
SUBJECT: Section 1115 Demonstration Authority for Workforce Initiatives

July 17, 2025

Dear Colleague:

I am writing to you regarding the use of section 1115 demonstration authority to support Workforce Initiatives. The Centers for Medicare & Medicaid Services (CMS) has approved five demonstration projects, under the authority of section 1115 of the Social Security Act (section 1115 demonstrations), that authorize federal financial participation (FFP) for expenditures for workforce initiatives. The approved initiatives amount to significant investments of federal funds. In order to ensure scarce federal resources prioritize providing quality care to our nation's most vulnerable, at this time CMS does not anticipate approving new state proposals for section 1115 demonstration workforce initiatives authority or extending existing section 1115 authority for workforce initiatives, and will continue to monitor results of currently approved initiatives to assess the impact.

Background

Under section 1115 of the Social Security Act, the Secretary of Health and Human Services (the Secretary) has the discretion to approve experimental, pilot, or demonstration projects that are likely to assist in promoting the objectives of Medicaid. These demonstrations give states additional flexibility to design and improve their Medicaid programs, and to demonstrate and evaluate state-specific policy approaches to better serve Medicaid beneficiaries.

In the past, states have proposed, and CMS has approved, section 1115 demonstration authority enabling states to test workforce initiatives such as student loan repayment and workforce training programs to recruit and retain providers. Since June 28, 2022, CMS has approved section 1115 demonstrations with workforce initiatives in five states-which to date have involved more than \$1 billion in federal commitments.

Next Steps

CMS does not anticipate approving new state proposals for section 1115 demonstration projects for workforce initiatives or extending existing section 1115 demonstration expenditure authority for workforce initiatives at this time. CMS will allow currently approved initiatives to run their course, but does not anticipate extending them further. Going forward, CMS is focused on supporting actions that demonstrate clear health benefits, cost savings, and strong accountability for federal spending. This reflects a recalibrated approach that reinforces statutory boundaries, enhances oversight, and ensures taxpayer-funded benefits go only to those who meet eligibility requirements so that we can prioritize funding for our most vulnerable citizens. In addition to this letter, the Center for Medicaid and CHIP Services (CMCS) will conduct direct outreach to states with existing demonstration authority for workforce initiatives to emphasize that authority for these workforce initiatives will not be extended beyond the currently approved demonstration period or, when current workforce initiative authority concludes before the end of the demonstration's approval period, the current end date for such authority.

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

Sincerely,

/s/

Drew Snyder
Deputy Administrator and Director