Summary **September 2026**

OLA Summary of Optum Vulnerability Assessment

Background

On January 31, 2026, Optum State Government Solutions (Optum) submitted a Vulnerability Assessment (the assessment) to the Minnesota Department of Human Services (DHS) and Minnesota IT Services (MNIT). The assessment identified potential vulnerabilities to fraud, waste, and abuse in 14 human services programs that the state identified as high risk. DHS publicly released the assessment report but redacted significant portions due to the data's classification under the Minnesota Government Data Practices Act as not public security, trade secret, and auditing data.[1]

By law, entities subject to the authority of the Office of the Legislative Auditor (OLA)—such as DHS, MNIT, and Optum (as a recipient of public funds)—must provide data of any classification to OLA upon request.[2] In February 2026, DHS provided OLA an unredacted copy of the assessment. In March 2026, a member of the Minnesota Legislature requested that OLA provide a summary of the assessment's contents to the Legislature.

In this report, we summarize the program vulnerabilities described in the assessment and outline select recommendations made by Optum to mitigate the vulnerabilities outlined in the assessment. We also provide our own recommendations to DHS, MNIT, and the Legislature based on our review of the assessment and relevant standards and best practices from the federal government.[3] We first discuss system-level recommendations that apply across all 14 programs included in the Optum report; we then provide information on specific vulnerabilities and present recommendations to address them.

OLA did not independently verify Optum's work, and this summary should not be interpreted as an endorsement of Optum's findings or recommendations. Instead, we aim to strengthen legislative oversight by providing the Legislature with a summary of the assessment's contents while also protecting not public data.

[1] *Minnesota Statutes* 2025, Chapter 13, is the Minnesota Government Data Practices Act.

[2] *Minnesota Statutes* 2025, 3.978, subd. 2.

[3] The standards and best practices we used include: Office of Management and Budget, *Management's Responsibility for Internal Control*, *OMB Circular No. A-123* (2026), and United States Government Accountability Office, *A Framework for Managing Fraud Risks in Federal Programs*, *GAO-15-593SP* (2015); *Government Auditing Standards*, *GAO-24-106786* (2024); and *Standards for Internal Control in the Federal Government*, *GAO-25-107721* (2025).

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System-Level Recommendations

System-level recommendations are those that apply broadly to DHS's administration of the 14 high-risk programs included in Optum's vulnerability assessment.

Select Optum Recommendations

The recommendations listed below are based on recommendations Optum made in its vulnerability assessment. We excluded some recommendations and rephrased others to provide as much information as possible while still protecting not public data.

1. DHS should develop an organizational structure to support its program integrity office and the detection of possible fraud, waste, and abuse.
2. DHS should determine the staffing levels and training needed to implement the solutions and process improvements described in the assessment.
3. DHS policies should be designed or clarified so that fraud, waste, abuse, and other noncompliance with law can be identified before losses occur.
4. The Legislature or DHS should define eligibility requirements in law or policy in enough detail to reduce the need for interpretation. For example:
    - Clarify the diagnoses that make someone eligible for a service.
    - Define terms essential to determining eligibility.
5. DHS policies should support tools that allow access to patient treatment history.
6. DHS policies should encourage providers to coordinate services.
7. DHS policies should use a consistent format and provide clear information so that providers and other stakeholders can better anticipate how claims will be adjudicated.
8. DHS should develop policies to help staff identify unusual claims and claim patterns and know when to escalate such claims for additional review.
9. DHS should revise its claims coding and billing policies to align with industry best practices.
10. DHS should consolidate information needed to approve claims into one data system.
11. DHS should ensure that all claims have a provider identifier.
12. DHS should require claim and authorization codes to be program, service, and procedure specific.
13. DHS should ensure that any exceptions or edits in DHS's claims payment system discourage exploitation.
14. DHS should ensure claims edits and exceptions appropriately consider Medicare determinations when a service is covered by both Medicare and Medicaid.
15. DHS staff should not authorize ineligible services or services beyond benefit limits.
16. DHS should use an automated process to identify claims for pre-payment investigation and hold payment on those claims during investigation.

OLA Recommendations

Based on our review of Optum's assessment, relevant standards, and best practices, we recommend:

1. DHS should periodically conduct fraud risk assessments tailored to each Medicaid program. During these fraud risk assessments, DHS should assess the likelihood and impact of fraud risks.

2. DHS should plan to conduct fraud risk assessments at regular intervals and when there are changes to the program or operating environment.

3. In response to Optum's assessment, and as part of a regular risk assessment process, DHS should develop an inventory of controls based upon identified fraud risks for each program. For each risk, DHS should identify the mitigating:
    - Information technology (IT) controls, such as system edit checks, automated flags, routine data analytics, and anomaly detection.
    - Internal controls, such as policies concerning pre- and post-payment claim review and adjudication, desk audits, document reviews, site visits, pre-pay investigations, and service and payment authorizations.

4. DHS, in collaboration with MNIT, should develop adequate IT controls to ensure that coding and billing practices meet established industry standards.

5. DHS should ensure it has the staffing and technical tools necessary to proactively detect emerging patterns of fraud, waste, and abuse.

6. DHS, in collaboration with MNIT, should develop system capabilities that enable data sharing between related programs and providers.

7. DHS and the Legislature should identify similar and duplicative services across programs to determine whether certain programs should be consolidated or reconfigured.

8. DHS and the Legislature should ensure that program benefit limits are defined in policy and law and can be clearly applied, including limits regarding:
    - Hours of service per day.
    - Number of services per day.
    - Number of concurrent services.
    - Duration (days) of program participation.

Vulnerabilities Summary

Below, we summarize the different types of vulnerabilities Optum identified in its assessment. Based on these themes, we present additional recommendations for the Legislature and DHS to consider.

Eligibility, Assessment, and Referral Issues

Optum identified several programs as vulnerable due to issues with eligibility, such as:

- Overly broad, vague, or undefined eligibility criteria.
- Lack of clear guidance regarding the required frequency or recency of eligibility assessments.
- Services provided prior to completing required assessments or prior to receiving required referral information.

OLA Recommendations

▶ The Legislature should ensure eligibility criteria established in law are clear and explicitly defined.

▶ DHS should:

1. Provide clear guidance and specific policies regarding eligibility criteria.
2. Provide clear guidance regarding all assessments and medical diagnoses that are required for service provision.
3. Make policy and technology changes to ensure services are not reimbursed until required assessments are completed and eligibility has been established.

Authorization Issues

Optum identified several programs as vulnerable due to authorization issues, such as:

- Services provided without clear, proper, service-specific, or validated authorization.
- Services authorized despite ineligibility or other noncompliance associated with the claim.

OLA Recommendation

▶ DHS should update its systems, policies, and internal controls to address the authorization issues Optum identified.

Service Frequency and Duration Issues

Optum identified several programs as vulnerable due to issues related to the allowable duration or frequency of services.

OLA Recommendations

▶ The Legislature should establish in statute or direct DHS to clarify:

1. The maximum number of hours that can be billed for a given program or service provided to an individual in a single billing cycle.
2. Limits on the duration of services.

▶ DHS should improve internal controls and IT controls regarding allowable frequency and duration of services.

Provider Identities and Multiple Providers

Optum identified several programs as having vulnerabilities related to provider identities, such as:

- Provider information not always included in claims data.
- Lack of coordination across providers.

OLA Recommendations

▶ The Legislature should require that all claims include a unique identifier for the person who provided the services.

▶ DHS should update its systems to automatically:

1. Disallow claims that do not contain required provider information.
2. Flag for review suspicious billing patterns related to multiple providers.

Service Overlap Across Programs

Multiple programs share the same goals or provide the same services, which increases the risk of duplication of services, excessive use of services through multiple programs, and poor coordination of care.

OLA Recommendation

▶ The Legislature, in consultation with DHS, should review existing programs to determine whether programs can be consolidated or reconfigured so as to minimize the extent to which multiple programs share the same goals or provide the same services to the same target population.

Coding and Billing Ambiguities

Optum identified several programs as vulnerable due to issues with ambiguous coding or underspecified billing policies, such as billing codes that are not specific to a program, service, or authorization.

OLA Recommendation

- DHS should strengthen its coding and billing policies to ensure compliance with legal requirements and discourage fraud, waste, and abuse.

Place of Service and Provider Location Issues

Optum identified several programs as vulnerable due to issues related to the place of service or provider location.

OLA Recommendation

- DHS should strengthen its internal controls and IT controls regarding place of service and provider location. If needed, DHS should work with the Legislature to strengthen statutes accordingly.

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September 21, 2026

Ms. Judy Randall
Legislative Auditor
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via Email only

Dear Ms. Randall:

Thank you for the opportunity to review and comment on your office's summary report titled *OLA Summary of Optum Vulnerability Assessment*. The Department values the Office of Legislative Auditor's (OLA) review and is assessing the OLA's recommendations to determine how best to continue eliminating program vulnerabilities and strengthening program integrity.

The Department wishes to note that many of the claims initially identified in the Optum report were later determined not to warrant concern after the analytics were corrected to ensure they properly reflect program policy. After refining the analytics, the total number of flagged claims was significantly reduced, and the number of denied claims are minimal. It is also important to note that a flag for review is not a finding of fraud, waste, or abuse. Flags are an expected and routine part of the process and simply indicate where deeper analysis may be needed.

DHS is continuing to develop a long-term strategy for prepayment review and payment integrity based on its work with Optum and the recent 2026 legislative session.

Finally, per 2026 Minn. Laws, Ch. 95, Art. 9, § 9(b), legislative committees with jurisdiction over human services policy and finance can receive unredacted copies of the initial Optum reports, except for redactions requested by Optum to protect propriety information, upon a joint request by the chairs and ranking minority members of the committee. As of the date of this letter, no legislative committee has made a joint request for the initial Optum reports.

Sincerely,

John M. Connolly, Ph.D., M.S.Ed.
Temporary Commissioner
State Medicaid Director