

Congress of the United States

Washington, DC 20515

October 2, 2026

The Honorable Dr. Mehmet Oz
Administrator
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Dear Administrator Oz:

We write today in response to the Centers for Medicare & Medicaid Services' (CMS) June 11th, 2026 State Medicaid Director letter (SMDL) sent regarding "Budget Neutrality and Certification by the Chief Actuary of CMS for Section 1115 Medicaid Demonstration Projects."¹ This guidance was issued to implement a provision of H.R. 1 that requires the CMS Chief Actuary to certify that section 1115 demonstration projects are budget neutral – a standard all section 1115 demonstration projects have been required to meet. Concerningly, however, the guidance clearly states an intent to "reduce federal outlays" – in other words, proposing additional federal cuts to Medicaid beyond the nearly trillion dollars cut through H.R. 1.

Section 1115 demonstration projects are the backbone of many state Medicaid programs, and states have long been required to ensure that they are budget neutral. For over six decades, demonstration projects have ensured that states have the flexibility to be innovative and meet the needs of their residents. For example, states rely on these demonstration projects to provide enhanced benefits to enrollees, expand coverage, and improve delivery systems to ensure people are able to access the quality care they need and deserve, among other priorities. CMS's June 11th SMDL and forthcoming rulemaking stand to undermine these initiatives by setting forth a framework for upending long-standing budget neutrality requirements, and leaving states with more questions than answers about what standards they will need to imminently conform to.

Given the unique nature of each state demonstration project and each state's Medicaid population, regular collaboration between the states and CMS have always been pivotal to ensuring states' continued adherence to budget neutrality requirements. Instead of allowing states to foster creative solutions to meet the needs of their unique Medicaid population, CMS's new framework threatens to reduce state flexibility, limit innovation, and narrow the approval pathway for certain health care initiatives.

¹ <https://www.medicare.gov/federal-policy-guidance/downloads/smd26003.pdf>

Additionally, this guidance prompts numerous questions notwithstanding an incredibly compressed implementation timeline. Now, while working to operationalize massive changes to Medicaid programs as established by H.R. 1, states will also be required to interpret this complicated new framework and evaluate the implications for their own existing or proposed demonstration projects—even without final, robust guidance from CMS. In addition to the complexities of this new proposal, CMS indicated that the SMDL would only serve as “early notice” to inform changes expected from CMS’ imminent notice of proposed rulemaking.² Given the changes taking effect as early as January 1, 2027, this timeline imposes a severe administrative burden on states, and leaves them in an operational limbo. Nearly one-third of all Medicaid spending flows through section 1115 demonstration projects and changes to disrupt the financing of these programs will have a direct impact on the health care that Medicaid beneficiaries across the country may receive.

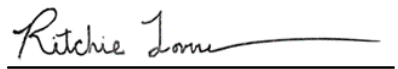
Section 1115 demonstration projects have had a profound impact on our local communities nationwide. Given the importance of these programs, we ask that CMS carefully consider the implications of this guidance on states and their Medicaid beneficiaries. We have concerns that this new blanket framework will limit states’ ability to innovate and threaten existing services. Considering our concerns, we ask that the agency keep beneficiaries at the forefront, by preserving state flexibility to utilize section 1115 demonstration projects to best serve their residents. We also that the agency provide states with further clarification on the expectations of the June 11th guidance by October 16, 2026.

We appreciate your attention to this matter.

Sincerely,



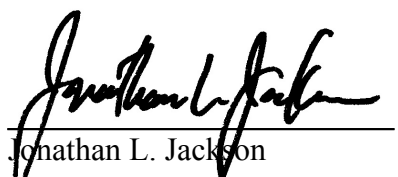
Brittany Petersen
Member of Congress



Ritchie Torres
Member of Congress



Stephen F. Lynch
Member of Congress



Jonathan L. Jackson
Member of Congress

² <https://www.medicaid.gov/federal-policy-guidance/downloads/smd26003.pdf>



Shri Thanedar
Member of Congress



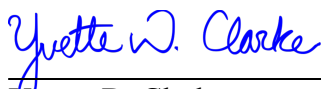
Joe Neguse
Member of Congress



Rashida Tlaib
Member of Congress



Adenita S. Grijalva
Member of Congress



Yvette D. Clarke
Member of Congress