Governor's Anti-Fraud Package

Overview

The Governor's 2025 anti-fraud package provides:

- Better detection and oversight

- Stronger investigative and enforcement authority

- Increased criminal penalties

Detection and Oversight

- Use AI to compare information and detect Medicaid payment discrepancies in real time

- Require EIDBI providers to be licensed

  - Increases requirements and provides state levers to discipline

- Add capacity at MMB to manage policies and procedures; provide enhanced oversight

- Clarify MDE authority to reduce charter school aid if not in compliance with procurement policies; require submission of charger management organization contracts annually for review

Investigation and Enforcement

- Establish a centralized Financial Crimes & Fraud Section at the BCA dedicated to investigating financial crimes and fraud.

  - Executive order to integrate Department of Commerce Fraud Bureau agents + additional proposal to add further resources

- Add investigatory capacity to the AGO's Medicaid Fraud Unit, responsible for investigating and prosecuting Medicaid providers who submit claims for reimbursement

- Enterprise-wide and agency specific proposals to enable agencies to withhold payments from potentially fraudulent actors, prevent bad actors from getting state contracts across agencies, debar entities from receiving state dollars

Increased Criminal Penalties

- Create new Theft of Public Funds statute to increase criminal penalties by 20% compared to existing theft statute

- Mirror federal anti-kickback law, making it illegal for individuals to financially incentivize entities to send them clients and gives the Attorney General authority to pursue criminal charges

MMB - Oversight Capacity

- 3 internal controls FTE to increase enterprise consultation services

- 2 financial management oversight FTE to provide support and oversight around state financial management functions and policies

DPS – BCA Financial Crimes and Fraud Section

- Commerce Fraud Bureau and BCA Financial Crimes Section combined to create new Financial Crimes and Fraud Section at BCA

- Transfer complete as of February 7, 2025

- Ensures a coordinated approach & focused resources to identify, disrupt & hold offenders accountable

- Improves consistency, transparency & efficiencies

DPS – BCA Financial Crimes and Fraud Section

Focus of New Combined Section

- Combining resources will enhance the state's ability to prevent, investigate & prosecute the following:

  - Insurance Fraud
  - Wage Theft
  - State Government Program Fraud – Theft of Public Funds
  - Financial Crimes
  - Fraud Committed Against Individual Minnesotans
  - Auto Theft Prevention

- 1 Forensic Accountant FTE and additional funding to support AGO prosecution

- $695k in FY26 and beyond

DPS – BCA Financial Crimes and Fraud Section

New Theft of Public Funds Statute

- Defines "public funds" to include all general, special, permanent, trust, and other funds held or administered by a government entity

- Specifies theft of public funds can involve a government entity or a third-party program administrator

- Increases penalties for the three highest theft dollar amounts

Department of Human Services

Comprehensive approach with multiple strategies to strengthen the state's ability to detect, prevent and address fraud, waste, and abuse in human services. Includes:

- Increased capacity for program integrity operations to increase capacity for investigations

- Pre-payment review of claims

- Expanded authority for data sharing

- Expanded authority for payment withholds, program suspension, and background study disqualifications

- Adding EIDBI provisional licensure and maltreatment investigatory authority

- Modifying billing practices for substance use disorder treatment

Program Integrity Investigative Analytics Infrastructure

Authorizes and funds a proactive, scalable, data-driven approach to fraud detection and prevention using modern technologies:

Medicaid Data: Identify and implement strategies to analyze Medicaid claims and investigative case data using comprehensive fraud prevention capabilities to uncover systemic risks.

Advanced Analytics for Medicaid Oversight: Use Artificial Intelligence (AI) and Machine Learning (ML) techniques and advanced analytics to detect patterns, assign risk scores, understand networks, and flag high-risk cases for investigations.

Data Driven Audits and Investigations: Cases will be assigned for audits and investigations based on risk scores. A new case management system will automate alerts, streamline investigations, and improve collaboration between auditors and investigators.

MNIT – Technology Industry Anti-Fraud Perspective

- Build a proactive, layered approach into digital services

  - Implementing multi-layered security measures to mitigate fraud at various levels

  - Leveraging AI and machine learning for anomaly detection and fraud prevention

  - Enhancing identity verification with real-time risk assessment

- Take a risk-based approach to digital identities to prevent and detect fraud

  - Adapting friction levels based on transaction risk: high-risk/high-friction and low-risk/low-friction

  - Use AI to analyze behavioral data and detect fraud patterns before they escalate

MNIT – Aligning New Opportunities with Existing Strategies

- Some of our current IT fraud prevention strategies

    - LoginMN

        - Reducing vulnerabilities by unifying access management for all public-facing services.

        - Strengthens login security through multi-factor authentication (MFA).

        - Utilizes data-driven techniques for identity verification (identity proofing).

    - Profile management – Enhancing user control and security over digital identities.

- 2025 Governor's budget request

    - Leveraging AI for continuous fraud monitoring and threat detection at the program level

MDE – Fraud Prevention and Program Integrity

Targeted supports, oversight, and authority to enhance department-wide fraud prevention and program integrity:

- $550,000 annually for additional legal staff to increase Office of Inspector General (OIG) investigative capacity and support for charter and nutrition divisions. Also includes software additions to improve OIG analysis and investigations.

- Expand OIG jurisdiction, improve investigative data protection, enhance sanctions available and process, and increase investigatory compliance expectations for program participants.

- Improve charter school procurement, audit, and transparency expectations.

Admin – Enhanced Grants Protection

- Expand debarment authority

  - Debarring a grantee prohibits them from receiving grant funds
  - Proposal would prevent those who have not received state funds in the past but have engaged in or been convicted of debarment-worthy causes from receiving grant funds
  - Debarment causes:
    - Embezzlement
    - Theft
    - Bribery
    - Falsification of records
    - Other serious convictions and violations

- State employees required to report violations of grants laws or rules

Questions?