DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-25-26
Baltimore, MD 21244-1850



State Demonstrations Group

November 4, 2026

Janet Mann
Secretary and Medicaid Director
Arkansas Department of Human Services
P.O. Box 1437
Slot S201
Little Rock, Arkansas 72203-1437

Dear Secretary Mann:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has approved a temporary extension of the state's section 1115 demonstration, entitled Arkansas Health and Opportunity for Me (ARHOME) (Project Number 11-W-00379/6), in order to allow the state and CMS to continue negotiations over the state's demonstration application submitted on April 30, 2026. This demonstration will now expire on June 30, 2027.

CMS's approval is conditioned upon the state's continued compliance with the special terms and conditions (STCs) defining the nature, character, and extent of anticipated federal involvement in the project. The current STCs, waivers, and expenditure authorities will continue to apply during the temporary extension of this demonstration. The state's current budget neutrality agreement will continue to apply as described in the STCs, until June 30, 2027, or until the demonstration is renewed, whichever is sooner. CMS acknowledges that section 71118 of subchapter C of chapter 1 of subtitle B of title VII of Public Law 119-21, which CMS refers to as the Working Families Tax Cut (WFTC) legislation, adds a new subsection (g) to section 1115 of the Social Security Act (the Act) with budget neutrality requirements that will apply beginning January 1, 2027, to CMS approvals of section 1115 Medicaid demonstration project applications, renewals, or amendments.[1] On June 11, 2026, CMS released guidance in CMS State Medicaid Director Letter (SMDL) #26-003[2] about the subsection 1115(g) requirements. We anticipate Arkansas's renewal application will be subject to subsection 1115(g) and will require budget neutrality certification by the CMS Chief Actuary. Consistent with 42 CFR 431.412(a)(2) and (c)(3), CMS will request additional information from the state needed for budget neutrality certification.

Program Integrity

States are responsible for following all applicable federal law and regulations when they claim and use federal Medicaid funds and must fully comply with all applicable Medicaid statutes and regulations under a section 1115 demonstration, except where specific provisions have been expressly waived or identified as not applicable for that demonstration. This obligation includes all requirements in title XIX of the Act and implementing regulations governing provider

[1] https://www.congress.gov/bill/119th-congress/house-bill/1/text
[2] https://www.medicaid.gov/federal-policy-guidance/downloads/smd26003.pdf

screening and enrollment activities, pre- and post-payment review claiming, payment methodologies and rate-setting, utilization controls, and program integrity including processes to identify, investigate, and refer suspected fraud, and methods to receive complaints and identify questionable practices. States must maintain effective systems and safeguards to prevent, detect, and address any fraud, waste, or abuse (FWA) in the delivery of and payment for Medicaid services, including referrals to law enforcement when appropriate.

States should have heightened monitoring and oversight mechanisms in place featuring robust internal controls to identify and remediate all vulnerabilities (including, but not limited to, FWA and beneficiary access issues) inherent in service areas approved as part of a demonstration. At any time, CMS may request that the state provide a plan detailing the state's systems and safeguards to prevent, detect, and address any FWA relative to this demonstration. Failure to meet program integrity obligations under federal statutes and regulations or under the terms and conditions of this demonstration approval may result in compliance actions or other enforcement measures that could include requirements to develop and implement corrective action plans, withholdings, deferrals, disallowances, and termination of demonstration authority.

The state must continue to monitor and evaluate its demonstration as stipulated in the STCs. The state may include the temporary extension period within its Summative Evaluation Report for the current demonstration period, due 18 months after the end of the temporary extension period. Alternatively, if CMS approves a full demonstration renewal, the state may include the temporary extension period in the evaluation activities for the next full demonstration approval period.

Your CMS project officer for this demonstration is Kamia Rathore. Ms. Rathore is available to answer any questions concerning your section 1115 demonstration and can be reached at kamia.rathore@cms.hhs.gov.

Sincerely,

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Date: 2026.11.04 12:32:36 -05'00'

Sarah Aker
Acting Director

cc: Lee Herko, State Lead, Medicaid and CHIP Operations Group