

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1402 (Delegate Grammer, *et al.*)

Appropriations and Health and
Government Operations

Maryland Department of Health and Department of Human Services – Public
Benefits – Prevention of Waste, Fraud, and Abuse

This bill requires the Maryland Department of Health (MDH) and the Department of Human Services (DHS) to enter into data-sharing agreements with federal and State agencies to conduct specified reviews related to Medicaid and Supplemental Nutrition Assistance Program (SNAP) recipients. DHS, in consultation with law enforcement, must conduct annual on-site inspections of retail facilities accepting Electronic Benefits Transfer (EBT) card transactions to identify potential fraud. MDH must apply for a specified federal waiver. MDH and DHS must post on their websites quarterly reports on investigations and compliance findings relating to Medicaid and SNAP fraud, as specified. The bill also limits how MDH and DHS can determine eligibility for Medicaid and SNAP. MDH and DHS must adopt regulations to carry out the bill. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: MDH expenditures (50% general funds, 50% federal funds) increase by a significant amount beginning in FY 2026 (likely *at least* \$31.6 million in FY 2026). Federal fund revenues increase accordingly. DHS general fund expenditures increase by a significant amount beginning in FY 2026 (*at least* \$5.8 million). General fund expenditures for the Comptroller’s Office likely also increase beginning in FY 2026. To the extent individuals are disenrolled from Medicaid or SNAP under the bill, general/federal fund expenditures and federal fund revenues and federal fund revenues and expenditures decrease, respectively.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Memoranda of Understanding for Data Sharing

MDH must establish a memoranda of understanding (MOUs) with federal and State agencies to facilitate data sharing in order to conduct:

- monthly death record reviews using the Vital Statistics Administration (VSA) database to identify deceased individuals who are Medicaid recipients;
- quarterly reviews, in consultation with the Maryland Department of Labor (MD Labor), to determine the effect of employment or wage changes on the continuing eligibility of Medicaid recipients;
- quarterly reviews of tax filings from the Comptroller to verify income and residency changes of Medicaid recipients;
- monthly reviews of incarcerated individuals in consultation with the Department of Public Safety and Correctional Services (DPSCS) to ensure that incarcerated individuals are not receiving Medicaid benefits; and
- twice-monthly reviews of unemployment insurance (UI) benefits records, in consultation with MD Labor, to verify changes in employment or income that might affect the continuing eligibility of Medicaid recipients using specified federal records, directories, and data.

DHS must establish MOUs with federal and State agencies to facilitate data sharing in order to conduct:

- monthly death record reviews using the VSA database to identify deceased individuals receiving SNAP;
- quarterly reviews, in consultation with MD Labor, to determine the effect of employment or wage changes of households receiving SNAP benefits;
- monthly reviews of out-of-state EBT card transactions to verify that individuals receiving SNAP reside in the State;
- quarterly reviews of tax filings from the Comptroller to identify income changes of households receiving SNAP benefits;
- monthly reviews of incarcerated individuals, in consultation with DPSCS, to ensure that incarcerated individuals are not receiving SNAP; and
- twice-monthly reviews of UI benefits records, in consultation with MD Labor, to verify changes in employment or income eligibility of a household receiving SNAP benefits using specified federal records, directories, and data.

Lottery Winnings

MDH and DHS must enter into agreements with the State Lottery and Gaming Control Agency (SLGCA) to identify the names of each Medicaid and SNAP recipient who has won a prize of \$3,000 or more. DHS must investigate whether a household exceeds resource eligibility under federal law.

Quarterly Fraud Reports

MDH and DHS must publish on their websites quarterly reports on investigations and compliance findings relating to Medicaid and SNAP fraud, as specified.

Prohibition on Self-attestation of Information for Medicaid Eligibility

When determining Medicaid eligibility, MDH may not accept self-attestation of income, residency, household composition, or other eligibility factors unless required by federal law.

Federal Medicaid Waiver

MDH must seek a federal § 1115 waiver to impose a six-month lockout period for Medicaid recipients ages 19 to 64 who fail to report a change in eligibility. Individuals who are pregnant or designated as disabled by a government entity are exempt from this lockout.

Prohibition on Categorical Eligibility for the Supplemental Nutrition Assistance Program

When determining eligibility for SNAP, DHS may not, unless required by federal law, apply (1) categorical eligibility or (2) a higher gross income eligibility standard than that under federal law.

Reporting Change in Eligibility for the Supplemental Nutrition Assistance Program

A household eligible to receive SNAP benefits under federal and State law must report a change in circumstances affecting eligibility within 10 days.

Current Law:

Medicaid

Medicaid is a comprehensive health care program for indigent and medically indigent individuals. Medicaid generally provides coverage to children, pregnant women, elderly or disabled individuals, low-income parents, and childless adults. Based on Maryland's

federal medical assistance percentage, which varies depending on a State's per capita income relative to the national average, the federal government generally covers 50% of Medicaid costs. To qualify for Medicaid, applicants must pass certain income and asset tests. Eligibility for Medicaid is determined by staff in MDH, DHS, and the Maryland Health Benefit Exchange. In fiscal 2026, Medicaid is projected to cover 1.5 million Marylanders.

In order to receive federal Medicaid reimbursement, states must operate a fraud, waste, and abuse prevention and detection system. MDH's Office of the Inspector General (OIG) reports annually to the General Assembly on investigated cases as well as cases moving forward for prosecution.

Federal law requires states to review Medicaid eligibility once every 12 months for beneficiaries whose eligibility is based on Modified Adjusted Gross Income (MAGI) and at least once every 12 months for non-MAGI beneficiaries. Additionally, Maryland has adopted 12-month continuous eligibility for children and pregnant women. At both application and renewal, MDH and its partners leverage a variety of data sources to confirm eligibility, including but not limited to State wage and asset databases, Internal Revenue Service information, the Federal Data Services Hub, BEACON (Maryland's UI system), the State Verification and Exchange System, State Online Query Internet, the National Directory of New Hires, VSA, DPSCS, the Work Number database, and Social Security Administration earnings and death records.

Generally, Medicaid payment is not available for incarcerated individuals while they are in DPSCS custody. Medicaid payment is available when an inmate is an inpatient in a medical institution not under the control of the correctional system. Incarcerated individuals nearing release are enrolled in Medicaid to ensure access to community services post release. In addition, individuals who have been granted parole, medical parole, or court release may receive Medicaid.

Supplemental Nutrition Assistance Program

SNAP is a federally funded benefit that helps low-income households purchase food. Program rules and requirements are issued by the federal government, while administrative costs are split equally between the State and federal government. Participants must meet income and resource requirements. Households receiving or authorized to receive Temporary Cash Assistance, Supplemental Security Income, Temporary Disability Assistance Program, Public Assistance to Adults, or Temporary Assistance to Needy Families-funded services or benefits are categorically eligible for SNAP benefits. Noncategorically eligible households are subject to eligibility requirements, including resource and income limits. In fiscal 2025 (through December 2024), the average number of cases (SNAP enrollment) has been 382,035.

Department of Human Services Fraud Prevention Efforts

Under Maryland regulations, OIG within DHS must identify, investigate, and resolve suspicions of fraud, waste, and abuse. The Program Fraud Division investigates suspected fraud within DHS programs, including program applications, redeterminations, and open cases. The DHS OIG currently receives lottery match data from SLGCA to determine program eligibility and collaborates with the MDH OIG in Medicaid cases.

Lottery Winnings

SLGCA advises that an individual who wins a lottery prize of \$600 or more must provide proof of the individual's Social Security Number (or federal Tax Identification Number) as well as photo identification to prove that the individual is at least age 18. SLGCA transfers an electronic file to DHS quarterly of all claimants who won a prize of \$600 or more. DHS uploads the file to determine if there is a match to anyone receiving public benefits. If there is a match, DHS conducts an investigation and reduces the individual's public benefits as warranted.

State Fiscal Effect:

Maryland Department of Health

The bill requires MDH to undertake twice-monthly checks of UI data, monthly checks of VSA and DPSCS data, quarterly review of data with MD Labor and tax data from the Comptroller, and regular review of SLGCA reports of lottery winnings greater than \$3,000. MDH cannot accept self-attestation of information from recipients, must apply for a federal waiver to impose a six-month lockout for specified Medicaid recipients who fail to report a change in eligibility, and must post quarterly fraud reports on the MDH website.

MDH advises that the bill requires substantial changes to Medicaid eligibility, enrollment, and redetermination processes. In fiscal 2026, MDH expenditures increase by *at least* \$31.6 million (50% general funds, 50% federal funds) to implement the bill's requirements, as described below.

- MDH anticipates significant additional personnel needs, including an estimated 291 new positions to support increased redetermination and reenrollment procedures at an estimated cost of \$22.1 million in fiscal 2026 and at least \$19.8 million annually thereafter.
- MDH anticipates \$9.5 million in annual costs for systems updates and associated administrative costs to connect to additional data sources.
- While MDH currently accesses numerous databases as part of eligibility and redetermination processes, to the extent MDH must access these databases more

frequently, expenditures increase by an additional indeterminate amount for database access fees.

Federal fund revenues increase correspondingly. However, to the extent individuals are disenrolled from Medicaid under the bill, MDH general and federal funds expenditures and federal fund revenues are reduced by an indeterminate amount beginning as early as fiscal 2026.

Department of Human Services

The bill requires DHS to undertake twice-monthly checks of UI data, monthly checks of VSA and DPSCS data, monthly review of out-of-state EBT transactions, and quarterly review of data with MD Labor and tax data from the Comptroller. DHS, in consultation with law enforcement, must conduct annual on-site inspections of retail facilities accepting EBT card transactions. DHS cannot apply categorical eligibility or a higher gross income eligibility standard than that under federal law and must post quarterly fraud reports on the DHS website. As DHS is responsible for initial determination and redetermination of eligibility for many Medicaid programs on behalf of MDH, including long-term care, its responsibilities also increase with respect to the bill's Medicaid requirements.

DHS advises that it must enhance the eligibility determination process for Medicaid to include additional eligibility reviews and verifications and provide additional publication of OIG investigation of Medicaid cases, thereby significantly increasing workloads and requiring both systems changes and additional staff. In fiscal 2026, DHS general fund expenditures increase by *at least* \$5.8 million to implement just some of the bill's requirements as discussed below. DHS advises that as the program is currently in full compliance with federal requirements, federal matching funds are not available for SNAP-related expenditures.

- DHS must conduct annual on-site inspections of EBT retailers to identify potential fraud. As there are more than 6,000 EBT retailers in the State, a new inspection unit is required, including 43 new positions at a cost of \$3.3 million in fiscal 2026, which accounts for a 90-day start-up delay from the bill's July 1, 2025 effective date, and approximately \$4.1 million annually thereafter. In addition, DHS requires a fleet of 20 vehicles to conduct inspections at a cost of \$577,900 in fiscal 2026. Additional ongoing costs are incurred for travel and vehicle maintenance.
- DHS currently has a contract to access the Work Number database (to verify employment and income information) that permits a set number of transactions monthly. DHS estimates that the number of transactions with this database doubles under the bill, resulting in additional costs of approximately \$1.0 million annually beginning in fiscal 2026.

- The DHS Enrollment & Eligibility System (E&E) is used to determine eligibility for non-MAGI Medicaid and SNAP (as well as other public assistance programs). E&E requires system enhancements at a one-time cost of \$376,320 in fiscal 2026, with ongoing maintenance costs of \$56,448 annually thereafter.
- To conduct monthly reviews of out-of-state EBT transactions the DHS OIG Data Integrity Unit must (1) analyze data for trends associated with excessive out-of-state usage; (2) determine the highest-risk cases for investigation; and (3) conduct examinations and pursue substantiated referrals as appropriate. DHS notes that seven additional positions are necessary for this function at a cost of \$547,278 in fiscal 2026 and at least \$646,500 annually thereafter.
- DHS currently handles eligibility and redetermination for Medicaid and SNAP. DHS advises that the bill's additional review requirements necessitate additional eligibility staff. The exact amount of additional personnel required cannot be reliably estimated at this time but increases expenditures by an additional *significant* amount beginning in fiscal 2026.

To the extent individuals are disenrolled who are not eligible for SNAP benefits, DHS federal fund revenues and expenditures are reduced by an indeterminate amount beginning as early as fiscal 2026.

Office of the Comptroller

Under the bill, MDH and DHS must establish MOUs to conduct quarterly reviews of tax filings from the Comptroller. The Comptroller's Office advises that if an interface with the Comptroller's tax system rather than a query from its data warehouse is required, contractual costs of between \$150,000 and \$300,000 are required to develop a quarterly interface system. However, such an interface could not be implemented before the first quarter of calendar 2026. Actual expenditures depend on the system implemented for the required checks.

The Comptroller's Office further advises that its Legal Division requires one senior tax attorney to draft and support monitoring and audit compliance with all safeguard requirements for recipients of confidential tax information at an annual cost of approximately \$100,000.

Other Agencies

DPSCS advises that it has had a data transfer in effect with MDH regarding Medicaid enrollment for several years. Furthermore, sharing data with DHS through an MOU is not anticipated to have a fiscal effect on DPSCS. MD Labor advises that there is no impact on the department under the bill. SLGCA also advises that there is no fiscal and only a minimal operational impact on the agency.

Small Business Effect: Small business retail facilities that accept EBT transactions must comply with annual on-site inspections by DHS and law enforcement.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years; however, legislation with similar provisions has been introduced. See HB 889 of 2022.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland Department of Health; Department of Human Services; Maryland Department of Labor; Department of Public Safety and Correctional Services; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

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