



SENATE BILL 405: Healthcare Investment Act.

**This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.**

2025-2026 General Assembly

Committee:	House Rules, Calendar, and Operations of the House	Date:	October 22, 2025
Introduced by:	Sens. Hise, Sawrey, Burgin	Prepared by:	Alison J. Rossi
Analysis of:	PCS to Second Edition S405-CSNLa-1		Staff Attorney

OVERVIEW: *The Proposed Committee Substitute (PCS) for Senate Bill 405 would: (i) adjust Medicaid funding to account for projected changes, (ii) make other revisions to laws governing the Department of Health and Human Services, and (iii) reduce funding appropriated to the future building reserves and the State Capital and Infrastructure Fund (SCIF).*

BILL ANALYSIS: The PCS would do the following:

Part I. Medicaid Rebase and Other Department of Health and Human Services Revisions

Section 1.1 Medicaid Rebase and Managed Care Administration – Would appropriate from the General Fund \$690M in recurring funds for the Medicaid rebase for each year of the fiscal biennium and \$49.2M in recurring funds for Medicaid administration for each year of this fiscal biennium. It also would appropriate from the ARPA Temporary Savings Fund \$34.4M in nonrecurring funds for Medicaid administration for the 2025-2026 fiscal year.

Section 1.2 LME/MCO Intergovernmental Transfers – Would repeat a requirement for local management entity/managed care organization (LME/MCOs) to make recurring intergovernmental transfers to the Division of Health Benefits, with updates to reflect realignment of counties among the LME/MCOs.

Section 1.3 Single-Stream Funding Reduction – Would reduce single-stream funding for single-stream by \$30M in recurring funds and directs local management entity/managed care organizations to maintain the same level of service utilization as in the 2024-2025 fiscal year.

Section 1.4 Use of Opioid Settlement Funds – Would repeal the Prescription Digital Therapeutics Pilot Program authorized in the 2022 Budget and transfer the funds appropriated for that program (\$1,850,000 NR) back to the Opioid Abatement Reserve. Would transfer and appropriate from the Opioid Abatement Reserve \$14,000,000 in recurring funds for each year of the 2025-2027 fiscal biennium to the Division of Mental Health, Developmental Disabilities, and Substance Use Services, to offset the \$14,000,000 reduction in Single Stream Funding authorized by subsection (b) of this section.

Section 1.5 DHHS Mandatory Vacant Position Eliminations – Would mandate the elimination of a sufficient number of DHHS vacant positions by January 1, 2026, to achieve net General Fund savings in the amount of \$33,986,530 in recurring funds for each year of the 2025-2027 fiscal biennium. Would direct the DHHS to achieve the required savings by either (i) adhering to the schedule of budgeted reductions set forth in subdivision (b)(1) of this section or (ii) adjusting the amount of the budgeted reductions set forth in the schedule for one or more of its divisions as long as the adjustment allows the DHHS to achieve the required amount of net General Fund savings. Would require the DHHS to report

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on any actions taken to achieve the required savings by April 1 of each year of the 2025-2027 fiscal biennium.

Section 1.6 Whole Child Health Section Reduction – Would reduce funds provided to the Whole Child Health Section within the Division of Child and Family Well-Being by \$100,000 recurring for each year of the 2025-2027 fiscal biennium.

Section 1.7 Medical Eye Care Program Reduction – Would reduce funds provided to the Division of Services for the Blind for the Medical Eye Care Program by \$110,000 recurring for each year of the 2025-2027 fiscal biennium.

Section 1.8 Establish Plan for Medicaid Managed Care Cost Savings and Efficiency Measures – Would direct the Department of Health and Human Services to develop a plan for cost savings and efficiency measures in Medicaid managed care and to implement this plan by April 1, 2026. Would direct the Department to report on its plan by November 11, 2025 to the Joint Legislative Oversight Committee on Medicaid and to provide monthly updates on implementation.

Section 1.9 Medicaid Redeterminations – Would direct the Office of the State Auditor to examine Medicaid eligibility redetermination efforts in all county departments of social services, conduct a performance audit of a sample of county departments of social services modeled on the audit required by Section 11.5 of S.L. 2015, and to report on the results of each to the Joint Legislative Oversight Committee on Medicaid.

Part II. Capital Funding Revisions

Section 2.1 Future Building Reserves – Would reduce intended appropriation of funds to the Future Building Reserves for the operating expenses of State agency facilities by \$42.2 million each year of the biennium.

Part III. Miscellaneous

Sections 3.1 through 3.4 would enact various boilerplate provisions.

EFFECTIVE DATE: Except as otherwise provided, the PCS would be effective July 1, 2025.