EXHIBIT 5
DATE 2/4/11
SB State Auditor

MONTANA LEGISLATIVE AUDIT DIVISION

PERFORMANCE AUDIT

Insure Montana Program

State Auditor's Office

DECEMBER 2010 | 10P-09 | REPORT SUMMARY

While Insure Montana assists over 1,600 small businesses in obtaining health insurance coverage, in 2010, the program made or scheduled improper payments to ineligible businesses or individuals; controls could be strengthened to ensure ineligible businesses do not receive payments.

Context

Insure Montana was established in 2005 and is administered by the State Auditor's Office. It is a two-part program designed to assist small businesses with the cost of health insurance. The program began accepting applications in 2005 and currently has five staff whose duties include processing applications, determining eligibility, calculating and providing payments to participants, and auditing businesses.

The purchasing pool program is offered to small businesses who have not offered group health insurance to its employees. Once small businesses enroll in the program, they are eligible to select from health insurance plans through the purchasing pool or Qualified Association Plans. Both the employer and employees are entitled to receive subsidies from the program that cover a portion of the premium.

Insure Montana's tax credit program is offered to small businesses that have already purchased group health insurance in the existing marketplace for their employees. The program provides a refundable state income tax credit to employers who contribute to their employees' health insurance premium and are enrolled in the program.

Due to funding availability, both the purchasing pool and tax credit programs have reached full capacity. Therefore, both programs have waiting lists for small businesses. As of October 2010, there were 111 businesses on the purchasing pool waiting list and 67 businesses on the tax credit list. When an opening becomes available, these businesses will be eligible to enroll in the program in the order that they applied.

Results

Audit work found Insure Montana assists small businesses with the cost of health insurance, but it can further improve its controls over determining eligibility, improve the administration of the program, and ensure it operates under clear statutory guidelines.

During its application process, Insure Montana requires small businesses and their employees self-report eligibility information. Audit work identified various businesses and/or employees that were potentially ineligible for Insure Montana benefits based on information obtained from the Department of Labor and Industry and Department of Revenue. These businesses and/or employees either received or were scheduled to receive over $300,000 in benefits from Insure Montana for calendar year 2010. Since 178 businesses are currently on the waiting list and statute clearly outlines eligibility requirements, we made recommendations to the State Auditor's Office to verify income of participating business owners and their employees, verify the businesses' number of eligible employees, and verify whether businesses have delinquent state income tax owing to the Department of Revenue.

Audit work also identified improvements in the program's administrative processes. Recommendations related to this area include enhancing the current database to ensure program staff have access to a businesses' historical data, collecting a unique primary identifier for all individuals, and addressing the number of collections and overpayments.

Audit work also identified areas in which statute could be strengthened to ensure the program operates under clear guidelines. Recommendations related to this area include impacts related to the definition of a related

employer, complying with the current statutory guidelines for the insurance rating process, and ensuring governance responsibilities of the purchasing pool Board of Directors and Insurance Commissioner are clearly defined.

Recommendation Concurrence	
Concur	7
Partially Concur	0
Do Not Concur	1
Source: Agency audit response included in final report.	

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