

119TH CONGRESS
2D SESSION

S. _____

To implement recommendations of the Comptroller General of the United States for improving the Medicaid Recovery Audit Contractor program and identifying additional opportunities to recover Medicaid overpayments, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. SCOTT of Florida introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To implement recommendations of the Comptroller General of the United States for improving the Medicaid Recovery Audit Contractor program and identifying additional opportunities to recover Medicaid overpayments, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Medicaid RAC Im-
5 provement Act of 2026”.

1 **SEC. 2. IMPROVING CMS OVERSIGHT AND COMMUNICA-**
2 **TION.**

3 (a) IMPROVED OVERSIGHT.—Section 1903 of the So-
4 cial Security Act (42 U.S.C. 1396b) is amended by adding
5 at the end the following new subsection:

6 “(cc) IMPROVING STATE PAYMENT INTEGRITY.—

7 “(1) DEFINITIONS.—In this subsection:

8 “(A) MEDICAID RAC PROGRAM.—The term
9 ‘Medicaid RAC program’ means a program de-
10 scribed in section 1902(a)(42)(B)(i).

11 “(B) RAC EXCEPTION SPA.—The term
12 ‘RAC exception SPA’ means a State plan
13 amendment submitted to the Secretary by a
14 State for approval of a full exception from, or
15 an exception to 1 or more of, the requirements
16 described in section 1902(a)(42)(B).

17 “(2) IMPROVED OVERSIGHT OF MEDICAID RAC
18 PROGRAM EXCEPTIONS.—Not later than 180 days
19 after the date of enactment of this subsection, the
20 Secretary shall establish and implement policies and
21 procedures for the following:

22 “(A) COMMUNICATE EXPIRATION OF MED-
23 ICAID RAC PROGRAM EXCEPTION.—Clearly com-
24 municating to a State with an approved RAC
25 exception SPA—

1 “(i) the expiration date of the ap-
2 proval; and

3 “(ii) a statement that the RAC excep-
4 tion SPA approval expiration date shall
5 not be extended after 2029.

6 “(B) MONITORING OF RAC EXCEPTION SPA
7 EXPIRATIONS.—Monitoring of RAC exception
8 SPA expiration dates and notifying States with
9 respect to any upcoming expiration date.

10 “(C) STATE REPORTS.—Requiring annual,
11 detailed reporting from a State with an ap-
12 proved RAC exception SPA that includes an
13 overview of the State’s Medicaid RAC program,
14 including methodologies and justifications for
15 audit limits or exclusions applied under the pro-
16 gram.

17 “(3) IMPROVED REPORTING TO CONGRESS ON
18 THE EFFECTIVENESS OF THE MEDICAID RAC PRO-
19 GRAM.—

20 “(A) IN GENERAL.—Not later than De-
21 cember 31, 2027, and annually thereafter, the
22 Secretary, in collaboration with State Medicaid
23 agencies, shall submit to Congress a report de-
24 scribing the effectiveness of the Medicaid RAC
25 program for the most recently ended fiscal year.

1 tual or estimated) attributable to such
2 pre-payment review.

3 “(V) The percentage of appeals
4 of demands for overpayment that
5 ended in settlement and, with respect
6 to any such settlement amount, the
7 percentage of such amount in com-
8 parison to the original overpayment
9 demanded.

10 “(VI) The 5 initiatives most
11 often implemented by the State to re-
12 duce overpayments and underpay-
13 ments.

14 “(VII) The number of audit cat-
15 egories—

16 “(aa) conducted by a State;

17 or

18 “(bb) on hold or denied by a

19 State.

20 “(ii) SECRETARY RECOMMENDA-
21 TIONS.—Recommendations for expanding
22 or improving the Medicaid RAC program,
23 as the Secretary determines appropriate.”.

24 (b) CONFORMING AMENDMENT.—Section
25 1902(a)(42)(B)(i) of the Social Security Act (42 U.S.C.

1 1396a(a)(42)(B)(i) is amended by inserting “(but only
2 through December 31, 2028)” after “exceptions”.

3 **SEC. 3. REQUIRING MEDICAID MANAGED CARE PLANS TO**
4 **BE INCLUDED IN MEDICAID RAC PROGRAMS.**

5 Section 1902(a)(42) of the Social Security Act (42
6 U.S.C. 1396a(a)(42)) is amended—

7 (1) in subparagraph (A), by striking “and” at
8 the end;

9 (2) in subparagraph (B)(ii)—

10 (A) in subclause (III), by striking “and” at
11 the end; and

12 (B) by adding at the end the following new
13 subclause:

14 “(V) such program is carried out
15 in a robust manner likely to identify
16 and recoup or prevent a substantial
17 portion of overpayments and specifi-
18 cally includes a review of claims paid
19 by medicaid managed care organiza-
20 tions (as defined in section
21 1903(m)(1)(A)), prepaid inpatient
22 health plans (as defined in section
23 1903(m)(9)(D)(iii)(I)), and prepaid
24 ambulatory health plans (as defined in
25 section 1903(m)(9)(D)(iii)(II));” and

1 (3) by adding at the end the following new sub-
2 paragraph:

3 “(C) not later than January 1, 2028, the
4 State shall provide assurances satisfactory to
5 the Secretary that the State has an adequate
6 process for ensuring that any contract with a
7 medicaid managed care organization (as defined
8 in section 1903(m)(1)(A)), prepaid inpatient
9 health plan (as defined in section
10 1903(m)(9)(D)(iii)(I)), or prepaid ambulatory
11 health plan (as defined in section
12 1903(m)(9)(D)(iii)(II)), and a State shall in-
13 clude provisions under which such an organiza-
14 tion or health plan—

15 “(i) shall either—”

16 “(I) elect to engage in a period of
17 payment integrity review by desig-
18 nating a period (not to exceed the
19 lesser of 18 months after payment for
20 a claim or the term of the contract
21 with the managed care organization)
22 during which the organization or
23 health plan shall be permitted to en-
24 gage in efforts to identify underpay-
25 ments and overpayments and recoup

1 overpayments under the State plan
2 and under any waiver of the State
3 plan with respect to all services for
4 which payment is made to the organi-
5 zation or health plan under such plan
6 or waiver; or

7 “(II) agree to permit a Medicaid
8 recovery audit contractor (as de-
9 scribed in subparagraph (B)) engaged
10 by the State to engage in such pay-
11 ment integrity review; and

12 “(ii) shall agree to—

13 “(I) cooperate with any Medicaid
14 recovery audit contractor (as so de-
15 scribed) engaged by the State to iden-
16 tify any such underpayments and
17 overpayments and recoup any over-
18 payments under the State plan and
19 under any waiver of the State plan
20 (after the expiration of the period des-
21 ignated under clause (i)(I), if the or-
22 ganization or health plan has elected
23 such a period); and

24 “(II) coordinate such recovery
25 audit efforts in the same manner de-

1 scribed in subparagraph
2 (B)(ii)(IV)(cc); and”.

3 **SEC. 4. ADDITIONAL MEASURES FOR IMPROVING MED-**
4 **ICAID PAYMENT INTEGRITY.**

5 (a) ANNUAL REPORTS REGARDING STATE PAYMENT
6 INTEGRITY REVIEWS.—Section 1903(cc) of the Social Se-
7 curity Act (42 U.S.C. 1396b), as added by section 2(a)
8 of this Act, is amended by adding at the end the following
9 new paragraph:

10 “(4) ANNUAL REPORTS REGARDING STATE PAY-
11 MENT INTEGRITY REVIEWS.—

12 “(A) STATE REPORTS.—Not later than 1
13 year after the date of enactment of this para-
14 graph, and annually thereafter, each State shall
15 submit, separate from the information reported
16 under paragraph (2)(C), a report to the Sec-
17 retary, in such standard form and manner as
18 the Secretary shall specify, that identifies the
19 reviewing entity (including any recovery audit
20 contractor or other program integrity entity)
21 for each payment stream (including a non-State
22 funded payment and capitation or other pay-
23 ments made to a medicaid managed care orga-
24 nization (as defined in section 1903(m)(1)(A)),
25 prepaid inpatient health plan (as defined in sec-

1 tion 1903(m)(9)(D)(iii)(I)), or prepaid ambula-
2 tory health plan (as defined in section
3 1903(m)(9)(D)(iii)(II)) under the State plan
4 or under a waiver of such State plan with re-
5 spect to all items and services for which pay-
6 ment is made for the applicable reporting pe-
7 riod.

8 “(B) REPORTS TO CONGRESS.—Not later
9 than 180 days after the date of each annual
10 State reporting deadline under subparagraph
11 (A), the Secretary shall prepare and submit to
12 Congress a report detailing the information
13 contained in such State reports, together with
14 recommendations for such legislation and ad-
15 ministrative action as the Secretary determines
16 appropriate.”.

17 (b) IDENTIFYING AND TESTING BARRIERS TO STATE
18 PARTICIPATION IN MEDICAID RAC PROGRAMS.—Section
19 1903(cc) of the Social Security Act, as amended by sub-
20 section (a), is amended by adding at the end the following
21 new paragraphs:

22 “(5) STUDY ON BARRIERS TO STATE PARTICI-
23 PATION IN MEDICAID RAC PROGRAMS.—

24 “(A) IN GENERAL.—The Secretary shall
25 conduct a study on barriers to State establish-

1 that the recovery audit contractor re-
2 covers such start up costs; and

3 “(II) recommendations for a pay-
4 ment structure that could include ini-
5 tial funding to a recovery audit con-
6 tractor.

7 “(B) REPORT.—Not later than 1 year
8 after the date of enactment of this paragraph,
9 the Secretary shall submit to Congress a report
10 containing the results of the study conducted
11 under subparagraph (A), together with rec-
12 ommendations for such legislation and adminis-
13 trative action as the Secretary determines ap-
14 propriate.

15 “(6) DEMONSTRATION PROJECT TO IMPROVE
16 STATE PARTICIPATION IN MEDICAID RAC PRO-
17 GRAMS.—

18 “(A) IN GENERAL.—Not later than 2 years
19 after the date of enactment of this paragraph,
20 based on the study conducted under paragraph
21 (5), the Secretary shall conduct a 5-year dem-
22 onstration project designed to increase the
23 number of States that establish and implement
24 a Medicaid RAC program in accordance with
25 section 1902(a)(42)(B)(i).

1 “(B) REPORTS TO CONGRESS.—The Sec-
2 retary shall submit an interim report to Con-
3 gress on the demonstration project conducted
4 under this paragraph not later than 90 days
5 after the initiation of the demonstration project,
6 and a final report not later than 180 days after
7 the demonstration project ends. The final re-
8 port shall include an evaluation of the project
9 and recommendations for such legislation and
10 administrative action as the Secretary deter-
11 mines appropriate.”.

12 (c) AUDIT AND RECOVERY PERIODS.—Section
13 1902(a)(42) of the Social Security Act (42 U.S.C.
14 1396a(a)(42)), as amended by section 3, is amended by
15 adding at the end the following new subparagraph:

16 “(D) notwithstanding clause (i) of sub-
17 paragraph (B), beginning 120 days after the
18 date of enactment of this subparagraph, each
19 contract entered into by the State with a recov-
20 ery audit contractor under the program de-
21 scribed in subparagraph (B), including any con-
22 tract with a recovery audit contractor applying
23 to a medicaid managed care organization (as
24 defined in section 1903(m)(1)(A)), prepaid in-
25 patient health plan (as defined in section

1 1903(m)(9)(D)(iii)(I), or prepaid ambulatory
2 health plan (as defined in section
3 1903(m)(9)(D)(iii)(II)), shall provide that audit
4 and recovery activities shall be conducted dur-
5 ing a fiscal year with respect to payments made
6 under the State plan and under any waiver of
7 the State plan, or, if applicable, payments made
8 by such an organization or health plan, during
9 such fiscal year and retrospectively for a period
10 of 4 fiscal years prior to such fiscal year;”.