Notification of RY 2025 Medicaid Improper Payment Rates

State: **Minnesota**
Date: **January 20, 2026**

The Payment Integrity Information Act of 2019 requires federal agencies to annually review programs susceptible to significant improper payments, to estimate the amount of improper payments, report those estimates to Congress, and submit a report on actions the agency is taking to reduce the improper payments.

Medicaid and the Children's Health Insurance Program (CHIP) were identified as programs at risk for significant improper payments. The Centers for Medicare & Medicaid Services (CMS) measures Medicaid and CHIP improper payments through the Payment Error Rate Measurement (PERM) program. Under PERM, reviews are conducted in three component areas (Fee-For-Service [FFS], managed care [MC], and eligibility) for both the Medicaid program and CHIP. The results of these reviews are used to produce national program improper payment rates, as well as state-specific program improper payment rates. The PERM program uses a three-year rotation cycle for measuring improper payments, so every state is measured once every three years and one third of states is measured each year. Minnesota is a Cycle 1 state, measured in Reporting Year (RY) 2025[1], and will be measured again in RY 2028.[2]

This letter is an official notice of Minnesota's RY 2025 Medicaid program and component improper payment rates, as well as preliminary Medicaid sample sizes and target Medicaid improper payment rates for Minnesota's next PERM cycle.

[1]Please note that RY 2025 is comprised of reviews of payments made July 1, 2023 – June 30, 2024.
[2]Please note that RY 2028 is comprised of reviews of payments made July 1, 2026 – June 30, 2027.

Minnesota Medicaid Improper Payment Rates for RY 2025

Table 1 displays RY 2025 sample sizes, improper payment rates, and confidence intervals for each component.[3]

Table 1: Minnesota RY 2025 Medicaid Improper Payment Rates

Component	RY 2025 Sample Size	Improper Payment Rate Estimate	Lower Confidence Interval (95%)	Upper Confidence Interval (95%)
Overall	**900**	**2.16%**	**0.76%**	**3.56%**
FFS	605	1.32%	0.44%	2.20%
MC	69	0.00%	0.00%	0.00%
Eligibility[4]	226	1.52%	0.18%	2.87%

Please note that improper payments do not necessarily represent expenses that should not have occurred. For example, instances where information required for payment was missing from the claim and/or states did not follow the appropriate process for enrolling providers are cited as improper payments. However, if the missing information had been on the claim and/or had the state complied with the enrollment requirements, then the claims may have been payable. For a breakout of Minnesota's improper payments representing claims where CMS determined that the Medicaid payment should not have been made, or should have been made in a different amount and are considered a known monetary loss to the program (e.g., not medically necessary, made for a non-covered service, paid to a provider not enrolled in the program), please see Minnesota's Cycle Summary Report.

During the current cycle, the review contractors have been working independently and with states to verify certain situations where documentation to support state action could not be provided. This process includes reviewing databases related to provider enrollment requirements and/or eligibility determination information to evaluate if a provider or beneficiary would have been eligible to provide or receive services, had the state properly documented its required actions to confirm eligibility or enrollment requirements. While any findings related to this additional step of independent verification did not change the actual finding of the PERM review, if the contractor is able to confirm that the provider or beneficiary would have been eligible to be enrolled, these findings will be considered technically improper. Appendix C of the Office of Management and Budget (OMB) A-123 Circular defines "A 'technically improper' payment as a payment to the right recipient for the right amount and therefore does not result in the need for the program to recover funds due to overpayment." Technically improper payments will not be included on the state's Final Errors for Recovery, or FEFR, report. Therefore, recovery of funds for the overpayment will not be required. However, an overpayment recovery may still be assessed if a medical review error or a separate data processing error also exists on the claim. The state will still be required to respond to technically improper payments within their Corrective Action Plan

[3] A confidence interval is a range around a measurement that conveys the precision of that measurement. If multiple samples were drawn and reviewed, the results would fall within the ranges shown 95% of the time.

[4] The eligibility component sample is derived from the FFS and MC universes.

(CAP). Further information on these independently verified claims will be included as part of a Supplemental PERM Findings Report. That document will outline more detail about the findings of this effort.

Please also note that, in response to the Coronavirus Disease 2019 (COVID-19) Public Health Emergency (PHE), the RY 2025 improper payment estimates reflect PERM reviews that accounted for certain flexibilities afforded to states during the PHE and its unwinding, such as postponed eligibility determinations and reduced requirements around provider enrollment/revalidation. The impact of COVID-19 PHE and unwinding flexibilities on PERM review results should be considered when evaluating improvements in improper payments from the previous cycle. This impact should also be accounted for in planning for the next cycle in order to avoid future improper payments when those flexibilities are no longer in place.

RY 2025 Next Steps

Your state must develop a CAP to address all errors identified during the RY 2025 PERM cycle. CMS expects to recover the federal share on a claim-by-claim basis from the FFS and MC overpayments found in error that do not fall under the definition of technically improper. Eligibility disallowances can be enforced if your state does not meet the good faith effort requirement established by section 1903(u) of the Social Security Act (i.e., complying with the Medicaid Eligibility Quality Control and CAP requirements outlined in 82 FR § 31158 and PERM disallowance regulations outlined in 42 CFR § 431.1010(b)).

Minnesota Preliminary RY 2028 Medicaid Sample Size Estimates

Table 2 displays your state's estimated component sample sizes for RY 2028. Your state's previous Medicaid improper payment rates, expenditures, and payment variation were reviewed to establish the RY 2028 sample sizes.

Table 2: Minnesota Preliminary RY 2028 Medicaid Sample Size

Component	RY 2028 Medicaid Sample Size
Overall	**900**
FFS	487
MC	72
Eligibility	341
Note: The Overall sample size is based on the total number of reviews for the state. Some claims may be sampled for multiple reviews.	

Note that the sample sizes for each component in Table 2 are preliminary. Your state's sample size will be finalized by CMS at the beginning of the RY 2028 cycle.

Minnesota Medicaid Target Improper Payment Rates for RY 2028

OMB guidance requires agencies to set targets for future improper payment rates. National Medicaid targets are negotiated by the Department of Health & Human Services, OMB, and CMS. CMS calculates state-specific improper payment rate targets to allow CMS to partner with states to meet the national Medicaid improper payment rate target. Table 3 shows Minnesota's target improper payment rates for the next cycle.

Table 3: Minnesota RY 2028 Medicaid Target Improper Payment Rates

Minnesota	FFS	MC	Eligibility	Overall
Target RY 2028 Rate	1.32%	0.00%	3.00%	3.62%

For the RY 2028 targets, states are asked to reduce their FFS and MC component improper payment rates by 50 percent of the difference between the current RY 2025 rate and an anchor rate (currently set at 3 percent for FFS and 1 percent for MC). If the current rate is below the anchor, the RY 2028 target is the same as the current rate. Eligibility targets are set at 3 percent for every state, as the 3 percent threshold for state eligibility-related improper payments in any year is established by section 1903(u) of the Social Security Act.