FY26 Medicaid Budget Shortfall | UTAH MEDICAID

Medicaid Deficit and Action Plan

Addressing FY 2026–2028 financial drivers, reserve mitigation, and structural modernization

Financial Picture

$100M to $200M GF Estimated Shortfall

FY 2026 Projected Budget Deficit in the Medicaid Legacy Program

>$300M / $150M

3-Yr Estimated Gross Shortfall (One-Time / Ongoing)

Financial Offsets: Applying $50M in contingencies and ~$250M in rainy-day reserves addresses the one-time gap.

To close the remaining ongoing shortfall, cost controls or additional appropriations will be required.

The above amounts WILL change as Medicaid completes its year-end closeout and financial audit in the next few months.

Root Cause Drivers

- **Outgrown Forecasting Tools:** Legacy Excel tools proved too brittle for post-COVID unwinding and federal policy shifts.
- **Data Inconsistencies:** Implementation of a new Medicaid system led to enrollment and payment errors and data inconsistencies.
- **Omitted Cost Drivers:** Specific underlying cost components were inadvertently omitted from recent projections.
- **Rising Healthcare Costs:** Utah is part of a structural, nationwide trend of rising medical costs including long-term care, high-cost prescription drugs, and behavioral health services.

Action Plan

- **Relational Database:** Replacing legacy spreadsheets with a flexible relational database (12+ months underway).
- **Econometric Modeling:** Accelerating alternative forecasting and external data validation.
- **Independent Program Review:** Partnering with lawmakers on a comprehensive review of Utah Medicaid.
- **Additional Cost Controls:** Re-evaluating budget escalators, provider rate increases, and discretionary program coverage, while also analyzing the impact of H.R. 1 (OBBBA).
- **Data Validation:** Validate internal data patterns with external data sources.
- **Staffing:** Invest in staff who have technical and financial expertise to address the complexities of the program.

Core Commitment: Ensure the long-term fiscal stability of Utah Medicaid by modernizing forecasting and the implementation of collaborative policy choices.