

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

PUBLISHED: 2/3/2026 3:47 PM

ORIGINAL

Bill Number: HB1240

Patron: Willett

Bill Title: Department of Medical Assistance Services; Department of Social Services; Medicaid eligibility determination appeal time limit; mailed communications time period.

Bill Summary: Directs (i) the Department of Medical Assistance Services (DMAS) to amend its regulations to extend the time limit for appeals of eligibility determinations and (ii) the Department of Medical Assistance Services and the Department of Social Services (DSS) to amend their regulations to create a mailing time period for communications related to Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance to Needy Families (TANF).

Budget Amendment Necessary: Yes

Items Impacted: 291 (DMAS), 338 (DSS)

Explanation: The proposed legislation will require resources for which DMAS and DSS are not currently budgeted.

Fiscal Summary: This legislation has an impact on administrative costs at DMAS and DSS. As written, DSS reports that the bill may cause an indeterminate impact on DSS-issued benefits programs.

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>
DMAS (602)	-	\$262,260	\$254,920	\$254,920	\$254,920	\$254,920
DSS (765) Admin	-	\$275,000	\$175,000	\$175,000	\$175,000	\$175,000
DSS (765) Programs	-	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
TOTAL	-	\$537,260	\$429,920	\$429,920	\$429,920	\$429,920

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>
DMAS (602)	-	\$262,260	\$254,920	\$254,920	\$254,920	\$254,920
DSS (765) Programs	-	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
TOTAL	-	\$262,260	\$254,920	\$254,920	\$254,920	\$254,920

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DMAS (602)	-	4.00	4.00	4.00	4.00	4.00
DSS (765)	-	-	-	-	-	-
TOTAL	0.00	4.00	4.00	4.00	4.00	4.00

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Fiscal Analysis:

Department of Medical Assistance Services

The bill extends the timeframe for appealing Medicaid eligibility determinations when notices are issued by mail from 30 days to 90 days, which is expected to increase both the volume and duration of active appeals. DMAS indicates that implementation of this legislation will require additional administrative and legal capacity to manage increased appeal intake, case tracking, document review, and hearing activity. The agency would need four full-time positions to address the increase in workload due to the assumed increase in appeals volume.

In calendar year 2025, DMAS dismissed as untimely 572 client appeals that would be considered timely if the legislation passes. However, this number does not account for the number of people who did not file an appeal because they knew they were outside the 30-day deadline listed on the notice of action. Based on the timeframe tripling from 30 days to 90 days, DMAS assumes an additional 1,300 appeals each year would result from the provisions of this bill. A hearing officer handles an average of 700 appeals annually, so this increase in workload is estimated to result in the need for two additional hearing officers. Additionally, two administrative positions would be needed to address the additional administrative workload related to the increase in appeals. The agency does not have capacity within its appeals division to absorb these positions and associated costs.

Two General Administrative Support/Coordinator I positions are needed as a result of this bill. One of these positions would handle the intake and creation of new appeals cases and the second would be responsible for quality review of initial data entry and uploading associated documents from other systems and coordinating scheduling. The total annual cost of these positions is \$112,196 per position, including salaries, benefits and related operating expenditures. Two Hearing Legal Services Officer II positions are needed to review appeal requests, case documents and other appropriate evidence to prepare for and conduct client appeal hearings. The total annual cost of these positions is \$141,224 per position, including salaries, benefits, and related operating expenditures. First year costs include one-time operating costs (e.g. equipment and supplies) related to onboarding the new positions.

DSS determines eligibility for Medicaid and currently handles associated mailings.

Department of Social Services

This legislation will require changes to the Virginia Case Management System, which is the system that the local departments of social services use for eligibility determinations for the programs named in the bill (Medicaid, SNAP, and TANF). These changes to the system include: notifications, checklists, interim reports, system calculators, postponement for negative notices, and translations for up to six languages. The one-time estimated cost for these changes is \$275,000 in FY 2027 and ongoing estimated costs of \$175,000 for architecture and operational support.

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DSS will need to amend its regulations in order to add additional mailing time for communications related to TANF and SNAP, as a result of this legislation. The agency indicates that it is unclear if the legislation conflicts with federal processing requirements.

Additionally, DSS maintains that a longer notice period may delay processing of SNAP applications and other eligibility determinations, which could have an adverse impact on the state's payment error rate as a longer notice period could result in overpayments, underpayments, or incorrect participation. Due to recent federal policy changes, higher SNAP error rates will result in higher state contributions to SNAP benefits, effective October 1, 2027. Currently, Virginia's error rate is 11.5 percent and may result in a state contribution of approximately \$270 million general fund annually. Any potential downstream effects of this bill on Virginia's error rate are indeterminate at this time; however, these numbers are provided for informational purposes.

The TANF program currently has a 30-day processing timeline and, while the lengthening of the notice period by 10 days will result in fewer days to process applications, DSS assumes this legislation will not have a large impact on TANF because there are no penalties associated with late processing of applications.

Other: -