

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

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ORIGINAL

Bill Number: HB1240-H1 **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 review current notice practices to ensure that applicants for and recipients of medical assistance or social services benefits are aware of available assistance.

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.

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DMAS (602)	-	\$262,260	\$254,920	\$254,920	\$254,920	\$254,920
DSS (765)	-	\$68,750	-	-	-	-
TOTAL	-	\$331,010	\$254,920	\$254,920	\$254,920	\$254,920

Nongeneral Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DMAS (602)	-	\$262,260	\$254,920	\$254,920	\$254,920	\$254,920
DSS (765)	-	\$206,250	-	-	-	-
TOTAL	-	\$468,510	\$254,920	\$254,920	\$254,920	\$254,920

Position Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
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

Fiscal Analysis: 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.

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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 572 client appeals as untimely 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.

Additionally, the bill requires DMAS and DSS to review current notice practices to ensure applicants for and recipients of medical assistance or social services benefits are aware of (i) assistance available to applicants and recipients for verifying information and (ii) how to contact the appropriate person if an applicant or recipient receives information after a due date or experiences difficulty securing verifications. Additionally, the bill requires entities responsible for receiving and processing mail related to the administration of medical assistance or social services benefits shall practice using existing good cause policies to grant extensions and to reinstate applications or cases for review as applicable. It is unclear if the agencies' review will require additional resources to meet the requirements of this part of the bill.

DSS maintains that the bill will require changes to the Virginia Case Management System (VaCMS), which is the system that the local departments of social services use for eligibility determinations for medical assistance and social services benefits. These changes to the system would update the appeals timeline and date by which the appeal must be filed, so that the correct deadline is printed on mail notices. The one-time estimated cost for these changes is \$275,000 (\$68,750 general fund and \$206,250 nongeneral funds) in FY 2027. DSS has determined that nongeneral funds are eligible to be used for these VaCMS updates, so this is a change from the original bill's fiscal impact.

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To the extent that the additional 60 days for appeals and the good cause policies may result in more people remaining eligible for or gaining eligibility Medicaid, there may be an indeterminate impact on medical assistance payments.

Other: -