

# Implementation of Section 71109 “Alien Medicaid Eligibility” of the Working Families Tax Cut Legislation (Public Law 119-21)

May 2026

# Objectives

- These slides are a companion to the [State Health Official \(SHO\) letter #26-001](#) *“Implementation of Section 71109 ‘Alien Medicaid Eligibility’ of the Working Families Tax Cut (WFTC) Legislation (Public Law 119-21).”*
- These slides provide an overview of the changes to noncitizen eligibility and claiming in the Medicaid and Children’s Health Insurance Program (CHIP) made by section 71109 of the WFTC legislation, “Alien Medicaid Eligibility.”
- Section 71109 of the WFTC legislation adds new sections 1903(v)(5) and 2107(e)(1)(R) of the Social Security Act (the Act) to generally limit federal financial participation (FFP) for Medicaid and CHIP to U.S. citizens, U.S. nationals, and certain noncitizens, beginning October 1, 2026.
- This SHO and deck are part of a series of guidance documents that CMCS expects to issue to support WFTC legislation implementation.

# Content Overview

- Noncitizen Eligibility Policy Prior to Implementation of WFTC Legislation
- Overview of Section 71109 of WFTC Legislation and Interaction with other Federal Laws
- Implementation Requirements at Application and for Current Beneficiaries
- Operational Considerations
- Federal Medical Assistance Percentage (FMAP) and Proper Claiming
- Appendices



**Noncitizen Eligibility Policy  
Prior to Implementation of  
WFTC Legislation**

# Noncitizen Eligibility Policy Prior to October 1, 2026 (1/2)

- Under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) (Pub. L. 104-193), certain “qualified aliens,” defined under Medicaid and CHIP as “qualified noncitizens”<sup>1</sup> (e.g., lawful permanent residents (LPRs), refugees, asylees) are eligible for full Medicaid and CHIP coverage if they meet all other eligibility requirements in the state (e.g., residency, income).
- Other federal statutes require states to treat other categories of individuals (including certain victims of human trafficking, certain Afghan parolees, and certain Ukrainian parolees)<sup>2</sup> as “refugees” and therefore they are eligible for full Medicaid or CHIP coverage if they meet all other eligibility requirements in the state.

1. “Qualified noncitizen” is defined at 42 C.F.R. § 435.4 for Medicaid and cross referenced at 42 C.F.R. § 457.320(c) for CHIP. “Qualified noncitizen” includes: (1) noncitizens who are considered “qualified aliens” under 8 U.S.C. § 1641(b) and (c); and (2) noncitizens who are treated as refugees under other federal statutes.

2. See SHO page 3, footnotes 4, 5, and 6 for additional information these categories of noncitizens.

# Noncitizen Eligibility Policy Prior to October 1, 2026 (2/2)

- In accordance with PRWORA, many qualified noncitizens are subject to a five-year waiting period before becoming eligible for full Medicaid or CHIP benefits, but some noncitizens (e.g., refugees and asylees) are exempted from the five-year waiting period.<sup>1</sup>
- The Children’s Health Insurance Program Reauthorization Act of 2009 (CHIPRA) (Pub. L. 111-3) authorized an option for states to provide full Medicaid and CHIP coverage to children (up to age 21 for Medicaid and up to age 19 for CHIP) and pregnant women who are lawfully residing in the U.S., without having to meet the five-year waiting period, if otherwise applicable (often referred to as the “CHIPRA 214 option”).<sup>2</sup>

Section 71109 of the WFTC legislation did not amend either the PRWORA provision related to the five-year waiting period or the CHIPRA 214 option, as described in more detail in later slides.

1. 8 U.S.C. § 1613. The five-year waiting period is commonly referred to as the “five-year bar.”

2. Sections 1903(v)(4)(A) and 2107(e)(1)(Q) of the Social Security Act (the Act).



**Overview of Section 71109 of  
the WFTC Legislation and  
Interaction with Other Federal  
Laws**

# Overview of Section 71109 (1/2)

Beginning October 1, 2026, section 1903(v)(5) of the Act<sup>1</sup> restricts, with limited exceptions, FFP for non-emergency medical assistance under title XIX (Medicaid) and for child and pregnancy-related health assistance under title XXI (CHIP) to the following groups, provided the individual meets all other eligibility criteria:<sup>2</sup>

- U.S. citizens and U.S. nationals
- LPRs (“green card holders”)
- Cuban/Haitian entrants
- Compacts of Free Association (COFA) migrants

## Key Definitions:

**FFP-eligible noncitizens** = LPRs, Cuban/Haitian entrants, and COFA migrants, as described in sections 1903(v)(5)(B)(ii) - (iv) of the Act.<sup>3</sup>

**Full Medicaid and CHIP benefits** = full Medicaid benefits, partial or limited Medicaid benefits (e.g., only family planning services, Medicare Savings Programs (MSPs)), and CHIP coverage; it excludes Medicaid payment for the limited coverage of an emergency medical condition (“emergency Medicaid”) provided under section 1903(v)(2) of the Act.

**States** = The 50 states, the District of Columbia, and all U.S. territories, unless otherwise specified.

1. Added by section 71109 of the WFTC legislation and made applicable to CHIP through section 2107(e)(1)(R) of the Act.  
2. Individuals must be a state resident and meet all other applicable criteria in the state.  
3. See SHO page 4, footnotes 10, 11, and 12 for additional information these categories of noncitizens.

# Overview of Section 71109 (2/2)

Section 1903(v)(5) of the Act describes **three exceptions to the FFP limitations**:

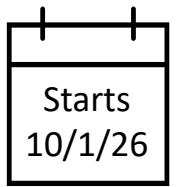
1. **Emergency Medicaid**, per section 1903(v)(2) of the Act
2. Coverage under **the CHIPRA 214 option**, per section 1903(v)(4) of the Act<sup>1</sup>
3. **Health Services Initiatives (HSIs)**, which are programs designed to improve the health of low-income children, authorized under section 2105(a)(1)(D)(ii) of the Act<sup>2</sup>

FFP is available under section 1903(v)(5) of the Act for Medicaid or CHIP expenditures provided under these three exceptions.

1. Applicable to CHIP through a cross-reference to section 1903(v)(4) of the Act at section 2107(e)(1)(Q) of the Act.

2. Section 2107(e)(1)(R) of the Act.

# Implementation Date for Section 71109 of the WFTC Legislation



- States must ensure they appropriately claim FFP in accordance with section 71109 of the WFTC legislation<sup>1</sup> for **all individuals enrolled in or determined eligible** for Medicaid or CHIP on and after October 1, 2026.
- **States will need to implement any systems and operational changes necessary to accurately determine Medicaid and CHIP eligibility, provide the appropriate scope of coverage, and ensure proper FFP claiming by October 1, 2026.**

1. Under sections 1903(v)(5) and 2107(e)(1)(R) of the Act, including under an exception specified at sections 1903(v)(2), 1903(v)(4), or 2105(a)(1)(D)(ii) of the Act.

# Interaction between Section 71109 of the WFTC Legislation and PRWORA (1/3)

- **The WFTC legislation did not amend the following sections of PRWORA:**
  - The definition of qualified alien and the limitation that eligibility for federal public benefits, including full Medicaid and CHIP benefits, is restricted to qualified aliens; or
  - The applicability of the five-year waiting period or the exceptions.<sup>1</sup>
- **States must continue to apply the five-year waiting period and exceptions to certain qualified noncitizens<sup>2</sup> who are also FFP-eligible noncitizens in Medicaid or CHIP:**
  - **LPRs are generally subject to the five-year waiting period unless they meet an exception** (e.g., five-year bar does not apply to LPRs who are veterans or active-duty armed forces service members or certain family members of such an individual).
  - **Cuban/Haitian entrants and COFA migrants are exempt from the five-year waiting period.**

1. 8 U.S.C. §§ 1641(b), 1611(a), and 1613.

2. 8 U.S.C. § 1613.

# Interaction between Section 71109 of the WFTC Legislation and PRWORA (2/3)

## For Medicaid Only

- **States must provide full Medicaid benefits to certain qualified noncitizens, if they meet all other eligibility requirements in the state.<sup>1</sup>**
  - For LPRs:
    - States must provide full Medicaid benefits to LPRs who have worked, or can be credited with, 40 qualifying quarters.
    - States may elect to provide full Medicaid benefits to all LPRs.<sup>2</sup>
  - For Cuban/Haitian entrants:
    - States must provide full Medicaid benefits to Cuban/Haitian entrants for seven years after their grant date if they meet all other eligibility requirements in the state.
    - States may elect to provide full Medicaid benefits beyond the seven-year period.

1. 8 U.S.C § 1612.

2. 8 U.S.C. § 1612(b)(2)(B). In accordance with 8 U.S.C. § 1613, LPRs must also meet the five-year waiting period, unless an exception applies.

# Interaction between Section 71109 of the WFTC Legislation and PRWORA (3/3)

- Beginning October 1, 2026, FFP will no longer be available for full Medicaid or CHIP benefits for certain noncitizens under sections 1903(v)(5) and 2107(e)(1)(R) of the Act (e.g., asylees, refugees, parolees, and victims of trafficking who are also not FFP-eligible noncitizens and not covered under the CHIPRA 214 option).
  - **CMS will not require states to provide state-only funded health coverage to individuals for whom FFP is not available for full Medicaid and CHIP benefits beginning October 1, 2026.<sup>1</sup>**
  - If a state opts to provide state-only funded coverage to noncitizens for whom FFP is not available for full Medicaid or CHIP benefits, the state must put in place financial controls to make sure FFP is only claimed for services (for noncitizens who meet all Medicaid eligibility requirements in the state).

1. See, e.g., *Pennhurst State Sch. & Hosp. v. Halderman*, 451 U.S. 1, 17-18 (1981); *Harris v. McRae*, 448 U.S. 297, 30809 (1980); see also *Detgen ex rel. Detgen v. Janek*, 945 F. Supp. 2d 746, 759 (N.D. Tex. 2013), *aff'd*, 752 F.3d 627 (5th Cir. 2014).

# Impact on Noncitizens Dually Eligible for Medicare and Medicaid

- “Dually eligible beneficiaries” are generally eligible for both Medicare and Medicaid, and includes beneficiaries:
  - Enrolled in Medicare Part A, Part B, or both; and
  - Who receive either full Medicaid benefits or assistance with Medicare premiums or cost-sharing through a Medicare Savings Program (MSP) eligibility group.<sup>1</sup>
- **Sections 1903(v)(5) and 1899C of the Act, as added by sections 71109 and 71201 of the WFTC legislation, respectively, both impact noncitizens who are dually eligible beneficiaries.**
  - Section 1899C of the Act limits Medicare eligibility for noncitizens to the same groups for which section 1903(v)(5) of the Act permits FFP for full-benefit Medicaid coverage (i.e., LPRs, Cuban/Haitian entrants, and COFA migrants).
  - Section 1899C of the Act applies:
    - 18 months after the date of enactment of the WFTC legislation; and
    - Otherwise, immediately to limit entitlement to or enrollment for, Medicare after July 4, 2025.

1. See Federal Coordinated Health Care Office Fact Sheet, “Dual Eligibility Categories,” (January 15, 2025), available at: <https://www.cms.gov/files/document/dual-eligible-categories-01152026.pdf>.

# Territory Considerations

- The FFP limitations in section 1903(v)(5) of the Act apply to the U.S. territories.
- **Reminder:** Section 402(b)(2)(G) of PRWORA, as added by section 208 of the Consolidated Appropriations Act, 2021 (CAA, 2021) provides an option for the U.S. territories to provide full Medicaid benefits to COFA migrants who are lawfully residing in the territory.<sup>1</sup>
  - Section 71109 of the WFTC legislation did not make changes to section 402(b)(2)(G) of PRWORA; therefore, **Medicaid coverage of COFA migrants in the territories remains optional after the October 1, 2026, applicability date.**<sup>2</sup>

1. 8 U.S.C. § 1612(b)(2)(G).

2. CMCS SHO letter #21-005, "Medicaid Eligibility for COFA Migrants," (October 18, 2021), available at: <https://www.medicaid.gov/federal-policy-guidance/downloads/sho21005.pdf>.



**Implementation Requirements  
at Application and for Current  
Medicaid and CHIP  
Beneficiaries**

# Implementation Requirements

- **States will need to implement changes by October 1, 2026**, to comply with the FFP limitations in section 1903(v)(5) of the Act for individuals who apply for coverage on and after October 1, 2026, and for beneficiaries who are enrolled in Medicaid or CHIP on October 1, 2026.
  - **States will need to apply these new requirements when verifying citizenship or satisfactory immigration status to new applicants and current beneficiaries.**<sup>1</sup>
- Because section 1903(v)(5) of the Act affects certain individuals' eligibility for federally funded coverage, CMS interprets this as a statutory change that may affect an individual's eligibility for Medicaid or CHIP coverage, and states must act promptly on this statutory change.

1. As required under sections 1137 and 2105(c)(9) of the Act, and implementing regulations at 42 C.F.R. §§ 435.406, 435.956, and 457.380(b).

# Eligibility Logic and Systems Changes

- **States will need to modify their eligibility and enrollment system and/or their Medicaid Management Information System (MMIS)** to accurately determine Medicaid and CHIP eligibility and provide the appropriate scope of coverage.
  - States that use the Hub Verify Lawfully Presence (VLP) service will need to update systems to ingest the new Hub indicators and apply new eligibility logic.
  - States that use the Graphical User Interface (GUI) or a direct web services connection with Department of Homeland Security's (DHS's) Systematic Alien Verification for Entitlements (SAVE) program will need to update their eligibility logic to use the SAVE codes correctly.

# Implementation Requirements: Redetermination of Eligibility of Current Medicaid and CHIP Beneficiaries by October 1, 2026



## Identify all potentially affected beneficiaries

Potentially affected beneficiaries include all those receiving full Medicaid or CHIP benefits whose immigration status or category is not LPR, Cuban/Haitian entrant, or COFA migrant, or are not lawfully residing children or pregnant women in states that have elected the CHIPRA 214 option.



## Redetermine eligibility based on available information

States must attempt to reverify if beneficiary continues to have a satisfactory immigration status through electronic data sources (i.e., DHS's SAVE program) before attempting to contact the beneficiary.



## Request additional information, if needed

If the state is unable to verify satisfactory immigration status electronically, the state must request information from the beneficiary.<sup>1</sup> If beneficiary responds with a new declaration of satisfactory immigration status and the state is unable to verify such status, provide a 90-day reasonable opportunity period (ROP).<sup>2</sup>



## Determine eligibility for full Medicaid or CHIP benefits

If the state verifies that the beneficiary continues to have a satisfactory immigration status, beneficiary retains coverage.

If information or documentation provided demonstrates the individual no longer has FFP-eligible noncitizen status, or if they do not respond within the time specified, the state must consider all bases of eligibility, such as under a state's election of the CHIPRA 214 option, and emergency Medicaid coverage and terminate if not eligible on another basis.



## Provide Notice

See slide 21.

See slide 21.

1. And give the individual a reasonable period of time to provide information prior to the state taking adverse action, in accordance with 42 C.F.R. §§ 435.952(b) and (c) (2023) and 457.380(f).

2. As required at 42 C.F.R. §§ 435.956(b) and 457.380(b)(1)(ii).

# Determine Eligibility for Full Medicaid and CHIP benefits

When determining eligibility for applicants and current beneficiaries who are not FFP-eligible noncitizens, **states must evaluate whether an individual is eligible for full Medicaid or CHIP on any basis under the state plan, including under the CHIPRA 214 option (if elected).**

## For CHIPRA 214 Eligible Noncitizens

- For applicants who are not FFP-eligible noncitizens but are lawfully residing children or pregnant women (e.g., refugees) and meet all other state eligibility requirements, **the state must determine them eligible for full Medicaid or CHIP benefits under the state's CHIPRA 214 option.**
- For current beneficiaries eligible for full Medicaid or CHIP under the state's CHIPRA 214 option, **the state must maintain full Medicaid or CHIP benefits for such beneficiaries.**

## For Non-CHIPRA 214 Eligible Noncitizens

- For applicants and beneficiaries who are not FFP-eligible noncitizens and are not eligible for full Medicaid benefits under the CHIPRA 214 option, **FFP remains available in Medicaid for emergency Medicaid coverage after October 1, 2026.<sup>1</sup>**
- For applicants and beneficiaries who are not FFP-eligible noncitizens and are not eligible for CHIP coverage under CHIPRA 214, **no FFP is available after October 1, 2026, as there is no authorization for coverage of emergency services in separate CHIP.**

1. In accordance with section 1903(v)(5) of the Act.

# Implementation Requirements for Current Medicaid and CHIP Beneficiaries – Providing Notice

After the state redetermines an individual's eligibility for full Medicaid or CHIP benefits, the state provides notice:

- If an individual is determined eligible, the **state should notify the beneficiary that they continue to be eligible for the coverage** in which they are enrolled.
- If an individual no longer has satisfactory immigration status for full Medicaid or CHIP benefits or does not respond within the timeframe specified, **states must provide advance notice of adverse action, including the right to a Medicaid fair hearing or CHIP review before terminating coverage or reducing benefits.**
  - **For Medicaid<sup>1</sup>** - States must provide at least ten days advance notice of the proposed termination and an opportunity for a fair hearing.
  - **For CHIP<sup>2</sup>** - States must provide a timely and adequate written notice of the proposed termination and an opportunity for review.

1. 42 C.F.R. §§ 435.917, 435.918, and 42 C.F.R Part 431 Subpart E.

2. 42 C.F.R. §§ 457.340(e), 457.1130(a), and 457.1180 (2023).

# Considerations for Current Beneficiaries in a Continuous Eligibility Period

The FFP limitations under section 1903(v)(5) also apply to current Medicaid and CHIP beneficiaries in a continuous eligibility period or continuous postpartum coverage.

## Current Medicaid Beneficiaries in a Continuous Eligibility Period

- For Medicaid beneficiaries who are not FFP-eligible noncitizens or eligible under a state's CHIPRA 214 option, **FFP is limited to payment for emergency Medicaid during the continuous eligibility period under section 1902(e)(12) or (16) of the Act.**

## Current CHIP Beneficiaries in a Continuous Eligibility Period

- For CHIP beneficiaries who are not FFP-eligible noncitizens or eligible under a state's CHIPRA 214 option, **FFP will no longer be available for individuals in a continuous eligibility period under section 2107(e)(1)(L) or (K) of the Act.** States would terminate separate CHIP eligibility for such individuals after providing required sufficient notice and review rights.<sup>1</sup>

# Operational Considerations

- **Updates to Applications, Renewal Forms, and Other Materials**
- **Verification, including Hub Service**
- **Medicaid Managed Care**
- **IT Systems Costs and Upgrades**
- **Transformed-Medicaid Statistical Information System (T-MSIS)**
- **State Plan Amendment (SPA) Submissions**

# Updates to Applications

- **CMS anticipates that the application modifications needed to effectuate these statutory changes may vary among states.**
  - States that prompt applicants to identify their immigration status or document type from a list may need to modify the list to account for the changes to the law.
  - States may need to revise state-specific instructions or help text included in the application.
- **In states that have elected the CHIPRA 214 option, application changes may be more limited** as the application must continue to collect the necessary information to determine eligibility.

States are **not** required to submit a SPA to CMS to make these changes to their single streamlined or alternative applications.

# Updates to Renewal Forms and Other Materials for Medicaid and CHIP

## Renewal Forms

- **States that prompt beneficiaries to identify their immigration status and/or documents on the renewal form from a list may need to modify the list, as well as any instructions, to account for the changes made by this provision.**

## Other Materials

- **States may also need to update other Medicaid or CHIP materials to reflect the changes described in the SHO letter. For example:**
  - Policy and procedure manuals
  - Eligibility worker training materials
  - Call center scripts
  - Website language

# Verification of Immigration Status or Category

- States must electronically verify an individual’s immigration status or category through DHS/USCIS’s SAVE program for all individuals who have declared to have a satisfactory immigration status.<sup>1</sup>
- **CMS and DHS/USCIS make available three pathways for states to access SAVE.**<sup>2</sup> States may also use a combination of the pathways:
  1. **The Hub** VLP service;
  2. A **direct connection** between the state’s eligibility system and SAVE; or
  3. SAVE’s web-based **GUI**.
- SAVE provides “point in time” verification and does not update past SAVE verification responses when there is a change in immigration status or category.
  - **States would submit a new SAVE verification request when redetermining eligibility for potentially affected beneficiaries** to obtain the most up-to-date data available.

1. In accordance with section 1137(d)(3) of the Act and 42 C.F.R. §§ 435.956(a)(2) and 457.380(b).

2. SAVE returns a different set of codes depending on which of the pathways the state uses. See page 15 in the SHO for the specific differences in the codes.

# The Hub VLP Service

- The Hub interprets the immigration codes received from SAVE to help states determine Medicaid and CHIP eligibility.
- The **Hub v37.1, Version 2** will continue to transmit to states current indicators as well as a new indicator reflecting FFP-eligible noncitizen status for each noncitizen verified by the Hub:
  - citizenship (for individuals with naturalized or derived citizenship)
  - lawful presence (used for Marketplace and the CHIPRA 214 option)
  - qualified noncitizen
  - **eligible noncitizen (\*new indicator added for FFP-eligible noncitizen)<sup>1</sup>**
  - if the five-year waiting period is applicable (only for qualified noncitizens)
  - if the five-year waiting period is met (only for qualified noncitizens, when applicable)
  - the underlying immigration codes received from SAVE

1. See Appendix B in SHO for a summary of the Hub changes to verify FFP-eligible noncitizen status. The Hub will use a simplified term of “eligible noncitizen” for the new indicator, which has the same meaning as “FFP-eligible noncitizen.”

# The Hub VLP v37.1, Version 2 – Example Responses

## Examples of Hub v37.1, Version 2 responses

State submits verification request for an **LPR**

Indicator	Hub response
Qualified noncitizen status	Yes
Eligible noncitizen status <sup>1</sup>	Yes
5-year waiting period applicability <sup>2</sup>	Yes/No
5-year waiting period has been met	Yes/No/Not Applicable

State submits verification request for an **Asylee**

Indicator	Hub response
Qualified noncitizen status	Yes
Eligible noncitizen status <sup>1</sup>	No
5-year waiting period applicability <sup>2</sup>	No
5-year waiting period has been met	Not Applicable

1. The Hub will use a simplified term of “eligible noncitizen” for the new indicator, which has the same meaning as “FFP-eligible noncitizen.”
2. Hub will return “yes” or “no” depending on whether the individual met an exception from the five-year waiting period.

# Direct Connection and GUI

- States that connect with SAVE through a direct web services connection or through the GUI would read and interpret the immigration codes and other responses to verify and determine FFP-eligible noncitizen status.
- **States will need to update their eligibility logic** to utilize the SAVE codes to correctly determine if an individual is an FFP-eligible noncitizen.
  - For example, a state receives data from SAVE confirming an individual's LPR status and grant date, then applies the state's eligibility logic to determine whether the five-year waiting period applies and, if so, whether it has been met.

# Reasonable Opportunity Period (ROP) when Unable to Verify U.S. Citizenship or Satisfactory Immigration Status

- If a state cannot promptly verify an individual's attested U.S. citizenship or satisfactory immigration status or category through electronic data sources, and the individual meets all other eligibility requirements for Medicaid or CHIP, the state is required to:
  - **Furnish benefits during the 90-day ROP** for individuals to obtain documentation or where the agency itself needs more time to verify the individual's immigration status;<sup>1</sup> and
  - **Provide individuals with advance notice and an opportunity for a fair hearing or review** before discontinuing coverage provided during the ROP.<sup>2</sup>

1. Sections 1137(d), 1902(a)(46), 1902(ee), 1903(x), 2105(c)(9) of the Act and 42 C.F.R. §§ 435.956 and 457.380(b)(1). The 90-day ROP may be extended for individuals declaring to be in a satisfactory immigration status if the agency determines that the individual is making a good faith effort to obtain any necessary documentation or the agency needs more time to verify the individual's status, per 42 C.F.R. § 435.956(b)(2)(ii)(B).

2. 42 C.F.R. §§ 435.917, 435.918, and 42 C.F.R Part 431 Subpart E for Medicaid (which require at least 10 days advanced notice of the proposed termination and an opportunity for a fair hearing) and 42 C.F.R. §§ 457.340(e), 457.1130(a), and 457.1180 (2023) for CHIP (which require a timely and adequate written notice of the proposed termination and an opportunity for review).

# Considerations for Medicaid Managed Care Programs

- States and their actuaries should evaluate whether implementation of section 1903(v)(5) of the Act necessitates adjustments to Medicaid capitation rate development.<sup>1</sup>
- **States must ensure all Medicaid managed care contracts comply with all applicable federal and state laws, including section 1903(v)(5) of the Act.**<sup>2</sup>
- On September 30, 2025, CMS published guidance updating the agency’s interpretation of section 1903(v) of the Act and how it applies to Medicaid managed care payments to improve program and fiscal integrity.<sup>3</sup>
  - For rating periods beginning on or after September 30, 2026:
    - States can only provide coverage and claim FFP in either the FFS delivery system or by contracting with limited benefit health plans on a non-risk basis.
    - If a state uses state-only funding to provide health coverage for noncitizens for whom FFP is not available for full Medicaid under section 1903(v)(5) of the Act, the state must utilize a separate and distinct contract and payment with any managed care plan with which it contracts.

1. 42 C.F.R. §§ 438.5(b)(4), 438.5(b)(4), and 438.7(c)(2).

2. 42 C.F.R. § 438.3(f).

3. See September 30, 2025, State Medicaid Director (SMD) letter #25-003 entitled “Medicaid Managed Care Payments and Emergency Medical Condition Coverage for Aliens Ineligible for Full Medicaid Benefits” available at: <https://www.medicaid.gov/federal-policy-guidance/downloads/smd25003.pdf>.

# IT Systems Costs and Upgrades

## State Action

- **States will need to modify their eligibility and enrollment system and/or their MMIS** to accurately determine Medicaid and CHIP eligibility and provide appropriate scope of coverage, including to ingest the new Hub indicators or apply new eligibility logic SAVE responses.

## CMS Resources Available<sup>1</sup>

- **State Medicaid agency IT system costs necessary to support implementation of the requirements may be eligible for enhanced FFP.**
- Approval of an enhanced match requires the submission of an Advanced Planning Document (APD). A state may submit APD requests for:
  - 90/10 enhanced match for the design, development, and installation of their Medicaid Enterprise Systems (MES) initiatives contributing to the economic and efficient operation of the program; and/or
  - 75/25 enhanced match for ongoing operations of CMS approved systems.

1. To the extent these system costs are attributable to a state's CHIP (Medicaid expansion CHIP (MCHIP) or separate CHIP), cost-allocation methodologies set forth in 45 C.F.R. Part 75 apply. For the CHIP-funded portion of the cost, states can claim at a state's CHIP enhanced FMAP (EFMAP), available under section 2105(b) of the Act.

# T-MSIS

- States will need to update data submitted to T-MSIS to accurately report information about who is an FFP-eligible noncitizen, and, in Medicaid, who is eligible for emergency Medicaid coverage only.

**CMS plans to provide additional information on T-MSIS data reporting, including updates to the T-MSIS Data Guide, in forthcoming guidance.**

The current T-MSIS Data Guide, as of release of this letter, is available at:

<https://www.medicaid.gov/tmsis/dataguide>



# SPA Submission

- CMS expects all states, territories, and the District of Columbia to submit a Medicaid SPA and, for separate CHIPs, a CHIP SPA to update their state plan to be consistent with section 1903(v)(5) of the Act.
  - **States must submit Medicaid SPAs to CMS no later than December 31, 2026**, for an effective date of October 1, 2026.
  - **States must submit CHIP SPAs (for separate CHIPs) to CMS:**
    - For states that have **not** elected the CHIPRA 214 option for all covered populations, this will restrict eligibility and SPAs need to be submitted **no later than November 30, 2026**.<sup>1</sup>
    - For states that have elected the CHIPRA 214 option for all covered populations, by the **end of their state fiscal year**.<sup>2</sup>

**CMS is revising the Medicaid and CHIP SPA templates and will provide additional information in forthcoming guidance.**

1. Since these SPAs would be considered a restriction of eligibility, the submission timeframe and public notice requirements at 42 C.F.R. § 457.65(b) are applicable.

2. The SPA must be submitted by the end of the state fiscal year in which October 1, 2026 falls.



# **Federal Medical Assistance Percentage (FMAP) and Proper Claiming**

# FMAP

## FMAP for Full Medicaid and CHIP Benefits (including under CHIPRA 214 Option)

- **Section 71109 of the WFTC legislation did not change the Act's FMAP provisions**, but it did affect for whom FFP can be claimed for full Medicaid and CHIP coverage beginning October 1, 2026.<sup>1</sup>
- Beginning October 1, 2026, the applicable FMAP and reporting for expenditures for full Medicaid and CHIP benefits and for FFP-eligible noncitizens would generally remain the same as prior to October 1, 2026.

## FMAP for Emergency Medicaid

- In general, emergency Medicaid is claimed at the applicable FMAP.
- **Section 1905(kk) of the Act<sup>2</sup> limits the FMAP for emergency Medicaid services to no greater than the state's regular FMAP.** This impacts expenditures for claims for the adult group and other applicable eligibility groups, such as the Optional Breast and Cervical Cancer Treatment group.
- Beginning October 1, 2026, the FMAP for expenditures related to services provided to individuals receiving emergency Medicaid will be matched at the state's regular FMAP under section 1905(b) of the Act.

CMS plans to modify functionality in the Medicaid and CHIP Financial System (MACFin) to reflect the appropriate FMAP under section 1905(kk) of the Act for supplemental payments and provide technical instructions to states regarding appropriate reporting.

1. For CHIPRA 214 FMAP policies, see SHO letter #10-006 (issued July 1, 2010) available at: <https://www.medicaid.gov/federal-policy-guidance/downloads/SHO10006.pdf>.

2. As added by section 71110 of the WFTC legislation.

# Financial Systems and Proper Claiming

- States should continue to ensure proper claiming and expenditure reporting on the quarterly budget and expenditure reports in the Medicaid and CHIP Budget and Expenditure System (MBES/CBES).
- **States may need to update their MMIS and/or other accounting systems to ensure accurate claiming of related expenditures.**
- States must be able to identify and isolate administrative costs directly related the administration of the Medicaid program (and if applicable, to CHIP) from state-only health program costs incurred, to ensure accurate reporting of FFP claims and to implement allocation methodologies in accordance with the authority to claim administrative costs.
- CMS intends to continue conducting oversight to ensure state FFP claims for full Medicaid and CHIP benefits and emergency Medicaid comply with federal requirements.

# Next Steps

- CMS is committed to working with states, D.C., and territories as they implement the policy and operational changes necessary to comply with section 71109 of the WFTC legislation and we are available to provide ongoing technical assistance and support.
- Questions regarding the Medicaid and CHIP policies discussed in this deck and the SHO letter may be directed to [MedicaidReforms@cms.hhs.gov](mailto:MedicaidReforms@cms.hhs.gov).



# Appendices



# Appendix A Overview

- **Appendix A** – Details Regarding Qualified Noncitizen Coverage in Medicaid and CHIP Before and After Implementation of Section 71109 of the WFTC Legislation
  - This table lists all immigration statuses and categories that are considered “qualified noncitizens.” For each immigration status or category, the table shows availability of FFP for full Medicaid and CHIP benefits before and after the October 1, 2026 applicability date, and the availability of FFP for emergency Medicaid.

TABLE 1. Medicaid and CHIP Coverage by Immigration Status or Category, before and after Section 71109 Implementation

Immigration Status/Category	Before 10/1/26	On and After 10/1/26		Before, On, and After 10/1/26
	Eligible for Full Medicaid & CHIP Benefits	FFP for Full Medicaid & CHIP Benefits <sup>1</sup>	FFP for Emergency Medicaid Only <sup>1</sup>	FFP for Full Medicaid & CHIP Benefits under the CHIPRA 214 Option <sup>2</sup>
<b>Lawful Permanent Residents (LPRs)<sup>3</sup></b> Section 101(a)(15) and 101(a)(20) of INA; An individual who is lawfully admitted for permanent residence under the INA. (8 U.S.C § 1641(b)(1))				
• <b>LPRs not subjected to the 5-year waiting period</b> 8 U.S.C § 1613	YES	YES	n/a	YES
• <b>LPRs subjected to the 5-year waiting period</b>				
○ <b>Who have not met the 5-year waiting period</b>	NO	NO	YES	YES
○ <b>Who have met the 5-year waiting period</b>	YES	YES	n/a	YES

Excerpt only.  
For full table  
see [SHO](#)  
pages 24-28.

# Appendix B Overview

- **Appendix B** – Summary of Hub Changes in Accordance with Section 71109 of the WFTC Legislation
  - This appendix provides an overview of the updates made to the Hub VLP Service to implement section 71109 of the WFTC legislation, including the new “eligible noncitizen” indicator that the Hub will return during Step 1 of a verification request.
  - The three tables are:
    - Overview of Hub Indicator Logic, by FFP-Eligible Noncitizen Status/Category (image below)
    - Hub Indicator Logic by ESC, Step 1 (SHO pages 31-33)
    - Hub Indicator Logic using EAD Category Codes for ESC 10 and 128, Step 1 (SHO page 34)
  - States should consult the Hub VLP Service v37.1v2 Business Service Document (BSD) for full details. States should contact [cmsvlpsupport@hcgov.us](mailto:cmsvlpsupport@hcgov.us) for technical questions about the Hub.

TABLE 2. Overview of Hub Indicator Logic, by FFP-Eligible Noncitizen Status/Category

Description	LPV	ENC (APTC & MC)	QNC	5Yr Bar Apply	5Yr Bar Met
LPR	Y	Y	Y	Y/N/P	Y/N/P/X
Cuban/Haitian entrant	Y	Y	Y	N	X
COFA migrant	Y	Y	Y	N	X

Excerpt only.  
For full table  
see [SHO](#)  
pages 29-34.