

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201



VIA ELECTRONIC MAIL: James.McDonald@health.ny.gov

May 19, 2026

James V. McDonald
Commissioner
New York State Department of Health
Empire State Plaza
Corning Tower
Albany, NY 12237

Dear Commissioner McDonald:

On January 15, 2025, the Department of Health & Human Services and the Department of the Treasury (the Departments) approved New York's application for an extension of its State Innovation Waiver under section 1332 of the Patient Protection and Affordable Care Act (ACA) (also referred to as a "section 1332 waiver"). New York's approved section 1332 waiver extension waives sections 1312(c)(1) and 1402 of the ACA, as well as section 36B of the Internal Revenue Code, to allow for the full implementation of the Essential Plan Expansion, including affordability programs such as subsidies for certain Exchange enrollees. On March 20, 2026, the Departments approved New York's request to terminate its section 1332 waiver. This termination is effective July 1, 2026. Since the section 1332 waiver will terminate on July 1, 2026, this is the final pass-through determination for New York's approved section 1332 waiver.

It is the Department of the Treasury's final administrative determination that New York's final pass-through funding amount for calendar year 2026 is \$4,238,840,409. Due to the nature, structure, and financing of the waiver, and as described in New York's specific terms and conditions, New York was provided interim pass-through funding in the amount of \$2,000,000,000 on February 25, 2026. Therefore, New York will receive an additional \$2,238,840,409 in pass-through funding in May 2026. All pass-through funding must be used for purposes of implementing New York's section 1332 waiver.¹

¹ As discussed in the March 20, 2026, letter to New York: "The Departments approve the State's use of pass-through funding, subject to availability, after the termination's effective date to cover administrative costs of transitioning EP Expansion members to new coverage. However, the Departments have determined that providing cost sharing reduction subsidies and premium subsidies after the termination date of the section 1332 waiver are not normal costs associated with an orderly transition and, therefore, do not approve the State's request to use pass-through funding for such subsidies after the section 1332 waiver is terminated on July 1, 2026. In addition, per STC 8(c), "any unused pass-through funding will be recovered. The State will comply with all necessary steps to facilitate the recovery within a prompt timeframe." The Departments will work with the State to recover any unused pass-through funding."

We look forward to continuing to work with you and your staff. If you have any questions regarding program matters or official correspondence concerning the waiver, please contact Meril Pothen at Meril.Pothen@cms.hhs.gov or stateinnovationwaivers@cms.hhs.gov.

Sincerely,



Peter Nelson

Deputy Administrator and Director, Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services

CC: Kenneth J. Kies, Assistant Secretary, Tax Policy, U.S. Department of the Treasury
The Honorable Kathy Hochul, Governor, State of New York
Johanne Morne, Executive Deputy Commissioner, New York State Department of Health
Danielle Holahan, Executive Director, NY State of Health
Sonia Sekhar, Deputy Director, NY State of Health