July 29, 2026
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Without Major Changes, Proposed Federal Rule On Medicaid Community Engagement Requirements Will Cause Millions Of Sick Individuals To Lose Medicaid Coverage, Thwart The Provision Of Value-Based Care, Imperil Physician-Patient Relationships, And Further Destabilize The Health Care System

Washington, DC, July 29, 2026 – In comments filed today on the Centers for Medicare & Medicaid Services' (CMS's) Interim Final Rule with Comment Period (IFC) – Medicaid Program; Community Engagement Requirement for Certain Individuals, CMS-2454-IFC, America's Physician Groups (APG) wrote that the proposed regulation will only worsen the effects on Medicaid beneficiaries of the 2025 reconciliation law, primarily by causing millions of even potentially very ill people to lose Medicaid coverage. A key reason is the "extremely harmful provision in the proposed rule that would require Medicaid beneficiaries with serious and complex health conditions to demonstrate that they are unable to work as a condition of being exempted from new Medicaid work or so-called 'community-engagement' requirements," said Susan Dentzer, President and Chief Executive Officer of APG.

Violation of "Every Core Principle of Medical Ethics"

APG wrote that states will be incapable of making appropriate decisions about the ability of millions of very sick and disabled individuals to work, such that under the interim final rule (IFR), APG believes that "physicians will be called upon, one way or another," to make such assessments. "The information that physicians and other clinicians record on medical records, claims, or other materials will also be used by others to make these determinations," APG said, implicitly requiring physicians to "sit as judge and jury on their [sick Medicaid patients'] ability to work." Placing physicians in such a position "would violate nearly every core principle of medical ethics[1]: the obligation to act for benefit of the patient; the obligation not to harm the patient; the obligation to respect the patient's autonomy; and the obligation to ensure the fair, equitable, and appropriate treatment of patients," APG wrote.

Because millions are likely to lose coverage anyway because of the bureaucratic hassles of Medicaid enrollment – which under the reconciliation law, will require beneficiaries to be re-

certified as Medicaid-eligible every six months -- and the complexity of the work requirements provisions, APG wrote that those who become uninsured will also lose access to value-based care, the primary focus of APG's members and the transition to which CMS has long been fully committed. "The provision of value-based care requires and necessitates insurance coverage, as value-based care arrangements must be arranged and negotiated with either public or private payers. To the extent that many Medicaid enrollees who are indisputably 'medically frail' will lose coverage due to new administrative requirements, the resulting coverage gaps will make participation in value-based care models impossible for these affected populations, as there will be no payer with which to negotiate these arrangements. The health of Medicaid enrollees who become uninsured will suffer; they will receive little if any preventive care; and to the extent that they can obtain health care at all, it is likely to be delivered episodically and reactively in hospital emergency departments, where it will drive up the costs of uncompensated care and further destabilize the delivery system."

In its comment letter, APG offered multiple recommendations to CMS for necessary revisions in the IFR to avert these many deleterious effects of the regulation. APG's comments follow its earlier letter on the agency's proposed rule on State-Directed Payments, which the organization also described as warranting multiple changes. Without them, APG wrote, implementation of the SPD rule could "ultimately cause more physicians and other clinicians to cease providing care to Medicaid patients" and "imperil the operating model of APG groups -- which depends on providing high quality and cost-effective care to insured patients, whose coverage is provided by entities with which provider groups can negotiate appropriate payment arrangements."

[1] Varkey B. Principles of Clinical Ethics and Their Application to Practice. Med Princ Pract. 2021;30(1):17-28. doi: 10.1159/000509119. Epub 2020 Jun 4. PMID: 32498071; PMCID: PMC7923912.

About America's Physician Groups

APG's more than 300 physician groups comprise roughly 260,000 physicians and other clinicians providing care to nearly 90 million patients, including an estimated 1 in 4 Americans and 1 in 3 Medicare Advantage enrollees. APG's motto, 'Taking Responsibility for America's Health,' represents our members' commitment to clinically integrated, coordinated, value-based health care in which physician groups are accountable for the costs and quality of patient care. Visit us at www.apg.org.

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