



OFFICE OF THE INSPECTOR GENERAL FOR HEALTH

Wes Moore, Governor · Aruna Miller, Lt. Governor · Shelly Marie Martin, Inspector General

March 6, 2026

Delegate Melissa Wells
Chair
Government, Labor, and Elections Committee
145 Lowe House Office Building
142 Lowe House Office Building
Annapolis, Maryland 21401

Re: HB 1064
Favorable with Amendments

Dear Chair Wells:

I am the Maryland Inspector General for Health. House Bill 1064 would create a Statewide Office of the Inspector General and incorporate the Inspector General for Health into that new office. While we support the goal of strengthening statewide oversight and believe there is much to recommend a Statewide Office of the Inspector General. However, the current bill contains several problematic provisions that require amendment to strengthen this process and ensure that existing State and Federal obligations are not adversely impacted.

Existing Medicaid Program Integrity Responsibilities and External Audit Staffing

The Office of the Inspector General for Health, (OIGH) is composed of two groups of investigators and auditors. First, the Medicaid Program Integrity Division seeks to detect and obtain repayment of improper payments made by the Medicaid program. Maryland Medicaid is a federal and state partnership that provides essential healthcare coverage to over 1.7 million Maryland citizens through a network of more than 80,000 health care providers and nine managed care organizations. The federal Centers for Medicare and Medicaid Services estimates that in 2024, the rate of improper payments by the Medicaid program averaged 5.09 percent.¹ The Maryland Medicaid program had a budget of about \$17.5 billion, meaning an estimated \$865,300,000 was lost to improper payments.

¹ <https://www.cms.gov/newsroom/fact-sheets/fiscal-year-2024-improper-payments-fact-sheet>

To attempt to staunch the flow of improper payments, the State staffed the OIGH Program Integrity Division with 35 investigators, auditors, and other staff in FY 2025, a number that will be reduced by ten percent in the FY 2027 budget due to Statewide budget cuts. Although OIGH is a revenue-producing agency, we predict that revenues may fall in the future due to inadequate staffing and the resultant drop in the number of cases that can be pursued.

The OIGH External Audit Division consists of 11 auditors who are responsible for reviewing the expenditure of over \$550 million in Maryland Department of Health grants to Maryland's 24 local health departments and 25 private providers pursuant to COMAR 10.04.03.04. Entities are reviewed at least once every four years using a risk-based schedule that ensures that entities with higher potential risk are reviewed more often.

OIGH's existing staff are all tasked to legally-required investigations for the Medicaid program and of Department of Health grantees. It would be all too easy for a Statewide Inspector General to see the personnel assigned to these tasks as available to be assigned to other matters, especially if this new Statewide agency is not properly funded or staffed in its own right. Because these OIGH staff members are assigned to statutorily required duties and in the case of Medicaid Program Integrity Staff, funded in-part with federal funds, HB 1064 should specify that existing OIGH staff and other resources are not available to be reassigned to other tasks.

Investigations of Maryland Department of Health

Although the OIGH is statutorily charged with investigating behaviors in the Department of Health that threaten public safety or demonstrate negligence, incompetence, or malfeasance, the OIGH was not provided with any staffing to fulfill this important function. OIGH's Medicaid Program Integrity Division staff are paid, in part, with federal Medicaid grant funds and are not available to take on additional tasks. OIGH External Audit Division staff are engaged full-time in audits required by Maryland law and are not available to take on additional tasks.

When OIGH was created as an independent agency, the staff who could have been assigned to investigations of misconduct within the Department of Health were transferred to the Department of Health, leaving no OIGH staff to fulfill this important, independent oversight function. Until OIGH is given to staff who are available for investigations into the Department of Health, it will continue to be unable to fulfill this portion of its statutory charge.

HB 1064 would consolidate OIGH into the Statewide Office of the Inspector General. The Statewide OIG would, similarly, be charged with investigating misconduct within State agencies. The bill does not address, however, whether OIGH's internal-facing responsibilities for investigating conduct within the Maryland Department of Health would remain with OIGH (and if so will staffing be provided to carry out this responsibility) or will this function be transferred to some other part of the Statewide OIG.

Employee Classification and Personnel Protections

HB 1064 also changes the employment status of existing OIGH employees. Under existing law, most OIGH employees are not employees-at-will but are entitled to the protections offered by State personnel law regarding discipline, termination, and appeals. HB 1064 makes the staff of the Statewide OIG employees-at-will who serve subject to the pleasure of the Statewide Inspector General. It is unclear whether changing the employment status of existing OIGH staff was intended or if this language should be revised to preserve their existing employment rights.

Subpoena Authority

The subpoena power granted to the Statewide OIG in HB 1064 requires court approval before a subpoena may be issued. OIGH currently has administrative subpoena power, but court approval is not required to issue subpoenas. Various investigative arms of the Office of the Attorney General also have subpoena power without the requirement for court approval prior to issuance. The court-approval requirement gives the Statewide OIG less power than a private person litigating a civil case, who can also issue subpoenas without prior approval from a court. OIGH believes that it would be better to use the subpoena language already existent elsewhere in Maryland law to avoid the impression that the Statewide OIG is somehow less important than these other investigative bodies, especially as OIGH would be housed within the Statewide OIG, creating inconsistent subpoena authorities within the same agency. Clarifying this provision would help ensure that the Statewide OIG retains investigative authority comparable to existing oversight entities in Maryland.

Administrative Independence from the Department of Health

Current law requires that the OIGH be physically located with the Maryland Department of Health and obtain human resources, information technology, and other support services from the Department. This creates an inherent conflict of interest in which the entity that OIGH is charged with investigating has full access to confidential investigative files and could potentially interfere with investigations by deleting files, depriving the OIGH of access to email and other technology services, slow walking the hiring of new personnel, or other means. HB 1064 leaves these measures in place, moving the OIGH under the auspices of the new Statewide OIG but still requiring OIGH to obtain all its support services from the Department of Health. If OIGH is to be moved to a different agency, that agency would presumably have its own support personnel. Allowing OIGH to use the new agency's support services would eliminate these inherent conflicts of interest. It would also eliminate the redundancy created by having the Statewide OIG provide services that OIGH is unable to access, duplicating these same services through the Department of Health.

Protecting Federal Grant Funds

HB 1064 must specify that both the Statewide OIGH and the Department of Health must cooperate as needed to ensure that Medicaid Program Integrity activities carried out promptly. These activities are required by federal law, and any interruption could endanger federal grant funds. Because OIGH's work involves PII and HIPAA-protected information, appropriate data use agreements and other information-sharing protocols are in place to allow OIGH access to this necessary information.

If OIGH is subsumed within a Statewide OIG, that new agency must be required to execute all necessary agreements and cooperate as needed to maintain access to this information, ensuring that OIGH federally required activities continue without interruption, as OIGH would no longer be an independent agency signing agreements on its own behalf. At the same time, the Department of Health must be required to provide the new Statewide OIG with access to all necessary enrollment, eligibility, and claims databases and all other information required for OIGH to complete its work.

Additionally, the Department of Health is currently collaborating with OIGH on the development of AI-powered review tools specific to OIGH's work that are expected to enhance OIGH's capability to investigate and recover Medicaid funds. It is imperative that development and deployment of this capability do not stop just because the OIGH will no longer exist as a separate, independent agency. HB 1064 should charge both the Department of Health and the Statewide OIG to cooperate in the ongoing development of these essential resources and tools.

Impact on Existing Audit Reporting Requirements

The OIGH's External Audit's division currently issues formal audit reports of local health departments and other grantees pursuant to Generally Accepted Government Auditing Standards. With respect to its Medicaid Program Integrity investigations, these investigations are not "audits" as defined by Generally Accepted Government Auditing Standards or other auditing authorities. If the investigation reveals that no recovery of funds is appropriate, it is closed with no written report. If an investigation into a Medicaid recipient reveals that the recipient was not entitled to benefits the OIGH will either refer the recipient to the appropriate State's attorney's office for prosecution or notify the Department of Health that the individual should be disenrolled and that the Department should attempt to recoup any benefits paid. These communications do not result in a formal audit report. If an investigation reveals that a health care provider submitted improper claims for payment to Medicaid, the case may be referred to the Office of the Attorney General for prosecution or the OIGH notifies the provider that it will be required to repay the amount it improperly obtained. Neither communication results in a formal audit report. OIGH is unaware of any state or federal authority or private insurance carrier anywhere in the country that conducts formal audits in these types of investigations.

HB 1064 would require a formal audit in all cases, regardless of whether any misconduct was found or repayment sought. The OIGH's Program Integrity staff conducted 780 investigations in fiscal year 2025. Issuing a formal audit report in each case will be impossible with existing resources. HB 1064 should clarify that formal audit reports are only required in instances in which a formal audit was conducted, and that this requirement does not apply to Medicaid Program Integrity investigations that are not formal audits. Targeted amendments could ensure that targets of audits or investigations receive sufficient information to dispute findings while preserving the flexibility to perform the type of audit or investigation that is appropriate to the subject matter.

Complaint Intake and Investigation Requirements

HB 1064 requires that "each" complaint from a State employee "shall" be investigated. OIGH currently receives complaints from State employees regarding issues that are not appropriate for an IG's investigation or that cannot be investigated given the current lack of resources. The Statewide OIG will likely have similar concerns. This language should be modified to ensure that resources are not spent on frivolous or otherwise non-actionable complaints and so that complaints can be evaluated for further investigation considering resource constraints and competing investigative priorities.

Annual Reporting Requirements

HB 1064 requires that an annual report and copies of the audit report for each investigation be submitted to the General Assembly. The OIGH is already required to file an annual report with the General Assembly. HB 1064 should eliminate these duplicative requirements and either have OIGH continue to report through the already existing annual report or delete these separate reporting provisions so that OIGH activities are included in the Statewide report. The OIGH's current annual reporting requirements do not require submission to the General Assembly of the final reports from its investigations. Doing so would result in submission of thousands of pages of documents containing PII and HIPAA-protected information. If the Statewide OIG and OIGH are to submit one report, HB 1064 should clarify that it does not require submission of OIGH investigative reports into individual healthcare providers or Medicaid recipients.

Conclusion

While there is opportunity to improve oversight of Maryland State Agencies through the establishment of a Statewide Office of the Inspector General, moving the existing OIGH into a new agency without careful consideration could present significant challenges. Such a transition may endanger OIGH's existing work, result in duplication, reduction, or the elimination of work already underway and hinder the development of AI and other solutions designed to enhance these operations. These issues should be addressed in a revised bill that enhances efficiency and accountability for all agencies involved.

Very truly yours,



Shelly Marie Martin
Inspector General for Health