



House Human Services Committee Hearing February 25, 2026

John Connolly, Deputy Commissioner

Medicaid in Minnesota is Under Attack



CMS is **mandating** that Minnesota make urgent reforms in our Medicaid and related programs. CMS plans to use extreme financial levers against Minnesota unless they see significant progress in prescribed areas outlined in their letter. The purported fiscal impact would be devastating for people in every corner of the State.

DHS is **aggressively** working to understand and meet the demands of CMS to protect Medicaid for people who need it.

Saving access to Medicaid hinges on program integrity

Minnesota *will* be the best state in the nation for Medicaid Program Integrity

- DHS initiated action
- Executive Order 25-10
- CMS Corrective Action Plan

Key Actions Taken...

- Identifying 14 high-risk services and establishing a program integrity dashboard for the public.
- Auditing autism service providers, including on-site visits.
- Discontinuing the Housing Stabilization Services program.
- Establishing a moratorium on adding new service providers in the 14 high-risk services.
- Enhancing pre-payment review before fee-for-service payments are made to providers in the 14 high-risk services.
- Reviewing and revalidating providers in the 14 high-risk services.
- Reorganizing DHS to increase program integrity.

Prepayment Review 101



Medicaid prepayment review is a proactive process where state agencies or managed care organizations examine a provider's claims before issuing payment.



Prepayment review is a tool to prevent improper payments, ensuring only valid services are paid.



Prepayment review was part of the Governor's 2025 budget recommendations and funded in the Human Services conference committee agreement.

Why did DHS ask a vendor to put this report together?

- DHS needed a tool to analyze a history of claims data (46 months, in this case) to enhance forward-looking analytics. We needed an additional tool to prevent fraud before dollars go out the door. The less we pay and chase, the better.
- To provide recommendations for state law or administrative policy changes. No one entity has all the answers. DHS invites external input to continuously improve our program integrity processes.
- The report is a single milestone along a longer path to refine our systems for future effectiveness.
- The report findings are being validated, and analytics are being refined as we further development of the prepayment review model.

Pre-payment review: Simplified Workflow



1 DHS identifies claims from 14 “*high-risk*” services and makes data available to data analytics vendor



2 Vendor performs pre-payment analysis on claims and shares findings with DHS



3 DHS reviews and validates findings and may conduct member and/or provider outreach to validate service delivery



4 Claim is validated or referred to DHS OIG for further investigation

Deeper Dive: Pre-payment review: Steps and payment timelines

1. The vendor uses data analytics to conduct pre-payment review and then indicates to DHS which claims in that cycle are flagged for additional review (i.e. billing error, program integrity concern). Information learned during the review is used to refine the analytics. This takes about 5 days.
2. DHS takes about 5 days to review each flagged claim **individually** to determine if further review is needed. If further review is not needed, the claim is released for payment.
3. There was a delay in December/January to build-in time for vendor and DHS claim reviews. This was a onetime delay for current providers.
4. Previously, providers were paid every two weeks for the claims submitted in the **immediately** preceding two weeks. Now, providers will be paid every two weeks for the claims in the **former** two-week (one before the last) warrant cycle.
5. If further review is needed, DHS may need to request case notes or other provider documentation. There could also be referrals to DHS Office of Inspector General to review for potential credible allegations of fraud.
6. DHS's goal is to release any suspended claims that were not flagged by the vendor for payment in the following warrant cycle.

Payment and claim cut-off calendars

Calendar key

- 1** Claim cut-off at 11:59 p.m. every other Thursday
- 1** Check your **MN-ITS Mailbox every other Friday for RAs** detailing suspended claims statuses and whether a claim has been paid or denied

- 1** EFT (payment) every other Tuesday

- 1** Holiday

Shapes represent claim cut-off and payment paired weeks.

For example: Claim cut off on 1/8/2026  would receive payment 1/27/2026  unless additional documentation is required, or a referral is made to OIG.

January

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February

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Due to the holiday on 9/7, payment that week is delayed to 9/9

Safe Transitions Framework

- In November 2025, DHS implemented a new person-centered framework for people in residential settings. This framework implements a process for safe transitions for people who experience service disruptions due to fraudulent provider activity.
- Before payment withholds occur, DHS leadership contacts county leaders. Counties and DHS communicate about potential human impact, share information as needed, and ensure case managers have the resources they need to support necessary transitions.
- In recent payment withhold actions, people were largely not receiving the services they needed. While Medicaid cannot pay for housing, DHS understands it is a basic need and a critical component of support planning and overall health.



Person-centered improvements underway



DHS expanded the work of the current “Complex Transitions Team” to support people who may be impacted by provider closures.



We know that lead agencies may need additional support to help people transition. In some cases, people may not be working directly with a lead agency. The system must do better to support transitions.



DHS recently expanded our process to allow more providers to submit referrals to the complex transition team so we can activate rapid response transitions for more people.

Improving Provider and Advocate Engagement



EXISTING &
ONGOING

Digital Messaging & Resource Ctr.

- Direct System Notifications
- Email Updates
- Public Website Information
- DHS Provider Resource representatives can answer specific questions from providers over the phone.



NEW

Roundtables focused on two-way dialogue

- Goal of weekly virtual roundtables with providers
- Engaging forum that allows us to hear directly from providers on the issues that matter most to them
- Providers can ask direct questions and share feedback in real time
- Advisory panel created to vet provider communications



NEW

Improving Quality of Communications

- Weekly provider newsletter to re-share key messages
- Based on feedback, moving forward our communications will be more focused on clarity and understandability
- Increased use of visuals and videos
- Step-by-step video tutorials on how providers can check their claims
- Improved communications at every entry point so DHS staff are better supported to provide consistent information

Thank you!

John Connolly, Deputy Commissioner