

August 17, 2026

Stephen Smith
Director of TennCare
Tennessee Department of Finance and Administration
310 Great Circle Road
Nashville, TN 37243

Dear Director Smith:

This letter provides important information regarding how the Centers for Medicare & Medicaid Services (CMS) will implement section 71109, “Alien Medicaid Eligibility”, of Public Law 119-21, which CMS refers to as the Working Families Tax Cut (WFTC) legislation, with respect to section 1115 demonstrations. Beginning October 1, 2026, sections 1903(v)(5) and 2107(e)(1)(R) of the Social Security Act (the Act), as added and amended, respectively, by the WFTC legislation, generally limit federal financial participation (FFP) for Medicaid and the Children’s Health Insurance Program (CHIP), with limited exceptions, to U.S. citizens and U.S. nationals, lawful permanent residents (LPRs), Cuban/Haitian entrants, and Compact of Free Association (COFA) migrants.¹ CMS previously approved policies in section 1115 demonstration actions under the authority of section 1115(a) of the Act that authorize federal matching funds for expenditures for services furnished to individuals who will be subject to the FFP limitations in section 1903(v)(5) and/or 2107(e)(1)(R) of the Act, as applicable, and for which statutory limitations did not exist at the time such expenditure authorities were approved.

CMS has determined that it would not be likely to promote the objectives of the Medicaid and/or CHIP statute to provide federal matching funds for expenditures for services furnished to individuals for whom Congress now has determined, with limited exceptions, such matching funds generally should not be available. Accordingly, section 1115 demonstrations must come into compliance with the FFP limitations in sections 1903(v)(5) and 2107(e)(1)(R) of the Act, so that states do not claim FFP for services provided to noncitizens and nonnationals who are not LPRs, Cuban/Haitian entrants, or COFA migrants beginning October 1, 2026, unless such services are provided under an exception to the law. CMS will align your demonstration(s) with, or clarify the applicability of, these new FFP limitations to ensure proper claiming of FFP in accordance with sections 1903(v)(5) and 2107(e)(1)(R) of the Act.

¹ On April 8, 2026, CMS issued State Health Official (SHO) letter #26-001, which provides policy and operational guidance to states related to implementation of the changes made by section 71109 of the WFTC legislation. SHO #26-001 can be accessed here: <https://www.medicaid.gov/federal-policy-guidance/downloads/sho26001.pdf>.

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If you have questions regarding this, please contact Sarah Aker, Acting Director, State Demonstrations Group, Center for Medicaid and CHIP Services, at Sarah.Aker@cms.hhs.gov.

Sincerely,

A large black rectangular box redacting the signature of Dan Brillman.

Dan Brillman
Deputy Administrator, CMS
Director, Center for Medicaid and CHIP Services