

January 4, 2025

The Honorable Tim Walz
Governor of Minnesota
130 State Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Shireen Gandhi
Acting Commissioner
Minnesota Department of Human Services
P.O. Box 64998
St. Paul, MN 55164



RE: Immediate Concerns Regarding DHS Prepayment Review and Payment Withholds for Disability Services

Dear Governor Walz and Acting Commissioner Gandhi,

On behalf of the Association of Residential Resources in Minnesota (ARRM) and the Minnesota Home Care Association (MHCA), we are writing to express our urgent concern regarding the implementation of the Department of Human Services' prepayment review program and the resulting payment withholds affecting disability service providers across Minnesota.

Let us be clear at the outset: both of our associations **support strong efforts to combat fraud and protect Minnesota taxpayers**. Fraud undermines public trust and, most importantly, harms the very Minnesotans with disabilities and older Minnesotans who rely on these services. Providers who engage in fraudulent behavior should be held accountable.

However, the manner in which this prepayment review and payment withhold program has been implemented has created **significant and immediate chaos** for legitimate providers that are acting in good faith and delivering critical, daily services to vulnerable Minnesotans.

Providers were initially told that only claims deemed suspicious would be subject to payment holds. Instead, we are now seeing entire remittances withheld for providers operating within the 14 designated "high-risk" service lines, regardless of claim history, compliance record, or risk profile. This blanket approach was not clearly communicated, nor was it meaningfully discussed with provider associations in advance.

As a result, many providers are now facing an **acute cash-flow crisis**. These organizations are unable to meet basic operational obligations, including **making payroll for a workforce that is already stretched thin, paying upcoming licensing fees and more**. Without immediate corrective action, we risk service interruptions for thousands of Minnesotans who depend on consistent, reliable supports to live safely and with dignity in their communities.

Disability services are not optional or deferrable. They include personal care, supervision, employment supports, and residential services that ensure health, safety, and stability for some of Minnesota's most vulnerable residents. Disrupting these services due to administrative failures in rollout and communication was avoidable and is unacceptable.

We are therefore requesting the following immediate actions:

1. **Utilize state rainy day or contingency funds** to ensure providers are paid and services continue uninterrupted while DHS works to stabilize and refine the prepayment review process.
2. **Pause or modify the current blanket payment withholds** so that only claims with identified, substantiated concerns are delayed or withdraw providers in good standing from this program entirely.
3. **Engage directly and immediately with provider associations** to collaboratively design and implement a prepayment review program that targets fraud without collapsing legitimate providers or destabilizing the workforce.

Minnesota's disability service system depends on **partnership and trust** between the state and the providers delivering care on the ground. We expect and are ready for collaboration so that compliant businesses and nonprofit organizations are not forced to close their doors, lay off staff, or abandon the people they serve due to administrative breakdowns. We share the goal of accountability and integrity in public programs. But achieving that goal cannot come at the expense of **continuity of care, workforce stability, and the health and safety of Minnesotans who depend on our services.**

We appreciate your immediate attention to this matter and stand ready to work with you to find solutions that protect both public dollars and the people who rely on these essential services every day.

Sincerely,

Sue Schettle

Chief Executive Officer

Association of Residential Resources in Minnesota (ARRM)

Kathy Messerli

Executive Director

Minnesota Home Care Association

cc: Senator Erin Murphy, Senate Majority Leader
Representative Lisa Demuth, Speaker of the House
Representative Zack Stephenson, DFL Caucus Leader
Senate Human Services Committee
House Human Services Finance and Policy Committee
Patrick Tanis, Office of Governor Tim Walz
Kevin Parker, Office of Governor Tim Walz
Leah Montgomery, Office of Governor Tim Walz
Mor Vue, Department of Human Services
Kristy Graume, Department of Human Services
Elyse Bailey, Department of Human Services
Erin Bailey, Minnesota Management and Budget