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Press Release

CMS Issues New State Guidance on Transformative Medicaid Reforms

New Law Eligibility, Financing, and Community Engagement Requirements

The Centers for Medicare & Medicaid Services (CMS) is providing additional guidance outlining how states should implement landmark community engagement requirements created by the Working Families Tax Cut (WFTC) legislation (Public Law 119-21). The reforms among the most significant Medicaid eligibility and financing changes in more than a decade aim to connect able-bodied, working-age adults with work and community engagement opportunities, reduce improper enrollment, and strengthen the long-term sustainability of Medicaid and the Children's Health Insurance Program (CHIP). States must implement these requirements by January 1, 2027, but may choose to do so earlier.

"I am very pleased that CMS is providing clear direction to states using breakthrough Medicaid community engagement tools that restore the dignity of work and lift people out of poverty, while supporting the sustainability of Medicaid for the most vulnerable," said Health and Human Services Secretary Robert F. Kennedy, Jr. "Federal programs that foster community engagement help American citizens live healthy and fulfilling lives."

"For far too long, too many Americans who are able to work have been left isolated and discouraged by programs that don't encourage their potential," said CMS Administrator Dr. Mehmet Oz. "These reforms send a clear message: you have agency, your contributions matter, and we will support you on the path to purpose and prosperity."

Community engagement requirements will bring Medicaid in line with other public benefits like the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF), which for decades have used similar policies to support beneficiaries on the path to prosperity.

Four key principles will guide policy development on community engagement: Connect Members to Work and Community. Center the connection between health and work through community engagement and build habits that lead to success.

State Flexibility. Balance the benefits of state flexibility with the potential costs of options, including systems and operational costs.

Promote Alignment. Where possible, align policies with existing statutory and regulatory requirements including existing requirements for Medicaid, SNAP, TANF, IRS, and the Marketplace. This will help defray operations costs and streamline business flows.

Protect Taxpayers. Ensure state community engagement determinations and verifications are easily auditable.

These principles are crucial as they provide a framework that improves program efficiency and sustainability, ultimately improving health outcomes.

An informational bulletin released on November 18 provides guidance to states on other significant eligibility and financing reforms in the WFTC legislation, including changes which aim at ensuring lawful enrollment and reducing financing loopholes, and protecting rural hospitals. The WFTC legislation provisions at large reflect a commitment to safeguarding Medicaid and CHIP for the most vulnerable Americans now and in the future. Taken together with other CMS priorities, the reforms lay the groundwork for a stronger state-federal partnership that improves health outcomes among beneficiaries.

This recent guidance represents part of a series of documents that CMS expects to issue to support the implementation of the WFTC legislation provisions. Future guidance and planned rulemaking will address specific provisions and implementation requirements that support the safeguarding and strengthening of Medicaid and CHIP for vulnerable Americans.

For more information, please visit: www.medicaid.gov/medicaidreforms.