

**Summary: CMS State Health Official Letter - Implementing Section 71109  
("Alien Medicaid Eligibility")**

This document summarizes [recently issued a guidance letter](#) from the Centers for Medicare and Medicaid Services (CMS) relating to noncitizen Medicaid/CHIP eligibility changes. These changes were made pursuant to H.R. 1, legislation passed in 2025, which makes significant changes to the Medicaid program.

**Topline Summary:**

Beginning Oct. 1, 2026, federal matching funds for full Medicaid and CHIP benefits will be limited to [lawful permanent residents](#), Cuban-Haitian entrants, and [Compact of Free Association](#) migrants. Other noncitizens will no longer qualify for federally matched coverage, with some limited exceptions, described in detail on pg. 5 of the guidance letter. States retain the option to cover additional groups using state-only funds, and may continue to use existing options such as the [CHIPRA 214 state plan option](#) for lawfully residing children and pregnant individuals.

Noncitizens who do not fall into any of the exceptions listed above will no longer be eligible for federally matched full Medicaid/CHIP. This includes such individuals as refugees, asylees, and parolees, among others.

CMS will not require states to use state-only funds to cover displaced enrollees. In cases where states do not use state-only funds to cover individuals who lose coverage, **providers may see an increase in the levels of uncompensated care rendered.**

CMS states that the Personal Responsibility and Work Opportunity Reconciliation Act's ([PRWORA](#)'s) underlying immigration eligibility framework (e.g., qualified alien categories require a five-year waiting period before becoming eligible for full Medicaid/CHIP coverage) will not be amended, but the new changes limit federal matching funds for full Medicaid/CHIP benefits. This section of H.R. 1 also does not impact [ongoing litigation](#) relating to PRWORA and questions over what constitute a "federal public benefit."

**Coverage Changes Beginning Oct. 1, 2026 (pg. 3-7)**

Federal Medicaid/CHIP matching funds will be limited to the following individuals:

- U.S. citizens and nationals
- [Lawful Permanent Residents](#) (LPRs)
- Cuban/Haitian entrants
- COFA migrants

Most other noncitizens (e.g., refugees, asylees, parolees, trafficking victims) will lose eligibility for federal matching funds after Oct. 1, 2026, unless they qualify under a narrow exception.

Emergency Medicaid will remain available to all noncitizens, subject to limitations described on pg. 19-20 of the CMS guidance and covered later in this summary.

### **States Not Obligated to Cover Noncitizens (pg. 7)**

States are not required to use state funds to continue coverage for noncitizens who lose federal matching eligibility. While states may choose to do so, CMS has clarified that any such coverage **would not be considered Medicaid or CHIP**.

### **Limited Exceptions (pg. 5)**

Federal matching funds will remain available for:

- Emergency Medicaid (unchanged)
- CHIPRA 214 option (lawfully residing children and pregnant individuals, if the state has elected it)
- CHIP Health Services Initiatives

*Note:* Separate CHIP does not cover emergency services. (pg. 10-11).

### **Eligibility Redeterminations (pg. 8-10 and 13-16)**

States will be required to re-verify the immigration status of current enrollees and terminate or reduce coverage for individuals who no longer qualify for federal matching funds. This process will rely primarily on the Systematic Alien Verification for Entitlements (SAVE) system and new Federal Data Hub indicators designed to identify federally eligible noncitizens. Providers should anticipate coverage disruptions, terminations, and shifts in payer mix beginning in FY 2027 (Oct. 1, 2026 – Sept. 30, 2027).

### **Managed Care and Payment Impacts (pg. 16)**

States must remove non-federally matched coverage from Medicaid managed care capitation rates. Where states choose to continue covering noncitizens using state-only funds, that coverage must be carved out and paid through separate contracts. Such care cannot be blended into standard Medicaid managed care organization rates.

### **Limits on Emergency Medicaid (pg. 19-20)**

Beginning Oct. 1, 2026, the federal match rate for Emergency Medicaid will be capped at each state's standard FMAP, eliminating access to the enhanced adult group matching rate. This reduction in federal match could affect supplemental payment programs and state financing strategies, with potential downstream pressure on provider reimbursement.

### **CHIP Terminations (pg. 19-20)**

States operating separate CHIP programs must terminate coverage for noncitizens who no longer qualify for federal matching funds, unless they are eligible under the CHIPRA 214 option. Unlike Medicaid, there is no emergency coverage fallback available under CHIP.

**Impact on Dual Eligibles (pg. 7-8)**

CMS has flagged that related statutory changes will apply the same eligibility restrictions to Medicare, limiting coverage for noncitizens to the same categories eligible for federal Medicaid matching funds. Further guidance is expected, but providers serving dual-eligible populations should be aware of potential downstream coverage impacts.