



House of Representatives

General Assembly

File No. 413

February Session, 2026

Substitute House Bill No. 5354

House of Representatives, April 7, 2026

The Committee on Human Services reported through REP. GILCHREST of the 18th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING MEDICAID PROVIDER AUDITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (4) of subsection (d) of section 17b-99 of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective July 1, 2026*):

4 (4) A finding of overpayment or underpayment to a provider in a
5 program operated or administered by the department pursuant to this
6 chapter or chapter 319t, 319v, 319y or 319ff, except a provider for which
7 rates are established pursuant to section 17b-340, shall not be based on
8 extrapolation unless (A) there is a determination of a sustained or high
9 level of payment error involving the provider, (B) the commissioner
10 makes a good faith determination that the provider is engaging in
11 vendor fraud, or (C) if documented educational intervention has failed
12 to correct the level of payment error and the total net amount of
13 extrapolated overpayment calculated from a statistically valid sampling
14 and extrapolation methodology exceeds one and three-quarters per cent
15 of total claims paid to the provider for the audit period. To the extent

16 permissible under federal law, unless the commissioner makes a good
 17 faith determination that the provider is engaging in vendor fraud,
 18 recoupment of an extrapolated overpayment from a covered pharmacist
 19 or pharmacy, as defined in section 20-571, shall be limited to the sum of
 20 any professional dispensing fees, paid by the commissioner pursuant to
 21 section 17b-280, that are associated with such extrapolated
 22 overpayment.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2026	17b-99(d)(4)

Statement of Legislative Commissioners:
 In Subdiv. (4)(C), "payment error," was changed to "payment error and" for clarity.

HS *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Social Services, Dept.	GF - Precludes Savings	160,000	165,000

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill limits recoupments from pharmacy related audits by (1) modifying when a finding of overpayment or underpayment to a provider can be based on extrapolated projections, and (2) limiting associated recoupment amounts to the total associated professional dispensing fee paid. Based on overpayment amounts for pharmacy audits in FY 25, the bill is anticipated to reduce the state share of recoupments by up to approximately \$160,000 in FY 27 and \$165,000 in FY 28. For context, DSS generally recoups overpayments through reduced Medicaid payments to providers.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to pharmacy audits and related extrapolated recoupments.

OLR Bill Analysis**sHB 5354*****AN ACT CONCERNING MEDICAID PROVIDER AUDITS.*****SUMMARY**

This bill modifies the circumstances in which the Department of Social Services (DSS) can determine overpayment or underpayment by extrapolation when auditing Medicaid provider claims. By law, extrapolation means determining an unknown value by projecting the results of a review of a sample of claims to the entire population of claims from which the sample was drawn.

More specifically, the bill prohibits DSS from finding that an overpayment or underpayment was made to a Medicaid provider based on extrapolated projections unless (1) the provider has a sustained or high level of payment errors, (2) the DSS commissioner determines in good faith that the provider is engaging in vendor fraud, or (3) documented educational intervention failed to correct the error levels.

Existing law also allows DSS to make these findings based on extrapolation if the total net amount of the extrapolated overpayment calculated from a statistically valid sampling and extrapolation method exceeds 1.75% of total claims paid to the provider for the audit period.

To the extent federal law allows, the bill also limits recoupment of an extrapolated overpayment from a pharmacist or pharmacy to the total professional dispensing fees the commissioner paid for covered outpatient prescriptions associated with the overpayment. This limit does not apply if the commissioner determines in good faith that the provider is engaging in vendor fraud.

EFFECTIVE DATE: July 1, 2026

COMMITTEE ACTION

Human Services Committee

Joint Favorable Substitute

Yea 23 Nay 0 (03/19/2026)