A bill for an act

relating to state government; requiring the Department of Labor and Industry to issue a request for proposals for a contract to reduce improper workers' compensation payments.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **REQUEST FOR PROPOSALS.**

(a) The commissioner of labor and industry shall issue a request for proposals for a contract to use technologically advanced software and services to improve the identification and rejection of improper payments in the workers' compensation system. The request for proposals must ensure that a system recommended and implemented by the contractor will:

(1) implement a more comprehensive, robust, and technologically advanced improper payments identification program;

(2) utilize state of the art fraud detection methods and technologies such as predictive modeling, link analysis, and anomaly or outlier detection;

(3) have the ability to identify and report improper payments before the payments are made;

(4) include a mechanism so that the system improves its detection capabilities over time;

(5) leverage technology to make the payment evaluation process more transparent and cost-efficient; and

(6) result in increased savings by reducing or eliminating wrongful payments.

(b) Based on responses to the request for proposal, the commissioner must enter into a contract for the services specified in paragraph (a) by October 1, 2011. The contract

shall incorporate a performance-based vendor financing option whereby the vendor shares in the risk of the project's success.

EFFECTIVE DATE. This section is effective the day following final enactment.