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September 3, 2025

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate

The Honorable Frank Pallone, Jr.
Ranking Member
Committee on Energy and Commerce
House of Representatives

The Honorable Jon Ossoff
United States Senate

The Honorable Raphael Warnock
United States Senate

Medicaid Demonstrations: Information on Administrative Spending for Georgia Work Requirements

Section 1115 demonstrations, which allow states to test new approaches to providing coverage and services, have become a significant feature of the federal-state Medicaid program.¹ Section 1115 of the Social Security Act authorizes the Secretary of Health and Human Services to waive certain federal Medicaid requirements and allow expenditures that would not otherwise be eligible for federal matching funds for demonstration projects that, in the Secretary's judgment, are likely to promote the objectives of the Medicaid program. The Centers for Medicare & Medicaid Services (CMS), within the Department of Health and Human Services, oversees Medicaid demonstrations. In fiscal year 2023, federal spending for demonstrations was about \$194 billion, representing about a third of total federal Medicaid spending.

In January 2018, CMS issued guidance announcing a new opportunity for states to use demonstrations to require certain beneficiaries to work or participate in community engagement activities, such as vocational training or volunteer activities, as a condition of Medicaid eligibility (referred to in this report as work requirements).² Since 2018, CMS has approved 13 state demonstrations to test work requirements, including approving such a demonstration in Georgia in 2020. However, a federal district court vacated the approvals in some states. CMS withdrew approvals for other states. This included withdrawing the approval of certain authorities,

¹42 U.S.C. § 1315(a). Medicaid is a joint, federal-state program that finances health care coverage for low-income and medically needy individuals. The federal government and states share in the financing of Medicaid expenditures with the federal government matching most state expenditures.

²See Centers for Medicare & Medicaid Services, *Re: Opportunities to Promote Work and Community Engagement Among Medicaid Beneficiaries*, State Medicaid Director Letter, SMD: 18-002 (Baltimore, Md.: Jan. 11, 2018).

including for the work requirement policy, in Georgia's demonstration in December 2021. A federal district court, however, set aside CMS's withdrawal in 2022.³

Georgia began enrolling individuals in its demonstration testing work requirements—referred to by the state as the Pathways to Coverage demonstration—in July 2023. As of June 2025, Georgia was the only state testing work requirements, but CMS was in the process of reviewing demonstration proposals from six additional states to implement such requirements.⁴ Further, legislation enacted on July 4, 2025, generally requires all state Medicaid programs (including the District of Columbia) to implement work requirements as a condition of eligibility for certain individuals beginning by January 1, 2027.⁵

Implementing work requirements can result in added Medicaid administrative spending, as states may need to change eligibility and enrollment systems and conduct additional beneficiary outreach, among other things. In general, the federal government provides 50 percent of the funds for administrative activities (referred to as a 50 percent matching rate), but pays for up to 90 percent of certain administrative activities, including for IT system changes.⁶ We previously reported that five states that began implementing demonstrations with work requirements estimated spending anywhere from under \$10 million to over \$250 million on administrative activities.⁷

You asked that we review the administrative spending for implementing and maintaining operations of Georgia's Medicaid demonstration testing work requirements. This report describes the (1) amount and (2) types of administrative spending for Georgia's demonstration. It also examines the extent to which CMS considered administrative costs when approving the demonstration, as well as the agency's oversight of the administrative spending after approval.

To describe the amount and types of administrative spending for Georgia's demonstration testing work requirements, we analyzed state-reported expenditure data from CMS's Medicaid

³Georgia v. Brooks-LaSure, No. 2:22 cv-6, 2022 U.S. Dist. LEXIS 149167 (S.D. Ga. Aug. 19, 2022).

⁴Arizona, Arkansas, and Iowa submitted amendments to current demonstrations; and Kentucky, Ohio, and South Carolina submitted new demonstration applications. For more information on these states' pending work requirement demonstration proposals, see enclosure 1.

⁵Public Law 119-21—commonly known as the One Big Beautiful Bill Act—includes a provision that expressly prohibits using section 1115 demonstrations to waive the new work requirements. However, the Secretary of Health and Human Services may provide a temporary exemption—until December 31, 2028—if, among other things, the Secretary determines the state has demonstrated a good faith effort to comply with implementation requirements. An Act To provide for reconciliation pursuant to title II of H. Con. Res. 14, Pub. L. No. 119-21, § 71119, 139 Stat. 72, 306 (2025) (codified as amended at 42 U.S.C. § 1396a(xx)).

⁶The federal government also shares in the financing of Medicaid expenditures for services (known as medical assistance), with the federal government generally paying for between 50 percent and 83 percent of expenditures depending, in part, on a state's per capita income.

⁷See GAO, *Medicaid Demonstrations: Actions Needed to Address Weaknesses in Oversight of Costs to Administer Work Requirements*, [GAO-20-149](#) (Washington, D.C.: Oct. 1, 2019). We made three recommendations to CMS to enhance its oversight of administrative spending under demonstrations. CMS did not concur with these recommendations and the recommendations remain unimplemented.

Budget and Expenditure System.⁸ We analyzed data for fiscal year 2021, the first year of spending under the demonstration, through the second quarter of fiscal year 2025, the most recent data available at the time of our review. To assess the reliability of the state expenditure data, we interviewed relevant agency officials and reviewed related documentation. On the basis of these steps, we determined that the data were sufficiently reliable for the purposes of our audit objectives. We also reviewed information and related documentation from Georgia, and interviewed Georgia Medicaid officials on the types of administrative activities completed to implement the demonstration and the use of contractors to complete those activities.

To examine CMS's consideration of administrative costs when approving Georgia's demonstration and oversight of spending after approval, we reviewed demonstration and IT project documents approved by CMS. We reviewed demonstration documentation to identify what information, if any, Georgia provided to CMS related to estimated administrative costs prior to approval, and what information the state was required to report to CMS for monitoring the demonstration. We reviewed approval documents for Georgia's IT projects related to the demonstration, including amounts and activities approved for enhanced federal matching funds (e.g., activities receiving a 90 percent federal match).⁹ We also assessed CMS's efforts in the context of the findings and related recommendations from our 2019 report on CMS's consideration of administrative costs during approval, and ongoing oversight of administrative spending after approval.¹⁰ In addition, we interviewed CMS officials about any changes in the agency's policies and procedures since our 2019 report.

We conducted this performance audit from February 2025 to September 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

CMS typically approves demonstrations for an initial 5-year period that can be extended in 3- to 5-year increments with CMS approval. The CMS approval process includes assessing whether the demonstration is budget neutral to the federal government (i.e., that federal spending under the demonstration is no more than what it would have been absent the demonstration).¹¹

⁸States use this system to report both budgeted expenditures and the actual quarterly expenditures that occur. CMS uses these data to compute the amount of federal matching funds the agency will provide to the state for program operations.

⁹To request federal funds for state planned IT activities, states prepare and submit advance planning documents to CMS, which include preliminary cost estimates. States also submit "close out" documents detailing totals spent and the federal share against the approved budget for the project.

¹⁰See [GAO-20-149](#).

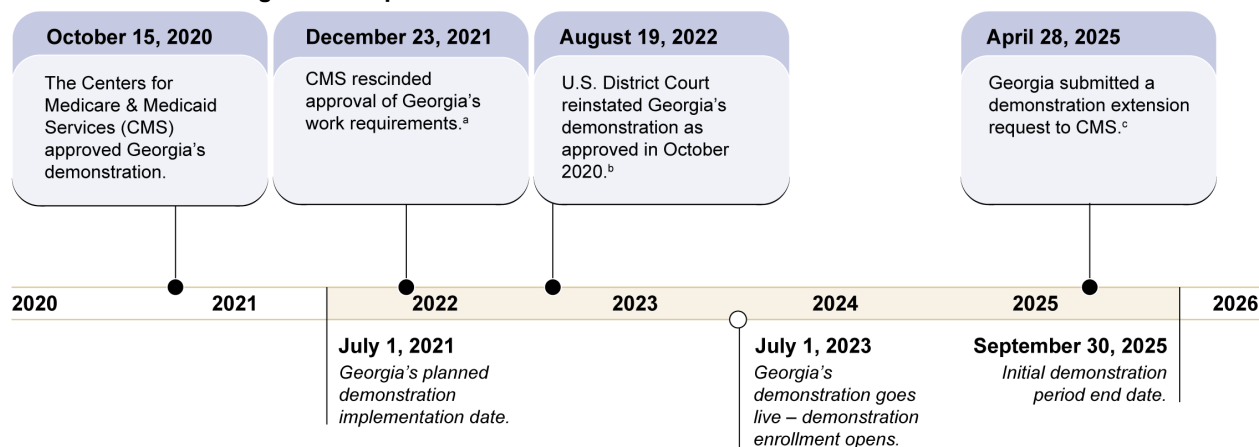
¹¹Beginning in 2027, federal law prohibits the approval of a demonstration unless the CMS chief actuary certifies that the demonstration is budget neutral to the federal government. However, the statute does not specify how administrative spending is to be treated as part of that assessment. An Act To provide for reconciliation pursuant to title II of H. Con. Res. 14, Pub. L. No. 119-21, § 71118, 139 Stat. 72, 306 (2025) (codified as amended at 42 U.S.C. § 1315(g)).

Each demonstration is governed by special terms and conditions, which reflect the agreement reached between CMS and the state, and describe the authorities granted to the state. For example, the special terms and conditions may define what demonstration funds can be spent on—including which populations and services—as well as specify reporting requirements, such as monitoring or evaluation reports states must submit to CMS.

In October 2020, Georgia received CMS approval of its demonstration to test work requirements for an initial 5-year period.¹² Under the demonstration, Medicaid coverage is extended to individuals from the ages of 19 to 64 years old and with income at or below 100 percent of the federal poverty level who are not otherwise eligible for Medicaid.¹³ In addition to meeting age and income requirements, these applicants must show they met work requirements for the month prior to the application submission to be eligible for Medicaid coverage. Specifically, they must report and provide documentation for 80 hours of qualifying activities. Qualifying activities, as defined by the state, can include employment, on-the-job training, higher education, or community service, among other things. If determined eligible and enrolled in coverage, beneficiaries must generally report qualifying hours and activities monthly.¹⁴

Georgia was originally scheduled to begin enrollment for the demonstration in July 2021. However, Georgia paused implementation in advance of the CMS withdrawal notification, relaunching implementation in July 2023. (See fig. 1.)

Figure 1: Timeline of Selected Events During Approval and Implementation of Georgia Medicaid Demonstration Testing Work Requirements



Source: GAO analysis of Centers for Medicare & Medicaid Services documentation. | GAO-25-108160

¹²In addition to work requirements, Georgia received approval under its demonstration to implement other beneficiary requirements, such as healthy behavior incentives and premium payments.

¹³Specifically, individuals are eligible with incomes at or below 95 percent of the federal poverty level with a 5 percent income disregard, thus providing eligibility to individuals with income at or below 100 percent of the federal poverty level.

¹⁴Medicaid beneficiaries under the demonstration can face suspension or termination of coverage if they do not meet, or do not appropriately report having met, the number of hours of activity required. Under the demonstration, beneficiaries who report qualifying hours and activities for six consecutive months and satisfy the work requirements will be exempt from monthly reporting for the remainder of the year. The state also permits good cause exceptions, within limits, for members who have previously satisfied the 80-hour requirements and have experienced events such as a family emergency, serious illness, or temporary homelessness.

Note: Georgia's Pathways to Coverage demonstration is being conducted under section 1115 of the Social Security Act.

^aIn December 2021, CMS withdrew approval of Georgia's authorization to impose work requirements and premium payments under the demonstration.

^bGeorgia v. Brooks-LaSure, No. 2:22 cv-6, 2022 U.S. Dist. LEXIS 149167 (S.D. Ga. Aug. 19, 2022).

^cCMS denied Georgia's February 2023 request to run the demonstration through September 2028, and a U.S. District Court agreed with the denial. See Georgia v. Brooks-LaSure, No. 2:24 cv-16, 2024 U.S. Dist. LEXIS 124260 (S.D. Ga. July 15, 2024). As a result, the state submitted a request to CMS to extend the demonstration; as of July 2025, the extension request was under review by CMS.

In April 2025, Georgia submitted a request to CMS for a 5-year extension for its demonstration. The state is proposing to convert the reporting of qualifying activities from monthly to annual and to add new qualifying activities, including caretaking for children under age 6. The state is also proposing to include a coverage policy whereby coverage would be effective the first of the month in which the application was received (as opposed to the current demonstration period where coverage begins the month following an eligibility determination).

Implementing work requirements can involve an array of administrative activities by states, including developing or adapting eligibility and enrollment systems, implementing a system for beneficiaries to report work hours that allows the state to monitor compliance, educating beneficiaries, and training staff. State Medicaid agencies may perform these administrative tasks or contract with other public or private entities to perform some of these activities.

In general, CMS provides federal matching funds for 50 percent (referred to as a 50 percent matching rate) of spending for Medicaid administrative activities. These funds are for activities considered necessary for the proper and efficient administration of a state's Medicaid program, including those parts operated under demonstrations.¹⁵ CMS provides enhanced matching rates for certain administrative activities related to IT systems. For example, spending to design, develop, and install Medicaid eligibility and enrollment systems is matched at 90 percent, and maintenance and operations of these systems are matched at 75 percent.¹⁶ CMS is responsible for overseeing Medicaid administrative spending and ensuring that federal matching funds are only provided for spending that is allowable under Medicaid rules and that this spending is matched at the correct federal match rate. CMS oversees this spending by reviewing states' quarterly expenditure reporting, and by reviewing and approving federal funds for IT projects.

Administrative Spending for Georgia's Demonstration Was \$54 Million Over 4.5 Years; Federal Share Was About \$47 Million

According to data reported by Georgia to CMS, Medicaid administrative spending for the state's demonstration testing work requirements totaled \$54.2 million from fiscal year 2021 through the second quarter of fiscal year 2025. The federal share of this spending—\$47.4 million—was about 88 percent. (See table 1.) Georgia officials estimated that spending was between 20 percent and 30 percent higher due to the pause in implementation of the demonstration. These officials said the pause in implementation of the demonstration resulted in duplication of some

¹⁵See 42 U.S.C. § 1396b(a)(7).

¹⁶See 42 U.S.C. §§ 1396b(a)(3)(A)(i), 1396b(a)(3)(B).

implementation spending. This included IT system changes, coordination with other agencies and stakeholders, and staff training, among other things.

Table 1: Administrative Expenditures Under Georgia’s Medicaid Section 1115 Demonstration, Fiscal Year 2021 Through Second Quarter of Fiscal Year 2025

Fiscal year	Total expenditures	Federal expenditures	Federal share of total
2021	\$16,535,538	\$14,876,646	90.0%
2022	\$10,905,329	\$9,814,796	90.0%
2023	\$7,007,052	\$6,195,856	88.4%
2024	\$19,443,179	\$16,396,627	84.3%
2025 first and second quarter	\$288,563	\$154,440	53.5%
Total	\$54,179,661	\$47,438,365	87.6%

Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-25-108160

Notes: Amounts are for Georgia’s Pathways to Coverage demonstration, which is conducted under section 1115 of the Social Security Act. States generally have up to 2 years to report an expenditure, including any prior period adjustments. Data reflect expenditures, including any prior period adjustments, reported as of May 20, 2025. The second quarter of fiscal year 2025 ended March 31, 2025. Administrative spending receives a federal matching rate of 50 percent, 75 percent, or 90 percent depending on the activity.

The \$54.2 million in reported spending does not capture all the administrative spending for the demonstration.¹⁷ For example:

- The state expected to have additional spending for the remainder of fiscal year 2025, but did not have an estimated amount. Documents from CMS indicate that the state was approved to spend \$6.0 million in fiscal year 2025 for administrative activities that are part of a broader project to enhance the state’s Medicaid eligibility and enrollment system.¹⁸ The federal share of this spending was expected to be \$5.4 million. The approved spending is for system changes, including improvements for user experience and changes proposed in Georgia’s demonstration extension request. Other areas where the state expected additional spending were, for example, staff training, stakeholder coordination, and demonstration evaluation.

¹⁷We previously reported that CMS officials told us that states typically use the same resources, such as staff, to administer their demonstrations and their regular Medicaid program, which can affect the demonstration spending states report. We found that about a quarter of states with demonstration expenditures in fiscal year 2017 reported no administrative expenditures related to the demonstrations. CMS officials acknowledged that the data states submit in their quarterly expenditure reports may not fully reflect states’ demonstration-related administrative spending. See [GAO-20-149](#).

¹⁸Beginning in fiscal year 2025, changes the state was making to its eligibility and enrollment system, including changes related to administering the demonstration, were considered enterprise-wide changes, according to CMS officials. As a result, CMS officials explained that the state is not required to report these expenditures as part of the demonstration in the quarterly expenditure reporting that CMS uses to monitor demonstration spending. Rather, the expenditures may be reported among the broader administrative spending for the state’s overall Medicaid program. These changes were part of a \$430.0 million technology project that CMS approved for spending in fiscal years 2024 and 2025.

- State officials told us the state used \$20 million in other federal grant funds to supplement Medicaid funding for implementation.¹⁹

Administrative spending has outpaced spending for medical assistance (e.g., health care services) under the demonstration. This was likely driven by the up-front administrative changes needed to implement the demonstration, the delayed start date for enrollment, and any duplication in administrative spending due to the delay. (See table 2.)

Table 2: Administrative and Medical Assistance Expenditures for Georgia’s Medicaid Section 1115 Demonstration, Fiscal Year 2021 Through Second Quarter of Fiscal Year 2025

Fiscal year	Administrative	Medical assistance	Total	Administrative share
2021	\$16,535,538	\$0	\$16,535,538	100.0%
2022	\$10,905,329	\$0	\$10,905,329	100.0%
2023	\$7,007,052	\$253,376	\$7,260,428	96.5%
2024	\$19,443,179	\$13,630,007	\$33,073,186	58.8%
2025 first and second quarter	\$288,563	\$12,217,313	\$12,505,876	2.3%
Total	\$54,179,661	\$26,100,696	\$80,280,357	67.5%

Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-25-108160

Notes: Amounts are for Georgia’s Pathways to Coverage demonstration, which is conducted under section 1115 of the Social Security Act. Enrollment for Georgia’s demonstration began in July 2023 and thus the state did not incur any medical assistance expenditures (e.g., expenditures for health care services) prior to the 2023 fiscal year. States generally have up to 2 years to report an expenditure, including any prior period adjustments. Data reflect expenditures, including any prior period adjustments, reported as of May 20, 2025. The second quarter of fiscal year 2025 ended March 31, 2025.

Data Georgia reported to CMS show that Medicaid enrollment under the demonstration has been lower than the state’s original estimate, resulting in a higher administrative cost per person than expected. In its demonstration application submitted to CMS in December 2019, Georgia estimated a full year equivalent enrollment of over 25,000 individuals in the first year of the demonstration. However, analysis of data reported by Georgia on enrolled member months by year indicated that actual full year equivalent enrollment was under 3,500 individuals during the first 15 months of enrollment.²⁰ CMS officials noted that enrollment was affected by individuals having to show they met the work requirement in the month prior to applying for the program. However, the lower enrollment did not appear to be a result of individuals not meeting monthly work requirement reporting after initial enrollment, as the state paused suspensions and terminations for noncompliance with monthly reporting requirements during that 15 month

¹⁹According to Georgia officials, the state used \$20 million it received under the American Rescue Plan Act of 2021 to fund a series of marketing campaigns to advertise the demonstration. See Pub. L. No. 117-2, 135 Stat. 4. The first campaign ran from August 2024 to January 2025. The state launched a second campaign in February 2025 that will run through September 2025.

²⁰According to Georgia officials, when completing the demonstration enrollment process, some individuals were identified as eligible for traditional Medicaid rather than for coverage through the demonstration and subsequently enrolled in traditional Medicaid. According to the state, 15,000 demonstration applicants were instead approved for traditional Medicaid from July 2023 through September 2024.

period.²¹ As of May 2025, Georgia reported that enrollment was 7,463 individuals. A total count of individuals ever enrolled in the demonstration was not available at the time of our review.

Georgia Medicaid officials attributed the lower-than-expected enrollment to the 2-year delay in implementation of the demonstration that resulted in enrollment beginning in July 2023 instead of July 2021. As a result, the state was launching enrollment in the demonstration while also redetermining eligibility for its entire Medicaid population as part of the unwinding of the continuous enrollment requirement that was in place during the COVID-19 public health emergency.²² In its April 2025 demonstration extension request to CMS, Georgia stated that the state has seen a general decrease in the uninsured population from the time the state applied for the demonstration, which affected the size of the population potentially eligible to participate. In this extension request, Georgia estimated a full year equivalent enrollment of just over 18,000 individuals in the first year of the extension period and estimated that number would grow to over 30,000 individuals in the fifth year of the extension.

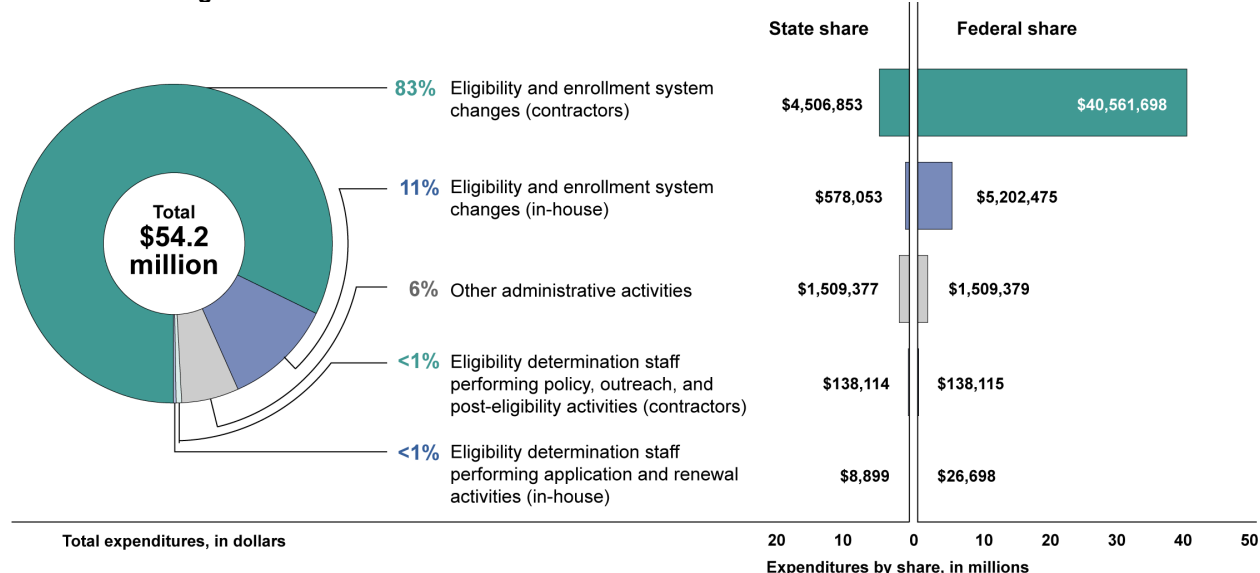
Administrative Spending for Georgia's Demonstration Was Mostly for Eligibility and Enrollment System Changes

The largest category of administrative spending reported for Georgia's demonstration was for changes to the system the state used to determine eligibility and enroll individuals. Georgia reported \$50.8 million in spending for those activities—\$45.1 million for work completed by contractors and \$5.8 million for work completed in-house. Of that \$50.8 million, 90 percent (\$45.8 million) was federal dollars. (See fig. 2.)

²¹As of July 2025, suspensions and disenrollments due to noncompliance with monthly reporting requirements were still paused. Though the state paused suspension and disenrollment for noncompliance with monthly reporting, beneficiaries are assessed for compliance with work requirements at annual renewal and can be disenrolled if they are not meeting requirements.

²²During the COVID-19 public health emergency, Congress temporarily provided additional federal funds to state Medicaid programs so that enrollees could maintain their health care coverage. To receive the temporarily increased federal funding, states were required to keep enrollees continuously enrolled in Medicaid. The Consolidated Appropriations Act, 2023, ended the continuous enrollment period effective March 31, 2023, and required states to resume full eligibility redeterminations, including disenrollments. Pub. L. No. 117-328, div. FF, tit. V, subtit. D, § 5131, 136 Stat. 4459, 5949 (2022) (codified as amended at 42 U.S.C. § 1396a note).

Figure 2: Administrative Expenditures by Type for Georgia’s Medicaid Section 1115 Demonstration, Fiscal Year 2021 Through Second Quarter of Fiscal Year 2025



Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-25-108160

Notes: Figure reflects the federal reporting categories for which the state reported administrative expenditures. “Other administrative activities” is a category of spending for other administrative expenditures, such as certain personnel costs. States generally have up to 2 years to report an expenditure, including any prior period adjustments. Data reflect expenditures, including any prior period adjustments, reported as of May 20, 2025. The second quarter of fiscal year 2025 ended March 31, 2025. Administrative spending receives a federal matching rate of 50 percent, 75 percent, or 90 percent depending on the activity. Georgia’s Pathways to Coverage demonstration is being conducted under section 1115 of the Social Security Act.

Georgia documentation indicates that administrative spending for the state’s eligibility and enrollment system was for a range of changes both leading up to launching enrollment and after. For example:

- **Changes prior to launch.** The state revised the system to allow eligibility workers to conduct eligibility checks based on an applicant’s age, income, and qualifying hours and activities for demonstration applicants. The state also added functionality for those enrolled to report qualifying hours and activities to the meet the demonstration’s work requirement. In addition, functionality was added to automate the verification of qualifying activities. Making these updates to the state’s eligibility and enrollment system required changing system requirements, designing and testing the changes, and then deploying the updated system.
- **Changes after launch.** The state made additional system changes after enrollment began to improve functionality. For example, according to the state’s independent evaluator, the state implemented changes to streamline the income verification process and implement a Medicaid documentation checklist to support application completion. Additionally, Georgia officials told us the state implemented automated texts to remind applicants about documentation they need to submit and an application status tracker.

In addition to the system changes, Georgia conducted other administrative activities to implement the demonstration, such as beneficiary outreach and staff training. Georgia officials said they conducted beneficiary outreach during two marketing campaigns to educate the public

about the demonstration.²³ Further, the state conducted staff training for eligibility workers who serve individuals enrolled in Medicaid and other programs. Georgia also hired a contractor to evaluate the demonstration.²⁴

Most of Georgia's administrative spending to implement the demonstration was likely paid to a single contractor through an existing contract that was competitively procured.²⁵ According to IT project approval documents, the state used this contractor to assist in (1) developing the demonstration prior to approval, and (2) designing and implementing the eligibility system changes needed to implement the demonstration the contractor helped design. The documents also indicated that the state used the same contractor to support the state in monitoring the demonstration. According to Georgia Medicaid officials, the contractor also joined state officials in regular monitoring discussions with CMS.

When asked how the state managed potential conflicts of interest for contractors assisting with design or performing work to administer this demonstration, state officials said they did not perceive there to be a conflict of interest in having the same contractor assist in both the design and implementation of the demonstration. State officials also pointed to state procurement policies that note that all purchases are to be conducted in an ethical manner in compliance with the state's ethics in procurement policy. The state's ethics in procurement policy requires state employees and contractors involved in procurements to report possible conflicts of interest to the state.

CMS Approval of Georgia Demonstration Did Not Consider Administrative Costs; Agency Oversight Has Weaknesses

CMS did not consider administrative costs in its approval of Georgia's demonstration. CMS stated in its approval letter for Georgia's demonstration that the measures being tested may have associated administrative costs, but did not detail any assessment of those potential costs. CMS officials told us the agency did not review administrative costs as part of assessing budget neutrality for the demonstration. Further, Georgia did not provide an estimate of the administrative costs in its demonstration application, and CMS officials confirmed that the state was not required to do so.

As we reported in 2019, CMS's demonstration approval process does not take into account the extent to which demonstrations, including those establishing work requirements, will increase a state's administrative costs.²⁶ CMS does not require states to provide projections of administrative costs in their demonstration applications or include administrative costs in their

²³According to Georgia officials, these marketing campaigns were paid for using \$20 million the state received under the American Rescue Plan Act of 2021. See Pub. L. No. 117-2, 135 Stat. 4.

²⁴As part of Georgia's demonstration extension request submitted to CMS in April 2025, the state provided a draft interim evaluation report conducted by the contractor. CMS officials told us that the interim evaluation report was under review by the agency as of June 2025.

²⁵IT project approval documents indicate the state used a number of other contractors to make other system changes needed to implement the demonstration with relatively small amounts of spending reported for those changes. CMS does not oversee state procurement processes. For more information see GAO, *Medicaid: CMS Needs to Implement Risk-Based Oversight of Puerto Rico's Procurement Process*, [GAO-21-229](#) (Washington, D.C.: Feb. 5, 2021). In that report, we recommended that CMS take steps to implement ongoing, risk-based oversight of Medicaid procurement processes in Puerto Rico. CMS concurred with the recommendation, and it has since been implemented.

²⁶See [GAO-20-149](#).

demonstration cost projections that CMS uses to assess budget neutrality. At the time of our prior report, CMS's rationale was that demonstrations generally have not led to increases in administrative costs, and as such, the agency had not seen a need to separately consider these costs. In July 2025, officials told us that information on administrative spending is not included in the agency's assessment of a demonstration's budget neutrality because states generally do not need expenditure authority through the demonstration for such spending. However, Georgia's experience shows that while a state may not need expenditure authority for administrative spending under a demonstration, much of the spending may not be necessary absent the demonstration.

In our 2019 report, we recommended that CMS account for administrative costs when assessing budget neutrality for demonstrations, including those with work requirements. CMS did not agree with the recommendation, and it remains unimplemented. In commenting on the recommendation, CMS said that it expected administrative costs to represent a relatively small proportion of total spending and that its approach to overseeing administrative costs was appropriate given the level of financial risk. However, administrative spending in Georgia's demonstration affirms the findings from our 2019 report; specifically, that up-front costs to implement a demonstration can be significant, and most of those costs are paid for with federal dollars. Until CMS implements our recommendation it will be unable to ensure that demonstrations will be budget neutral to the federal government.

We also found weaknesses in CMS oversight of Georgia's administrative spending for its demonstration once it was approved. We identified examples of CMS approving federal matching funds for certain administrative activities at rates higher than what appear appropriate under agency guidance. CMS guidance indicates that activities eligible for the 90 percent matching rate for eligibility and enrollment systems are those that support the design, development, and installation of those systems.²⁷ The guidance lists activities that meet those criteria, including activities such as planning activities, software licensing, and configuration and customization of software. The guidance also includes examples of activities that should be approved at the lower matching rates of 75 percent and 50 percent. For example, it specifies that beneficiary education and outreach activities would be eligible for a 50 percent match.

However, in contrast with its guidance, CMS approved the 90 percent enhanced federal matching funds for IT activities to implement Georgia's work requirement demonstration that do not appear to meet the agency's criteria for that funding.²⁸ For example:

- **Demonstration outcomes monitoring.** CMS approved Georgia's funding request for monitoring reports as part of a monitoring and reporting category at the 90 percent matching rate despite CMS guidance indicating that activities subsequent to eligibility determinations, such as reports, are to be matched at 50 percent. CMS approved \$2.2 million in total funding for demonstration monitoring and reporting for fiscal years 2021

²⁷See Centers for Medicare & Medicaid Services, *Re: Mechanized Claims Processing and Information Retrieval Systems-Enhanced Funding*, State Medicaid Director Letter, SMD: 16-004 (Baltimore, Md.: Mar. 31, 2016).

²⁸We previously reported that CMS approved most states' requests for federal funding to support their Medicaid eligibility and enrollment systems, but CMS did not consistently ensure that required analyses were performed and did not have a comprehensive process for overseeing states' use of the approved funds. We made nine recommendations to CMS regarding the agency's processes for approving and overseeing the federal funds for eligibility and enrollment systems, all of which have been implemented. See GAO, *Medicaid Information Technology: Effective CMS Oversight and States' Sharing of Claims Processing and Information Retrieval Systems Can Reduce Costs*, [GAO-20-179](#) (Washington, D.C.: Sept. 9, 2020).

through 2024. The portion of this funding used for monitoring reports is not clear. In response to our inquiries about this approval, CMS officials told us they approved the spending because they thought it was spending to develop the functionality to produce monitoring reports. However, as of July 2025, officials told us that the agency was working with the state to determine what activities were carried out under the reporting and monitoring category and to reclaim federal funds if necessary.

- **Communications and media strategy.** CMS approved Georgia's request for funding for a media strategy, branding, communications plan, and paid media creative assets as part of a waiver implementation category at the 90 percent federal matching rate. This appears inconsistent with CMS guidance indicating that marketing and outreach should be matched at 50 percent. CMS approved \$2.8 million in total funding for the waiver implementation category for fiscal years 2023 and 2024. After we raised that enhanced funding for these activities did not appear consistent with CMS guidance, CMS officials agreed that such activities may not have been appropriate for the enhanced funding. Officials indicated that in July 2025 they discussed the items in question with the state and state officials told them that no federal Medicaid matching funds were used for these media activities.²⁹ As such, CMS indicated it was not reclaiming any federal funds.

These findings are consistent with concerns we raised in our 2019 report. We reported that while CMS guidance required states to carry out a range of activities to implement work requirements, CMS officials noted the agency had not updated any procedures for the various reviewers of spending for those activities.³⁰ That resulted in CMS providing federal funds for costs that may not have been allowable or at inappropriately high matching rates in the states we reviewed. We recommended that CMS assess the risks of providing federal funds for costs to administer work requirements that are not allowable, and respond to risks by improving oversight procedures, as warranted. CMS did not agree with the recommendation, and it remains unimplemented. Given our findings regarding Georgia's demonstration and the future implementation of work requirements nationwide, action by CMS to address this recommendation is important for better ensuring fiscal integrity.

Agency Comments

We provided a draft of this report to the Department of Health and Human Services for review and comment. The Department of Health and Human Services provided technical comments, which we incorporated as appropriate.

As agreed to with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of Health and Human Services, and other interested parties. In addition, the report will be available at no charge on the GAO website at <https://www.gao.gov/>.

If you or your staff have any questions about this report, please contact me at RosenbergM@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. In addition to the contact named above,

²⁹CMS officials told us that based on their discussion with the state, they believed that the activities were listed in error and that federal Medicaid funds were not used by the state to pay for those activities.

³⁰See [GAO-20-149](#).

Susan Barnidge (Assistant Director), Alison Granger (Analyst-in-Charge), and Haley Samuel-Jakubos made key contributions to this report. Additional assistance was provided by Julie Flowers, Drew Long, Jenny Rudisill, and Ethiene Salgado-Rodriguez.

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Enclosures – 1

Characteristics of State and National Medicaid Work Requirements

As of June 2025, Georgia was the only state with an approved Medicaid section 1115 demonstration to test work requirements. However, six other states had submitted applications to the Centers for Medicare & Medicaid Services for federal approval to do so. See table 3 for more information on work requirements in Georgia and the four states with applications submitted as of mid-June 2025.³¹

Table 3: Characteristics of Medicaid Work Requirements in States that Received Approval for or Have Pending Applications for Such Requirements, as of June 15, 2025

Georgia	Demonstration status: Approved; demonstration enrollment began in July 2023; demonstration period ends September 2025.^a Population subject to requirements: 19 to 64 years old; income of 0 to 95 percent of the federal poverty level plus a 5 percent income disregard. There are no sub-populations exempt from the requirements. However, the state may grant reasonable accommodations due to a disability and “good cause” exceptions, which may be granted for failure to meet requirements for verified circumstances such as hospitalization or a family emergency. Components: 80 hours of qualifying activities reported monthly (e.g., employment, on the job training, job readiness activities, community service, enrollment in higher education, etc.); enrollment contingent on meeting qualifying hours and activities the month prior to the application date. Suspension and disenrollment: Individuals who do not satisfy qualifying hours and activities to maintain coverage will face a 90-day suspension period and will be disenrolled from the program for failure to comply.^b They may re-apply for coverage at any time.
Ohio	Demonstration status: Pending; demonstration application submitted to the Centers for Medicare & Medicaid Services (CMS) in February 2025. Population subject to requirements: 19 to 54 years old; income of 0 to 133 percent of the federal poverty level plus a 5 percent income disregard; eligible as part of the adult expansion group.^c Exempts those with intensive physical health care needs, serious mental illness, or who are eligible for Medicaid on a basis other than being part of the adult expansion group. Components: Using the state’s benefits eligibility and enrollment system, Ohio will verify at enrollment and renewal whether individuals meet the requirements of at least 55 years of age, being employed, enrolled in school or a job training program, participating in alcohol or drug addiction treatment program, or have intensive physical health care needs or serious mental illness. A third-party data vendor will be used in those instances where the state cannot determine if an individual meets requirements. No hours or monthly reporting requirements. Suspension and disenrollment: Individuals who do not meet requirements will be denied eligibility or, in the case of renewals, have their coverage terminated.
Arkansas	Demonstration status: Pending; demonstration amendment application submitted to CMS in March 2025. Population subject to requirements: 19 to 64 years old; income of 0 to 133 percent of the federal poverty level plus a 5 percent income disregard; eligible as part of the adult expansion group;^c covered by a qualified health plan.^d There are no exemptions to the requirements. Components: Using data matching, the state will determine whether applicants are “on track” or “not on track” toward meeting personal health and economic goals. Factors for identifying beneficiaries who appear “not on track” toward meeting their personal goals may include an individual’s income level, employment history, educational status, whether a dependent child is in the household, and length of enrollment in demonstration, and other criteria. Individuals who are considered “not on track” would be eligible for success coaching, which might include the establishment of a personal

³¹Kentucky and South Carolina submitted applications in late June 2025.

development plan, career training, and transportation resources. Individuals who are not employed must participate in qualifying advancement (e.g., workforce development), learning (e.g., education or vocational training), or community service activities to satisfy “on track” eligibility.

Suspension and disenrollment: Individuals who decline to participate in workforce development would have their coverage suspended through the end of the calendar year, but would not be disenrolled from the Medicaid program.

Arizona **Demonstration status:** Pending; demonstration amendment application submitted to CMS in March 2025.

Population subject to requirements: 19 to 55 years old; income of 0 to 133 percent of the federal poverty level plus a 5 percent income disregard; eligible as part of the adult expansion group.^c Requirements do not apply to individuals who meet certain conditions, such as individuals who are American Indian or Alaska Natives, women up to the end of the 12-month postpartum period, and individuals with serious mental illness, among other things.

Components: 20 hours of designated work activities per week, which include being employed, attending school, attending an employment support and development program (e.g., healthy living classes and English as a second language courses), or community service for individuals experiencing barriers to employment, such as those transitioning from the justice system.

Suspension and disenrollment: Individuals who fail to meet the requirements will receive an initial 6-month grace period. Failure to comply after the grace period will result in a 2-month suspension.

Coverage limits: A 5-year maximum lifetime coverage limit for individuals who are “able-bodied” and required to complete designated work activities. The time an individual complied with the work requirement would not count toward the lifetime limit. A one-year ban on enrollment for individuals who knowingly fail to report a change in family income or make false statements on compliance with the work requirements.

Iowa **Demonstration status:** Pending; demonstration amendment application submitted to CMS in June 2025.

Population subject to requirements: 19 to 64 years old; income of 0 to 133 percent of the federal poverty level plus a 5 percent income disregard; eligible as part of the adult expansion group.^c Exempts those individuals who are American Indian or Alaska Native, individuals who are pregnant and the pregnancy is high-risk, individuals who are determined disabled by the Social Security Administration, and individuals who are caretakers of children under the age of 6, among other things.

Components: 100 hours of work per month or wages earned monthly at least equal to the state minimum wage multiplied by 100 hours. Additional activities that satisfy requirements include enrollment in an educational or job skills program, compliant with Iowa’s Temporary Aid to Needy Families or Supplemental Nutritional Assistance Program work requirements, or exemption from Supplemental Nutrition Assistance Program work requirements.

Suspension and disenrollment: Individuals enrolled are subject to a compliance check every 6 months. Failure to comply with requirements or meeting an exemption criterion results in a suspension and if the individual continues to be non-compliant, disenrollment upon annual renewal of coverage.

Source: GAO review of Centers for Medicare & Medicaid Services documentation. | GAO-25-108160.

^aGeorgia submitted a demonstration extension request to CMS in April 2025 to extend the demonstration for an additional 5 years.

^bAs of April 2025, Georgia reported the state had not implemented suspensions or disenrollments for failure to comply with monthly reporting requirements. The state reported that beneficiaries are assessed for compliance with work requirements at annual renewal and are disenrolled if they are not meeting eligibility requirements.

^cThe Patient Protection and Affordable Care Act gave states the option to expand coverage to certain non-disabled adults aged 19 to 64. See Pub. L. No. 111-148, tit. II, subtit. A, § 2001(a), 124 Stat. 119, 271 (2010) (codified as amended at 42 U.S.C. § 11396a(a)(10)(A)(i)(VIII)).

^dUnder this demonstration, the Arkansas Department of Human Services purchases coverage from qualified health plans, which are private health plans licensed by the Arkansas Insurance Department, to cover enrollees in the demonstration.

Legislation enacted in 2025 generally requires all state Medicaid programs (including the District of Columbia) to implement work requirements as a condition of eligibility for certain individuals by January 1, 2027.³² The legislation expressly prohibits waiving the new work requirements through section 1115 demonstrations. The act appropriates \$200 million in grant money for states to, among other things, establish systems necessary to carry out the work requirements and \$200 million to the Secretary of Health and Human Services for implementation.³³ The Centers for Medicare & Medicaid Services is required to issue an interim final rule implementing these requirements by June 1, 2026.

The requirements in the act have some similarities to work requirements implemented in Georgia and proposed by the four other states. Details on the requirements include the following:

- Requirements generally apply to individuals 19 to 64 years old with incomes of 0 to 133 percent of the federal poverty level (such as those who are eligible as part of the adult expansion group).³⁴ However, certain individuals are exempted from the requirements, including former foster youth; individuals who are parents, guardians, caretaker relatives, or family caregivers of a child aged 13 or under; certain disabled veterans; and those who are medically frail or have special needs, among others.
- To comply with the requirement for a given month, an individual generally must complete 80 hours of work, community service, or a work program; be enrolled in an educational program at least half-time; complete some combination of qualifying activities for a total of at least 80 hours; or have monthly income that meets minimum requirements in the law.
- States are required to conduct compliance checks at the time of application and at redetermination, and may choose to conduct more frequent verifications of compliance with the requirements.
- States may offer short-term hardship exceptions. Specifically, if an individual experiences a hardship event during a month, such as a hospitalization, the state may, under certain circumstances, determine the individual has met the requirement for that month.
- To verify that an individual has met the work requirement, states must establish processes and use reliable available information, such as payroll data, without requiring,

³²However, the Secretary of Health and Human Services may provide a temporary exemption—until December 31, 2028—if, among other things, the Secretary determines the state has demonstrated a good faith effort to comply with implementation requirements. An Act To provide for reconciliation pursuant to title II of H. Con. Res. 14, Pub. L. No. 119-21, § 71119, 139 Stat. 72, 306 (2025) (codified as amended at 42 U.S.C. § 1396a(xx)).

³³These amounts are appropriated for fiscal year 2026 to remain available until expended.

³⁴The Patient Protection and Affordable Care Act gave states the option to expand coverage to certain non-disabled adults aged 19 to 64. See 42 U.S.C. § 1396a(a)(10)(A)(i)(VIII).

where possible, the individual to submit additional information; this is known as ex parte verifications.³⁵

- If a state is unable to verify that an individual has met the work requirements after providing notice and 30 calendar days for the individual to respond, the state is required to deny the individual's application or disenroll the individual after assessing whether the individual is eligible on any other basis. States are required to offer those disenrolled an opportunity for a fair hearing.

³⁵For more information on ex parte verifications, see GAO, *Medicaid: Federal Oversight of State Eligibility Redeterminations Should Reflect Lessons Learned After COVID-19*, [GAO-24-106883](#) (Washington, D.C.: July 18, 2024); and *Medicaid and Children's Health Insurance: Disenrollments After COVID-19 Varied Across States and Populations*, [GAO-25-107413](#) (Washington, D.C.: June 24, 2025).

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