

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop: S2-26-12
Baltimore, Maryland 21244-1850



September 25, 2026

Rebecca de Camara
State Medicaid Director
Department of Public Health and Human Services
111 North Sanders, Room 301
Helena, MT 59601

Dear Director de Camara:

The Centers for Medicare & Medicaid Services (CMS) is making conforming changes to Montana’s “Waiver for Additional Services and Populations” (WASP) section 1115 demonstration (Project Number 11-W-00181/8) to align with recent changes to Medicaid and Children’s Health Insurance Program (CHIP) statutes, regulation and policy.

Public Law 119-21, which CMS refers to as the Working Families Tax Cut (WFTC) legislation, made changes to the Medicaid and CHIP provisions of the Social Security Act (the Act), including eligibility and financing changes. CMS has issued regulations and guidance implementing and interpreting many of the Medicaid and CHIP provisions of the WFTC legislation. Some of these statutory and related regulatory changes will affect this demonstration. Therefore, in this action, CMS is making conforming changes to the WASP section 1115 demonstration during this demonstration period.

Specifically, in this action:

- We are changing the demonstration special terms and conditions (STCs) to conform with section 1903(v)(5) of the Act (added by section 71109 of the WFTC legislation) and guidance related to this section of the Act; this change is effective October 1, 2026, through December 31, 2027.
- Effective January 1, 2027, we are changing the demonstration STCs to conform with section 1902(xx) of the Act (added by section 71119 of the WFTC legislation) and regulations and guidance implementing and interpreting that section of the Act, through December 31, 2027.

Unless renewed or amended, all authorities granted to operate this demonstration will expire December 31, 2027.

The conforming changes to the STCs are authorized under STC 3, titled “Changes in Medicaid and CHIP Law, Regulation, and Policy,” which provides that the state must, within the timeframes specified in federal law, regulation, or policy statement, come into compliance with changes in law, regulation, or policy affecting the Medicaid program that occur during the demonstration approval period. Under STC 3, CMS may amend the STCs to reflect such changes without requiring the state to submit an amendment.

CMS has determined that this action for the WASP demonstration is likely to assist in promoting the objectives of the Medicaid statute by aligning this section 1115 demonstration with new statutory requirements applicable to the Medicaid program and with how CMS has interpreted and implemented those requirements in regulations and guidance. The effective dates of these actions are intended to align with the implementation timelines of these new statutory requirements.

This section 1115(a) demonstration action is subject to the limitations specified in Attachment D below, which is appended to the demonstration's special terms and conditions (STCs), as approved on November 21, 2022. Attachment D makes conforming changes to the demonstration's STCs as further specified therein, and governs any supplemental attachments defining the nature, character, and extent of federal involvement in this project. The changes in Attachment D of this letter should be considered as part of the broader set of STCs that were approved on November 21, 2022, for the WASP demonstration and will be incorporated into the full STCs at a future approval action for this demonstration.

Program Integrity

As part of this action, CMS would like to remind the state about program integrity obligations. 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 laws 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 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.

Extent and Scope of Changes

Section 71109 – Alien Medicaid eligibility

Beginning October 1, 2026, sections 1903(v)(5) and 2107(e)(1)(R) of the Act, as added and amended, respectively, by section 71109 of the WFTC legislation, generally limit federal financial participation (FFP) for medical assistance (Medicaid) and child or pregnancy-related health assistance (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.

Section 1903(v)(5) of the Act describes three exceptions to these FFP limitations: (1) care and services necessary for the treatment of an emergency medical condition as described in section 1903(v)(3) of the Act, (often referred to as “emergency Medicaid”), per section 1903(v)(2) of the Act; (2) full Medicaid and CHIP coverage provided to lawfully residing children and pregnant women under the Children’s Health Insurance Program Reauthorization Act of 2009 (CHIPRA) 214 option, per section 1903(v)(4) of the Act, applicable to CHIP through a cross reference at section 2107(e)(1)(Q) of the Act; and (3) Health Services Initiatives (HSIs), which are programs that are designed to improve the health of low-income children, authorized under section 2105(a)(1)(D)(ii) of the Act. Montana elected the CHIPRA 214 option for Medicaid coverage of lawfully residing children.

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.¹ On August 17, 2026, CMS issued a letter to Montana describing CMS’s determination that continuing previously approved policies in section 1115 demonstrations that authorize federal matching funds for expenditures for services furnished to individuals who will be subject to the FFP limitations in sections 1903(v)(5) and 2107(e)(1)(R) of the Act would not be likely to promote the objectives of the Medicaid or CHIP statutes, as applicable and as modified by the WFTC legislation.² In this action, CMS is making a conforming change to align with section 1903(v)(5) of the Act to the STCs of the demonstration. This change, which is further described below, is expected to protect program integrity, ensure accurate eligibility determinations, and ensure proper claiming of FFP.

Aligning section 1115 expanded continuous eligibility authorities with section 71109 changes

CMS has approved several demonstrations under the authority of section 1115(a) of the Act that provide expenditure authority for expanded continuous eligibility. On July 17, 2025, CMS issued a Dear Colleague letter indicating that CMS does not anticipate approving new requests for expanded continuous eligibility or renewing existing section 1115 demonstration authority for expanded continuous eligibility, beyond what is required or available under the Medicaid and CHIP statutes, as applicable.³ CMS has provided technical assistance to assist states as they begin upgrading eligibility systems, notifying beneficiaries, and conducting an orderly phase out of expanded continuous eligibility where it has been approved under section 1115 demonstration authority.

¹ <https://www.medicaid.gov/federal-policy-guidance/downloads/sho26001.pdf>

² https://www.medicaid.gov/medicaid/section-1115-demonstrations/downloads/Montana_%2071109%20Letter_08.17.26.pdf

³ <https://www.medicaid.gov/resources-for-states/downloads/contin-elig-ltr-to-states.pdf>

CMS clarified in SHO Letter #26-001 that states must apply the FFP limitations under section 1903(v)(5) of the Act for the following: 1) children in a continuous eligibility period under the state plan or section 1115 demonstrations under section 1902(e)(12) of the Act; 2) individuals covered during a period of continuous postpartum coverage under the state plan or section 1115 demonstrations under section 1902(e)(16) of the Act; and 3) individuals receiving authority for an expanded continuous eligibility period under the terms of a section 1115 demonstration. For Medicaid applicants and current Medicaid beneficiaries who are not U.S. citizens or U.S. nationals, LPRs, Cuban/Haitian entrants, or COFA migrants, and are not lawfully residing children eligible under the state's election of the CHIPRA 214 option, FFP remains available for emergency Medicaid coverage for such individuals in accordance with section 1903(v)(5) of the Act beginning October 1, 2026, and for the remainder of the expanded continuous eligibility period.

In this action, consistent with its August 17, 2026, letter to Montana, CMS is making a conforming change to reflect that populations receiving expanded continuous eligibility under section 1115(a)(2) expenditure authority in Montana's WASP demonstration are subject to these new requirements beginning October 1, 2026. Specifically, CMS is adding subsection (b) to STC 18 to affirm that the FFP limitation under section 1903(v)(5) of the Act is applicable to Montana's expanded continuous eligibility authority in the WASP demonstration.

Section 71119 – Requirement for states to establish Medicaid community engagement requirement for certain individuals

In this letter, CMS is making a conforming change to the terms of the WASP demonstration to align with section 1902(xx) of the Act (added by section 71119 of the WFTC legislation) and the interim final rule with comment period (IFC) implementing section 1902(xx) of the Act issued in the June 3, 2026, Federal Register (91 FR 33348).⁴ Section 1902(xx) of the Act and the IFC require that, beginning no later than January 1, 2027, "applicable individuals" (as defined at section 1902(xx)(9)(A)(i) of the Act) demonstrate, as a condition of their Medicaid eligibility, community engagement (as specified in 42 CFR 435.552) for one to three consecutive months (as specified by the state) before their month of application. Additionally, enrolled applicable individuals must demonstrate community engagement for a number of months specified by the state either between renewals or, if elected by the state, between more frequent verifications of community engagement, as a condition of continued eligibility. Applicable individuals are deemed to demonstrate community engagement for a month if, during such month, they meet the criteria for a mandatory exception or, if elected by the state, an optional short-term hardship exception. Certain individuals who qualify as "specified excluded individuals" (as defined at section 1902(xx)(9)(A)(ii) of the Act) are not applicable individuals and are not subject to the community engagement requirement.

Clarifying minimum essential coverage designations

⁴ <https://www.federalregister.gov/documents/2026/06/03/2026-11094/medicaid-program-community-engagement-requirement-for-certain-individuals>

Section 1902(xx)(9)(A)(i) of the Act and 42 CFR 435.551 define applicable individuals to include certain individuals who are not eligible for or enrolled in the Medicaid adult group under the state plan, and who are otherwise eligible to enroll or are enrolled in a demonstration project under section 1115(a)(2) of the Act that provides coverage that meets MEC requirements. As part of its work related to implementation of section 1902(xx) of the Act, CMS is reviewing currently authorized section 1115 demonstrations that provide eligibility for medical assistance under section 1115(a)(2) expenditure authority and making MEC determinations applicable to each population. CMS is also reviewing previous MEC determinations to ensure they are up to date.

Montana WASP currently has an STC that indicates the demonstration provides MEC to individuals who are eligible for and enrolled in coverage under the section 1115(a)(2) expenditure authority for the Waiver of Mental Health Services Plan Program (WMHSP). In this action, CMS is removing the language designating the coverage available to the WMHSP population as MEC to ensure consistency across demonstration STCs, in which MEC designation is only noted if a population does not receive MEC. For avoidance of doubt, removing this language does not change our determination that the coverage for the WMHSP population qualifies as MEC.

Budget Neutrality

There is no change to budget neutrality for this action.

Monitoring and Evaluation

The state is required to conduct systematic monitoring and evaluation in accordance with the demonstration STCs and to incorporate, as appropriate, the conforming changes specified in this letter and attachment into these activities. Monitoring and evaluation should identify and describe any observed changes in metrics or outcome measures, including relevant context, as well as associated operational updates. In addition to other required content, these activities—including required deliverables and monitoring calls—should address any anticipated or actual challenges, risks, and program integrity considerations related to implementation of the conforming changes in this letter and attachment.

Other Information

This action for the demonstration project is conditioned upon compliance with the previously approved waivers, expenditure authorities and STCs (as modified as stated in this letter and Attachment D) which set forth in detail the nature, character and extent of anticipated federal involvement in the project. In addition, this action is subject to CMS receiving written acceptance within 30 days of the date of this letter. Your project officer is Wanda Boone-Massey, who is available to answer any questions concerning your section 1115 demonstration. Ms. Boone-Massey's contact information is as follows:

Centers for Medicare & Medicaid Services
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7500 Security Boulevard
Baltimore, MD 21244-1850
Email: wanda.boone-massey@cms.hhs.gov

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

Sincerely,



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

Enclosure

cc: Justyna Redlinski, State Lead, Medicaid and CHIP Operations Group

Attachment D
CONFORMING CHANGES TO SPECIAL TERMS AND CONDITIONS

This Attachment D makes conforming changes to the STCs that were approved on November 21, 2022, as follows. Language CMS is newly adding is in red text. Language CMS is removing is in red text and struck through.

Edits to STC 18: Aligning section 1115 expanded continuous eligibility authorities with section 71109 changes

STC 18(b): Expanded Continuous Eligibility for Noncitizens Ineligible for FFP. For current Medicaid beneficiaries in an expanded continuous eligibility period, beginning October 1, 2026, the state must apply the FFP limitations under section 1903(v)(5) of the Act. FFP is limited to payment for emergency Medicaid coverage during the remainder of the expanded continuous eligibility period for such Medicaid beneficiaries who are not U.S. citizens or nationals, Lawful Permanent Residents (LPRs), Cuban/Haitian entrants, or Compact of Free Association (COFA) migrants and are not eligible as a child who is lawfully residing in the U.S. under the state's election of the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) 214 option in accordance with section 1903(v)(4) of the Act.

Edits to STC 20: Clarifying minimum essential coverage designations

STC 20. Benefits for WMHSP Enrollees. All individuals enrolled in the demonstration will receive all Medicaid State plan services. ~~This coverage is considered Minimal Essential Coverage (MEC).~~