Minutes
Legislative Audit Commission
September 9, 2026

Members Present:
Senator Calvin K. Bahr
Senator D. Scott Dibble
Senator Mark W. Koran
Senator Ann H. Rest
Senator Tou Xiong
Representative Patti Anderson
Representative Rick Hansen
Representative Steven Jacob
Representative Fue Lee
Representative Duane Quam

Members Absent:
Senator Steve J. Drazkowski
Representative Emma Greenman

Representative Duane Quam, Vice Chair, called the Legislative Audit Commission (LAC) meeting to order at 10:00 a.m. in room G23 State Capitol. The purpose was to receive the key findings and recommendations in the Office of the Legislative Auditor's (OLA's) evaluation report, *Assisted Living Facility Licensing.* Representative Quam invited OLA staff to introduce themselves and turned the gavel over to Senator Rest, Chair.

Jodi Munson Rodríguez, Deputy Legislative Auditor, and David Kirchner, Project Manager, provided background, saying that in 2021, Minnesota shifted from registering housing-with-services operations to licensing these operations as assisted living facilities. Mr. Kirchner said that states define what constitutes "assisted living facilities."

Mr. Kirchner explained that the Minnesota Department of Health (MDH) licenses and inspects facilities and investigates complaints, while the Department of Human Services (DHS) pays for care provided to Medical Assistance recipients and publishes assisted living report cards. He added that the Board of Executives for Long Term Services and Supports (BELTSS) licenses assisted living facility directors. Mr. Kirchner then outlined characteristics of the two primary models of assisted living facilities: residential home and apartment-style facilities.

Moving on to findings, Mr. Kirchner said that MDH generally ensured applicants followed state licensing requirements but struggled to complete inspections as frequently as law required and did not develop criteria for applying licensing sanctions. Recommendations included complying with required timelines for inspections and establishing standards for imposing licensing sanctions on facilities.

Mr. Kirchner said that, although state law does not explicitly require DHS to produce an assisted living facilities report card, the department introduced one in 2024. The report card uses a rating system of one to five stars for facilities, modeled on an existing rating system used for nursing homes. He explained that the report card system has limitations, including that ratings do not incorporate serious maltreatment findings or licensing sanctions. OLA recommended that DHS improve its report card methodology to incorporate maltreatment and licensing sanctions and if necessary, request additional data-gathering authority from the Legislature.

Between MDH, DHS, and BELTSS, Mr. Kirchner said there was fragmented oversight, including inconsistent tracking of assisted living directors, unclear facility license start and end dates, inaccurate facility capacity data, and limited coordination between licensing inspections and DHS's payment oversight of state-funded services. OLA recommended that MDH ensure that facilities that share a licensed director have BELTSS approval for the sharing arrangement, and the Legislature consider giving MDH authority to monitor whether facilities are employing a director. MDH should record clear start and end dates for facility licenses and accurately record each facility's capacity. Additionally, the Legislature could authorize MDH inspectors to assist DHS in verifying state-funded services during facility visits.

Senator Rest asked for discussion and following that, welcomed Deputy Commissioner Wendy Underwood and Assistant Commissioner Carol Backstrom of MDH to the table to respond. Commissioner Underwood said MDH's mission is to protect, maintain, and improve the health of all Minnesotans. She described MDH's collaborative regulatory approach and fraud-prevention efforts, its work to support DHS's role with Medical Assistance billing through MDH's existing site assessment process, new quality-control checks on license applications, continued work to improve inspection timeliness, and closer coordination with DHS and BELTSS. She said MDH is actively creating a legislative package for 2027 which she hopes the LAC and legislators will support.

Assistant Commissioner Backstrom then addressed each of OLA's recommendations. She presented a summary of MDH's ongoing efforts to strengthen licensing documentation, improve inspection rates, propose statutory language changes around licensing sanctions, work with DHS to improve the report card system, make comparisons of services between facilities clearer for the public, work closer with BELTSS to track directors of facilities, propose statutory language regarding gaps in licensing or methods for licensing extensions, implement a system to record capacity changes at facilities and their effective dates, and work with DHS for verification of services and Medical Assistance payments.

Senator Rest invited Temporary Commissioner John Connolly of DHS to address the commission. Commissioner Connolly spoke to the assisted living report card. He said DHS would need to ensure it has authority to collect maltreatment data and determine a way to incorporate maltreatment information into the report card. He said DHS is working closely with MDH and will continue to coordinate oversight and approaches to overseeing Medicaid payments to providers. He also discussed ongoing technology upgrades intended to improve data sharing with counties.

Senator Rest thanked the departments for their comments, and Auditor Randall and the OLA team for the report. Seeing no further discussion, Senator Rest adjourned the meeting at 11:56 a.m.

Senator Ann H. Rest, Chair

Maureen Garrahy, Recording Secretary