, Minnesota.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix D contains the details of our audit scope and methodology.

FINDINGS

Not all of the Minnesota marketplace's internal controls were effective in ensuring that individuals were enrolled in QHPs according to Federal requirements.

On the basis of our review of 45 sample applicants from the enrollment period for insurance coverage effective in CY 2014 and performing other audit procedures, such as interviewing marketplace officials and reviewing supporting documentation, we determined that certain

³⁹ The President's Council on Integrity and Efficiency is now called the Council of the Inspectors General on Integrity and Efficiency (Inspector General Act § 11).

controls were effective, such as the controls for verifying applicants' identities. However, certain controls were not effective. Specifically, the marketplace had the following deficiencies related to determining eligibility of applicants, resolving inconsistencies in eligibility data, and maintaining and updating eligibility and enrollment data:

- Deficiencies Related to Determining Applicants' Eligibility:
 - The marketplace did not always properly determine eligibility for insurance affordability programs.
 - The marketplace did not verify SHOP marketplace enrollment records before determining eligibility.
- Deficiencies Related to Resolving Inconsistencies in Eligibility Data:
 - The marketplace did not notify applicants of inconsistencies in eligibility data and did not always attempt to resolve inconsistencies in eligibility data.
- Deficiencies Related to Maintaining and Updating Eligibility and Enrollment Data:
 - The marketplace did not always maintain accurate eligibility data.
 - The marketplace did not develop system functionality to allow enrollees to update enrollment information.

The presence of an internal control deficiency does not necessarily mean that the Minnesota marketplace improperly enrolled an applicant in a QHP or improperly determined eligibility for insurance affordability programs. Other mechanisms exist that may remedy the internal control deficiency, such as the resolution process during the inconsistency period. For example, if a marketplace did not have a control in place to verify an applicant's citizenship through SSA, as required, the marketplace may still have been able to verify citizenship with satisfactory documentation provided by the applicant during the inconsistency period. The deficiencies that we identified occurred because of enrollment system design limitations and defects and are described in more detail below.

DEFICIENCIES RELATED TO DETERMINING ELIGIBILITY OF APPLICANTS

The Minnesota Marketplace Did Not Always Ensure That Applicants Determined Eligible for Financial Assistance Were Not Eligible for Minimum Essential Coverage

To be eligible for insurance affordability programs, an applicant must not be eligible for minimum essential coverage, with the exception of coverage in the individual market (45 CFR §§ 155.305(f)(1)(ii)(B), (g)(1)(i)(B)). Federal regulations define minimum essential coverage as having the meaning given in 26 U.S.C. § 5000A(f) of the Internal Revenue Code (45 CFR § 155.20). As described in 26 U.S.C. § 5000A(f), government-sponsored programs, eligible employer-sponsored plans, grandfathered health plans, and certain other health benefits coverage are minimum essential coverage (26 CFR § 1.36B-2(c)). In addition, to be eligible for cost-sharing reductions, the applicant must meet the requirements for the APTC, including not being eligible for minimum essential coverage (45 CFR § 155.305(g)(1)(i)(B)).

The marketplace must verify whether an applicant is eligible for minimum essential coverage other than through an eligible employer-sponsored plan, Medicaid, CHIP, or basic health plan using information obtained by transmitting through the Data Hub identifying information specified for verification purposes (45 CFR § 155.320(b)). In addition, the marketplace must verify whether an applicant reasonably expects to be enrolled in or is eligible for minimum essential coverage in an eligible employer-sponsored plan for the benefit year for which coverage is requested (45 CFR § 155.320(d)(1)). This procedure includes (1) verifying whether the applicant has coverage through Federal employment by transmitting identifying information through the Data Hub (45 CFR § 155.320(d)(2)(ii)) and (2) obtaining available data from Minnesota's SHOP (45 CFR § 155.320(d)(2)(iii)).

For 2 of 18 sample applicants who were determined eligible for insurance affordability programs, each was determined eligible for the APTC or cost-sharing reductions despite attesting to being eligible for minimum essential coverage, one through a private employer and the other through a State-sponsored program. The two sample applicants eligible for other minimum essential coverage were determined eligible for a combined total of \$177 in monthly financial assistance.

Minnesota marketplace officials could not fully explain why these applicants were determined eligible for financial assistance despite having indicated they were eligible for other minimum essential coverage. The marketplace officials said that for 2014 they did not have any electronic data sources available to verify minimum essential coverage from private employers.⁴⁰ The officials also said that they were not always aware of how minimum essential coverage information factored into the marketplace's eligibility determination process. Because the Minnesota marketplace did not always verify applicants' eligibility for minimum essential coverage, it could not ensure that applicants met eligibility requirements for APTC and cost sharing reductions.

The Minnesota marketplace's enrollment system did not verify whether applicants were enrolled in Minnesota's SHOP marketplace, as required by Federal regulations. According to

⁴⁰ For 2014, CMS had identified only OPM and SHOP as the electronic data sources used to verify ESI.

marketplace officials, the SHOP enrollment process was not designed to interact with the marketplace's enrollment system. As a result, the marketplace lacked assurance that applicants enrolled in the individual marketplace did not have insurance coverage through Minnesota's SHOP marketplace.

DEFICIENCIES RELATED TO RESOLVING INCONSISTENCIES IN ELIGIBILITY DATA

The Minnesota Marketplace Generally Did Not Resolve Inconsistencies in Applicants' Eligibility Data

Marketplaces must make a reasonable effort to identify and address the causes of inconsistencies. If a marketplace is unable to resolve an inconsistency, it must notify the applicant of the inconsistency and generally must give the applicant 90 days from the date on which the notice was sent to either present satisfactory documentary evidence or otherwise resolve the inconsistency (ACA § 1411(e)(4) and 45 CFR § 155.315(f)). The marketplace may extend the inconsistency period when an applicant demonstrates a good-faith effort to obtain sufficient documentation to resolve the inconsistency (45 CFR § 155.315(f)(3)). During the inconsistency period, an applicant who is otherwise qualified is eligible to enroll in a QHP and, when applicable, is eligible for insurance affordability programs (45 CFR § 155.315(f)(4)).

The Minnesota marketplace did not always send notifications of inconsistencies to applicants and did not always attempt to resolve inconsistencies in applicants' eligibility data.

Specifically, for all five sample applicants who had inconsistencies in eligibility data, the Minnesota marketplace could not demonstrate that it notified the applicants of those inconsistencies. For three of the five sample applicants with inconsistencies in eligibility data, the Minnesota marketplace could not demonstrate that it attempted to resolve the inconsistencies.

The Minnesota marketplace did not always follow its policy and procedures for resolving inconsistencies. First, the Minnesota marketplace did not send inconsistency notices to any applicants from January through June 2014 because it discovered errors in earlier notices. Second, enrollment system defects prevented marketplace officials from importing into the enrollment system documentation received from applicants. Third, a lack of staffing to process supporting documentation received from applicants prevented the marketplace from resolving inconsistencies, further leading to a backlog in processing.

Without resolving inconsistencies in an applicant's eligibility data, the Minnesota marketplace could not ensure that the applicant meets each of the eligibility requirements for enrollment in a QHP and, when applicable, for insurance affordability programs.

DEFICIENCIES RELATED TO MAINTAINING AND UPDATING ELIGIBILITY AND ENROLLMENT DATA

The Minnesota Marketplace Did Not Always Maintain Accurate Records in Its Enrollment System

Marketplaces must maintain records that allow HHS to evaluate compliance with Federal standards relating to eligibility verifications and determinations (45 CFR § 155.1210).

For 1 of 45 sample applicants, the Minnesota marketplace's records incorrectly indicated that the applicant had monthly income from three employers exceeding \$2.3 billion. The marketplace derived this figure mistakenly through its income verification process with the State's unemployment income records. Although this applicant did not receive the APTC or cost-sharing reductions, the marketplace's record for the applicant's monthly income was inaccurate.

According to marketplace officials, the applicant's inaccurate monthly income in the enrollment system was the result of a defect in the verification process vis-à-vis the State's unemployment income records from the Department of Employment and Economic Development. Marketplace officials indicated that this defect has been corrected.

Without accurate information in its records, the Minnesota marketplace cannot ensure the accuracy of its eligibility determinations so that HHS can evaluate compliance with Federal standards.

The Minnesota Marketplace Enrollment System Did Not Allow Applicants To Update Enrollment Information Electronically

Marketplaces must require an enrollee to report any change with respect to the eligibility standards specified in 45 CFR § 155.305 within 30 days of such change and allow an enrollee to report changes via the channels available for the submission of an application, which includes electronic submission (45 CFR § 155.330(b)).

The Minnesota marketplace's enrollment system did not allow enrollees to report life changes electronically because system functionality was still under development. This resulted in a backlog of approximately 8,000 individuals who needed help updating their enrollment information. As a result, enrollees may have encountered difficulty reporting life changes, which could have affected their eligibility for QHPs and/or insurance affordability programs.

RECOMMENDATIONS

To address the specific deficiencies that we identified, we recommend that the Minnesota marketplace take action to improve its internal controls related to verifying applicants' eligibility and maintaining and updating eligibility and enrollment data.

To improve internal controls related to verifying applicants' eligibility, we recommend that the Minnesota marketplace:

- ensure that the applicant’s eligibility for minimum essential coverage through other insurance is appropriately verified,
- ensure that the enrollment system is designed to interact with the SHOP marketplace to verify potential employer-sponsored coverage,
- fully develop enrollment system functionality to notify applicants of inconsistencies,
- develop enrollment system functionality to allow marketplace officials to import into the enrollment system documentation received from applicants,
- ensure sufficient staffing levels to process documentation received from applicants, and
- resolve all inconsistencies in eligibility data.

To improve internal controls related to maintaining and updating eligibility and enrollment data, we recommend that the Minnesota marketplace:

- ensure that enrollment system records are accurate and
- develop capabilities in the enrollment system to allow enrollees to update enrollment information electronically.

We also recommend that the Minnesota marketplace redetermine, if necessary, the eligibility of the sample applicants for whom we determined that verifications were not performed according to Federal requirements.

MINNESOTA MARKETPLACE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the Minnesota marketplace generally agreed with our findings and all but our second recommendation. The Minnesota marketplace described actions it had taken or planned to take to address our recommendations.

The Minnesota marketplace disagreed with our recommendation to ensure that its enrollment system is designed to interact with the SHOP marketplace to verify potential employer-sponsored coverage. Marketplace officials stated that they relied on applicants attesting to having employer-sponsored coverage when completing an application for health insurance coverage through the marketplace’s enrollment system. In addition, the officials stated that the risk of an applicant paying for health insurance through both SHOP and the individual market is extremely low. However, as stated earlier in our report, Federal regulations (45 CFR § 155.320(d)(2)(iii) and (3)(ii)) require marketplaces to verify whether an applicant has coverage through the State’s SHOP marketplace. Therefore, we maintain that our recommendation is valid.

The Minnesota marketplace disagreed with the sentence, “The marketplace officials also said they were not fully aware of how that information factored into eligibility determinations” and requested its removal. The Minnesota marketplace states that its staff are aware of how minimum essential coverage information is factored into eligibility determinations.

We are not questioning the general awareness of the staff as to how minimum essential coverage information is factored into an eligibility determination. Instead, we found that Minnesota marketplace officials were not fully aware of how information about minimum essential coverage is used in the process of making an eligibility determination. Minnesota marketplace officials previously indicated to us that their enrollment system received electronic data regarding minimum essential coverage from the Data Hub; however, they could not say with certainty how that information factored into their eligibility determination process, specifically when a consumer attests “no” to having minimum essential coverage and when the Data Hub indicates the consumer has minimum essential coverage. Therefore, we maintain that the Minnesota marketplace could not be certain of exactly how minimum essential coverage information is factored into its eligibility determination process.

The Minnesota marketplace also provided technical comments, which we have addressed, as appropriate.

The Minnesota marketplace’s comments are included in their entirety as Appendix E.

APPENDIX A: THE MINNESOTA MARKETPLACE’S PROCESS FOR VERIFYING ANNUAL HOUSEHOLD INCOME AND ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH EMPLOYER-SPONSORED AND NON-EMPLOYER-SPONSORED INSURANCE

The following describes how the Minnesota marketplace used data on annual household income and eligibility for minimum essential coverage through ESI and non-ESI to determine eligibility for the APTC and cost-sharing reductions for insurance coverage effective in CY 2014.

ANNUAL HOUSEHOLD INCOME

1. An applicant completes an application for a subsidy determination.⁴¹
2. The applicant enters projected annual household income on an application (attested income).
3. The attested income is compared with data available from the IRS, SSA, the State Wage Information Collection Agency, Department of Employment and Economic Development, and Equifax.
4. If the attested income is reasonably compatible with electronic data sources, no further verification is required.
5. If the applicant’s responses to questions indicate that there will be an increase in income relative to what was recorded in electronic data sources, no further verification is required.
6. If the applicant’s responses to questions indicate that income is expected to decrease by more than 10 percent from what was recorded in electronic data sources, the Minnesota marketplace will place the applicant in an inconsistency period.⁴²

ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH EMPLOYER-SPONSORED INSURANCE

1. An applicant completes an application for a subsidy determination.⁴¹
2. The applicant attests to whether he or she is eligible (or will be eligible during the coverage year) for health coverage through a job, even if it is from another person’s job, such as a spouse’s. The applicant states “Yes” or “No” on the application.

⁴¹ An application for a subsidy determination screens applicants for potential Medical Assistance (Medicaid), MinnesotaCare, and QHP (and any associated APTC/CSR) eligibility.

⁴² Because of defects in the enrollment system, staffing issues, and a backlog in processing documentation, the Minnesota marketplace generally did not resolve inconsistencies (step 6) during our audit period.

3. The Minnesota marketplace accepts self-attestation without further verification, except when it is not reasonably compatible with information provided on the application.⁴³

ELIGIBILITY FOR MINIMUM ESSENTIAL COVERAGE THROUGH NON-EMPLOYER-SPONSORED INSURANCE

1. An applicant completes an application for a subsidy determination.⁴⁴
2. The applicant attests to whether he or she is eligible (or will be eligible during the coverage year) for health coverage through Medicare or other non-ESI. The applicant states “Yes” or “No” on the application.
3. The Minnesota marketplace verifies Medicaid and CHIP coverage through State records.
4. The Minnesota marketplace uses the Data Hub to identify whether an applicant is eligible for non-ESI through programs such as Medicare, TRICARE, Veterans Health Administration, or the Peace Corps.^{45, 46}

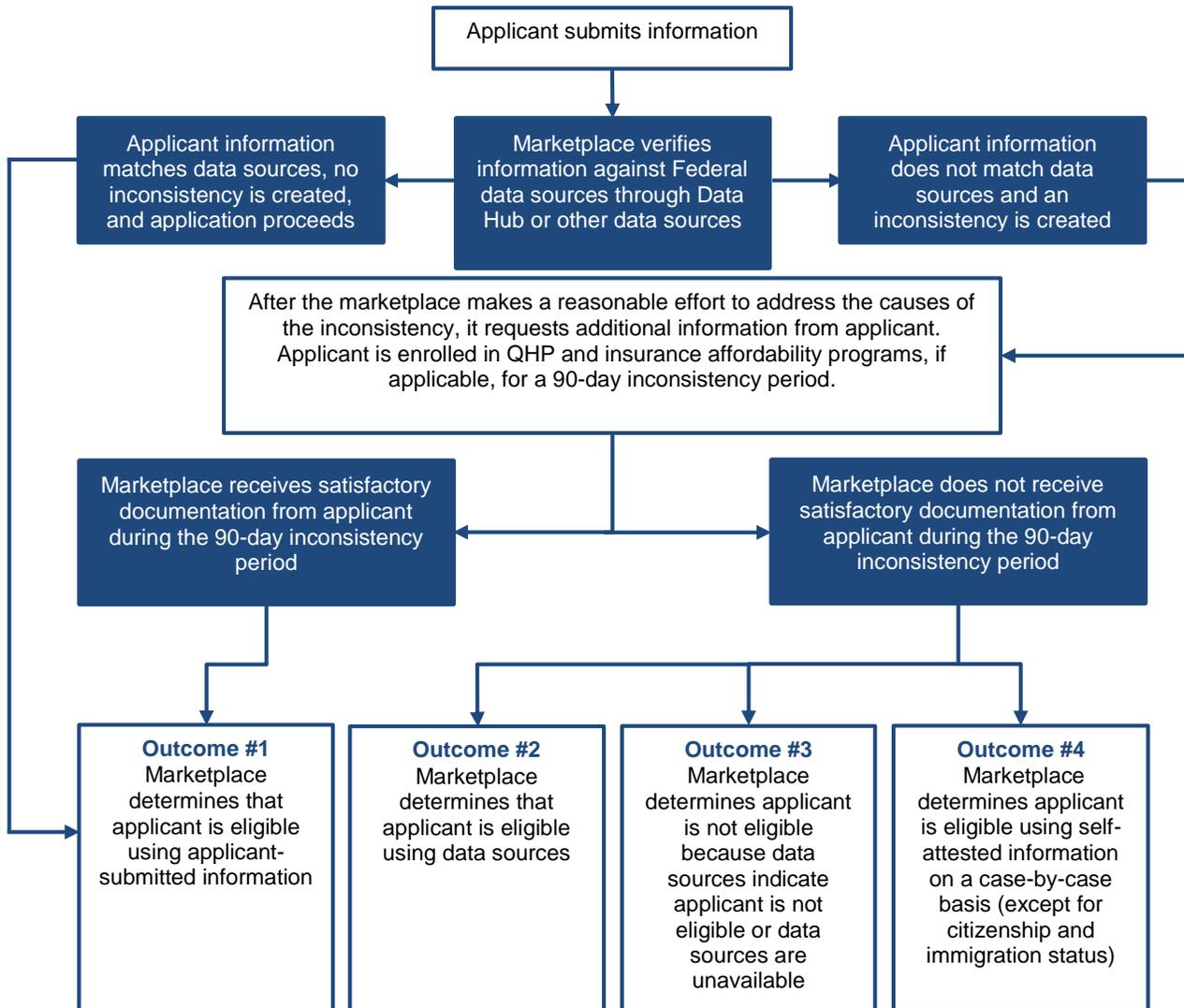
⁴³ Minnesota marketplace officials could not fully explain why one sample applicant in our review was determined eligible for financial assistance despite the applicant having indicated that he was eligible for other minimum essential coverage.

⁴⁴ An application for a subsidy determination screens applicants for potential Medical Assistance (Medicaid), MinnesotaCare, and QHP (and any associated APTC/CSR) eligibility.

⁴⁵ Minnesota marketplace officials were not fully aware of how the minimum essential coverage information from the Data Hub factored into eligibility determinations.

⁴⁶ Insurance coverage provided under TRICARE is non-ESI in accordance with 26 USC §5000A(f).

APPENDIX B: STEPS AND OUTCOMES FOR RESOLVING INCONSISTENCIES



APPENDIX C: OVERVIEW OF INTERNAL CONTROLS

INTERNAL CONTROLS IN THE GOVERNMENT⁴⁷

Internal controls are an integral component of an organization's management that provides reasonable, not absolute, assurance that the following objectives of an agency are being achieved: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

Internal controls are composed of the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. They include the processes and procedures for planning, organizing, directing, and controlling program operations and management's system for measuring, reporting, and monitoring program performance.

A deficiency in an internal control exists when the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to achieve control objectives and address related risks.

FIVE COMPONENTS OF INTERNAL CONTROL⁴⁸

Internal control consists of five interrelated components:

- **Control Environment:** The set of standards and processes that provide the foundation for carrying out internal control across the organization. The control environment includes factors such as the organizational structure, assignment of authority and responsibilities, and ethical values.
- **Risk Assessment:** The process for identifying and evaluating risks to achieve objectives.
- **Control Activities:** The actions established through policies and procedures that help ensure that management's directives to reduce risks are carried out. These activities include authorizations and approvals, verifications, and reconciliations.
- **Information and Communication:** Use of relevant and quality information to support the functioning of other internal control components. Through communication, management conveys, shares, and obtains necessary information.
- **Monitoring:** Ongoing or separate evaluations, or both, to ascertain whether the components are present and functioning.

⁴⁷ Government Accountability Office's *Standards for Internal Control in the Federal Government: 1999* (known as the Green Book) and *Government Auditing Standards: 2011 Revision*. The Green Book was revised in September 2014, which was after our audit period.

⁴⁸ Committee of Sponsoring Organizations of the Treadway Commission: *Internal Control—Integrated Framework*, Executive Summary (May 2013).

APPENDIX D: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the internal controls that were in place at the Minnesota marketplace during the open enrollment period for insurance coverage effective in CY 2014 (October 1, 2013, through March 31, 2014). Internal controls are intended to provide reasonable assurance that an organization's objectives are being achieved, including effectiveness and efficiency of operations and compliance with applicable laws and regulations. We performed an internal control review because it enabled us to evaluate the effectiveness and efficiency of the Minnesota marketplace's operations and compliance with applicable Federal requirements.

We limited our review to those internal controls related to (1) verifying applicants' identities, (2) determining applicants' eligibility for enrollment in QHPs and eligibility for insurance affordability programs, and (3) maintaining and updating eligibility and enrollment data. In our review, we focused on control activities, which is one of the five components of internal controls as described in Appendix C.

To determine the effectiveness of the internal controls, we:

- reviewed a sample of 45 applicants randomly selected from applicants who enrolled in QHPs during the open enrollment period (44,876 applicants), which included the review of supporting documentation to evaluate whether the marketplace determined the applicants' eligibility in accordance with Federal requirements, and
- performed other audit procedures, which included interviews with marketplace management, staff, and contractors; observation of staff performing tasks related to eligibility determinations; and reviews of supporting documentation and enrollment records.

Because our review was designed to provide only reasonable assurance that the internal controls we reviewed were effective, it would not necessarily have detected all internal control deficiencies.

Our attribute sampling approach is commonly used to test the effectiveness of internal controls for compliance with laws, regulations, and policies. According to the Government Accountability Office and the President's Council on Integrity and Efficiency's⁴⁹ *Financial Audit Manual* (July 2008), section 450, auditors may use a randomly selected sample of 45 items when testing internal controls. If all sample items are determined to be in compliance with requirements, a conclusion that the controls are effective can be made. If one or more sample items are determined not to be in compliance with requirements, a conclusion that the controls are ineffective can be made. Because our objective was limited to forming an opinion about whether the Minnesota marketplace's internal controls were effective, our sampling

⁴⁹ The President's Council on Integrity and Efficiency is now called the Council of the Inspectors General on Integrity and Efficiency (Inspector General Act § 11).

methodology was not designed to estimate the percentage of applicants for whom the marketplace did not perform the required eligibility verifications.

Although the first open enrollment period for applicants to enroll in QHPs ended March 31, 2014, an applicant could also have enrolled in a QHP during a special enrollment period if the applicant experienced certain life changes, such as marriage or birth of a child. We did not review the Minnesota marketplace's determinations of applicants' eligibility that resulted from changes in applicant information reported by applicants after March 31, 2014.

We performed fieldwork from June to December 2014 at the Minnesota marketplace office in St. Paul, Minnesota.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and guidance;
- reviewed the Secretary of HHS's report on the eligibility verifications for the APTC and cost-sharing reductions (submitted to Congress on December 31, 2013);
- assessed internal controls by:
 - interviewing officials from the Minnesota marketplace and their contractors and reviewing documentation provided by them to understand how the marketplace (1) verifies applicants' identities, (2) verifies information submitted on enrollment applications and makes eligibility determinations, and (3) maintains and updates eligibility and enrollment data;
 - observing marketplace staff performing tasks related to eligibility determinations; and
 - reviewing documents and records related to the marketplace's eligibility determinations, such as eligibility verification data;
- obtained enrollment records from the Minnesota marketplace for 44,876 applicants who enrolled in QHPs during the open enrollment period;
- analyzed the enrollment records to obtain an understanding of information that was sent to QHP issuers;
- performed tests, such as matching records to the marketplace's enrollment system, to determine whether the enrollment data were reliable;

- performed testing of the Minnesota marketplace’s internal controls for eligibility determinations by:
 - randomly selecting 45 applicants who enrolled in QHPs during the open enrollment period⁵⁰ and
 - obtaining and reviewing eligibility data for each sample applicant to determine whether the marketplace performed the required eligibility verification and determination according to Federal requirements; and
- discussed the results of our review with Minnesota marketplace officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁵⁰ We used the OIG, Office of Audit Services, statistical software to generate the random numbers used to select the 45 applicants.

APPENDIX E: MINNESOTA MARKETPLACE COMMENTS



November 4, 2015

Sheri L. Fulcher
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General
Office of Audit Services, Region V
233 North Michigan, Suite 1360
Chicago, IL 60601

Dear Ms. Fulcher:

Thank you for the opportunity to review and respond to the findings and recommendations included in the draft report "Not All of the Minnesota Marketplace's Internal Controls Were Effective in Ensuring that Individuals Were Enrolled in Qualified Health Plans According to Federal Requirements" ("Report") A-05-14-00043.

This Report documents HHS-OIG's review of the internal controls in place two years ago at MNSure, during the first open enrollment period (October 1, 2013, through March 31, 2014) for insurance coverage effective in the calendar year 2014.

At MNSure, we continue to take our responsibility to be an accountable and transparent organization extremely 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.

Minnesota has the lowest uninsured rate in state history, in part because of MNSure's ability to reach the uninsured population. Over the last two years MNSure has made dramatic improvements to the consumer experience. Highlights include:

- Consumers enroll through the website with relative ease.
- Call volume is high and call wait times were on average less than five minutes.
- A robust statewide network of navigators, brokers and other assisters is in place to help consumers enroll.
- Consumers are saving money. Minnesotans who enrolled in qualified health plans saved over \$30 million in 2014 as a result of tax credits on health insurance plans sold through MNSure.
- 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.

MNsure's responses, which track the structure of the Report, are detailed in the Appendix to this letter.

Site visit reviews and audits such as this one are important tools to help MnSure 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.

Sincerely,

/Allison O'Toole/
Allison O'Toole
Interim Chief Executive Officer
MNsure
81 East 7th Street, Suite 300
St. Paul, MN 55101-2198
Phone: 651-539-1320
Allison.L.O'toole@state.mn.us



APPENDIX

Detailed Responses

MNSure's Response to Finding 1 and Recommendation 1¹:

MNSure generally agrees with this finding and the related recommendation. MNSure has reviewed the two individuals sampled and has confirmed that their applications indicated access to minimum essential coverage. As a threshold matter, it should be noted that in both cases, any overpayment of APTC resulting from these incorrect determinations should have been recovered when the applicants filed their 2014 federal taxes.

With regard to the applicant who attested to having access to employer-sponsored insurance but was determined eligible for advanced premium tax credits (APTC), we have determined that this resulted from a system defect that has since been resolved. With regard to the applicant who attested to minimum essential coverage (MEC) through a public program but was determined eligible for APTC, we have determined that this also resulted from a system defect that has since been resolved. It should also be noted that despite this erroneous determination, this individual who attested to enrollment in a public program did not receive any APTC in 2014.

However, MNSure disagrees with the statement that it was not aware of how minimum essential coverage information is factored into eligibility determinations. On the contrary, MNSure staff are fully aware of the implications of employer- or public-program-provided minimum essential coverage on eligibility determinations and would have correctly communicated this to your audit team. MNSure recommends that the second-from-last sentence on page 13 that reads "*The marketplace officials also said they were not fully aware of how that information factored into eligibility determinations*" be removed from the Report because it is incorrect.

MNSure's Response to Finding 2 and Recommendation 2:

MNSure agrees with this finding but disagrees with the related recommendation. MNSure does not cross-check enrollees into employer-sponsored insurance ("ESI") through SHOP for two reasons. First, MNSure relies on applicants attesting to having ESI when completing an application for health insurance coverage via the MNSure IT system.

¹ The Findings and Recommendations are numbered in the order in which they are listed in the Report. For ease of reference, Recommendations have been presented together with their related Findings. The last paragraph on page 5 is Recommendation 9.



Second, MNSure believes the risk of an applicant paying for health insurance through both SHOP and the individual market is extremely low.

Because of this low risk, MNSure does not anticipate changing its business processes to cross-check applicants enrolled in ESI through SHOP against those purchasing a QHP through the individual market.

MNSure's Response to Finding 3 and Recommendations 3-6 and 9:

MNSure agrees with this finding and the related recommendations. MNSure is keenly aware of the importance of a robust verification process and has made improving the current process a top priority.

During the period under review, MNSure's efforts to resolve inconsistencies were hampered by technological difficulties. Those difficulties involved technical issues with the MNSure IT system and frequent federal hub services issues. Due to these difficulties, MNSure suspended sending notices to applicants for roughly a six-month period. MNSure resumed sending notices in July 2014 and sent another batch of notices to MNSure QHP enrollees with outstanding verification issues in November 2014.

MNSure has made substantial progress in resolving data inconsistency issues. In comparison to the time period for which this audit was conducted, MNSure is now generally providing prompt notifications to consumers about data inconsistencies. MNSure has further built a process for securely importing documentation received from applicants and now has sufficient staffing levels to process documentation received from applicants. MNSure has processed consumer-provided information to reconcile those instances where consumers have responded to requests for additional information. MNSure will be better positioned to fully resolve outstanding data inconsistency issues in 2016 and it is a top operational priority for this organization.

Target completion date: June 30, 2016

Person responsible: Katie Burns, Deputy Director, Chief Operating Officer

MNSure's Response to Finding 4 and Recommendation 7:

MNSure generally agrees with this finding and the related recommendation. The wage data received from the Minnesota Department of Employment and Economic Development was incorrect due to a system defect. As indicated in your report, that defect has been resolved. It should also be pointed out that in the case of this sample item, the eligibility determination was correct, notwithstanding the defect.



MNSure’s Response to Finding 5 and Recommendation 8:

MNSure agrees with this finding. At this time, applicants are unable to electronically update their information on the MNSure IT system. Despite the absence of this function in the electronic form, applicants are still able to report updates to their application data and get eligibility determinations in a timely manner by contacting the MNSure Contact Center.

MNSure’s processing of applicant life event changes has improved significantly over the past two years as we have implemented various workarounds to ensure that applicant information updates to the MNSure IT system are made promptly. Further, MNSure has made providing applicants with electronic update capability a key priority.

Additional Comments

Appendix A

Annual Household Income #1: It is important to note that in Minnesota, eligibility is determined for both public programs and qualified health plans (“QHPs”) from the same application. Because of this process, Minnesota applicants do not apply specifically for APTC or cost-sharing reductions (“CSR”). Instead, the applicant elects to apply for a subsidy determination, which will be evaluated for Medical Assistance (Medicaid), MinnesotaCare, QHP and any associated APTC/CSR subsidy benefits eligibility.