Department of Health and Social Services

Division of Medicaid & Medical Assistance (DMMA)

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Joint Finance Committee Hearing
Fiscal Year 2026 Budget

February 25, 2025

Good afternoon, Representative Williams, Senator Paradee, members of the Joint Finance Committee, as well as members of the public.

My name is Andrew Wilson, I am the Division Director for the Division of Medicaid and Medical Assistance (DMMA). Also here with me is our Division Deputy, Janneen Boyce.

Thank you for the opportunity to speak with you today.

Accomplishments

Members

- Public Health Emergency Unwinding – Completed
- Nemours Global Budget

Provider and workforce

- Rate Studies
- School-Based Services Grant
- Direct Care Workforce Technical Assistance

The past year has been a busy one that we are proud of at our Division. I am especially proud of an incredibly thoughtful and dedicated team who care deeply about our mission and providing assistance to a quarter of Delawareans. Medicaid is a team sport and DMMA could not accomplish all that we do without the external support of our community partners as well throughout the state. It is our providers, our beneficiaries, and their organizations and advocates which drive us to continually improve the program.

Looking back, although it feels like the end of the Public Health Emergency was long ago, it was still foremost on our mind this last fiscal year. For DMMA and our colleagues in the Division of Social Services (DSS), we were deep into our 14 month "unwinding period" which returned the program's Medicaid eligibility to normal order. In partnership with DSS, we reviewed every Medicaid beneficiary for eligibility. For those leaving Medicaid, we took efforts to ensure coverage for them. Most often they had employer-based insurance or went to the Marketplace, which just ended its third year of record enrollment with now 50,000 Delawareans enrolled. We completed this careful work on August 31, 2024. We are also working with our federal partners to perform due diligence of our unwinding activities and ensure every Delawarean has had the maximum opportunity to exercise their entitlement during that unwinding period.

Although the PHE unwinding is officially over, the ongoing work of eligibility remains. Annual renewals are a federal requirement for Medicaid and CHIP, and the ever-evolving federal guidance on the way this work must be completed poses a very real challenge to our Divisions. Federal action in the last administration liberalized eligibility; it is likely that federal action in the current administration will restrict eligibility. Requirements in either direction mean unfunded costs to the program for implementation. Uncertainty is the biggest impediment.

Programmatically, while there were truly dozens and dozens of new implementations, studies, and improvements, perhaps the largest state-specific endeavor from last year is the Division embarking on a partnership to build the first-in-the-nation single hospital Medicaid Global Budget with Nemours Children's Hospital. Starting this year and over the next three years, the Division and Nemours will partner to enter into a full global budget. This budget allows Nemours to implement their Whole Child model of care, moving away from traditional fee-for-service and into a full-risk value-based payment.

Accomplishments

1115 Waiver was Approved for another 5-year period starting in 2024. It included:

New Programs:

- Contingency Management & MARC for Substance Use Disorder Treatment
- Post-partum supplemental nutrition and diaper program – a first in the nation
- Implementation of 90-day retroactive eligibility for members

Existing Programs:

Continuation of all programs currently served under Managed Care, including managed Long Term Support Services. The 1115 waiver also authorizes the expansion of the adult population and the PROMISE program for individuals with several & persistent mental illness.

Another highlight directly impacting our members was the approval of our 1115 waiver which, along with re-authorizing the vast majority of our everyday program, authorizes Delaware to provide innovative services to our Medicaid members. For instance, Delaware was the first state to apply for and be approved for 12 weeks of postpartum supplemental nutrition and diapers. Approximately 300 members received the benefit in its first quarter alone. DMMA was able to successfully pilot this program using social determinants funding from the Tobacco Master Settlement funds.

Also in the 1115 was approval to move the children's dental benefit under the managed care umbrella effective January 2025 with the newest waiver approval. This will allow the program to better coordinate and manage these critical services.

Lastly, Delaware was the fourth state to get approval in its 1115 waiver for contingency management to treat substance use disorders - the first with approval for its use with our pregnant population. DMMA is on track for the necessary additional Centers for Medicare and Medicaid Services (CMS) approvals for implementation of these new substance use disorder benefits, pending funding.

With this approval, Delaware was able to maintain all other components of the its waiver, including eligible populations and services.

FY 2026 Governor's Recommended Budget

($ in Thousands)

	GF	ASF	NSF	Total
FTEs	93.1		110.4	203.5
Dollars ($)	$1,109,959.8	$94,894.6	$3,062,682.8	$4,267,537.2

Budget Definitions:
GF – General Funds
ASF – Appropriated Special Funds
NSF – Non-Appropriated Special Funds
FTEs – Full Time Equivalent Positions

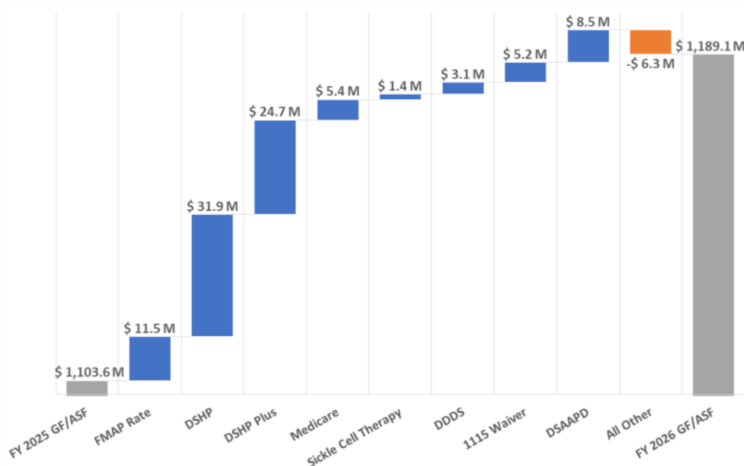
The slide above shows the budget included in the Fiscal Year (FY) 2026 Governor's Recommended Budget (GRB).

Our Division's FY 2026 GRB is:

- $1,109,959.8 [One Billion, One Hundred Nine Million, Nine Hundred Fifty-Nine Thousand, Eight Hundred dollars] in General Funds (GF);
- $94,894.6 [Ninety-Four Million, Eight Hundred Ninety Four Thousand, Six Hundred dollars] in Appropriated Special Fund (ASF) spending authority; and
- $3,062,682.8 [Three Billion, Sixty-Two Million, Six Hundred Eighty-Two Thousand, Eight Hundred dollars] in Non-Appropriated Special Funds (NSF).
- For a total of $4,267,537.2 [Four Billion, Two Hundred Sixty-Seven Million, Five Hundred Thirty-Seven Thousand, Two Hundred dollars].

FY 2026 Governor's Recommended Budget

$85.5 million to support FY 2026 inflation and volume in Medicaid Growth



DMMA is grateful for the support in the FY 2026 GRB that will allow the department to support critical functions.

As Delaware emerged from the public health emergency, we expected to see new trends in Medicaid spending & service utilization. We remain grateful for the generous investments in FY 2025. DMMA's FY 2026 request is for $85.5 million additional state dollars to address inflation & volume adjustments and new benefit implementation. This request is driven by:

- $11.5 million to reflect federal matching rate changes in FFY 2026
- $31.9 million to reflect increases in MCO care and pricing for children and adults 18-64
- $24.7 million for MCO care growth for managed Long Term Services & Supports caseload and rate increases
- $5.4 million increase for Medicare Premiums in CY 2025
- $6.6 million to add newly added federal services (e.g., gene therapy) and 1115 waiver changes
- $3.1 million to reflect increases in DDDS Waiver services
- $2.2 million to reflect all other changes

FY 2026 Governor's Recommended Budget

Senate Bill 13 – Hospital Provider Tax

$40.0 million estimated collection and appropriated special fund (ASF) spending authority for first fiscal year of the Hospital Provider Tax

The governor's recommended budget also anticipates collection of approximately $40 million from the hospital provider tax revenue. These funds are to be collected and dispersed in accordance with Senate Substitute1 for Senate Bill 13, which will allow landmark investments Delaware's Medicaid program.

DMMA appreciates the one-time funding and position intended to support the implementation of this initiative. With that support, DMMA is on track to begin collections of hospital tax revenue towards the end of 2025 and has enjoyed strong communication and coordination with the Hospital Association for implementation.

Pending federal approval, DMMA will reinvest these funds into the Medicaid program with the ability to leverage federal funding as available. There are statutorily-required investments in the hospital services, which will utilize 66% of the collected revenue and budget spending authority.

Epilogue further allocates up to $10 million to support rate increases for private nursing homes. This investment is part of a larger Division effort to unfreeze the Facilities' underlying funding methodology. This is in parallel to the Division's continued work to build and support robust home and community based services (HCBS). We look forward to continued discussions in long-term care, including releasing the SCR156 HCBS report to the legislature, anticipated this Spring, which the University of Delaware is spearheading. In conjunction with 2024 HCBS rate study, it should provide excellent support for policymakers' deliberations.

Looking Ahead

- Implementation of the Hospital Provider Tax
- Implementation of 1115 Waiver programs for Contingency Management & MARC
- Continuing to ensure compliance with federal eligibility rules

Flexibility will be required to respond to the changing federal landscape

Looking ahead, we are entering a time of great uncertainty. Recent proposals by Congress could change the future of Medicaid significantly.

For instance, two proposals change both the collection of taxes like SB13 and seriously restricts their expenditure as well. We encourage caution when relying on use of these funds until federal actions are resolved over the coming months.

The provider tax is not the only uncertainty. Congress is considering a slate of measures and changes to the program, ranging from fairly benign to existential shift. Among them are:

- Instituting per capita caps for enrollment groups, with growth rates tied to medical inflation;
- Imposing new limits on necessary authorities and lowering payment rate approvability;
- Introducing Federal Medical Assistance Percentage (FMAP) penalties for states offering Medicaid coverage to undocumented immigrants or completely barring spending on undocumented populations altogether;
- Repealing rules from the previous administration including nursing facility minimum staffing, access, eligibility, and enrollment rules;
- Lowering the FMAP floor below 50%;
- Lowering the FMAP for the ACA expansion population, currently at 90%;
- Enacting Medicaid work requirements;
- Reducing the provider tax safe harbor to 3%; and
- Lowering the FMAP for administration of the program.

While repealing rules from the previous administration would be an implementation cost saver, most other proposals would be a cost-shift to the state, with various magnitudes of impact. While we are preparing for what we consider some of the more likely policies, the signals from the federal government have not been clear. As we do with the implementation of the tax, we encourage caution until the federal reconciliation process is complete.

THANK YOU

Thank you for allowing us to present today. We are glad to answer any questions you may have.