

Fraud investigations are crumbling this state's Medicaid system

The Trump administration's crackdown on Medicaid fraud in Minnesota has upended finances and disrupted access to care.

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07/15/2026 04:59 AM EDT|Updated: 07/16/2026 11:51 AM EDT

BARNUM, Minnesota — Looking across her farm in rural Minnesota, Heather Wright takes stock of what she's lost. Six months ago, she had a herd of 60 cattle and a full staff on her farm providing therapy for children with autism. Those cows have since been sold off, along with company cars, and several employees have left for steadier jobs at a convenience store.

Losses like Wright's are happening all across Minnesota, where the Trump administration's sweeping crackdown on Medicaid fraud is upending the finances of thousands of health care providers that depend on

the government program to stay afloat.

"We are panicking about how we are going to serve them," Wright said about her clients. Her company, NorthStar Community Services, helps more than two dozen children with autism in Northeast Minnesota, many of whom have no alternatives for care in the region.

A series of high-profile scandals made Minnesota the center of President Donald Trump's crackdown on immigration and alleged fraud in Medicaid, the government health insurance program for low-income individuals and people with disabilities. To avert \$2 billion in cuts, the state paused Medicaid reimbursements to thousands of providers like Wright in December while it implemented new anti-fraud measures.

Centers for Medicare and Medicaid Administrator Mehmet Oz declared an audit of Minnesota's Medicaid claims in January, citing concerns about "the deep rot" in the state's social services system and promised to withhold payments "until the state cleans up its act." A few months later, the state disenrolled Wright and many other practices — a majority of which have appealed — in what some providers called a rushed and haphazard "revalidation" process.

Minnesota was only the start of a fraud-busting campaign the administration is now taking nationwide, using the increased scrutiny to rally Republicans around [an economic message with voters](#) ahead of the midterms. And while Minnesota providers and patients say they support targeting fraud as a priority, they argue the state's poor communication and scorched-earth tactics have put its care economy in a crisis.

“We made it by the hair on our chin,” said Calli Brown, founder of Learnability, which provides staffing for adults with severe disabilities in the state. Brown borrowed \$60,000 from a friend and said she took out \$30,000 in retirement savings to keep operations afloat when the state paused her payments for 45 days. She said several of her clients, who depend on intensive support and stability, are at risk of losing caretakers and homes they've had for years.

CMS did not return a request for comment on whether it is concerned similar problems could occur in other states that are revalidating providers. The White House did not respond to a request for comment.

Minnesota's leaders argue the state has been unfairly targeted for political purposes by the Trump administration, and was “under tremendous pressure” from the federal government to quickly conduct revalidation, which requires verifying enrollment and credentials and performing site visits. The state's Department of Human Services told POLITICO revalidation is already done every three years for high-risk providers and takes 18 months to complete, much longer than the four-month timeframe it used this year.

Minnesota Governor Tim Walz, the 2024 Democratic nominee for vice president, has [publicly sparred](#) with the Trump administration over immigration and blasted the freezing of Medicaid payments, calling the

crackdowns a “campaign of retribution” repeatedly on social media. As the Trump administration orders other states to embark on their own revalidation plans, Minnesota's providers and patients urge them not to follow their state's playbook.

“[Minnesota] is a cautionary tale for how not to handle this,” said Jennifer Larson, founder of the Holland Center, an autism therapy provider in Minnesota. A former Republican delegate for Minnesota, Larson had to leverage \$500,000 from her IT business to meet payroll when the state paused her Medicaid payments.

“They taxed all of us financially,” Larson said. “The money is gone and the innocent are paying for it.”

The cost of fraudbusting

On Christmas Eve, thousands of Minnesota providers received an email from the state’s Department of Human Services saying that upcoming Medicaid payments would be suspended while the state reviewed claims for 14 services deemed “high risk” for fraud, including autism therapy, home health aides and mental health support.

The move marked an escalation in the state’s effort to combat Medicaid fraud after Walz announced the suspension earlier that year but did not say when it would begin. Walz would later abandon his bid for a third term as governor amid mounting criticism of his administration’s handling of fraud. The sudden freeze left providers scrambling. Several told POLITICO they rushed to secure a loan or resorted to personal savings when banks stopped lending because of fraud concerns.

“We continue to struggle financially,” said Ayub Jiru, who owns Loyal Adult Daycare, which assists elderly people in St. Anthony, a suburb of the Twin Cities. He said the payment suspension caused him to fall behind on rent for two months. Some of his Ethiopian American clients carried their U.S. passports to the center out of fear of being detained when the Trump administration sent immigration agents to the state.

Fraud has plagued Minnesota’s safety-net system for years. The issue came to the forefront in 2022 when the Justice Department [charged dozens of people](#) in connection to a \$250 million fraud scheme involving Feeding Our Future, a Minnesota nonprofit that exploited federal childhood nutrition program funds during the Covid-19 pandemic. While court proceedings are ongoing, prosecutors have secured more than 60 convictions, and a judge sentenced its ringleader to 500 months in prison in May.

The scandal paved the way for Minnesota to become the focal point for Trump’s overlapping fraud and immigration agendas in his second term after many of those charged were of Somali descent. Trump has made tackling fraud a key priority in his second administration, declaring a “war on fraud” and appointing vice president JD Vance as his “fraud czar.” His administration threatened to withhold \$2 billion in future Medicaid payments and launched “Operation Metro Surge” late last year, sending thousands of immigration agents to the state. The operation received widespread backlash and resulted in two fatal shootings by federal agents.

Some state programs targeted by the Trump administration have seen massive increases in spending in recent years. Spending on early autism treatment services, for example, grew from \$33 million in 2020 to \$295 million in 2025, while spending on housing stability grew more than 20-fold before the program was shut down last year for widespread fraud, according to state data. The two programs were named in the \$90 million Medicaid fraud charges brought by the Justice Department in May against 15 individuals in Minnesota. Health Secretary Robert F. Kennedy Jr. called the arrests “the largest autism fraud bust in American history.”

In total, state spending on the 14 services deemed high-risk for fraud more than doubled from \$1.4 billion in 2020 to \$3.7 billion in 2025.

Earlier in the year, Minnesota tried to avoid financial hits to its Medicaid program. It issued a new corrective action plan in January after CMS ruled its initial version inadequate. The federal agency approved that plan in March and paused the effort to withhold \$2 billion. The agency, however, has withheld more than \$300 million in Medicaid payments to the state for claims already paid out, saying the claims appear suspicious and demanding the state prove otherwise. The state has sued CMS to release this deferred payment. Minnesota cleared a major hurdle in its corrective action plan at the end of May, announcing it met its deadline to revalidate thousands of high-risk service providers in four months.

For many providers, revalidation exposed what they saw as the state’s poor planning and communication around its anti-fraud effort. Multiple providers told POLITICO the state sent personnel from non-health agencies, including the Department of Natural Resources and the Department of Transportation, who were ill-equipped to assess their site. Providers, including Wright, said they were terminated for missing paperwork they submitted on time or were never told to provide.

Minnesota’s human services department said in a statement it needed to enlist state employees from 10 other agencies, as well as temporary hires, because it was under “tremendous pressure” by CMS to meet the deadline. The department disputes that Wright submitted all her paperwork and also attributed her termination to a misclassified employee. The state has re-approved Wright for autism therapy after she appealed the termination, but her other services, including in-home assistance, are pending.

Ultimately, the Department of Human Services disenrolled more than 60 percent of the 5,583 providers it was required to revalidate, most because of

incomplete paperwork and documentation. Following industry outcry, the agency told terminated providers that Medicaid payments would resume if they appealed, but providers say they still aren't authorized to enroll new clients or onboard staff for services until a final decision is made. As of mid-June, 75 percent of terminated providers have appealed, according to the agency.

"It's literally trauma after trauma after trauma," said Paige Berland, co-founder of Minnesota Behavioral Specialists, which provides autism therapy in Bloomington, a Twin Cities suburb. Berland and her co-founder Camille Heyman said they took out more than \$200,000 in credit, personal loans and retirement savings to stay afloat when payments froze. They were notified in June their center was terminated due to an employee who was misclassified during a site visit from a Department of Transportation official. Berland reckons they can last another three months if the state doesn't approve them for Medicaid.

The state human services department said that "correctly identifying organization leadership is essential" and that failure to properly disclose management, provide access to sites and incomplete applications were common reasons for termination notices.

While providers and patients acknowledged the need for safeguards, they say the state's response undermines programs that made Minnesota a leader in autism therapy and assisted living services. They also warn that anti-fraud measures could deter workers from entering the care economy and increase government spending as patients without services turn to emergency rooms or require more intensive care later.

"To think that this is going to somehow create savings is a complete illusion," said Ed Funk, a resident of Golden Valley, a Minneapolis suburb. Funk retired in February to help his wife care for their 30-year-old daughter Sophie, who has autism and a history of digestive and developmental issues. Sophie, who is slated for surgery to remove her colon, relies on the state's night supervision and home support programs, Medicaid services deemed high risk for fraud.

She needs 24-hour care from Learnability, but the state legislature recently enacted measures to cut down home support to no more than six hours a day. Early results of the anti-fraud crackdown have left some providers and patients questioning whether the payoff was worth the disruption. Of the 2 million claims suspended for review between January and mid-May, only 0.06 percent were denied, according to state data. Its revalidation process did not

reveal cases of fraud, but the Minnesota health agency flagged 59 providers — about 1 percent of those it had to revalidate — for further review.

“They take that one thing, and they make it big, and so everybody thinks there’s fraud under every pebble,” said Karen Goedken, whose daughter Alex, who has schizophrenia, autism and other developmental disabilities, relies on 24-hour care from Medicaid services provided by Learnability. She worries she and her husband wouldn’t be able to handle the care if services stop or get reduced.

“We’re 78. We’re not working full-time, but are we supposed to be the answer forever?” said Goedken. “The powers that be at Medicare and Medicaid, the people running it, you just feel like they don’t care.”

Coast to coast

Minnesota will not be the last state to undertake revalidation.

At POLITICO’s Health Care Summit in April, Oz said he was taking his [fraud-busting nationwide](#), requiring all states draft plans to revalidate providers of high-risk services.

“We’re asking the states to own that problem... red and blue, all of them,” he said.

But it remains unclear if states will have only several months to undertake a revalidation like Minnesota. Public documents show California has proposed a revalidation process spanning 10 months, while North Dakota has proposed a timeline ranging from three to 18 months depending on the type of service provider.

CMS told Minnesota last year to do the revalidation as “soon as practicable,” according to the state’s December corrective action plan.

The state’s human services department said in a statement to POLITICO that the four-month revalidation period was the minimum timeframe that could be done under state law. However, Oz told the state it was not moving fast enough.

CMS said in a statement to POLITICO it has received revalidation plans from all 50 states. The agency is examining the plans but did not detail next steps. It did not return a request for comment on whether it gave states a specific deadline or if it pressured Minnesota.

The agency has taken several steps this year to combat fraud in other states, primarily blue states led by Democratic governors.

In May, [CMS withheld \\$1.3 billion in Medicaid payments to California](#) over concerns surrounding fraud, including higher spending for personal care services like dressing or bathing older Americans. On the same day, the agency froze new signups of home and hospice care providers on Medicare for all states.

California argues it has taken several steps to combat fraud and the increase in spending is part of a larger effort to shift care from institutions like hospitals or nursing homes into the home.

In Congress, Republicans are considering reforms to tackle Medicaid fraud in a potential third filibuster-skirting reconciliation package before the midterms. The package would build on their first reconciliation package enacted last year that included nearly \$1 trillion in Medicaid cuts.

As other states launch revalidation plans, Minnesota providers and patients urged agencies to provide clear timelines, prioritize access to care, and ensure they had systems that can handle the volume of required documentation.

“There’s a disconnect between policy decisions and how they impact communities they serve,” said Maren Christenson Hofer, executive director of the Multicultural Autism Action Network and mother to a 15-year-old child with autism. Some of the families her nonprofit served had to quit their jobs to care for their children when providers cut services during the payment freeze. “The fraud prevention is causing so much more harm than fraud ever did,” Hofer said. “You took a financial problem and you turned it into a problem of survival.”