

---

# The Medicaid Cliff

Preparing for the 2027 Work Requirements

## Ed Hendel

Co-Founder & CEO, Sky Island AI  
Tucson, AZ

*Harvard University | 10 years in healthcare AI & data science | Banner Health | UnitedHealth Group | Machinify | Evolent Health*

# New federal Medicaid work requirements are coming in 2027

---

- The One Big Beautiful Bill Act (OBBBA) includes work requirements that take effect January 1, 2027
- AHCCCS has announced state outreach begins September 2026
- 80 hours/month of work or other qualifying activity, reported to the state
- Redetermination every six months, doubled from annual
- 30 days to respond to a noncompliance notice before disenrollment
- Exemptions include disability, pregnancy, caregiving, tribal affiliation
- Primary target is the ACA Expansion population

# Uncompensated care will increase significantly as Medicaid enrollment drops

---

# 200,000

Medicaid enrollees projected to lose coverage due to work requirements (projection from Gov. Hobbs)

- **Uninsured patients will still seek care.** Hospitals, health systems, and FQHCs will absorb the cost as **uncompensated care.**

# Rural Arizona is the most exposed to uncompensated care increases

---

Arizona is #1 in the nation for rural adult Medicaid reliance:

- 36% of working-age adults in rural Arizona rely on Medicaid, more than **double** the 17% urban rate

## Modeled 2027 impact on 8 rural AZ hospitals

including Winslow, Globe, Nogales, and others

### Uncompensated care cost

\$15M → \$22M

**+47%**

### Medicaid revenue

\$133M → \$118M

**-11%**

### Operating margin

4.3% → 3.4%

**-0.9 pp**

# Most enrollees who fall off in early 2027 will remain uninsured

---

- To regain coverage, enrollees must satisfy a lookback window (1-3 months depending on their state's choice)
- Example: Someone who lost coverage after a job loss would need to find work and document 80 hours/month for 1-3 consecutive months before reapplying. They would be **uninsured** the entire time.
- The law bars people disenrolled under work requirements from receiving Marketplace premium tax credits, so there is no fallback: **enrollees who lose Medicaid coverage will become uninsured**

*This is the Medicaid Cliff*

11%

of people who lost coverage in Arkansas in 2018 had regained it the next year

Arkansas had no lookback at re-application; reenrollment is harder under OBBBA

# In Arkansas, most people who lost coverage were supposed to keep it

---

**12%**

of the targeted population  
lost coverage in six months

**< 5%**

of the targeted population were  
actually non-compliant, per NEJM

- More than twice as many people lost coverage as were truly non-compliant

# The cause was administrative burden, not failure to work

---

- KFF found that people didn't understand the notices, couldn't navigate the reporting portal, and couldn't reach a live person for help
- When Arkansas reviewed individual non-compliance findings, 76% of the cases it overturned were people who had met the requirements but failed to report it

# The 2023 national unwinding confirmed this is a systemic pattern

---

During COVID, states had to keep nearly everyone enrolled in Medicaid in exchange for enhanced federal funding. When that requirement ended in 2023, states had to process the backlog of unreviewed renewals.

**20M+**

coverage terminations during the unwinding

**69%**

were procedural (e.g. failure to file paperwork),  
not due to actual ineligibility

- States with proactive outreach retained more eligible enrollees
- Routine annual renewal already produces procedural churn; OBBBA adds recurring verification on top

# Non-English speakers face compounding barriers

---

**25%**

of states don't offer  
Spanish-language  
Medicaid applications

**5.3x**

the odds of losing  
coverage at  
redetermination for  
Limited English Proficiency  
enrollees

**2x**

as likely for Hispanic  
enrollees to lose coverage  
for procedural reasons  
during the unwinding

# Proactive outreach works, but scaling is the biggest challenge

---

- Even a single phone call improves renewal and enrollment outcomes, across multiple studies
- Multi-channel contact compounds the effect: phone+email was more effective than phone alone
- But with millions projected to lose coverage, hiring and training enough case managers to help the at-risk population before the cliff is not realistic

# AI-driven outreach can reach every at-risk enrollee at scale

---

- AI voice agents can hold human-quality two-way phone calls with thousands of enrollees simultaneously
- Fluent in Spanish, with multi-channel follow-up across phone and SMS
- Integrates with enrollee data, triages intelligently, and remembers each enrollee's situation across calls
- Handles the bulk of the caseload, freeing up human case managers' time for the most complex cases
- Doesn't require an app or portal; works over the phone

Sky Island AI is working with multiple major health systems to deploy our Virtual Case Manager across Southern and Central Arizona before the cliff.

# The cliff is coming, and the time to prepare is now

---

State outreach begins September 2026

Work requirements take effect January 1, 2027

**Ed Hendel**

ed.hendel@skyislandai.com

925-278-8870

Tucson, AZ

Scan QR code or visit link below  
for slides, sources, and more on  
the Medicaid Cliff:

[skyislandai.com/medicaid-cliff](https://skyislandai.com/medicaid-cliff)

