



SUBJECT: Section 1115 Demonstration Authority for Continuous Eligibility Initiatives

July 17, 2025

Dear Colleague:

I am writing today regarding the use of section 1115 demonstration authority for expanded continuous eligibility. The Centers for Medicare & Medicaid Services (CMS) has approved several demonstrations under the authority of section 1115(a) of the Social Security Act (the Act) that provide federal financial participation (FFP) for expanding continuous eligibility to certain populations for periods of time beyond what is allowable under the state plan under the current Medicaid or Children's Health Insurance Program (CHIP) statutes. These demonstration initiatives allowed states to expand continuous eligibility to additional populations, as well as to increase the length of time that individuals could stay enrolled in Medicaid or CHIP, regardless of changes in circumstance that would have made an individual otherwise ineligible for continued Medicaid or CHIP eligibility. After reviewing these approvals, CMS has concerns about the appropriateness of providing continuous eligibility for additional populations and for longer durations of time than are required or available under the Medicaid and CHIP state plans, which could affect fiscal and program integrity. As such, CMS does not anticipate approving new state proposals of section 1115 demonstration expenditure authority that allow for expanded continuous eligibility or extending existing section 1115 demonstration authority for expanded continuous eligibility, beyond what is required or available under the Medicaid or CHIP statutes. This shift in approach reflects the agency's commitment to preserving these vital programs for the most vulnerable Americans and being good stewards of taxpayer dollars.

Background

Under federal Medicaid and CHIP regulations, states generally must redetermine a beneficiary's eligibility once every 12 months, as well as when the individual experiences a change in circumstances that could affect their Medicaid or CHIP eligibility. This includes changes in income, household size, residency, or new health coverage, for example. However, section 5112 of subtitle B of title V of division FF of the Consolidated Appropriations Act, 2023 (P.L. 117-328) (CAA, 2023), which amended sections 1902(e)(12) and 2107(e)(1) of the Social Security Act, requires that, effective January 1, 2024, states must provide 12 months of continuous eligibility for children under the age of 19 in Medicaid and CHIP, regardless of most changes in circumstances that may affect eligibility. Under current Medicaid and CHIP state plan rules, children generally remain enrolled in coverage during the entirety of their 12-month continuous eligibility period, unless they meet an exception under 42 CFR 435.926(d) or 42 CFR 457.342(a). The American Rescue Plan Act (ARPA) also allows states the option through the Medicaid and CHIP state plans to provide 12 months of continuous eligibility for extended post-partum coverage.

States have sought section 1115 demonstration authority to expand continuous eligibility beyond both the statutory requirements and state plan option by lengthening the periods of time children could receive continuous eligibility, such as allowing children to be continuously eligible from birth up to age six, and for children age six up to age 19 to receive continuous eligibility for 24 months. Section 1115 demonstration authority has also been used to provide continuous eligibility to adults age 19 and older (including more targeted subsets of adults) for up to 24 months.

Medicaid and CHIP Fiscal and Program Integrity

The use of section 1115 demonstration authority to expand continuous eligibility beyond statutory limits raises concerns about Medicaid and CHIP fiscal and program integrity, leading to an increased risk of Medicaid and CHIP payments on behalf of individuals who would otherwise have lost eligibility in the absence of such a section 1115 demonstration.

By expanding continuous eligibility, many more individuals may remain enrolled in Medicaid or CHIP even if they would otherwise no longer be eligible or have access to health coverage available from other sources such as private insurance, and could stay enrolled for years, depending on the demonstration authority. In some cases, individuals can remain continuously enrolled in Medicaid or CHIP for up to six years. By keeping potentially otherwise ineligible individuals enrolled in Medicaid or CHIP, this expanded continuous eligibility could lead to increased costs to states and the federal government. CMS continues to focus on maintaining the fiscal and program integrity of the Medicaid and CHIP programs. We are concerned that expanding continuous eligibility beyond statutory limits could divert critical resources and funding away from individuals whose eligibility meets the standards laid out under the statute and regulation. Additionally, CMS recognizes that individuals or families may experience life changes, such as an increase in income, and could be encouraged to receive health coverage from, as applicable, CHIP, the Health Insurance Marketplace,¹ or employer-sponsored coverage. Medicaid and CHIP are safety net programs and CMS believes they should be protected and safeguarded for only the most vulnerable.

Next Steps

As noted earlier, CMS does not anticipate approving new state proposals seeking section 1115 demonstration expenditure authority for continuous eligibility or extending existing section 1115 demonstration expenditure authority for continuous eligibility, beyond the populations and durations for which continuous eligibility is available under the applicable statute. As such, in addition to this letter, the Center for Medicaid and CHIP Services (CMCS) will conduct direct outreach to states with existing expanded continuous eligibility authority to emphasize that this authority is time-limited.

For demonstrations with currently approved authority for expanded continuous eligibility, the state must provide additional outreach and noticing to beneficiaries whose continuous eligibility periods will be ending. States must notify beneficiaries about any changes to their current period of continuous eligibility and when the beneficiary will need to undergo their next redetermination. This notice must meet the requirements at 42 CFR 435.905(b) and 457.340(a),

¹ Health Insurance Marketplace[®] is a registered service mark of the U.S. Department of Health & Human Services.

include the content described at 42 CFR 431.210, and be provided prior to the beneficiary's redetermination. After providing notice of the policy change, states will need to conduct renewals consistent with 42 CFR 435.916 and 457.343 for beneficiaries who are subject to an expanded continuous eligibility period under the demonstration, if they have not had an eligibility determination or renewal within the last 12 months. For individuals determined ineligible for Medicaid or CHIP, the state must determine potential eligibility for other insurance affordability programs and comply with the procedures set forth in 42 CFR 435.1200(e) and 457.350(b). The state must also provide beneficiaries determined ineligible for Medicaid or CHIP individualized advance notice of their termination and fair hearing or review rights in accordance with 42 CFR 435.917, 42 CFR part 431 subpart E for Medicaid, and 42 CFR 457.340(e) and (f), 457.348(a)(4), 457.1130 and 457.1180 for CHIP.

CMS will work with affected states to ensure that states have adequate time to operationalize the changes needed to end these authorities, including the ability to process all necessary redeterminations as required by the Medicaid and CHIP authorities noted above. CMS will assess each individual state's continuous eligibility authority and provide technical assistance to work with them on a phase-out plan for how to end the authority for beneficiaries currently receiving expanded continuous eligibility. Each plan will be tailored to each state's specific situation. This will ensure that the state is able to timely provide the notices described above, as well as process all redeterminations for impacted beneficiaries.

CMS will continue to work with states to support innovative section 1115 demonstrations that promote the objectives of Medicaid and CHIP. Questions and comments regarding this letter may be directed to Karen LLanos, Acting Director, State Demonstrations Group, CMCS.

Sincerely,

/s/

Drew Snyder
Deputy Administrator and Director