

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-NINTH SESSION**

**S.F. No. 2045**

(SENATE AUTHORS: BENSON)

DATE	D-PG	OFFICIAL STATUS
04/13/2015	1514	Introduction and first reading Referred to Health, Human Services and Housing See SF1458, Art. 11, Sec. 37

1.1 A bill for an act  
1.2 relating to human services; changing financial audit provisions for managed care  
1.3 and county-based purchasing plans; amending Minnesota Statutes 2014, section  
1.4 256B.69, subdivision 9d, by adding a subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2014, section 256B.69, subdivision 9d, is amended to  
1.7 read:

1.8 Subd. 9d. **Financial audit and quality assurance audits.** ~~(a) The legislative~~  
1.9 ~~auditor shall contract with an audit firm to conduct a biennial independent third-party~~  
1.10 ~~financial audit of the information required to be provided by managed care plans and~~  
1.11 ~~county-based purchasing plans under subdivision 9c, paragraph (b). The audit shall be~~  
1.12 ~~conducted in accordance with generally accepted government auditing standards issued~~  
1.13 ~~by the United States Government Accountability Office. The contract with the audit~~  
1.14 ~~firm shall be designed and administered so as to render the independent third-party audit~~  
1.15 ~~eligible for a federal subsidy, if available. The contract shall require the audit to include~~  
1.16 ~~a determination of compliance with the federal Medicaid rate certification process. The~~  
1.17 ~~contract shall require the audit to determine if the administrative expenses and investment~~  
1.18 ~~income reported by the managed care plans and county-based purchasing plans are~~  
1.19 ~~compliant with state and federal law.~~

1.20 ~~(b) For purposes of this subdivision, "independent third party" means an audit firm~~  
1.21 ~~that is independent in accordance with government auditing standards issued by the United~~  
1.22 ~~States Government Accountability Office and licensed in accordance with chapter 326A.~~  
1.23 ~~An audit firm under contract to provide services in accordance with this subdivision must~~

2.1 ~~not have provided services to a managed care plan or county-based purchasing plan during~~  
 2.2 ~~the period for which the audit is being conducted.~~

2.3 ~~(e) (a)~~ The commissioner shall require, in the request for bids and resulting contracts  
 2.4 with managed care plans and county-based purchasing plans under this section and section  
 2.5 256B.692, that each managed care plan and county-based purchasing plan submit to and  
 2.6 fully cooperate with the independent third-party financial ~~audit~~ audits by the legislative  
 2.7 auditor under subdivision 9e of the information required under subdivision 9c, paragraph  
 2.8 (b). Each contract with a managed care plan or county-based purchasing plan under this  
 2.9 section or section 256B.692 must provide the commissioner and the ~~audit firm~~ vendors  
 2.10 contracting with the legislative auditor access to all data required to complete the audit  
 2.11 under subdivision 9e. ~~For purposes of this subdivision, the contracting audit firm shall have~~  
 2.12 ~~the same investigative power as the legislative auditor under section 3.978, subdivision 2.~~

2.13 ~~(d) (b)~~ Each managed care plan and county-based purchasing plan providing services  
 2.14 under this section shall provide to the commissioner biweekly encounter data and claims  
 2.15 data for state public health care programs and shall participate in a quality assurance  
 2.16 program that verifies the timeliness, completeness, accuracy, and consistency of the data  
 2.17 provided. The commissioner shall develop written protocols for the quality assurance  
 2.18 program and shall make the protocols publicly available. The commissioner shall contract  
 2.19 for an independent third-party audit to evaluate the quality assurance protocols as to  
 2.20 the capacity of the protocols to ensure complete and accurate data and to evaluate the  
 2.21 commissioner's implementation of the protocols. The audit firm under contract to provide  
 2.22 this evaluation must meet the requirements in ~~paragraph (b)~~ subdivision 9e.

2.23 ~~(e)~~ ~~Upon completion of the audit under paragraph (a) and receipt by the legislative~~  
 2.24 ~~auditor, the legislative auditor shall provide copies of the audit report to the commissioner,~~  
 2.25 ~~the state auditor, the attorney general, and the chairs and ranking minority members of the~~  
 2.26 ~~health and human services finance committees of the legislature.~~ (c) Upon completion  
 2.27 of the evaluation under paragraph ~~(d) (b)~~, the commissioner shall provide copies of the  
 2.28 report to the legislative auditor and the chairs and ranking minority members of the ~~health~~  
 2.29 ~~finance committees of the legislature~~ legislative committee with jurisdiction over health  
 2.30 care policy and financing.

2.31 ~~(f) (d)~~ Any actuary under contract with the commissioner to provide actuarial  
 2.32 services must meet the independence requirements under the professional code for fellows  
 2.33 in the Society of Actuaries and must not have provided actuarial services to a managed  
 2.34 care plan or county-based purchasing plan that is under contract with the commissioner  
 2.35 pursuant to this section and section 256B.692 during the period in which the actuarial  
 2.36 services are being provided. An actuary or actuarial firm meeting the requirements

3.1 of this paragraph must certify and attest to the rates paid to the managed care plans  
3.2 and county-based purchasing plans under this section and section 256B.692, and the  
3.3 certification and attestation must be auditable.

3.4 ~~(g)~~ (e) Nothing in this subdivision shall allow the release of information that is  
3.5 nonpublic data pursuant to section 13.02.

3.6 (f) The commissioner shall conduct ad hoc audits of managed care organizations'  
3.7 administrative and medical expenses. This includes financial and encounter data reporting  
3.8 under subdivision 9c, including: (1) contracts with subcontractors; (2) payments to  
3.9 providers and subcontractors; (3) supporting documentation for expenditures; (4)  
3.10 categorization of administrative and medical expenses; and (5) allocation methods used to  
3.11 attribute administrative expenses to state public programs. These audits must also monitor  
3.12 compliance with data and financial certifications provided to the commissioner for the  
3.13 purposes of capitation rate-setting. The managed care plans and county-based purchasing  
3.14 plans shall fully cooperate with the audits in this subdivision. The commissioner shall  
3.15 impose a financial penalty for plans that fail to comply with this subdivision.

3.16 Sec. 2. Minnesota Statutes 2014, section 256B.69, is amended by adding a subdivision  
3.17 to read:

3.18 Subd. 9e. **Financial audits.** (a) The legislative auditor shall contract with vendors  
3.19 to conduct independent third-party financial audits of the information required to be  
3.20 provided by managed care plans and county-based purchasing plans under subdivision  
3.21 9c, paragraph (b). The audits by the vendors shall be conducted as vendor resources  
3.22 permit and in accordance with generally accepted government auditing standards issued  
3.23 by the United States Government Accountability Office. The contracts with the vendors  
3.24 shall be designed and administered so as to render the independent third-party audits  
3.25 eligible for a federal subsidy, if available. The contracts shall require the audits to include  
3.26 a determination of compliance with the federal Medicaid rate certification process.

3.27 (b) For purposes of this subdivision, "independent third party" means a vendor that  
3.28 is independent in accordance with government auditing standards issued by the United  
3.29 States Government Accountability Office.