

Department of Health and Social Services

Division of Medicaid & Medical Assistance (DMMA)



Andrew B. Wilson
Division Director

Joint Finance Committee Hearing **Fiscal Year 2027 Budget**

March 2, 2026

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

Thank you for the opportunity to speak with you today as we share some of our recent efforts and present our Fiscal Year (FY) 2027 Governor's Recommended Budget (GRB).

My name is Drew 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.

DMMA oversees and implements Delaware's Medicaid program, which provides health insurance for over 256,000 Low-Income Delawareans, almost a quarter of the state. This covers individuals with disabilities, working families, an expanding aging population, and nearly half the births in the state. We cover not only day-to-day medical care, but also long-term services and supports – a growing need. Our core mission is to improve health outcomes by ensuring that the highest quality medical services are provided to the vulnerable populations of Delaware in the most cost-effective manner.

Accomplishments

- Progress Implementing 2024 Medicaid Rules from Centers for Medicare & Medicaid Services (CMS):
 - Medicaid Advisory Council and Beneficiary Advisory Committee
 - Data and Billing Systems
 - Electronic Visit Verification Certification
 - Critical Incidence Management System
- Reproductive Health Coverage under HBI 10



Throughout the year there has been incredible progress on implementing dozens and dozens of federal regulations dating back to the 2024 Medicaid Rules from the Centers for Medicare and Medicaid Services (CMS). Their implementation included the external-facing launch the Medicaid Advisory Council and the Beneficiary Advisory Committee. Together, these bodies will serve as key forums for ensuring the program remains responsive to the needs of our beneficiaries and the providers who deliver care across our system.

It also included internal-facing changes such as implementing new data exchanges with the federal government which ensures better compliance, fewer audit findings, and stronger policy decisions. DMMA also received system certification for Electronic Visit Verification (EVV), saving the state millions of dollars on foundational oversight technology to combat fraud, waste, and abuse in the delivery of home and community-based services.

And lastly included cross-division work such as our Critical Incidence Management system, which is bringing the state's oversight and care of vulnerable Delawareans to the next level as Divisions share data and look for patterns of abuse and neglect together.

In 2025, DMMA implemented House Bill 110 and expanded coverage for reproductive health services, including abortion coverage with state-only dollars. This has been an important benefit as federal attacks on access to reproductive health services continue.

Accomplishments

- Historic low Payment Error Rate Measurement (PERM)
- Senate Bill 13 - Hospital Provider Tax



At the beginning of 2026 DMMA hit two exciting milestones which I'm happy to report:

First, our Payment Error Rate Measurement (PERM) reached a historic low of 6.88%. PERM is the federal program CMS uses to check whether Medicaid payments to providers were made correctly. The process helps identify areas where, for example, providers need to take additional steps associated with claims submission. Congratulations to our Program Integrity Unit who implemented new technology and worked hard with the provider community to bring this rate down.

Second, in the beginning of February 2026, Delaware received the final CMS approvals for the authorities necessary to implement the Senate Bill 13 hospital provider tax. We are grateful to the Delaware Healthcare Association for their partnership as we traveled through highs and lows over the last year getting to implementation. We do, however, emphasize that the nature of the tax has changed significantly with the passage of federal H.R. 1 last July, which we will work through with stakeholders.

FY 2027 Governor's Recommended Budget

(\$ in Thousands)

	GF	ASF	NSF	Total
FTEs	100.2		105.3	205.5
Dollars (\$ in Thousands)	\$1,242,906.0	\$93,207.0	\$3,062,682.8	\$4,398,795.8



Budget Definitions:

GF – General Funds

ASF – Appropriated Special Funds, includes Tobacco Funds

NSF – Non-Appropriated Special Funds

FTEs – Full Time Equivalent Positions

The slide above shows the budget included in the FY 2027 Governor's Recommended Budget (GRB).

Our Division's FY 2027 GRB is:

- \$1.2 Billion dollars in General Funds (GF);
- \$93.2 Million dollars in Appropriated Special Fund (ASF) spending authority; and
- \$3.0 Billion dollars in Non-Appropriated Special Funds (NSF).
- For a Total of \$4.4 Billion dollars

FY 2027 Governor's Recommended Budget

- \$128.5 million dollars for Medicaid Benefits
- \$1.6 million dollars for Delaware Healthy Children Program
- \$1.3 million total dollars Switch-Funding from Tobacco Master Settlement to General Funds

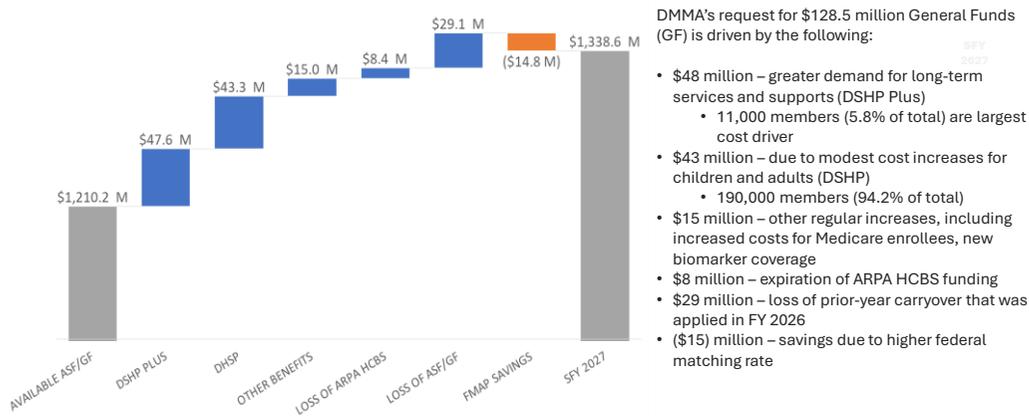


Our GRB request includes:

- \$128 Million dollars to support the growth in the Medicaid program;
- \$1.6 Million dollars to support the growth in the Delaware Healthy Children Program (DHCP); and
- \$1.3 Million total dollars for Switch-funding three programs from Tobacco Master Settlement funds to General Funds.

Let's talk a little more about the drivers of Medicaid cost-increases.

Medicaid Cost Drivers



DMMA's request for \$128.5 million General Funds (GF) is driven by the following:

- \$48 million – greater demand for long-term services and supports (DSHP Plus)
 - 11,000 members (5.8% of total) are largest cost driver
- \$43 million – due to modest cost increases for children and adults (DSHP)
 - 190,000 members (94.2% of total)
- \$15 million – other regular increases, including increased costs for Medicare enrollees, new biomarker coverage
- \$8 million – expiration of ARPA HCBS funding
- \$29 million – loss of prior-year carryover that was applied in FY 2026
- (\$15) million – savings due to higher federal matching rate



There are many different ways to examine Medicaid spending. The numbers presented here today paint an accurate and approachable picture of the \$128.5 million in increased General Fund dollars for SF 2027.

The largest portion of cost growth is associated with increased spending for seniors and other people needing long-term care, our DSHP Plus program. We work hard to serve this population in the lowest cost setting, often their home. This is better for our state budget, but most importantly strong home and community based services allow many options to live with dignity and grace. We project that this demographic will experience both increased enrollment and outpaced cost.

Relative to the size of the DSHP Plus program, DSHP sees a modest increase in enrollment and cost growth for the children and adults that make up the great majority of its enrollment.

Other drivers of increased spending include growth in Medicare premiums and cost-sharing. Program changes like biomarker testing are also included here.

We also have adjustments to reflect the expiration of ARPA funding, and the loss of carryover funding that was applied last year and held down last year's General Fund request by nearly \$30 million.

Also, an offset, Delaware is realizing \$15 million dollars in General Fund savings due to an increase in our federal share. Delaware's Federal Medical Assistance Percentage (FMAP) is increasing by 0.92 percentage points for federal fiscal year 2027. The FMAP has experienced some unpredictability in recent years: this year the original federal projection was nearly an equal decrease in FMAP.

Looking Ahead

- H.R. 1 implementation:
 - Work requirements starting in 2027
 - Six-month renewals
 - Significant implementation uncertainty
 - Medicaid enrollment likely to drop, but acuity will rise
 - Ending eligibility for some legal immigrants



The major priority over the next year is implementing H.R. 1 in close partnership with the Division of Social Services (DSS); in particular, the H.R. 1 work requirements for January 1, 2027. H.R. 1 establishes a new requirement for adults 19-64 to prove that they are working or participating in volunteer hours, training, or education. Nearly half of Delaware's program, or 120,000 individuals, fall into this age range. Many will fall into an exempted category such as "medical frailty", parents and caregivers of children under 13, and disabled persons. We will also be required to re-check eligibility every 6 months rather than annually, increasing administrative complexity and the risk of coverage interruptions. It is also an increased burden on the state, predominantly on DSS staff.

There is considerable uncertainty at the federal level on exactly how to implement H.R. 1 due to the absence of detailed guidance on how the states are to operationalize the statute. Until that guidance is issued, which will be released in June, states face challenges in fully assessing operational, fiscal, and programmatic impacts.

While the changes under H.R. 1 could reduce overall Medicaid enrollment significantly, the remaining population is likely to have higher medical and social complexity. In addition, the disproportionate impact will be on "Expansion" adults which are federally funded at a 90/10 ratio, not our 60/40. This could limit or negate any anticipated cost savings to the Medicaid program due to lower enrollment.

The legislation further introduces more restrictive eligibility requirements for certain legal immigrants, generally those who are here under various types of "humanitarian" visas. For instance, Delaware welcomed immigrants fleeing war in Ukraine and Afghanistan through the refugee resettlement program, a category that will lose full Medicaid coverage beginning in October 2026.

Looking Ahead

- 2026 Medicaid rule packages
- Pharmaceutical prices
- State-level initiatives to foster and support value-based payment expansion



We further anticipate several major rules packages from the current administration across this year. They will touch on eligibility, systems, Medicaid payment mechanisms, program integrity and oversight, and likely many other areas. This work will stretch precious resources thin as the same teams seek to implement to H.R. I.

We will continue to work to lower pharmaceutical pricing, including benefiting from lower prices that Medicare began negotiating in 2024, and potentially seeing savings from other federal projects.

And lastly, we remain committed to the expansion of value-based care in Delaware. Delaware is setting itself apart through work such as the Nemours Global Budget as well as partnering with many stakeholders as the state pursues the Achieving Healthcare Efficiency through Accountable Design (AHEAD) model. AHEAD is a federal model that sets predictable global budgets for hospitals and strengthens primary care so states can slow cost growth without cutting coverage. Whether through a federal partnership under AHEAD or other similar efforts, we see enormous value in driving more structured accountability for total spending. Through these and other value-based payment designs, we are looking to achieve access to the highest quality of care for Delawareans possible.

THANK YOU



Thank you for allowing us to present today and for the ongoing support of Delaware's Medicaid program. We are glad to answer any questions you may have.