Arkansas Waiver Potentially First Casualty Of 1115 Budget Neutrality Reqs

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CMS cited the new budget neutrality requirements when verbally rejecting Arkansas' request to renew one of its 1115 waivers, a state spokesperson told *Inside Health Policy,* clarifying the state is actively negotiating with CMS over the fate of the 1115 waiver that focuses on improving health coverage for key groups in the expansion population.

At issue is H.R. 1's requirement that all 1115 waivers and amendments be certified beginning Jan. 1, 2027, by CMS' chief actuary that they will not increase government costs. The Trump administration said in a recent letter to states the best way to implement that requirement is to require the chief actuary's involvement in the first step of demonstration approvals.

Arkansas' 1115 waiver expanding Medicaid seems to be the first casualty of those requirements.

"We look forward to robust discussions with a wide range of partners as we develop a new delivery system for this program in a way that is functional, practical, and sustainable," an Arkansas Department of Human Services spokesperson told *Inside Health Policy* on Wednesday (Aug. 5). "While it's too early to know specifics of how this new approach will look, our commitment to connecting eligible Arkansans to effective health care will remain our guiding principle at the core of this work."

While some reports say the decision puts hundreds of thousands of Medicaid expansion beneficiaries' coverage at risk, the spokesperson says it does not mean that Medicaid expansion is ending or the state will lose its enhanced funding.

Eligible ARHOME enrollees will continue to have coverage beyond Jan. 1, the spokesperson said.

"We know that changes to the program are in store. These changes will not be immediate, and DHS is in discussions with CMS about an extension to provide sufficient time for a transition," the spokesperson said. "The changes will center on service delivery, not on eligibility. No action is needed by beneficiaries currently served by ARHOME, which as of July 1 numbered approximately 202,000 individuals."

In addition to continuing the state's Medicaid expansion that uses Medicaid dollars to buy private health insurance for beneficiaries earning up to 138% of the federal poverty level, the so-called ARHOME waiver promised to support high-risk pregnant and postpartum women, those living in rural communities with a mental illness, and certain young adults and veterans who are at high risk for poor health outcomes.

Arkansas developed this waiver in 2021 after the Biden administration pulled the state's work requirement waiver. The original draft of this waiver also included a work requirement -- specifically by incentivizing beneficiaries to work in order to receive better Medicaid benefits -- but the Biden administration's approval in 2023 promoted all the supports and never mentioned the work reporting part of the waiver application.

Last year, Arkansas submitted an amendment request that revisits the work requirements it originally proposed in ARHOME. Similar to what was later passed in H.R. 1, the amendment would establish work requirements for all Medicaid expansion beneficiaries aged 19-64.

In May 2026, Arkansas sent CMS its renewal request for ARHOME, and the *Arkansas Democrat-Gazette* reported on July 31 state officials said the renewal was denied, though an official letter has yet to be released. -- *Dorothy Mills-Gregg* (dmillsgregg@iwpnews.com)