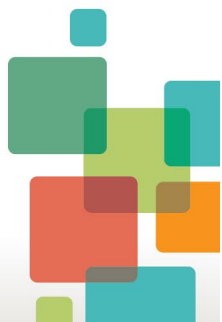




Cover Page

FY2017 MNsure Programmatic Audit Report and Agency Response Letter

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





**INDEPENDENT EXTERNAL AUDIT:
2017 AUDIT FINDINGS REPORT
MINNESOTA
MINNESOTA HEALTH INSURANCE EXCHANGE
(MNSURE)**

INDEPENDENT EXTERNAL AUDIT: 2017 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

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

DATE: MAY 22, 2018

SUBJECT: AUDIT FINDINGS REPORT FOR MINNESOTA

I. EXECUTIVE SUMMARY

PURPOSE

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

Name of SBM: MNsure

State of SBM: Minnesota

Name of Auditing Firm: BerryDunn

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

SCOPE

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

We conducted our audit in accordance with U.S. GAGAS contained in Government Auditing Standards, issued by the Comptroller General of the United States. We completed an examination of MNsure's compliance with the programmatic requirements under 45 CFR 155 and issued our reports, dated May 22, 2018.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, testing, and staff interviews to obtain reasonable assurance regarding whether MNsure is in compliance with 45 CFR 155, Subparts C, D, E, H, K, and M in all material respects. We also selected different samples and tested for compliance with requirements under Title 45, Part 15:

- Eligibility determination
- Enrollment testing
- Verification data testing
- Medica Cap testing

METHODOLOGY

Audit Firm Background:

BerryDunn is the largest certified public accounting and consulting firm headquartered in New England, with more than 300 professionals. BerryDunn has for more than 40 years provided comprehensive audit and tax services for a broad range of healthcare, not-for profit, and governmental entities throughout the Northeast. Those services include conducting Financial and Programmatic audits of four Health Benefit Exchanges, including MNsure as well as Office of Management and Budget Circular Uniform Guidance (UG) audits for several sizable healthcare organizations, many of which receive U.S. Department of Health and Human Services federal grants or funding. In addition, we provide audit services for higher education, social service, and economic development organizations, as well as other entities that receive federal grants and are subject to the compliance requirements of UG.

Programmatic Audit:

As described below, we have examined MNsure's compliance with certain programmatic requirements in 45 CFR 155 for the year ended June 30, 2017, and have issued a report thereon dated May 22, 2018.

Summary of Programmatic Audit Procedures

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to perform procedures to test MNsure's compliance with and program effectiveness of certain requirements in Title 45, Part 155, Subparts C, D, E, H, K, and M of the Code of Federal Regulations. Our examination for Subpart K was limited to an interview of key personnel from MNsure, Minnesota Department of Commerce, and Minnesota Department of Health and a review of the Exchange's policies and procedures to test whether those policies and procedures are in compliance with the programmatic requirements under those Subparts.

We reviewed the open issues from the previous year's audit to identify whether any issues remained open during the current year audit.

We reviewed the policies and procedures under Title 45, Part 155 in the following programmatic areas in order to determine whether they had significantly changed from what was identified and tested during the prior year's audit:

- General Functions (Subpart C)

- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- SHOP (Subpart H)
- Certification of Qualified Health Plans (Subpart K)
- Oversight and Program Integrity Standards (Subpart M)

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

- Appeals:
 - Employer Appeals Fact Sheet (SHOP)
 - MNsure Eligibility Appeal Rules
- Application for Health Care Coverage
- Assister Personnel Agreements:
 - Attachment A-CAC Agreement 2016 2019
 - Attachment A-CAC Tribal Nation Agreement 2016-2019
 - Attachment A-Navigator IPA Contract 2016-2019
 - Attachment A-Navigator IPA JPA 2016-2019
 - Attachment A-Navigator IPA Tribal Nation Contract 2016-2019
 - CAC Contract Template
 - Navigator In Person Contract Template
- Assister Personnel Training:
 - Broker Manual
- Authorized Representative Form
- Exchange Notices:
 - Courtesy Notice (SHOP)
 - Eligibility Notice
 - Employer Notice of Coverage (SHOP)
 - Open Enrollment Assisted Path Notice_Sample
 - Open Enrollment Unassisted Path Notice
 - Redetermination auto-renewal Notice_Sample
 - Redetermination modified need to renew Notice_Sample
 - Renewal Notice
 - Special Enrollment Assisted Path Notice_sample
 - Special Enrollment Unassisted Path Notice
 - Term 1 Notice (SHOP)
- FY 17 Data Incidents Report
- Individual Market Policy Manual

- Language Line Contract
- Lead Navigator Documents:
 - Briva Health Staff Handbook
 - Briva Health Navigator Operating Procedure
- MNsure Carrier Business Agreement
- MNsure Online Application
- Notice of Privacy Practices
- Organizational Chart
- Plan Certification Documents:
 - 2017 Annual Instructions Guide
 - Adequacy Instructions Guide
 - MNsure Certification Guidance
 - QDP Certification Guidance
 - QHP Certification Overview PPT
 - Rate Summary
- Population Data for Eligibility and Enrollment Testing
- Privacy and Security Documents:
 - CMA Fully Executed (March 31, 2016)
 - Enterprise Security Policy and Standards Combined
 - MN Signed ATC Memo
 - MNsure ISA (CMS)
 - MNsure PIA 2017
 - MNsure Privacy Program Manual
 - MNsure Retention Schedule
 - Records Retention rev. 2.24.17
 - Safeguard Security Report (IRS)
 - SSP Part A - System Identification
 - SSP Part B - Security Controls
 - SSP Part C - Privacy Controls
 - SSP Part D - Attachments
- SHOP:
 - Appeal Rules
 - Delinquency Process
 - Eligibility Process Flow
 - Employer Appeals Fact Sheet Form (SHOP)
 - Phase 1 Eligibility Instructions
 - Phase 2 Eligibility Instructions
 - SHOP Collections
 - SHOP Employee Form
 - SHOP Employer Application
 - SHOP Small Business Guide

- Verifications Manual
- Website and Webpages:
 - Accessibility
 - Contact Us
 - Get Free Help
 - Insurance Companies and Networks
 - Languages
 - Make a Payment
 - Minnesota Plan Comparison Tool
 - Terms and Privacy

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

- 1095 & Plan Data Specialist – Jerry Mathew
- Business Ops and Contact Center Director – Stephen Roemer
- Business Ops and Contact Center Manager – Steve Minkel
- Compliance and Program Integrity Manager – John Nyanjom
- Health Plan and 1095-A Data Manager – Melinda Domzalski-Hansen
- Individual Market Policy and Eligibility and Enrollment Director – Bob Paulsen
- Plan Comparison and Data Specialist – Lydia Aryeetey
- Plan Management and Reporting Team Director – Morgan Winters
- Privacy and Security Manager/Appeals – Krista Fink
- Senior Director of Board Relations – Christina Wessel
- SHOP and Broker Relations Director – Karina Milosovich

We also performed walkthroughs of data systems and operations and interviewed the following non-MNSure staff:

- Briva Health Staff:
 - Hodan Gulad – Briva CEO and MNSure Program Manager
- Minnesota Department of Commerce staff:
 - Kristi Bohn – Health Actuary
- Minnesota Department of Health staff:
 - Tom Major – Managed Care Systems Program Manager
 - Lisa Taft – Management Analyst 4, Managed Care Systems

We analyzed samples below to assess MNsure's compliance with the requirements of 45 CFR 155:

- A listing of 834,014 applications that had an eligibility determination completed on or before June 30, 2016. We selected a sample of 95 cases to test the compliance with 45 CFR 155 Subpart D Eligibility and a second sample of 95 cases to test the compliance with 45 CFR 155 Subpart E Enrollment.
- During the audit of fiscal year 2017, we were made aware that one of the insurance providers, Medica, decided to limit the number of members who can purchase their plan through MNsure. The maximum enrollment number was reached on November 11, 2016 and the cap continued until January 30, 2017. Medica offered multiple plans in multiple counties, and because some of them were either the lowest or second lowest silver plan offered in the area, the temporary unavailability of Medica plans affected the calculation of premium and Advanced Premium Tax Credit (APTC) in some counties. Since we identified it as a risk of incorrect calculation of APTC amount, we judgmentally selected a sample of 20 applications from the affected counties that were processed for eligibility determination between November 11, 2016 and January 30, 2017 to test if the correct amount of APTC was awarded.

CONFIDENTIAL INFORMATION OMITTED

N/A

FINDING #2017-001***Criteria:***

Subpart D – Eligibility, 45 CFR §155.315 requires that a State-Based Marketplace (SBM) make a determination based upon the data provided by an applicant in the application, and data received from automated data sources. Under 45 CFR §155.315(f), Minnesota Health Insurance Exchange d/b/a MNSure (the Exchange) must make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and the information obtained from outside sources by contacting the applicant and requesting them to provide additional information to resolve the inconsistency.

Pursuant to 45 CFR §155.315, when the Exchange is unable to verify an applicant's self-attested data related to their income, Social Security number, citizenship, status as a national, or lawful presence, through applicable outside sources, the Exchange must provide the applicant with a period of 90 days from the date on which the notice regarding the inconsistency is received to provide satisfactory documentary evidence or resolve the inconsistency.

Pursuant to 45 CFR §155.315(f)(3), the Exchange can extend the period if an applicant demonstrates a good-faith effort to provide sufficient documentation to resolve the inconsistency. During this inconsistency period, an applicant (who is otherwise qualified) is eligible to enroll in a Qualified Health Plan (QHP) and is eligible for insurance affordability programs (45 CFR §155.315(f)(4)). If, after the 90-day timeframe (or applicable extensions), the Exchange is unable to resolve the discrepancy between the self-attested information and the outside sources with customer-provided information, then it must re-perform the eligibility calculations and notify the applicant of their new eligibility determination.

Condition and Context:

Our testing identified cases in which self-attested data was not properly verified within the required 90-day timeframe. The defined procedure requires the Exchange to initially determine eligibility based upon the applicant's self-attested data in his or her application and subsequently verify that data through a match with the Federal Data Services Hub. In cases where there is no relevant data available within the Federal Data Services Hub, or the data is not reasonably compatible with the self-attested data (i.e., within defined parameters), the Exchange is required to notify the applicant and ask for documentation to resolve the inconsistency. We selected a sample of 95 cases to test the Exchange's data verification process. Of the 95 cases tested, 44 cases (46% of 95) initially had a verification flag and required verification of the self-attested data. Out of the 44 cases, 6 (6% of 95) resolved the inconsistency by submitting valid verification documents within the 90-day timeframe; 3 (3% of 95) did not receive an applicable notification; and 35 (37% of 95) did not respond to the notification and were left with the verification flag open beyond the 90-day timeframe. We note that this condition was also observed during the previous examination for the year ended June 30, 2016.

Cause:

The Exchange utilizes the Federal Data Services Hub as the electronic source to verify applicant's self-attested data by checking records against various data sources, including federal tax return information, wage income reported by employers (The Employment Verification System (TALX)), Social Security income and citizenship (Social Security Administration (SSA)), wages or unemployment income (Department of Employment and Economic Development (DEED)), alimony income (Department of Human Services Child Support System (PRISM)), status as a national (the Systematic Alien Verification for Entitlements Program (SAVE)), and

incarceration status (federal incarceration records). When the electronic source data differs from the applicant's attested data, the applicant's account is flagged for verification, and a notice is generated and sent to the applicant, providing him or her 90 days from the date the notice is issued to resolve the inconsistency. When the applicant fails to resolve the data inconsistency within the given timeframe, the Exchange's verification manual requires a manual procedure to clear the verification flag and enter a case note in the Curam system. The Exchange did not allocate appropriate resources to monitor the status of verification flags and enforce the proper steps that needed to be taken when the data inconsistency was not resolved within the 90-day period. A critical factor contributing the lack of adequate resources was the absence of system functionality to support the automated processing of cases where verifications have not been received after the end of the reasonable opportunity period.

Effect:

The absence of adequate resources to ensure that discrepancies between self-attested data and data provided by external sources were resolved within the 90-day timeframe resulted in some cases retaining the eligibility status determined using the original self-attested data, without the completion of a verification process. In our sample of the 95 reviewed cases, 35 (37% of 95) cases received a verification letter and the verification process was not completed within the required 90-day timeframe. Had the verification process been completed, some of those cases may have been assigned a different eligibility status. If an applicant was enrolled in a QHP and received Advanced Premium Tax Credit (APTC) eligibility inappropriately beyond the 90-day timeframe, the applicant will reconcile actual premium tax credit eligibility through the tax filing process. However, there is no recoupment of benefits if an applicant was enrolled in a QHP and incorrectly received Cost Sharing Reduction (CSR) benefits. Therefore, it is possible that, if the Exchange had completed the verification process for all of the cases as required, some of the cases that received APTC or CSR would ultimately have been determined ineligible for such benefits.

FINDING #2017-002***Criteria:***

Subpart D – Eligibility, 45 CFR §155.315 requires that an SBM make a determination based upon the data provided by an applicant in the application, and data received from automated data sources. Under 45 CFR §155.315(f), the Exchange must make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and the information obtained from outside sources by contacting the applicant and requesting them to provide additional information to resolve the inconsistency.

The subpart further states that if the Exchange is unable to resolve the inconsistency through the process described in paragraph (f)(1) of this section, it must (i) provide notice to the applicant regarding the inconsistency; and (ii) provide the applicant with a period of 90 days from the date on which the notice described in paragraph (f)(2)(i) of this section is sent to the applicant to either present satisfactory documentary evidence via the channels available for the submission of an application, as described in §155.405(c), except for by telephone through a call center, or otherwise resolve the inconsistency.

Condition and Context:

The Exchange is required to initially determine eligibility based upon the applicant's self-attested data in his or her application and subsequently verify that data through a match with the Federal Data Services Hub. Where there is no relevant data available within the Federal Data Services Hub, or the data is not reasonably compatible with the self-attested data (i.e., with defined parameters), then the Exchange is required to notify the consumer and ask for documentation to resolve the inconsistency. We selected a sample of 95 cases to test the Exchange's data verification process. Of the 95 cases reviewed, we observed one case (1% of 95) that did not receive a notification regarding the need for additional information to resolve an inconsistency between the self-attested data and the data returned from the Federal Data Services Hub. This applicant received a Pre-populated Audit Renewal Notice notification without the verification request. The applicant was not notified of the data inconsistency and was not given an opportunity to resolve the inconsistency. We note that this condition was also observed during the previous examination for the year ended June 30, 2016.

Cause:

The Minnesota Eligibility Technology System (METS) appears to have failed generating a data verification notice for these applicants, but it is not clear what caused this technical issue.

Effect:

Because a data inconsistency notification was not sent, the applicants was not aware of and not given a chance to resolve the inconsistency between the self-attested income and the income data from the Federal Data Services Hub. As a result, the case retained the eligibility status determined using the self-attested data. Had the verification process been completed, the case may have been assigned a different eligibility status.

AUDITOR'S OPINION

We have issued an Independent Auditor's Report on the Statement of Revenues and Expenditures for the Year Ended June 30, 2016, reflecting the following type of opinion: **N/A**

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

ADDITIONAL COMMENTS

N/A.

II. RECOMMENDATIONS

FINDING #2017-001

Recommendation:

We recommend that the Exchange continue to implement the corrective action plan provided in response to the previous year's examination findings to address the data inconsistencies as soon as possible.

FINDING #2017-002

Recommendation:

We recommend the Exchange continue to work with the system integrator to identify what caused METS to fail to generate a verification notice for some cases, and address the identified issues accordingly.

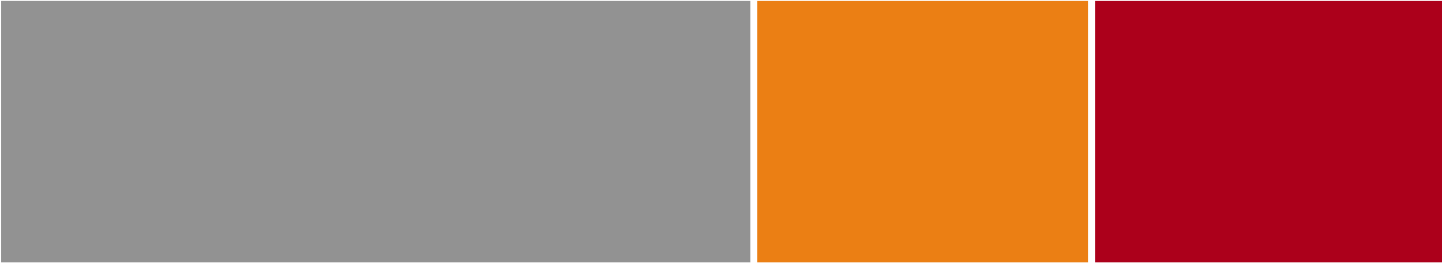
III. CONCLUSION

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

SIGNATURE OF AUDIT FIRM:



COMPLETION DATE OF AUDIT FINDINGS REPORT:



MNsure

PROGRAMMATIC COMPLIANCE REPORT

For the Year Ended June 30, 2017

With Independent Accountant's Report





INDEPENDENT ACCOUNTANT'S REPORT

To Management of Minnesota Health Benefits Exchange
d/b/a MNSure:

Report on Compliance

We have examined the compliance of Minnesota Health Benefits Exchange d/b/a MNSure (the Exchange), an agency within an enterprise fund of the State of Minnesota, with the requirements in Title 45, Part 155, Subparts C, D, E, H, K and M of the Code of Federal Regulations (CFR) during the year ended June 30, 2017. Our examination for Subpart K was limited to a review of the Exchange's policies and procedures to test whether those policies and procedures are in compliance with the programmatic requirements under that Subpart. Management of the Exchange is responsible for the Exchange's compliance with the specified requirements. Our responsibility is to express an opinion on the Exchange's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Exchange complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Exchange complied with the specific requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Exchange's compliance with specified requirements.

Our examination disclosed the following material noncompliance with Title 45, Part 155, Subparts C, D, E, H, K and M applicable to the Exchange during the year ended June 30, 2017.

Our examination disclosed material noncompliance with Title 45, Part 155, Subpart D of the CFR applicable to the Exchange during the year ended June 30, 2017, as described in the accompanying schedule of findings as findings 2017-001 and 2017-002.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Exchange complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2017.

The Exchange's responses to the findings identified in our examination of compliance are described in the accompanying schedule of findings. The Exchange's responses were not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on the responses.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2018 on our consideration of the Exchange's internal control over compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on internal control over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Exchange's internal control over compliance.

To Management of Minnesota Health Benefits Exchange

d/b/a MNSure:

Page 2

Intended Use

This report is intended to describe the scope of our examination of compliance and the results of the examination based on attestation standards established by the AICPA and Government Auditing Standards and it is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine

May 22, 2018

MINNESOTA HEALTH INSURANCE EXCHANGE D/B/A MNSURE

Schedule of Findings

Year Ended June 30, 2017

FINDING #2017-001

Criteria:

Subpart D – Eligibility, 45 CFR §155.315 requires that a State-Based Marketplace (SBM) make a determination based upon the data provided by an applicant in the application, and data received from automated data sources. Under 45 CFR §155.315(f), Minnesota Health Insurance Exchange d/b/a MNSure (the Exchange) must make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and the information obtained from outside sources by contacting the applicant and requesting them to provide additional information to resolve the inconsistency.

Pursuant to 45 CFR §155.315, when the Exchange is unable to verify an applicant's self-attested data related to their income, Social Security number, citizenship, status as a national, or lawful presence, through applicable outside sources, the Exchange must provide the applicant with a period of 90 days from the date on which the notice regarding the inconsistency is received to provide satisfactory documentary evidence or resolve the inconsistency.

Pursuant to 45 CFR §155.315(f)(3), the Exchange can extend the period if an applicant demonstrates a good-faith effort to provide sufficient documentation to resolve the inconsistency. During this inconsistency period, an applicant (who is otherwise qualified) is eligible to enroll in a Qualified Health Plan (QHP) and is eligible for insurance affordability programs (45 CFR §155.315(f)(4)). If, after the 90-day timeframe (or applicable extensions), the Exchange is unable to resolve the discrepancy between the self-attested information and the outside sources with customer-provided information, then it must re-perform the eligibility calculations and notify the applicant of their new eligibility determination.

Condition and Context:

Our testing identified cases in which self-attested data was not properly verified within the required 90-day timeframe. The defined procedure requires the Exchange to initially determine eligibility based upon the applicant's self-attested data in his or her application and subsequently verify that data through a match with the Federal Data Services Hub. In cases where there is no relevant data available within the Federal Data Services Hub, or the data is not reasonably compatible with the self-attested data (i.e., within defined parameters), the Exchange is required to notify the applicant and ask for documentation to resolve the inconsistency. We selected a sample of 95 cases to test the Exchange's data verification process. Of the 95 cases tested, 44 cases (46% of 95) initially had a verification flag and required verification of the self-attested data. Out of the 44 cases, 6 (6% of 95) resolved the inconsistency by submitting valid verification documents within the 90-day timeframe; 3 (3% of 95) did not receive an applicable notification; and 35 (37% of 95) did not respond to the notification and were left with the verification flag open beyond the 90-day timeframe. We note that this condition was also observed during the previous examination for the year ended June 30, 2016.

Cause:

The Exchange utilizes the Federal Data Services Hub as the electronic source to verify applicant's self-attested data by checking records against various data sources, including federal tax return information, wage income reported by employers (The Employment Verification System (TALX)), Social Security income and citizenship (Social Security Administration (SSA)), wages or unemployment income (Department of Employment and Economic Development (DEED)), alimony income (Department of Human Services Child Support System (PRISM)), status as a national (the Systematic Alien Verification

MINNESOTA HEALTH INSURANCE EXCHANGE D/B/A MNSURE

Schedule of Findings (Continued)

Year Ended June 30, 2017

for Entitlements Program (SAVE)), and incarceration status (federal incarceration records). When the electronic source data differs from the applicant's attested data, the applicant's account is flagged for verification, and a notice is generated and sent to the applicant, providing him or her 90 days from the date the notice is issued to resolve the inconsistency. When the applicant fails to resolve the data inconsistency within the given timeframe, the Exchange's verification manual requires a manual procedure to clear the verification flag and enter a case note in the Curam system. The Exchange did not allocate appropriate resources to monitor the status of verification flags and enforce the proper steps that needed to be taken when the data inconsistency was not resolved within the 90-day period. A critical factor contributing the lack of adequate resources was the absence of system functionality to support the automated processing of cases where verifications have not been received after the end of the reasonable opportunity period.

Effect:

The absence of adequate resources to ensure that discrepancies between self-attested data and data provided by external sources were resolved within the 90-day timeframe resulted in some cases retaining the eligibility status determined using the original self-attested data, without the completion of a verification process. In our sample of the 95 reviewed cases, 35 (37% of 95) cases received a verification letter and the verification process was not completed within the required 90-day timeframe. Had the verification process been completed, some of those cases may have been assigned a different eligibility status. If an applicant was enrolled in a QHP and received Advanced Premium Tax Credit (APTC) eligibility inappropriately beyond the 90-day timeframe, the applicant will reconcile actual premium tax credit eligibility through the tax filing process. However, there is no recoupment of benefits if an applicant was enrolled in a QHP and incorrectly received Cost Sharing Reduction (CSR) benefits. Therefore, it is possible that, if the Exchange had completed the verification process for all of the cases as required, some of the cases that received APTC or CSR would ultimately have been determined ineligible for such benefits.

Recommendation:

We recommend that the Exchange continue to implement the corrective action plan provided in response to the previous year's examination findings to address the data inconsistencies as soon as possible.

MNsure Response:

MNsure agrees with this finding. MNsure continues working the backlog of outstanding verifications through process improvements and other efficiencies. MNsure has implemented the two-phase process as addressed in the previous year's audit responses. Phase 1 involves processing verifications addressing citizenship, lawful presence, Social Security numbers and incarceration verifications, and Phase 2 involves processing verifications related to income and household composition.

Corrective Action Plan:

MNsure is continuing with the two-phase plan as described above. MNsure is also exploring new technology solutions that will automate and further streamline the verifications processing.

Responsible MNsure Official: Nathan Clark, Acting CEO

Scheduled Completion Date: To be determined.

MINNESOTA HEALTH INSURANCE EXCHANGE D/B/A MNSURE

Schedule of Findings (Continued)

Year Ended June 30, 2017

FINDING #2017-002

Criteria:

Subpart D – Eligibility, 45 CFR §155.315 requires that an SBM make a determination based upon the data provided by an applicant in the application, and data received from automated data sources. Under 45 CFR §155.315(f), the Exchange must make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and the information obtained from outside sources by contacting the applicant and requesting them to provide additional information to resolve the inconsistency.

The subpart further states that if the Exchange is unable to resolve the inconsistency through the process described in paragraph (f)(1) of this section, it must (i) provide notice to the applicant regarding the inconsistency; and (ii) provide the applicant with a period of 90 days from the date on which the notice described in paragraph (f)(2)(i) of this section is sent to the applicant to either present satisfactory documentary evidence via the channels available for the submission of an application, as described in §155.405(c), except for by telephone through a call center, or otherwise resolve the inconsistency.

Condition and Context:

The Exchange is required to initially determine eligibility based upon the applicant's self-attested data in his or her application and subsequently verify that data through a match with the Federal Data Services Hub. Where there is no relevant data available within the Federal Data Services Hub, or the data is not reasonably compatible with the self-attested data (i.e., with defined parameters), then the Exchange is required to notify the consumer and ask for documentation to resolve the inconsistency. We selected a sample of 95 cases to test the Exchange's data verification process. Of the 95 cases reviewed, we observed one case (1% of 95) that did not receive a notification regarding the need for additional information to resolve an inconsistency between the self-attested data and the data returned from the Federal Data Services Hub. This applicant received a Pre-populated Audit Renewal Notice notification without the verification request. The applicant was not notified of the data inconsistency and was not given an opportunity to resolve the inconsistency. We note that this condition was also observed during the previous examination for the year ended June 30, 2016.

Cause:

The Minnesota Eligibility Technology System (METS) appears to have failed generating a data verification notice for these applicants, but it is not clear what caused this technical issue.

Effect:

Because a data inconsistency notification was not sent, the applicants was not aware of and not given a chance to resolve the inconsistency between the self-attested income and the income data from the Federal Data Services Hub. As a result, the case retained the eligibility status determined using the self-attested data. Had the verification process been completed, the case may have been assigned a different eligibility status.

Recommendation:

We recommend the Exchange continue to work with the system integrator to identify what caused METS to fail to generate a verification notice for some cases, and address the identified issues accordingly.

MINNESOTA HEALTH INSURANCE EXCHANGE D/B/A MNSURE

Schedule of Findings (Concluded)

Year Ended June 30, 2017

Exchange Response:

This case may have been impacted by a system defect that impacts a very small number of cases. We have initiated an IT review of the case to determine the root cause of the failure to display 2018 PAI evidence.

Corrective Action Plan:

We have initiated an IT review of the case to determine the root cause of the failure to display 2018 PAI evidence.

Responsible MNSure Official: Nathan Clark, Acting CEO

**INDEPENDENT ACCOUNTANT'S
REPORT ON INTERNAL CONTROL OVER COMPLIANCE WITH REQUIREMENTS OF
TITLE 45, PART 155, SUBPARTS C, D, E, H, K AND M OF
THE CODE OF FEDERAL REGULATIONS**

Board of Directors
Minnesota Health Benefits Exchange
d/b/a MNsure

We have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the compliance of Minnesota Health Benefits Exchange d/b/a MNsure (the Exchange), an agency within an enterprise fund of the State of Minnesota, with the requirements in Title 45, Part 155, Subparts C, D, E, H, K, and M of the Code of Federal Regulations during the year ended June 30, 2017. Our examination for Subpart K was limited to a review of the Exchange's policies and procedures to test whether those policies and procedures are in compliance with the programmatic requirements under that Subpart. We have issued our report on the Exchange's compliance with the above stated requirements dated May 22, 2018, which contained a qualified opinion due to material noncompliance with the functional requirements.

Management of the Exchange is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements described in Title 45, Part 155, Subparts C, D, E, H, K, and M of the Code of Federal Regulations. In planning and performing our audit of compliance, we considered the Exchange's internal control over compliance with the requirements described above to determine the procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Exchange's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings as Findings 2017-001 and 2017-002, which we consider to be material weaknesses.

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The Exchange's responses to the internal control over compliance findings identified in our examination are described in the accompanying schedule of findings. The Exchange's responses were not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Government Auditing Standards*. Accordingly, this report is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
May 22, 2018



May 22, 2018

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

Dear CDR Maynard,

Enclosed is the *Independent External Audit: 2017 Audit Findings Report, Minnesota*, which was completed by the auditing firm of BerryDunn McNeil & Parker, LLC ("BerryDunn"). As you know, we welcome this annual review and view it as part of an ongoing process of improvement of MNSure as well as the Minnesota Eligibility Technology System ("METS").

MNSure continues to agree with and support the observations and findings and we have continued the implementation of the recommendations in this report. MNSure's response and corrective action plan for each finding is attached.

Despite heavy regulatory and market headwinds, Minnesota continues to lead efforts to provide consumers with individual market options. This year, premiums for many in Minnesota's individual market are lower than in 2017. The Minnesota state legislature passed a reinsurance plan designed to help stabilize premiums in the individual market. Consequently, for plan year 2018, Minnesotans have seen premium rate changes, ranging from a 38 percent decrease to less than a three percent increase, compared to rate increases of 50 percent or more for plan year 2017.

MNSure continues to improve the shopping experience. For instance, Consumers' Checkbook, an online plan comparison tool that is available in English and Spanish, as well as in a mobile-compatible version, now has two new functions: a drug formulary lookup and a quality rating system. The drug formulary lookup allows consumers to compare different plans in the context of their current or expected prescription drug needs, while the quality rating system displays star ratings for each plan based on consumer satisfaction surveys.

System stability improvements have increased traffic capacity. MNSure has also significantly increased its Contact Center staff to handle more calls and reduce



wait times. Over the entire open enrollment period, MNsure took 148,389 calls, with wait times averaging 10 seconds, the lowest in MNsure's five-year history.

MNsure continues to mature its renewal process. As a result, tens of thousands of Minnesotans renewed 2018 coverage, with their tax credit eligibility updated through an automated process.

Thousands of Minnesotans also turn to our community-based enrollment partners for in-person help with the process. Since 2017, a new assister portal has helped enhance the level of customer service provided by our more than 1,800 navigators, brokers and other assisters statewide.

The work to improve MNsure not only includes this organization, but also the dedicated staff at the Minnesota Department of Human Services and the Office of MN.IT Services. Together, we have a strong, multi-agency project management team and a decision-making process in place. We are grateful for their partnership and look forward to continuing our work together.

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

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

Finally, thanks to BerryDunn for the work that has been done on this review.

Sincerely,

A handwritten signature in black ink, appearing to read "Nathan Clark".

Nathan Clark
Acting CEO



Detailed Response to Findings

1. Finding #2017-001

MNsure Response: MnSure agrees with this finding. MnSure continues working the backlog of outstanding verifications through process improvements and other efficiencies. MnSure has implemented the two-phase process as addressed in the previous year's audit responses. Phase 1 involves processing verifications addressing citizenship, lawful presence, Social Security numbers and incarceration verifications, and Phase 2 involves processing verifications related to income and household composition.

Corrective Action Plan: MnSure is continuing with the two-phase plan as described above. MnSure is also exploring new technology solutions that will automate and further streamline the verifications processing.

Responsible MnSure Official: Nathan Clark, Acting CEO

Scheduled Completion Date: To be determined.

2. Finding #2017-002

MNsure Reponses: This case may have been impacted by a system defect that impacts a very small number of cases. We have initiated an IT review of the case to determine the root cause of the failure to display 2018 PAI evidence.

Corrective Action Plan: We have initiated an IT review of the case to determine the root cause of the failure to display 2018 PAI evidence.

Responsible MnSure Official: Nathan Clark, Acting CEO

Scheduled Completion Date: To be determined.