



OFFICE OF MANAGEMENT & BUDGET


State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

MEMORANDUM

To: The Honorable Marvin L. Abney, Chairman, House Finance Committee
The Honorable Louis P. DiPalma, Chairman, Senate Finance Committee

From: Joseph Codega Jr., Budget Officer 

Date: April 18, 2025

Subject: Amendments to the FY 2026 Appropriations Act (25-H-5076)

Governor's Budget Amendment #13

The Governor requests an amendment to Article 10 of the FY 2026 Appropriations Act, *Relating to Health and Human Services*. The provisions and policy goals underlying these amendments are set forth below, with associated legislative changes and/or additions detailed in the subsequent technical section.

Health Care Entity Fiscal Integrity, Transparency, and Accountability. This amendment seeks to establish the duty of overseeing and directing the administration and financing of systems of care with the Secretary of the Executive Office of Health and Human Services (EOHHS). A new state financial oversight program would be established whereby health care entities including hospitals, nursing facilities, Federally Qualified Community Health Centers (FQHCs) Certified Community Behavioral Health Clinics (CCBHCs) and large physician group practices would submit quarterly financial reporting to EOHHS. Failure by entities to submit reporting would result in fines to be collected in a new restricted receipt account. The Secretary would be empowered to take fiscally sound and appropriate action on any findings of financial risk or significant financial jeopardy and utilize said fines or pursue Medicaid federal match opportunities, grants or other financing opportunities to stabilize entities in imminent jeopardy. The act shall take effect upon passage.

If you have any questions regarding these amendments, please feel free to call me or my staff at 222-6300.

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Brian Daniels, Director, Office of Management and Budget
Jonathan Womer, Director of Administration

25-H-5076: RELATING TO MAKING APPROPRIATIONS IN SUPPORT OF FY 2026

Article 10 – Relating to Health and Human Services

Page 261, After Line 30: Insert the attached new Sections 4 - 6 and renumber subsequent sections accordingly:

SECTION 4. Section 35-4-27 of the General Laws in Chapter 35-4 entitled "State Funds" is hereby amended to read as follows:

§ 35-4-27. Indirect cost recoveries on restricted receipt accounts.

Indirect cost recoveries of ten percent (10%) of cash receipts shall be transferred from all restricted-receipt accounts, to be recorded as general revenues in the general fund. However, there shall be no transfer from cash receipts with restrictions received exclusively: (1) From contributions from nonprofit charitable organizations; (2) From the assessment of indirect cost-recovery rates on federal grant funds; or (3) Through transfers from state agencies to the department of administration for the payment of debt service. These indirect cost recoveries shall be applied to all accounts, unless prohibited by federal law or regulation, court order, or court settlement. The following restricted receipt accounts shall not be subject to the provisions of this section:

Executive Office of Health and Human Services

Organ Transplant Fund

HIV Care Grant Drug Rebates

Health System Transformation Project

Health Care Entity Fiscal Integrity, Transparency and Accountability Account

Rhode Island Statewide Opioid Abatement Account HCBS Support-ARPA

HCBS Admin Support-ARPA

Department of Human Services

Veterans' home — Restricted account

Veterans' home — Resident benefits Pharmaceutical Rebates Account

Demand Side Management Grants

Veteran's Cemetery Memorial Fund

Donations — New Veterans' Home Construction

Commodity Supplemental Food Program-Claims

Department of Health

Pandemic medications and equipment account

Miscellaneous Donations/Grants from Non-Profits

State Loan Repayment Match

Healthcare Information Technology

Department of Behavioral Healthcare, Developmental Disabilities and Hospitals

Eleanor Slater non-Medicaid third-party payor account

Hospital Medicare Part D Receipts

RICLAS Group Home Operations

Group Home Facility Improvement Fund

Commission on the Deaf and Hard of Hearing

Emergency and public communication access account

Department of Environmental Management

National heritage revolving fund

Environmental response fund II

Underground storage tanks registration fees

De Coppet Estate Fund

Rhode Island Historical Preservation and Heritage Commission

Historic preservation revolving loan fund

Historic Preservation loan fund — Interest revenue

Department of Public Safety

E-911 Uniform Emergency Telephone System

Forfeited property — Retained

Forfeitures — Federal

Forfeited property — Gambling

Donation — Polygraph and Law Enforcement Training

Rhode Island State Firefighter's League Training Account Fire Academy Training Fees Account

Attorney General

Forfeiture of property

Federal forfeitures

Attorney General multi-state account

Forfeited property — Gambling

Department of Administration

OER Reconciliation Funding

Health Insurance Market Integrity Fund

RI Health Benefits Exchange

Information Technology restricted receipt account Restore and replacement — Insurance coverage

Convention Center Authority rental payments

Investment Receipts — TANS

OPEB System Restricted Receipt Account

Car Rental Tax/Surcharge-Warwick Share

Grants Management Administration

RGGI-Executive Climate Change Coordinating Council Projects

Electric Vehicle Charging Stations Operating and Maintenance Account

Department of Housing

Housing Resources and Homelessness Restricted Receipt Account

Housing Production Fund

Low-Income Housing Tax Credit Fund

Department of Revenue

DMV Modernization Project

Jobs Tax Credit Redemption Fund

Legislature

Audit of federal assisted programs

Department of Children, Youth and Families

Children's Trust Accounts — SSI

Military Staff

RI Military Family Relief Fund

RI National Guard Counterdrug Program

Treasury

Admin. Expenses — State Retirement System

Retirement — Treasury Investment Options

Defined Contribution — Administration - RR

Violent Crimes Compensation — Refunds

Treasury Research Fellowship

Business Regulation

Banking Division Reimbursement Account

Office of the Health Insurance Commissioner Reimbursement Account

Securities Division Reimbursement Account

Commercial Licensing and Racing and Athletics Division Reimbursement Account

Insurance Division Reimbursement Account

Historic Preservation Tax Credit Account

Marijuana Trust Fund

Social Equity Assistance Fund

Judiciary

Arbitration Fund Restricted Receipt Account

Third-Party Grants

RI Judiciary Technology Surcharge Account

Department of Elementary and Secondary Education

Statewide Student Transportation Services Account

School for the Deaf Fee-for-Service Account

School for the Deaf — School Breakfast and Lunch Program

Davies Career and Technical School Local Education Aid Account

Davies — National School Breakfast & Lunch Program

School Construction Services

Office of the Postsecondary Commissioner Higher Education and Industry Center

IGT STEM Scholarships

Department of Labor and Training

Job Development Fund

Rhode Island Council on the Arts

Governors' Portrait Donation Fund

Statewide records management system account

SECTION 5. Section 42-7.2-5 of the General Laws in Chapter 42-7.2 entitled "Office of Health and Human Services" is hereby amended to read as follows:

§ 42-7.2-5. Duties of the secretary

The secretary shall be subject to the direction and supervision of the governor for the oversight, coordination, and cohesive direction of state-administered health and human services and in ensuring the laws are faithfully executed, notwithstanding any law to the contrary. In this capacity, the secretary of the executive office of health and human services (EOHHS) shall be authorized to:

(1) ~~Coordinate~~ Oversee and direct the administration and financing of healthcare benefits, human services, systems of care, and programs including those authorized by the state's Medicaid section 1115 demonstration waiver and, as applicable, the Medicaid state plan under Title XIX of the U.S. Social Security

Act. However, except as explicitly set forth herein, nothing in this section shall be construed as transferring to the secretary the powers, duties, or functions conferred upon the departments by Rhode Island public and general laws for the administration of federal/state programs financed in whole or in part with Medicaid funds or the administrative responsibility for the preparation and submission of any state plans, state plan amendments, or authorized federal waiver applications, once approved by the secretary.

(2) Serve as the governor's chief advisor and liaison to federal policymakers on Medicaid reform issues as well as the principal point of contact in the state on any such related matters.

(3)(i) Review and ensure the coordination of the state's Medicaid section 1115 demonstration waiver requests and renewals as well as any initiatives and proposals requiring amendments to the Medicaid state plan or formal amendment changes, as described in the special terms and conditions of the state's Medicaid section 1115 demonstration waiver with the potential to affect the scope, amount, or duration of publicly funded healthcare services, provider payments or reimbursements, or access to or the availability of benefits and services as provided by Rhode Island general and public laws. The secretary shall consider whether any such changes are legally and fiscally sound and consistent with the state's policy and budget priorities. The secretary shall also assess whether a proposed change is capable of obtaining the necessary approvals from federal officials and achieving the expected positive consumer outcomes. Department directors shall, within the timelines specified, provide any information and resources the secretary deems necessary in order to perform the reviews authorized in this section.

(ii) Direct the development and implementation of any Medicaid policies, procedures, or systems that may be required to assure successful operation of the state's health and human services integrated eligibility system and coordination with HealthSource RI, the state's health insurance marketplace.

(iii) Beginning in 2015, conduct on a biennial basis a comprehensive review of the Medicaid eligibility criteria for one or more of the populations covered under the state plan or a waiver to ensure consistency with federal and state laws and policies, coordinate and align systems, and identify areas for improving quality assurance, fair and equitable access to services, and opportunities for additional financial participation.

(iv) Implement service organization and delivery reforms that facilitate service integration, increase value, and improve quality and health outcomes.

(4) Beginning in 2020, prepare and submit to the governor, the chairpersons of the house and senate finance committees, the caseload estimating conference, and to the joint legislative committee for health-care oversight, by no later than September 15 of each year, a comprehensive overview of all Medicaid expenditures outcomes, administrative costs, and utilization rates. The overview shall include, but not be limited to, the following information:

(i) Expenditures under Titles XIX and XXI of the Social Security Act, as amended;

(ii) Expenditures, outcomes, and utilization rates by population and sub-population served (e.g., families with children, persons with disabilities, children in foster care, children receiving adoption assistance, adults ages nineteen (19) to sixty-four (64), and elders);

(iii) Expenditures, outcomes, and utilization rates by each state department or other municipal or public entity receiving federal reimbursement under Titles XIX and XXI of the Social Security Act, as amended;

(iv) Expenditures, outcomes, and utilization rates by type of service and/or service provider;

(v) Expenditures by mandatory population receiving mandatory services and reported separately, optional services, as well as optional populations receiving mandatory services and, reported separately, optional services for each state agency receiving Title XIX and XXI funds; and

(vi) Information submitted to the Centers for Medicare & Medicaid Services for the mandatory annual state reporting of the Core Set of Children's Health Care Quality Measures for Medicaid and Children's Health Insurance Program, behavioral health measures on the Core Set of Adult Health Care Quality Measures for Medicaid and the Core Sets of Health Home Quality Measures for Medicaid to ensure compliance with the Bipartisan Budget Act of 2018, Pub. L. No. 115-123.

The directors of the departments, as well as local governments and school departments, shall assist and cooperate with the secretary in fulfilling this responsibility by providing whatever resources, information and support shall be necessary.

(5) Resolve administrative, jurisdictional, operational, program, or policy conflicts among departments and their executive staffs and make necessary recommendations to the governor.

(6) Ensure continued progress toward improving the quality, the economy, the accountability, and the efficiency of state-administered health and human services. In this capacity, the secretary shall:

(i) Direct implementation of reforms in the human resources practices of the executive office and the departments that streamline and upgrade services, achieve greater economies of scale and establish the coordinated system of the staff education, cross-training, and career development services necessary to recruit and retain a highly- skilled, responsive, and engaged health and human services workforce;

(ii) Encourage EOHHS-wide consumer-centered approaches to service design and delivery that expand their capacity to respond efficiently and responsibly to the diverse and changing needs of the people and communities they serve;

(iii) Develop all opportunities to maximize resources by leveraging the state's purchasing power, centralizing fiscal service functions related to budget, finance, and procurement, centralizing communication, policy analysis and planning, and information systems and data management, pursuing alternative funding sources through grants, awards, and partnerships and securing all available federal financial participation for programs and services provided EOHHS-wide;

(iv) Improve the coordination and efficiency of health and human services legal functions by centralizing adjudicative and legal services and overseeing their timely and judicious administration;

(v) Facilitate the rebalancing of the long-term system by creating an assessment and coordination organization or unit for the expressed purpose of developing and implementing procedures EOHHS-wide that ensure that the appropriate publicly funded health services are provided at the right time and in the most appropriate and least restrictive setting;

(vi) Strengthen health and human services program integrity, quality control and collections, and recovery activities by consolidating functions within the office in a single unit that ensures all affected parties pay their fair share of the cost of services and are aware of alternative financing;

(vii) Assure protective services are available to vulnerable elders and adults with developmental and other disabilities by reorganizing existing services, establishing new services where gaps exist, and centralizing administrative responsibility for oversight of all related initiatives and programs.

(7) Prepare and integrate comprehensive budgets for the health and human services departments and any other functions and duties assigned to the office. The budgets shall be submitted to the state budget office by the secretary, for consideration by the governor, on behalf of the state's health and human services agencies in accordance with the provisions set forth in § 35-3-4.

(8) Utilize objective data to evaluate health and human services policy goals, resource use and outcome evaluation and to perform short and long-term policy planning and development.

(9) Establishment of an integrated approach to interdepartmental information and data management that complements and furthers the goals of the unified health infrastructure project initiative and that will facilitate the transition to a consumer-centered integrated system of state-administered health and human services.

(10) At the direction of the governor or the general assembly, conduct independent reviews of state-administered health and human services programs, policies and related agency actions and activities and assist the department directors in identifying strategies to address any issues or areas of concern that may emerge thereof. The department directors shall provide any information and assistance deemed necessary by the secretary when undertaking such independent reviews.

(11) Provide regular and timely reports to the governor and make recommendations with respect to the state's health and human services agenda.

(12) Employ such personnel and contract for such consulting services as may be required to perform the powers and duties lawfully conferred upon the secretary.

(13) Assume responsibility for complying with the provisions of any general or public law or regulation related to the disclosure, confidentiality, and privacy of any information or records, in the possession or under the control of the executive office or the departments assigned to the executive office, that may be

developed or acquired or transferred at the direction of the governor or the secretary for purposes directly connected with the secretary's duties set forth herein.

(14) Hold the director of each health and human services department accountable for their administrative, fiscal, and program actions in the conduct of the respective powers and duties of their agencies.

(15) Identify opportunities for inclusion with the EOHHS' October 1, 2023 budget submission, to remove fixed eligibility thresholds for programs under its purview by establishing sliding scale decreases in benefits commensurate with income increases up to four hundred fifty percent (450%) of the federal poverty level. These shall include but not be limited to, medical assistance, childcare assistance, and food assistance.

(16) Promote fiscal integrity, transparency, and accountability in the state's health care system by implementing the provisions of § 42-7.5, et seq.

SECTION 6. Title 42 entitled "State Affairs and Government" is hereby amended by adding thereto the following chapter:

CHAPTER 7.5

HEALTH CARE ENTITY FISCAL INTEGRITY, TRANSPARENCY, AND ACCOUNTABILITY

§ 42-7.5-1. Definitions.

As used in this chapter:

(1) "Adverse change in financial condition" means material, negative changes in a nursing facility's financial condition that may include, but not be limited to, changes in financial position, marginal financial status, cash flow or operation results, severe financial difficulties or other events that could affect the delivery of essential care and services that initiate the provisions of § 23-17-12.7.

(2) "Audited Financial Statement" means the complete set of financial statements of a health care entity, including notes to the financial statements, which are subject to an independent audit in accordance with *Generally Accepted Auditing Standards* that certain reporting covered entities are required to submit to state and federal authorities. The quarterly reports required in this section should be approved by the governing board of the reporting covered entity although they are a supplement to and not a substitute for existing audited financial statement reporting requirements.

(3) “Assessment” means review of the financial reports submitted by reporting covered entities for the purposes of identifying financial strengths, weaknesses, and risks, tracking utilization and capacity, and initiating any authorized remedies or corrective actions deemed necessary and appropriate to address financial risks in accordance with implementing regulations promulgated by the secretary of EOHHS.

(4) “Bad Debt” means loans or outstanding balances owed that are no longer deemed recoverable and are journaled as uncollectible accounts.

(5) “Department” or “Office” means the executive office of health and human services.

(6) “Financial Risk” means the possibility of facing adverse financial and/or operational consequences based on criteria established by regulations promulgated pursuant to this chapter by the secretary of EOHHS.

(7) “Fiscal Integrity” means a financial system that operates in a transparent, and accountable way that promotes stability and solvency and in accordance with widely accepted financial rules and standards.

(8) “Imminent Financial Jeopardy” means an assessment finding indicating that a reporting covered entity is in financial distress that poses an immediate threat and significant likelihood of financial insolvency, the ceasing of operations or admissions, the loss of licensure, accreditation, or certification for third party reimbursement, and/or the reduction of access to health care services to the extent that public health and safety may be adversely affected.

(9) “Parent Organization” means an entity that has a controlling interest in one or more subsidiary reporting covered entities.

(10) “Quarterly Financial Report” means detailed information about a reporting covered entity’s finances prepared by the entity in accordance with a format and/or set of specific auditing principles to be determined by the secretary.

(11) “Reporting Covered Entity” means:

(i) Hospitals and their parent organizations licensed by the department of health and actively operating under § 23-17-4 and the associated implementing regulations established in 216-RICR-40-10-4.

(ii) Nursing facilities and their parent organizations licensed by the department of health and actively operating pursuant to § 23-17-4 and the associated implementing regulations set forth in 216-RICR-40-10-1.

(iii) Federally Qualified Community Health Centers, hereinafter, FQHCs licensed by the state as a type of “organized ambulatory facility” in accordance with § 23-17-10 and implementing regulations at 216-RICR-40-10-3 and certified by the federal Centers for Medicare and Medicaid and the executive office of health and human services.

(iv) Beginning on January 1, 2026, Certified Community Behavioral Health Clinics, hereinafter CCBHCs as defined in § 40.1-8.5-8 and certified and regulated by the department of behavioral healthcare, developmental disabilities and hospitals operating under applicable federal law.

(v) Physician group practices with 25 or more Rhode Island in-state physicians/advanced practice practitioners. The Secretary may promulgate regulations to further define other triggering attributes, including but not limited to practice revenue, type of practice, or covered patients.

(12) “Rhode Island Code of Regulations” or “RICR” means the online, uniform code maintained by the secretary of state that provides access to all proposed and final regulations filed by state agencies, boards, and commissions under the state's Administrative Procedures Act to make government more transparent, accessible, and efficient.

(13) “Secretary” means the secretary of the executive office of health and human services.

§ 42-7.5-2. Quarterly Reporting Required.

(a) Beginning October 1, 2025, reporting covered entities are required to submit quarterly financial reports including but not limited to, balance sheet and income statement information showing cash on hand, accounts payable and accounts receivable, gross and net patient revenues, other income, operating costs by category, other expenses, investment income and non-patient services revenues, assets, liabilities, and net surplus or profit margin, uninsured and bad debt costs, and net charity care and any other information as may be required by the secretary.

The secretary shall consider ease of data collection, submission, and analysis from the perspective of both the reporting covered entities and the EOHHS when selecting a report format and shall pursue electronic formats to the full extent feasible.

(b) Reporting covered entities shall submit quarterly reports to the secretary no later than sixty (60) business days after the end date of the preceding filing quarter. Quarters are as follows: Q1: January 1–March 31; Q2: April 1–June 30; Q3: July 1–September 30; Q4: October 1–December 31.

(c) Quarterly reports shall be signed by a reporting covered entity’s chief financial officer or authorized financial signatory and include an attestation to the truthfulness and validity of the information contained in the report at the time it was filed with the secretary.

(d) The quarterly reports shall be reviewed and provide the basis for an assessment and analysis of each reporting covered entity’s financial status and capacity. The secretary shall develop a process for conducting assessments and analyses of the reports in a systematic, objective, and timely manner that assures each reporting covered entity receives feedback of any noteworthy findings at least thirty (30) days prior to the deadline for the next quarterly report submission. The secretary may seek technical advice and support to assist in establishing this process and ensuring that it leverages existing information technology to the full extent feasible, and utilizes available objective data analytic tools. The secretary shall request that reporting covered entities provide quarterly financial statements in a mutually agreed upon format until such time as a permanent format is required.

§ 42-7.5-3. Penalties for Non-compliance – Fines.

(a) A reporting covered entity that fails to submit a quarterly report on the date due without good cause is subject to a fine of five hundred dollars (\$500) per day for each business day the report is past due. Good cause exceptions shall be defined in the regulations promulgated by the secretary.

(b) Fines are to be paid to the secretary at the time the past due report is submitted to EOHHS. The fines shall be deposited into a restricted receipt account created in section (c) of this section.

(c) There is hereby created a restricted receipt account in the general fund housed within the budget of EOHHS to be known as the “health care entity fiscal integrity, transparency and accountability account”

which shall be used to carry out the provisions, policies, and purposes of this chapter. This account shall be exempt from the indirect cost recovery provisions of § 35-4-27.

§ 42-7.5-4. Notification, Remedies, and Corrective Actions.

(a) Each reporting covered entity shall be notified of the dates of receipt of the report and completion of the assessment and analyses. Such notification shall include any findings which require additional information from or actions by the reporting covered entity. Consistent with the intent to ensure solvency of reporting covered entities, as an initial step upon finding financial risk or significant financial jeopardy, EOHHS representatives shall meet with the reporting covered entity's leadership to identify and document strategies to address financial risks.

(b) If EOHHS makes a finding of financial risk or significant financial jeopardy, the notice shall provide that the provisions of § 23-17-12.7 have been initiated and include any actions that may be deemed necessary and appropriate in addition to, or in lieu of, the requirements herein. In all other instances in which the assessment and analyses findings indicate that the financial status of a reporting covered entity is at significant risk or poses imminent financial jeopardy, the notification shall indicate:

(1) The range of corrective actions that the reporting health care entity is required to take, the obligations of their owner(s)/operator(s) to cooperate, and any actions that may be imposed for failing to do so.

(2) The type of corrective action plan and follow-up reports the reporting covered entity is required to submit to the secretary in response, associated due dates, and any additional documentation that may be required.

(3) Any reporting covered entity that is required to provide an independent or other additional analyses including forensic audits as part of a corrective action plan developed in accordance with paragraph (f), is responsible for paying all associated costs. The secretary may use the restricted receipt account to subsidize the costs of such analyses for a reporting covered entity that has insufficient resources to pay all associated costs.

(4) Any fiscally sound necessary and appropriate actions the secretary and/or the health and human services directors are authorized to take to mitigate the risk or imminent jeopardy and secure health system stability and the corresponding obligations of the reporting covered entity; and/or;

(5) In circumstances in which government action is deemed warranted and no authority for such exists within the EOHHS or the health and human services departments, any recommendations that will be made to the governor for the prompt resolution of any imminent risks identified.

§ 42-7.5-5. Restrictions.

Nothing in this chapter obligates the secretary, the directors of the health and human services departments, or any other state official to provide financial assistance to a reporting covered entity identified as at serious financial risks even in instances in which the continued viability of an entity is in immediate jeopardy.

§ 42-7.5-6. Disclosure.

The secretary shall make available the findings from the required reports that is not otherwise protected as confidential or deemed non-disclosable by federal or state law and regulations.

§ 42-7.5-7. Federal Authorities and Financing Opportunities

In addition to the fines collected as described in Section 42-7.2.1-3, the secretary is authorized to pursue additional funding, including, but not limited to, authorized Medicaid Federal Match opportunities, grants, and foundation awards to stabilize reporting covered entities in imminent jeopardy and promote fiscal integrity, transparency and accountability in the state's health care system. Any additional funds received for the purposes of this chapter that are eligible shall be deposited in the restricted receipt account established pursuant to § 42-7.2.1-3(c).

§ 42-7.5-8. Rules and regulations.

The secretary is authorized to promulgate rules and regulations to carry out the provisions, policies, and purposes of this chapter.

SECTION 7. This article shall take effect upon passage.