

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop: S2-26-12
Baltimore, Maryland 21244-1850



Financial Management Group
Division of Financial Operations West

April 29, 2026

John Connolly
State Medicaid Director
Department of Human Services
444 Lafayette Road
St. Paul, MN 55155

Deferral Numbers: MN/2026/1/E/01/MAP - MN/2026/1/E/02/ADM - MN/2026/1/E/03/MAP

Dear Director Connolly,

This letter constitutes a notice of three repeat deferrals totaling \$91,173,859 in federal financial participation (FFP). Under CMS's standard process, when CMS defers questionable or potentially unallowable expenditures, it continues to defer similar claims in subsequent quarters until the State demonstrates that the claims are allowable, ceases the claiming, or implements corrective action to ensure accurate claiming.

These repeat deferrals reflect unresolved issues identified in prior quarters that require continued follow-up. The deferred amount represents expenditures claimed on Form CMS-64 for the quarter ending December 31, 2025, and certified on March 5, 2026.

42 C.F.R. § 430.40(b)(2) provides that the State bears the burden to establish the allowability of deferred claims. When CMS questions the allowability of claims and requires additional information to resolve that question, the State must provide the requested documentation "in readily available form" within the timeframes specified in 42 C.F.R. § 430.40. Alternatively, the State may remove the deferred claims by submitting a line 10B decreasing the adjustment on the next quarterly CMS-64.

During the pendency of these deferrals, the State should reduce its draws in the Payment Management System (PMS) by the following amounts: MAP26 - \$86,872,820 and ADM26 - \$4,301,039. CMS has issued a negative grant award in the amount of \$91,173,859 in federal share, dated April 29, 2026.

CMS identified \$10,511,074 FFP (MN/2026/1/E/01/MAP) related to an ongoing review of claims documentation for services furnished to individuals lacking satisfactory immigration

status. The supporting documentation does not appear to comply with section 1903(v) of the Social Security Act nor to satisfy Minnesota’s policy for emergency Medicaid services. We are requesting Minnesota either provide additional documentation supporting the claims or make a decreasing Line 10B adjustment on the next quarterly CMS-64 submission.

CMS has identified \$4,301,039 FFP (MN/2026/1/E/02/ADM) as deferred pending continued review of documentation supporting the proper allocation of administrative costs, including costs associated with State-only health programs and individuals lacking satisfactory immigration status.

CMS’s deferral is based on applying a 5.29% allocation factor—derived from the claims volume associated with State-only health programs in Minnesota’s Advanced Planning Document for its Medicaid Management System—to the relevant administrative lines on Form CMS-64.10.

To resolve the deferral, the State must either: (1) provide supporting documentation demonstrating that no allocation to State-only programs is required; (2) submit a revised allocation methodology, consistent with and supported by the State’s approved Public Assistance Cost Allocation Plan; or (3) remove the deferred amounts through a Line 10B decreasing adjustment on the next quarterly CMS-64.

CMS has identified \$76,361,746 FFP (MN/2026/1/E/03/MAP) as deferred pending ongoing review of State expenditures, including fourteen high-risk Medicaid service areas identified as particularly vulnerable to fraud or abuse.

Of this amount, \$3,640,646 in FFP requires additional documentation to support the allowability.

The remaining \$72,721,100 reflects State claims for FFP associated with reimbursement claims submitted by providers identified by CMS as high-risk for fraud or aberrant billing practices, based on historical billing patterns and CMS data analytics.

To resolve this deferral, the State must either: (1) provide additional state and provider documentation to support allowability, including through CMS sample-based reviews; or (2) remove the deferred amounts through 10B decreasing adjustments on the next quarterly CMS-64 submission.

Under 42 C.F.R. §430.40, the State must, within 60 days from receipt of this letter, provide all documents and materials supporting the allowability of the above claims that have not already been submitted to CMS. The State must submit the requested information in readily reviewable form.

If the State cannot provide the required information within the 60 days, it may request an extension up to an additional 60 days in accordance with 42 C.F.R. §430.40(c)(1). Any request for an extension must be submitted to CMS’s Financial Analyst, Audrey Mattison at audrey.mattison@cms.hhs.gov.

Should you require further details regarding this matter, please contact Jeffrey Branch, Branch Chief, Branch A, Division of Financial Operations West, Financial Management Group, CMS at jeffrey.branch@cms.hhs.gov or (214) 326-9038.

Sincerely,

Dorothy Ferguson, Director
Division of Financial Operations West