



House Fraud Prevention & State Oversight Committee Hearing

December 17, 2025

Shireen Gandhi | Temporary Commissioner

John Connolly | Deputy Commissioner & Medicaid Director



James Clark | Inspector General

Adult Day Services (ADS)



Licensed Service



**Focused on health
and social needs**



**Supervision and
assistance**



Personal care



**Training
services**

Overview: Adult Day Services (ADS)

A **licensed service** available on the MA disability waivers, Elderly Waiver, Alternative Care and Essential Community Supports programs.

Individualized program of activities designed to meet the **assessed health and social needs of adults** outside their residence up to a maximum of 12 hours during the day.

Includes the delivery of **supervision, care, assistance, training and activities** directed toward achieving specific outcomes, as identified in the person's support plan.

All adult day services providers must:

Be licensed under Minn. Stat. Ch. 245A.

Comply with Minn. R. 9555.9600-9555.9730.

Adult Day Services Licensing & Program Integrity

Licensing requirements

- DHS conducts a pre-licensing visit for all centers prior to receiving their license is required. Licensors review the physical plant and safety requirements. Licensors also ensure that the center meets all state and local fire and building codes.
- After a program is licensed, licensors provide technical assistance to license holders, and unannounced licensing reviews every two years. If a license is on a conditional status, licensors increase the frequency of visits to ensure compliance with conditional terms.
- If non-compliance is found, licensors can issue licensing sanctions such as a correction order, conditional license, or revocation.
- When program integrity concerns are observed, licensors make a referral to the program integrity division.

Payment Integrity

- DHS reviews data to identify billing outliers and conducts surveillance of Adult Day Centers to monitor activity and attendance.
- DHS contacts recipients and conducts subsequent site visits in response to tips to ensure that services are provided as billed.
- All services paid by MA require prior authorization by case managers and there are limits on the number of hours that can be billed per day. The provider cannot bill for more than what has been authorized by the case manager.

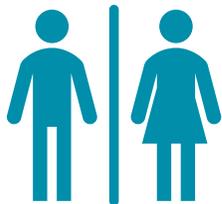
Adult Day: Provider Licensing Moratorium

- In order to comply with federal requirements, DHS implemented a partial moratorium for adult day services in January 2021, disallowing new authorizations for people under 55 on the disability HCBS waivers.
- Current provider capacity exceeds current and projected service needs
 - Over the last 10 years, there has been an approximately 7% growth in the number of individuals receiving services
 - Simultaneously, an approximately 43% growth in provider capacity.
 - Each center is licensed for a maximum capacity of the number of individuals who can receive services at the center at one time.
 - This capacity growth shows that we have the capacity to serve nearly 3,000 more individuals than are currently receiving services.
- 24-month moratorium will be in place Feb. 1, 2026 – Jan. 31, 2028
- This moratorium will allow licensors to focus on compliance and program integrity reviews of currently licensed providers.
- An exception process will be available that will allow counties, managed care organizations, and Tribal Nations to identify local and regional needs, for continuity of access.

Customized Living Services



Customized individual services



For Minnesotans 18 plus



Waiver funded



Delivered by DHS enrolled provider



Typically provided in licensed assisted living settings

Overview: Customized Living Services

"**Customized living**" is DHS' name for the Medicaid service that pays for assisted living services. Customized living is funded under the Brain Injury (BI) Waiver, Community Access for Disability Inclusion (CADI) Waiver and Elderly Waiver (EW).

Customized living pays for an **individualized package** of regularly scheduled services provided to an eligible adult who resides in a **licensed assisted living setting**.

Providers must be **enrolled with DHS** to receive payment through Medicaid.

Providers are paid to deliver health-related and supportive services, based on the **person's individualized service plan**.

Customized Living Provider Requirements

- Most customized living providers are required to be licensed as an Assisted living facility under Minn. Stat. Ch. 144G; this includes assisted living facilities with dementia care.
- In certain affordable housing settings, providers can deliver customized living services with a comprehensive home care license under Minn. Stat. Ch. 144A (see Minn. Stat. §256S.20, subd. 1).
 - Customized living provided in an affordable housing setting must also comply with Minn. Stat. Ch. 325F.722 (consumer protections for exempt settings).

Customized Living: Program Integrity

- Case manager uses the MnCHOICES system to create a person-centered support plan with the person.
- Case manager uses the MnCHOICES system to create an individualized daily rate for the person, based on the services the provider will deliver. Case manager must ensure that people have a documented assessed need for all services authorized.
- All customized living services paid by Medicaid require prior authorization by case managers.
- The provider cannot bill for more than what has been authorized by the case manager.
- The Assisted Living Report Card is a resource to help people when they search for assisted living. It allows people to look up assisted living residences and find comparative quality ratings based on licensing survey data and resident and family surveys.

Past 10 months: Proactive and Bold Reforms



Feb: Appointed Temporary Commissioner

March: Inspector General James Clark began his work at DHS, Office of Inspector General



April: Designated EIDBI & HSS high-risk Medicaid benefits, increasing provider oversight and enabling unannounced visits

April: Strengthened our data analytics work with AI tools - new core of OIG surveillance work

Summer: Stopped payment to 115 HSS providers & notified CMS of recommendation to terminate HSS program



September: Capacity surge of data analytics staff within DHS and MMB added

October: Disenrolled over 800 providers that have not billed in over 12 months

October: Prepayment review contract established



November: Published PI dashboard

November: Prepayment review online provider FAQ and Program Integrity webpage launched

November: Added capacity through staff dedicated to EO directives

December: HCBS temporary moratorium

Thank you!