

Rule Impact Statement (PERM)

A. Purpose of the proposed rule and legal authority

The proposed rule revisions are necessary to implement the Medicaid community engagement requirements established by Section 71119 of Public Law 119-21. Federal law requires states, beginning no later than January 1, 2027, to condition Medicaid eligibility for certain individuals on compliance with community engagement requirements, subject to federally required exclusions, exceptions, and state options.

Authority: Oklahoma Health Care Authority Board; 63 O.S. §§ 5007(C)(2) and 5052; Pub. L. 119-21, § 71119; 42 U.S.C. § 1396a(xx); 42 C.F.R. §§ 435.550 through 435.563.

B. Brief description of the proposed rule

The Oklahoma Health Care Authority proposes rule revisions to implement federally required Medicaid community engagement requirements. In general, applicable individuals must demonstrate at least 80 hours per month of qualifying activities, be enrolled in an educational program at least half time, meet the applicable monthly income threshold, or satisfy a combination of qualifying activities. Federal law and regulation exclude certain individuals from the requirement and provide exceptions under specified circumstances. The proposed rules establish the requirements and state-selected implementation provisions necessary for Oklahoma to comply with the federal mandate.

C. Classification of proposed rule

Classification: ☒ Major ☐ Nonmajor

Justification: *(Include estimate of total implementation and compliance costs over 5 years and basis for estimate. If ≥ \$1,000,000 → classified as major.)*

Based on currently available estimates, implementation and compliance costs exceed \$1,000,000 over the initial five-year period. Identified costs total \$7,404,140 for SFY 2027 and \$5,041,850 for SFY 2028, for a combined two-year estimate of \$12,445,990.

The estimates reflect anticipated systems development, administrative operations, eligibility verification, notices, outreach, and other activities necessary to implement the federally mandated community engagement requirements. Costs for subsequent fiscal years have not yet been separately quantified. Medicaid expenditure savings are not included in the calculation of implementation and compliance costs for purposes of determining the rule's classification.

D. Description of affected classes of persons most likely to be impacted by the proposed rule

Persons most likely to be affected are Medicaid applicants and enrollees subject to the federal community engagement requirement, including individuals who must demonstrate compliance as a condition of eligibility or continued enrollment. Individuals who do not demonstrate compliance and do not qualify for an exclusion or exception may be denied eligibility or disenrolled.

E. Description of classes who will benefit from the proposed rule

The rule implements a mandatory federal eligibility requirement rather than establishing a new Medicaid benefit. Individuals who meet the requirement, qualify for an exclusion or exception, or otherwise satisfy applicable federal criteria may establish or maintain Medicaid eligibility. Additional impacts are still being evaluated.

F. Comprehensive economic impact analysis

Methodology used to calculate costs

The proposed rule is expected to have administrative, fiscal, and coverage impacts. Currently identified implementation and compliance costs total \$7,404,140 for SFY 2027 and \$5,041,850 for SFY 2028.

An actuarial analysis evaluated three illustrative Medicaid enrollment scenarios to estimate potential expenditure savings associated with eligibility changes under Public Law 119-21. Estimated savings range from approximately \$12.54 million to \$47.80 million in SFY 2027 and \$6.50 million to \$8.20 million in SFY 2028.

The analysis uses projected Medicaid expansion member months and average monthly capitation rates of approximately \$906 for SFY 2027 and \$951 for SFY 2028. The scenarios assume varying levels of initial disenrollment, subsequent enrollment changes, and the proportion of individuals who regain coverage within or after 60 days.

For SFY 2027, the scenarios assume initial disenrollment rates of 15% to 22%, with declining monthly disenrollment rates through June 2027. Depending on the scenario, 25% to 50% of disenrolled individuals are assumed to regain coverage within 60 days, with additional individuals reenrolling after that period. SFY 2028 assumes a more stable enrollment pattern, with a 2% monthly disenrollment assumption before accounting for reenrollment.

The estimated savings are highly sensitive to these assumptions. Changes in the proportion of individuals who regain coverage, the timing of reenrollment, verification procedures, and the administration of federal exclusions and exceptions could substantially affect actual outcomes. The scenarios are illustrative estimates rather than forecasts and should not be interpreted as savings attributable exclusively to the community engagement requirements.

The proposed rule does not establish or change fees. No direct implementation or compliance costs to businesses or political subdivisions have been identified. Economic effects on individuals who experience a denial or loss of Medicaid coverage have not been separately quantified.

G. Probable costs and benefits to OHCA and other agencies

OHCA will incur implementation and administrative costs associated with eligibility system modifications, community engagement verification, notices, outreach, and related operations. Identified costs total \$7,404,140 for SFY 2027 and \$5,041,850 for SFY 2028.

Implementation of federal Medicaid eligibility changes may reduce Medicaid expenditures as enrollment patterns change. The actuary's scenarios estimate potential expenditure savings ranging from approximately \$12.54 million to \$47.80 million in SFY 2027 and \$6.50 million to \$8.20 million in SFY 2028. These estimates reflect broader enrollment

assumptions under Public Law 119-21 and cannot be attributed exclusively to the proposed community engagement rule.

Actual costs and savings will depend on implementation requirements and enrollment patterns. No additional costs or benefits to other state agencies have been identified at this time.

H. Economic impact on political subdivisions and whether their cooperation is required

No direct economic impact on political subdivisions is expected, and their cooperation is not required to administer the proposed rule based on information currently available.

I. Economic impact on small businesses

No direct economic impact on small businesses has been identified based on information currently available.

J. Measures taken to minimize compliance costs and assessment of less costly, less intrusive, or nonregulatory alternatives

Implementation of the community engagement requirement is mandated by federal law, so a nonregulatory alternative is not available. Where federal law permits state discretion, OHCA is developing implementation approaches intended to reduce administrative burden and use available information and existing processes where feasible.

K. Effect of the rule on public health, safety, and the environment

The proposed rule establishes Medicaid eligibility requirements rather than clinical standards. Public health effects cannot be fully quantified at this time. Individuals who do not meet or document the requirement and do not qualify for an exclusion or exception may lose Medicaid coverage, which may affect access to Medicaid-covered services. Federal law and regulation exclude certain individuals from the requirement and provide exceptions under specified circumstances. No environmental impact is expected.

L. Detrimental effects if the proposed rule is not implemented

If the proposed rule is not implemented, Oklahoma would not meet the federally required implementation deadline for Medicaid community engagement requirements. Failure to comply with applicable federal Medicaid requirements could result in federal compliance action and affect federal Medicaid funding. The proposed rule is necessary to bring state policy into compliance with federal law and regulation.

M. Summary of and preliminary comparison to existing or proposed federal regulations

Section 71119 of Public Law 119-21 added section 1902(xx) to the Social Security Act and requires states to establish Medicaid community engagement requirements for certain individuals. CMS issued an interim final rule with comment period, CMS-2454-IFC, implementing the statutory requirement in 42 C.F.R. Parts 431, 435, 438, 457, and 600. The federal rule addresses applicable individuals, qualifying activities, exclusions and exceptions, verification, notices, noncompliance, outreach, reporting, and state

implementation options. The proposed Oklahoma rules implement those federal requirements and state policy choices authorized by federal law and regulation.

N. Analysis of alternatives to adopting the proposed rule

There is no alternative to implementing the federally mandated community engagement requirement. OHCA may make implementation choices where federal law and regulation provide state discretion, and those options have been considered during rule and operational development. Not adopting the proposed rules would leave Oklahoma without the state policy framework necessary to implement the federal requirement by the required deadline.

O. Estimates of internal OHCA employee time and other resources used to develop the proposed rule

Employee time cannot be separately quantified because multiple H.R. 1 implementation activities, State Plan amendments, systems changes, and other compliance efforts are occurring concurrently. Significant staff time and resources have been used across multiple agency divisions to develop the proposed rule and prepare for implementation.

P. Date statement prepared or modified

Prepared: 8.31.26

Modified: 10.15.26