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HOUSE BILL No. 1277

Proposed Changes to January 13, 2026 printing by AM127702

DIGEST OF PROPOSED AMENDMENT

Medicaid. Requires the office of the secretary (office) to transfer waiver slots to the new assisted living Medicaid waiver application. Deletes a requirement for the office to study Medicaid reimbursement rates paid to providers of assisted living services.

A BILL FOR AN ACT to amend the Indiana Code concerning human services.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 12-8-1.6-2, AS ADDED BY P.L.174-2025,
2 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2026]: Sec. 2. (a) As used in this chapter, "home and
4 community based services waiver" refers to a federal Medicaid waiver
5 granted to the state under 42 U.S.C. 1396n(c) to provide home and
6 community based long term care services and supports to individuals
7 with disabilities **and the elderly**.

8 (b) The term does not include home and community services
9 offered as part of the approved Medicaid state plan.

10 SECTION 2. IC 12-8-1.6-4, AS ADDED BY P.L.174-2025,
11 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
12 JULY 1, 2026]: Sec. 4. (a) The office of the secretary has all powers
13 necessary and convenient to administer a home and community based
14 services waiver.

15 (b) The office of the secretary shall do the following:
16 (1) Administer money appropriated or allocated to the office of
17 the secretary by the state, including money appropriated or
18 allocated for a home and community based services waiver.
19 (2) Take any action necessary to implement a home and

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1 community based services waiver, including applying to the
2 United States Department of Health and Human Services for
3 approval to amend or renew the waiver, implement a new
4 Medicaid waiver, or amend the Medicaid state plan.

5 (3) Ensure that a home and community based services waiver is
6 subject to funding available to the office of the secretary.

7 (4) Ensure, in coordination with the budget agency, that the cost
8 of a home and community based services waiver does not exceed
9 the total amount of funding available by the budget agency,
10 including state and federal funds, for the Medicaid programs
11 established to provide services under a home and community
12 based services waiver.

13 (5) Establish and administer a program for a home and
14 community based services waiver, **including the assisted living**
15 **waiver described in IC 12-15-1.3-26**, to provide an eligible
16 individual with care that does not cost more than services
17 provided to a similarly situated individual residing in an
18 institution.

19 (6) Within the limits of available resources, provide service
20 coordination services to individuals receiving services under a
21 home and community based services waiver, including the
22 development of an individual service plan that:

23 (A) addresses an individual's needs;

24 (B) identifies and considers family and community
25 resources that are potentially available to meet the
26 individual's needs; and

27 (C) is consistent with the person centered care approach for
28 receiving services under a waiver.

29 (7) Monitor services provided by a provider that:

30 (A) provides services to an individual using funds provided
31 by the office of the secretary or under the authority of the
32 office of the secretary; or

33 (B) entered into one (1) or more provider agreements to
34 provide services under a home and community based
35 services waiver.

36 (8) Establish and administer a confidential complaint process
37 for:

38 (A) an individual receiving; or

39 (B) a provider described in subdivision (7) providing:
40 services under a home and community based services waiver

41 (c) The office of the secretary may do the following:

42 (1) At the office's discretion, delegate any of its authority under

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1 this chapter to any division or office within the office of the
2 secretary.

3 (2) Issue administrative orders under IC 4-21.5-3-6 regarding the
4 provision of a home and community based services waiver.

5 SECTION 3. IC 12-8-1.6-9, AS ADDED BY P.L.174-2025,
6 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
7 JULY 1, 2026]: Sec. 9. A home and community based services waiver,
8 including the delivery and receipt of services provided under the home
9 and community based services waiver, must meet the following
10 requirements:

- (1) Be provided under public supervision.
- (2) Be individualized and designed to meet the needs of individuals eligible to receive services under the home and community based services waiver.
- (3) Meet applicable state and federal standards.
- (4) Be provided by qualified personnel.
- (5) Be provided, to the extent appropriate, with services provided under the home and community based services waiver that are provided in a home and community based setting where nonwaiver individuals receive services.
- (6) Be provided in accordance with an individual's:

(1) A home and community based services waiver that included assisted living services as an available service before July 1, 2025.

31 (2) An assisted living waiver described in JC 12-15-1.3-26.

(b) As used in this section, "office" includes the following:

(1) The office of the secretary of family and social services

(2) A managed care organization that has contracted with the office of Medicaid policy and planning under JC 12-15.

36 (3) A person that has contracted with a managed care
37 organization described in subdivision (2).

38 (c) Under a home and community based services waiver that
39 provides services to an individual who is aged or disabled, the office
40 shall reimburse for the following services provided to the individual by
41 a provider of assisted living services, if included in the individual's
42 home and community based **service services** plan:

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- (1) Assisted living services.
- (2) Integrated health care coordination.
- (3) Transportation.
- (d) If the office approves an increase in the level of services for a recipient of assisted living services, the office shall reimburse the provider of assisted living services for the level of services for the increase as of the date that the provider has documentation of providing the increase in the level of services.
- (e) The office may reimburse for any home and community based services provided to a Medicaid recipient beginning on the date of the individual's Medicaid application.
- (f) The office may not do any of the following concerning assisted living services provided in a home and community based services program:
 - (1) Require the installation of a sink in the kitchenette within any living unit of an entity that participated in the Medicaid home and community based services program before July 1, 2018.
 - (2) Require all living units within a setting that provides assisted living services to comply with physical plant requirements that are applicable to individual units occupied by a Medicaid recipient.
 - (3) Require a provider to offer only private rooms.
 - (4) Require a housing with services establishment provider to provide housing when:
 - (A) the provider is unable to meet the health needs of a resident without:
 - (i) undue financial or administrative burden; or
 - (ii) fundamentally altering the nature of the provider's operations; and
 - (B) the resident is unable to arrange for services to meet the resident's health needs.
 - (5) Require a housing with services establishment provider to separate an agreement for housing from an agreement for services.
 - (6) Prohibit a housing with services establishment provider from offering studio apartments with only a single sink in the unit.
 - (7) Preclude the use of a shared bathroom between adjoining or shared units if the participants consent to the use of a shared bathroom.
 - (8) Reduce the scope of services that may be provided by a provider of assisted living services under the aged and disabled Medicaid waiver in effect on July 1, 2021.

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(g) A Medicaid recipient who has a home and community based services plan that includes:

(1) assisted living services; and

(2) integrated health care coordination;

shall choose whether the provider of assisted living services or the office provides the integrated health care coordination to the recipient.

(h) Integrated health care coordination provided by a provider of assisted living services under this section is not duplicative of any services provided by the office.

(g) (i) The office of the secretary may adopt rules under IC 4-22-2 that establish the right, and an appeals process, for a resident to appeal a provider's determination that the provider is unable to meet the health needs of the resident as described in subsection (f)(4). The process:

(1) must require an objective third party to review the provider's determination in a timely manner; and

(2) may not be required if the provider is licensed by the Indiana department of health and the licensure requirements include an appellate procedure for such a determination.

SECTION 5. IC 12-15-1.3-26 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 26.** (a) Not later than September 1, 2026, the office of the secretary shall apply to the United States Department of Health and Human Services for a Medicaid waiver to provide assisted living services effective July 1, 2026, in a waiver separate from the Medicaid home and community based services waiver that included assisted living services as an available service before July 1, 2026.

I (b) The office of the secretary shall state in the waiver application a plan to transfer waiver slots from the existing Medicaid home and community based services waivers that include assisted living services to the new assisted living Medicaid waiver application required under subsection (a) upon approval. If the new assisted living Medicaid waiver submitted under subsection (a) is approved, the office of the secretary shall transfer waiver slots currently used for individuals receiving assisted living services from the existing Medicaid home and community based services waivers that include assisted living services to the new assisted living Medicaid waiver.

1 (↔[c]) The office of the secretary shall establish a work group of interested stakeholders to assist in the development and implementation of the waiver described in subsection (a). The

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1 **governor shall appoint the members of the work group and include**
 2 **providers of assisted living services as members of the work group.**

3 SECTION 6. IC 12-15-1.3-27 IS ADDED TO THE INDIANA
 4 CODE AS A **NEW SECTION TO READ AS FOLLOWS**
 5 **[EFFECTIVE JULY 1, 2026]: Sec. 27. Not later than September 1,**
 6 **2026, the office of the secretary shall apply to the United States**
 7 **Department of Health and Human Services for an amendment to**
 8 **the Medicaid home and community based services waiver**
 9 **concerning the provision of services to individuals who are at least**
 10 **sixty (60) years of age and meet nursing facility level of care**
 11 **requirements to establish an individual cost limit of not more than**
 12 **the institutional cost of nursing facility services.**

13 SECTION 7. IC 12-15-13-1.8, AS AMENDED BY P.L.213-2025,
 14 SECTION 112, IS AMENDED TO READ AS FOLLOWS
 15 **[EFFECTIVE JULY 1, 2026]: Sec. 1.8. (a) As used in this section,**
 16 **"covered population" means all Medicaid recipients who meet the**
 17 **criteria set forth in subsection (b).**

18 **(b) Except as provided in subsection (e),** an individual is a
 19 member of the covered population if the individual:

20 (1) is eligible to participate in the federal Medicare program (42
 21 U.S.C. 1395 et seq.) and receives nursing facility services; or
 22 (2) is:

23 (A) at least sixty (60) years of age;
 24 (B) blind, aged, or disabled; and
 25 (C) receiving services through one (1) of the following:
 26 (i) The aged and disabled Medicaid waiver.
 27 (ii) A risk based managed care program for aged,
 28 blind, or disabled individuals who are not eligible to
 29 participate in the federal Medicare program.
 30 (iii) The state Medicaid plan.

31 (c) The office of the secretary may implement a risk based
 32 managed care program for the covered population.

33 (d) Any managed care organization that participates in the risk
 34 based managed care program under subsection (c) that fails to pay a
 35 claim submitted by a nursing facility provider for payment under the
 36 program later than:

37 (1) twenty-one (21) days, if the claim was electronically filed; or
 38 (2) thirty (30) days, if the claim was filed on paper;
 39 from receipt by the managed care organization shall pay a penalty of
 40 five hundred dollars (\$500) per calendar day per claim.

41 **(e) Upon an individual receiving nursing facility services for**
 42 **a consecutive period of one hundred (100) days, the individual is no**

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1 longer a member of the covered population. An individual who was
 2 part of the covered population is no longer part of the covered
 3 population on the one hundredth day and shall receive Medicaid
 4 services under a fee for service program.

5 ~~← SECTION 8. [EFFECTIVE JULY 1, 2026] (a) As used in this
 6 SECTION, "office" refers to the office of the secretary of family
 7 and social services established by IC 12-8-1.5-1.~~

8 ~~— (b) Not later than November 1, 2026, in accordance with
 9 IC 12-15-1-23, the office shall conduct a comprehensive study of
 10 Medicaid reimbursement rates paid to providers of assisted living
 11 services.~~

12 ~~— (c) The study required under subsection (b) must include at
 13 least the following:~~

14 ~~— (1) Whether existing reimbursement rates are sufficient to
 15 attract and retain providers of assisted living services in all
 16 regions of Indiana to support Indiana's growing senior
 17 population, including rural and underserved areas;~~

18 ~~— (2) The reimbursement rates paid to providers of assisted
 19 living services in neighboring states;~~

20 ~~— (3) Whether it is feasible to provide an enhanced
 21 reimbursement rate to providers of assisted living services
 22 that serve a higher number of Medicaid recipients than other
 23 providers;~~

24 ~~— (4) Whether it is possible to:~~

25 ~~— (A) eliminate reimbursement for integrated health care
 26 coordination; and~~

27 ~~— (B) increase reimbursement rates for providers of
 28 assisted living services;~~

29 ~~— to reduce the administrative workload.~~

30 ~~— (d) Not later than December 1, 2026, the office shall provide a
 31 report containing the study's findings to the general assembly and
 32 the budget committee in an electronic format under IC 5-14-6.~~

33 ~~— (e) This SECTION expires July 1, 2027.~~

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