

Comprehensive reform package will improve program integrity, from program design to post-payment analytics

Overview

A comprehensive package of reforms in Governor Tim Walz’s 2026 supplemental budget will improve program integrity throughout the life cycle of Medicaid – from program design to provider enrollment, prepayment review, payment controls and data analytics after payments are made.

Proposals include modernizing IT and data systems to enable comprehensive pre- and post-payment review of claims and predictive analytics, instituting more rigorous enrollment criteria for Medicaid providers and establishing new billing rules and limits for specific services. Expanded use of electronic visit verification will ensure that services are documented and connected to claims. More services will come under licensing requirements, while program integrity will be embedded in the design of programs such as Integrated Community Supports. Enhanced accountability for managed care organizations will ensure program integrity strategies are incorporated throughout the Medicaid program. The department will align service-rate methodologies with the level of service needed and provided to the person.

The Governor’s proposal to establish a new statewide Office of Inspector General will include investments in data-sharing capabilities across state government to strengthen program integrity.

Proposals

Modernizing program and payment integrity safeguards

New investments in Minnesota’s public health care programs will ensure that every provider, claim and dollar are verified, validated and accountable. Comprehensive modernization will link licensing, enrollment, claims review and auditing in a single framework. Technology and data-driven processes will enable prepayment review, post-payment analysis and continuous fraud detection, informed by predictive analytics and machine learning. Building and staffing a modern analytics and data infrastructure will result in systems that can adapt to emerging fraud risks and support timely, data-informed decision-making. These safeguards will allow Minnesota to identify risks proactively, prevent improper payments and ensure that public dollars support state residents who rely on critical health care services.

Enhancing program integrity in Medical Assistance

Oversight will improve through measures to strengthen program integrity in Minnesota's public health care programs. The department will have more authority to assess and mitigate provider risk, including a data-driven preenrollment risk assessment process, enhanced revalidation processes, and stricter background studies requirements for high-risk providers. Managed care organizations will be subject to stronger accountability requirements. The proposal also includes more frequent revalidation processes and stricter background studies requirements for high-risk providers. Funding will support the second phase of a comprehensive evaluation of the department, focusing on organizational reforms that will reinforce program integrity and reduce fraud.

Billing and payment oversight for disability, older adult and behavioral health services

Multiple strategies will improve billing and oversight of disability, older adult and behavioral health services. Measures include new or modified billing limits and electronic visit verification for more services to ensure that services are delivered. Remote services will be limited. The department will have expanded authority to request documentation directly from providers. Updated billing rules will require that actual staffing and delivery align with the staffing rate methodology. The proposal expedites the sunset of the Disproportionate Share Program for some customized living facilities.

The proposal will increase accountability for providers seeking reimbursement from the state and federal government and ensure that payments reflect services rendered.

Enhancing program integrity in Integrated Community Supports services

New reforms will strengthen oversight of Integrated Community Supports. Changes include adding a 15-minute billing unit for services, enforcing limits within the rate methodology to align with a person's acuity, ensuring distinct funding streams for housing and waiver services, and implementing a license moratorium for new providers. These measures will ensure that services accurately reflect individual needs, reduce inappropriate billing, stabilize the provider market and improve access to community-integrated housing options.

Codifying Housing Stabilization Services termination and redesign

A statutory update will align state law with the termination of the Housing Stabilization Services program. By Sept. 15, 2027, the department will develop recommendations for a redesigned housing services benefit with robust program integrity and service quality requirements.

Implementing Mental Health Uniform Service Standards

Completing the implementation of Mental Health Uniform Service Standards will move four mental health services from certifications to licenses. Funding will support administration of the new licensing standards.

Expediting effective dates for better supportive housing options

The proposal will accelerate several key dates for supportive housing. The phaseout of freestanding room and board will move up six months to Dec. 31, 2026. Certification for recovery residences will be available a year

earlier, starting on July 1, 2026. The Department of Human Services will have authority to enter into Housing Support agreements directly with eligible certified recovery residences six months earlier, starting on July 1, 2026.

Market and receipt-based rate reform for disability and older adult services

The proposal will cap administrative fees at 6% for certain services within disability waivers and programs serving older adults, including Alternative Care, Essential Community Supports and Elderly Waiver. The current lack of limits on administrative fees can lead to some providers billing the maximum allowable rate, regardless of their actual cost. One-time funding will support studying and recommending rate methods for market-based services to ensure appropriate payment rates.

Enhancing program integrity and quality in nursing home rates

Changes to nursing facility payments will enhance program integrity, both in the rates nursing facilities receive and the quality of care for Minnesotans. Changes include ending the Planned Closure Rate Adjustment (PCRA) program and Performance-based Incentive Program (PIPP) and placing maximum limits on reimbursement for employee health insurance costs. The proposal will also modify the formula for operating limits related to quality-based care, aligning reimbursement of care-related costs with the quality performance of individual nursing facilities.

Increasing fines for licensing violations and adding enforcement for licensure safety

Increasing fines for providers who violate health, safety, supervision or background studies regulations will strengthen accountability. A new type of fine will hold license holders accountable for threatening, intimidating or using violence against state licensing staff carrying out their oversight work.

Establishing a State Office of Inspector General

A State Office of Inspector General will be established to investigate and prevent fraud and misuse of public funds across state programs. The office will be responsible for investigations, standards for state Inspectors General and data sharing to uncover potential fraud in cross-agency programs. The proposal includes staff and resources for state agency systems improvements that will allow key programs to identify and stop fraud proactively. The new office will have investigation and data research teams and a case management system.

For More Information

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