

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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ORIGINAL

Bill Number: SB357 **Patron:** McDougle
Bill Title: Office of Medicaid Financial Oversight established; report.

Bill Summary: Establishes the Office of Medicaid Financial Oversight as an independent agency to provide financial oversight and fiscal accountability for the Commonwealth's Medicaid and children's health insurance programs.

Budget Amendment Necessary: Yes **Items Impacted:** New Item

Fiscal Summary: The bill establishes the Office of Medicaid Financial Oversight as an independent agency of the Commonwealth. The Office will be expected to provide financial oversight and fiscal accountability for the Commonwealth's Medicaid and children's health insurance programs. It is expected that, at a minimum, the Office will require nine full-time positions at a cost of \$1.4 million (salary + benefits). In addition, approximately \$0.7 million would be needed to cover nonpersonal services costs. The total cost of establishing the Office is estimated to be \$2.2 million.

The Office is expected to provide independent financial monitoring of an estimated \$29.7 billion of annual medical assistance spending in the Commonwealth. As such, there is an opportunity for future program efficiencies and cost avoidance. However, any potential offsets are indeterminate at this time.

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
OMFO (New)	-	\$1,094,680	\$1,094,680	\$1,094,680	\$1,094,680	\$1,094,680
DMAS (602)	-	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
TOTAL		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Nongeneral Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
OMFO (New)	-	\$1,094,680	\$1,094,680	\$1,094,680	\$1,094,680	\$1,094,680
DMAS (602)	-	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
TOTAL		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
OMFO (New)	-	9.0	9.0	9.0	9.0	9.0

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Fiscal Analysis: The Office established by this bill will be required to perform financial and fiscal oversight of approximately \$29.7 billion of annual medical assistance spending. Specifically, the Office is charged with the following responsibilities:

- Prepare a monthly budget variance report on the Medicaid and children's health insurance programs with an explanation of any variance between expenditures and budget.
- Review the annual Medicaid forecast and providing feedback on the validity of its assumptions.
- Review spending on a regular basis to determine unexplained trends that may have a significant and unplanned fiscal impact.
- Review managed care rates to determine if the rates are cost-effective.
- Monitor the Medicaid and children's health insurance programs to ensure cost-effectiveness in the delivery of health care services.
- Review and make recommendations regarding any federal deferral or disallowance.
- Review and determine the fiscal impact of any change to the Commonwealth's Medicaid or children's health insurance programs.
- Submit an annual report regarding the fiscal impact of any policy changes implemented for the Medicaid and children's health insurance programs in the Commonwealth.
- Track the cost of policy changes for six years following the date of implementation.
- Monitor and review the collection of pharmacy rebates and provider assessment dollars.
- Make an annual report of Office activities.

In order to carry out the responsibilities identified in the bill, the Office will require, at least, nine additional positions with specific skillsets. This includes a director, health policy supervisor, economist, forensic accountant, actuary, and two program specialists. In addition, it is expected that this independent Office will require two positions (office manager and administrative assistant) to handle operational and back-office functions. Based on average starting salaries for these professions, salary costs are estimated to be \$1,030,000 with fringe benefits costing an additional \$411,216. Nonpersonal services costs (rent, information technology, equipment, etc.) is estimated to cost \$748,145 based on average FY 2024 spending of similar sized independent agencies. The total cost of operating the Office is estimated to be \$2,189,360 annually. The bill's enactment clause directs DMAS to transfer federal matching dollars to cover the Office eligible operating costs. The expenditure impact assumes that Office expenses would be eligible for a 50 percent federal match per this enactment. Should any Office expenses be deemed ineligible for federal reimbursement, then those amounts would need to be backfilled with general fund support.

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The FY 2026 appropriation for the Department of Medical Assistance Services is expected to be approximately \$29.7 billion with the Medicaid program representing \$28.9 billion of that amount in FY 2027. It is assumed that based on the intensive monitoring and review activities required of the Office may generate program efficiencies and future cost avoidance. There is no way to estimate or determine such costs at this time.

Other: -