

Exhibit A

The Honorable Thomas S. Zilly

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE**

NEIGHBORHOOD HOUSE; and
MARIIA MATSAI,

Plaintiffs,

v.

U.S. DEPARTMENT OF HEALTH AND
HUMAN SERVICES; and ROBERT F.
KENNEDY, JR., in his official capacity as
Secretary of Health and Human Services,

Defendants.

NO. 2:26-cv-03006-TSZ

INTERVENOR-PLAINTIFF
STATE OF WASHINGTON'S
[PROPOSED] COMPLAINT

I. INTRODUCTION

1. The State of Washington brings this suit under the Administrative Procedure Act to challenge the United States Department of Health and Human Services' (HHS's) unlawful termination of Medicaid funding to medically vulnerable recipients. But as this Court has already recognized, "Congress did not intend to render qualified noncitizen SSI recipients ineligible for Medicaid benefits" when it passed the "Working Families Tax Cut," also known as "H.R. 1." Dkt. # 28 at p. 19; *see* Pub. L. No. 119-21, 139 Stat. 72 (2025). The State seeks to ensure HHS follows the laws Congress enacted and to protect its interests in administering its state Medicaid program in accordance with federal law and in receiving federal funding to which it is entitled.

2. Supplemental Security Income (SSI) is a federal social insurance program of last resort. It provides monthly cash assistance for aged, blind, or disabled individuals who have little

1 or no income and resources, helping them meet their basic needs and maintain a minimum level
2 of stability. Over 132,000 individuals receive SSI benefits in Washington State.

3 3. Under federal law, SSI recipients are entitled to Medicaid, a joint state and federal
4 medical assistance program. 42 U.S.C. § 1396a(a)(10)(A)(i)(II)(aa); 42 C.F.R. § 435.120. This
5 includes specified categories of noncitizens, whom Congress expressly intended to be eligible
6 for both SSI and Medicaid. 8 U.S.C. § 1612(b)(2)(F). SSI recipients are considered “categorically
7 needy.” 42 C.F.R. § 435.4.

8 4. Medicaid is vital to SSI recipients who rely on it for access to medical care,
9 prescription medications, support services, and more. For many SSI recipients, Medicaid is
10 essential to managing disabling conditions and maintaining their health and independence.
11 Without Medicaid, many SSI recipients would lack access to health insurance, leaving them
12 unable to afford the medical care and services they desperately need.

13 5. SSI recipients are particularly vulnerable to disruptions in access to health care.
14 Because many SSI recipients have disabilities or complex medical conditions, interruption in
15 coverage can have serious consequences. It can disrupt preventative care, ongoing treatment,
16 prescription access, and crucial support services, leading to dangerous and costly health crises
17 and hospitalizations. The consequences of these adverse health outcomes reverberate far beyond
18 the individual. They burden families, strain safety-net hospitals providing uncompensated care,
19 and place additional demands on state and local governments.

20 6. On July 4, 2025, Congress passed the “Working Families Tax Cut,” also known
21 as “H.R. 1.” *See* Pub. L. No. 119-21, 139 Stat. 72 (2025). HHS’s Centers for Medicare and
22 Medicaid Services (CMS) subsequently issued a letter to State health officials, i.e., those state
23 officers responsible for managing the states’ Medicaid programs. The letter, known as the “SHO
24 Letter,” interpreted H.R. 1 to limit the categories of noncitizens who are eligible for federal
25 Medicaid funding. CMS instructed Washington and other states not to claim federal Medicaid
26 funding, also known as Federal Financial Participation (FFP), for any noncitizen who does not

1 fall within the categories that HHS deemed eligible, effective October 1, 2026. HHS also issued
 2 the “State Implementation Tool: Section 71109 of the Working Families Tax Cut (WFTC)
 3 Legislation” (State Implementation Tool), which directed states to accurately determine
 4 eligibility for SSI noncitizen recipients.

5 7. The SHO Letter and State Implementation Tool directly conflict with federal law.
 6 H.R. 1 did not amend or repeal the federal statutes plainly establishing federal Medicaid
 7 eligibility for SSI recipients and entitling noncitizen SSI recipients to Medicaid under the same
 8 terms and conditions as others receiving SSI. 42 U.S.C. § 1396a(a)(10)(A)(i)(II)(aa); 8 U.S.C.
 9 § 1612(b)(2)(F). Instead, HHS decided H.R. 1 automatically disqualified many noncitizen SSI
 10 recipients of their federal Medicaid funding, “notwithstanding” these existing statutory
 11 guarantees left untouched by H.R. 1. However, “[t]he cornerstone of Medicaid is financial
 12 contribution by both the Federal Government and the participating State.” *Harris v. McRae*,
 13 448 U.S. 297, 308 (1980) (emphasis added). The SHO Letter and State Implementation Tool
 14 likewise conflict with the regulatory framework, including 42 C.F.R. § 435.120, which mandates
 15 Medicaid coverage for individuals receiving SSI.

16 8. The SHO Letter and State Implementation Tool are also arbitrary and capricious
 17 because HHS failed to engage in reasoned decision making. HHS failed to adequately explain
 18 how its erroneous interpretation of H.R. 1 can be reconciled with the governing statutes and
 19 regulations. Additionally, HHS failed to adequately consider the implications of its erroneous
 20 interpretation for individuals who would no longer qualify for federal Medicaid funding despite
 21 remaining eligible for Medicaid under the governing statutory and regulatory framework. It
 22 likewise failed to consider the consequences of its erroneous interpretation for States, including
 23 disruption to state Medicaid administration and increased costs associated with implementing
 24 eligibility restrictions that are not required by statute or regulation.

25 9. The SHO Letter and State Implementation Tool result in direct harm to
 26 Washington State. It deprives Washington State of FFP to which it is entitled and forces it to

1 modify its Medicaid State Plan in ways contrary to federal law. In the absence of the SHO Letter
 2 and State Implementation Tool, Washington would include SSI-eligible noncitizens in its
 3 Medicaid State Plan, claim FFP for medical services provided to that population, and receive
 4 federal funding for the provision of those services.

5 10. Additionally, it imposes downstream costs on Washington State. The Washington
 6 State Legislature has not appropriated funds to fully replace the FFP that the SHO Letter and
 7 State Implementation Tool erroneously terminated. If the State cannot assume the full costs of
 8 providing healthcare to its noncitizen SSI-enrolled Medicaid beneficiaries, these individuals will
 9 lose their healthcare coverage. The State of Washington has already incurred administrative costs
 10 in notifying these impacted residents of the changes to their coverage and faces additional
 11 administrative costs and strains on its safety-net hospitals should the guidance go into effect,
 12 resulting in downstream costs on the State and additional strains on its safety-net hospitals. In
 13 addition, to the extent that the State has or will assume the full costs of providing healthcare for
 14 this population, or some subset thereof, then the SHO Letter imposes direct financial harm on
 15 the State by requiring it to absorb costs that lawfully should be shared with the federal
 16 government.

17 11. HHS's termination of federal Medicaid funding for large swaths of noncitizen
 18 SSI recipients based on their immigration status is unlawful, arbitrary and capricious, and
 19 harmful. This Court should hold unlawful and vacate the SHO Letter and State Implementation
 20 Tool.

21 II. PARTIES

22 12. Plaintiff State of Washington, represented by and through its Attorney General,
 23 is a sovereign state of the United States of America. Attorney General Nick Brown is
 24 Washington's chief law enforcement officer and is authorized under Wash. Rev. Code
 25 § 43.10.030(1) to pursue this action.
 26

13. Defendant Robert F. Kennedy, Jr., is the Secretary of the Department of Health and Human Services, and that agency's highest ranking official. He is charged with the supervision and management of all decisions and actions of that agency. 42 U.S.C. §§ 3501a, 3502. Secretary Kennedy is sued in his official capacity.

14. Defendant U.S. Department of Health and Human Services (HHS) is a cabinet department within the Executive Branch of the United States federal government. 42 U.S.C. §§ 3501, 3501a. HHS is an "agency" within the meaning of the Administrative Procedure Act (APA). 5 U.S.C. § 551(1).

III. JURISDICTION AND VENUE

15. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331, 1346, and 1361. Jurisdiction is also proper under the judicial review provisions of the APA, 5 U.S.C. §§ 702, 704. An actual controversy exists between the parties within the meaning of 28 U.S.C. § 2201(a).

16. This Court has the authority to grant declaratory relief, injunctive relief, and other relief pursuant to 5 U.S.C. §§ 705 and 706, and as authorized in 28 U.S.C. §§ 2201 and 2202.

17. Venue is proper in this district under 28 U.S.C. §§ 1391(b)(2) and (e)(1) because a substantial part of the events or omissions giving rise to the claims asserted herein occurred in this district, and Defendants are United States agencies or officers acting in their official capacities.

IV. FACTS

A. The Federal Government Assists Washington State in the Cost of Providing Medical Services Under the State's Medicaid Plan

18. Medicaid is a joint state and federal medical assistance program created under Title XIX of the Social Security Act in which the federal government provides matching funds to States to help pay for health care for the poor, disabled, and others in need. 42 U.S.C. § 1396 *et seq.*

1 19. The “cornerstone” of Medicaid is financial contribution by both the Federal
2 Government and the States.

3 Nothing in Title XIX as originally enacted, or in its legislative history, suggests
4 that congress intended to require a participating State to assume the full costs of
5 providing any health services in its Medicaid plan. Quite the contrary, the purpose
6 of Congress in enacting Title XIX was to provide federal financial assistance for
all legitimate state expenditures under an approved Medicaid plan.

6 *Harris*, 448 U.S. at 308.

7 20. The purpose of Medicaid is to enable states “to furnish [] medical assistance” to
8 individuals “whose income and resources are insufficient to meet the costs of necessary medical
9 services” and to provide “rehabilitation and other services to help such families and individuals
10 attain or retain capability for independence or self-care.” 42 U.S.C. § 1396-1. Medicaid provides
11 coverage for medical services, such as inpatient and outpatient hospital care, prescriptions, and
12 long-term care. *Id.*; §§ 1396a(a)(10)(A), 1396d(a)(1)–(5), (17), (20).

13 21. The federal agency responsible for the Medicaid program is the Centers for
14 Medicare and Medicaid Services within HHS. CMS oversees expenditures and can withhold
15 funding from a state if it concludes the state is violating federal requirements.

16 22. While participation in Medicaid is not mandatory, States that choose to participate
17 must comply with broad requirements set by the federal government, and, in exchange, it
18 receives FFP to cover a substantial portion of payments made for Medicaid expenditures.
19 *See* 42 U.S.C. § 1396b; *see* 42 U.S.C. § 1396d(a). Every State in the country has agreed to
20 participate. *See Nat. Fed. Indep. Bus. v. Sibelius*, 567 U.S. 519, 542 (2012).

21 23. Medicaid in Washington goes by the name “Apple Health,” which also includes
22 various state-funded public medical assistance programs. The Health Care Authority (HCA) is
23 the single agency responsible for administering Apple Health. HCA insures approximately
24 1.9 million people through Apple Health, providing health coverage to children, families, and
25 older adults—including some of the most vulnerable residents in the state, such as those
26

1 experiencing homelessness, living with a disability, or who have serious or complex medical
2 conditions.

3 24. On average, HCA receives FFP for sixty-seven percent of Apple Health program
4 expenditures on eligible enrollees. The Washington State Legislature has not appropriated funds
5 sufficient to pay for the full suite of Apple Health benefits now available for program
6 beneficiaries in the absence of FFP.

7 25. The State of Washington administers the Medicaid component of the Apple
8 Health program pursuant to federal law and regulations as well as the terms of its federally
9 approved State Plans, which are documents the state submits to CMS to demonstrate how it will
10 administer the program. 42 U.S.C. § 1396a(a).

11 26. One requirement for FFP mandates that states make full Medicaid benefits
12 available to “all individuals . . . with respect to whom [SSI] benefits are being paid.” 42 U.S.C.
13 § 1396a(a)(10)(A)(i)(II)(aa). HHS’s regulations similarly require states to provide Medicaid to
14 “aged, blind, and disabled individuals or couples who are receiving or are deemed to be receiving
15 SSI.” 42 C.F.R. § 435.120. HHS regulations classify SSI recipients—“aged, blind, or disabled
16 individuals,” who are eligible for Medicaid—as “categorically needy,” and their coverage under
17 Medicaid is “mandatory.” 42 C.F.R. § 435.4; *see also* 42 C.F.R. § 435.120 (“the [State Medicaid]
18 agency must provide Medicaid to aged, blind, and disabled individuals”).

19 27. SSI, established under Title XVI of the Social Security Act, provides basic
20 financial support for aged, blind, or disabled individuals who have little or no income and
21 resources, helping them meet their basic needs and maintain a minimum level of stability. *See*
22 42 U.S.C. § 1381–1383f; *see also* 20 C.F.R. Part 416. To be eligible for SSI, an individual must
23 be over the age of sixty-five, blind, or “unable to engage in any substantial gainful activity by
24 reason of any medically determinable physical or mental impairment which can be expected to
25 result in death or which has lasted or can be expected to last for a continuous period of not less
26 than twelve months.” 42 U.S.C. §§ 1382(a), 1382c(a)(3)(A). In addition, the individual must

1 meet low-income restrictions and cannot have total resources that exceed \$2,000 for a single
2 person, or \$3,000 for a married couple. 42 U.S.C. § 1382(a)(2)–(3).

3 28. Federal regulations require “[a]utomatic enrollment” in Medicaid for individuals
4 who receive SSI and provide that eligibility for SSI payments automatically confers federal
5 Medicaid eligibility. 42 C.F.R. § 435.909(a)(1).

6 29. Under § 1634 of the Social Security Act, states may enter into agreements with
7 the Social Security Administration (SSA), called “1634 Agreements,” under which SSA
8 determines “eligibility for medical assistance in the case of aged, blind, or disabled individuals
9 under such State’s [Medicaid] plan.” 42 U.S.C. § 1383c(a). The State of Washington has opted
10 into a 1634 agreement. When SSA makes eligibility determinations for SSI applicants, it notifies
11 the state that the individual is eligible for Medicaid, and states then enroll the individual in the
12 program to begin the same day the individual becomes eligible for SSI.

13 30. In 2026, the SSA reported that there were over 132,000 SSI recipients in
14 Washington and that it had distributed over \$105 million in FFP per month.

15 31. Apple Health also covers long-term care. HCA has delegated the administration
16 of the long-term services and supports programs under the State Plan and multiple waiver
17 programs to the Department of Social and Health Services (DSHS) as authorized by state law.

18 32. Long-term care consists of services and supports assistance for people with
19 functional limitations and includes nursing services, personal care, and other supports such as
20 assistive devices and environmental modifications. To be eligible for long-term care services, a
21 Medicaid client must meet functional eligibility criteria, meaning that they need assistance
22 performing everyday self-care tasks, such as eating, bathing, or taking medication. Individuals
23 who receive SSI are “aged, blind, and disabled” (see 42 U.S.C. § 1383c(a)), many of them are
24 unable to perform everyday self-care tasks and so are eligible for long-term care.
25
26

B. Noncitizens Who Receive SSI Benefits Are Eligible for Medicaid

33. Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996. PRWORA “sets out a comprehensive set of eligibility requirements governing aliens’ access to both federal and state benefits.” *Korab v. Fink*, 797 F.3d 572, 580 (9th Cir. 2014).

34. PRWORA provides that noncitizens are generally ineligible for Federal public benefits. 8 U.S.C. § 1611(a). “Federal public benefits” include Medicaid. *See* 8 U.S.C. § 1611(c)(1). Only a “qualified alien” may be eligible for Federal public benefits. 8 U.S.C. § 1611(a).

35. PRWORA mandates Medicaid eligibility for certain qualified noncitizens. 8 U.S.C. § 1612(b)(2)(A); *see* 8 U.S.C. § 1612(b)(3)(C). Certain lawful permanent residents, individuals residing in the U.S. in accordance with a Compact of Free Association (COFA migrants), and noncitizens who were either honorably discharged or are on active duty in the Armed Forces (as well as their spouses or unmarried dependent children) are eligible for Medicaid. *Id.* § 1612(a)(2)(B)–(C), (G). Refugees, asylees, aliens granted withholding of removal, Cuban and Haitian entrants, and Amerasian immigrants must be eligible for Medicaid for seven years. *Id.* § 1612(b)(2)(A).

36. Under PRWORA, qualified noncitizens are generally ineligible to receive SSI. *Id.* § 1612(a)(1), (a)(3)(A). However, PRWORA provides exceptions to this general rule. Certain qualified noncitizens are eligible for SSI for up to seven years, including refugees, asylees, aliens granted withholding of removal, Cuban and Haitian entrants, and Amerasian immigrants. *Id.* § 1612(a)(2)(A). Certain lawful permanent residents, COFA migrants, and noncitizens who were either honorably discharged or are on active duty in the Armed Forces (as well as their spouses or unmarried dependent children) are also eligible for SSI. *Id.* §§ 1612(a)(2)(B)–(C), (G).

37. PRWORA mandates that “[a]n alien who is receiving benefits under the program defined in subsection (a)(3)(A) (relating to [SSI]) shall be eligible for medical assistance under

1 a State plan under title XIX of the Social Security Act (42 U.S.C. § 1396 *et seq.*) under the same
 2 terms and conditions that apply to other recipients of benefits under the program defined in such
 3 subsection.” *Id.* § 1612(b)(2)(F). “Medical assistance” includes federal funding. *Univ. of Wash.*
 4 *Med. Ctr. v. Sebelius*, 634 F.3d 1029, 1034 (9th Cir. 2011); *see* 42 U.S.C. § 1396d(a).

5 **C. H.R. 1 Did Not Amend SSI or Federal Medicaid Eligibility Requirements**

6 38. Section 71109 of H.R. 1 added subsection (5) to 42 U.S.C. §1396b(v). In relevant
 7 part, that subsection states, “[n]otwithstanding the preceding paragraphs of this subsection,
 8 beginning on October 1, 2026, except as provided in paragraphs (2) and (4), in no event shall
 9 payment be made to a State under this section for medical assistance furnished to an individual
 10 unless such individual” is a citizen or national of the United States, a legal permanent resident
 11 (LPR), a Cuban or Haitian entrant, a COFA migrant. 42 U.S.C. §1396b(v)(5)(B). The exceptions
 12 in paragraphs (2) and (4) concern emergency medical care and coverage of lawfully residing
 13 children and pregnant individuals.

14 39. H.R. 1 did not amend or repeal the SSI eligibility requirements under the Social
 15 Security Act, 42 U.S.C. § 1382 or PRWORA, 8 U.S.C. § 1612(a). Nor did it amend or repeal the
 16 federal law establishing Medicaid eligibility for SSI recipients, 42 U.S.C. §1396a(a)(10)(a), or
 17 the federal law expressly mandating equal Medicaid eligibility for SSI recipients, including
 18 qualifying noncitizens. 8 U.S.C. § 1612(b)(2)(F).

19 40. H.R. 1 uses some form of the term “amend” 912 times, and some form of the term
 20 “repeal” 39 times, including in the Table of Contents. PRWORA is mentioned five times, but
 21 never for the purpose of amending or repealing any provision of that act. Rather, on four
 22 occasions, PRWORA is cited as a reference for the term “Compact of Free Association.” *See*
 23 Pub. L. No. 119-21, §§ 10108, 71109, 71201, & 71301, 139 Stat. 72, 85, 297, 319, & 321–22
 24 (2025) (“a Compact of Free Association referred to in section 402(b)(2)(G) of the Personal
 25 Responsibility and Work Opportunity Reconciliation Act of 1996”). The fifth appearance of
 26 PRWORA in H.R. 1 is in conjunction with \$3.33 billion appropriated to the Attorney General

1 for the Department of Justice to fund various efforts, including investigating and prosecuting
 2 “violations of or fraud relating to title IV” of PRWORA. *Id.* at § 100054, 139 Stat. at 390. In
 3 contrast to the silence concerning any revision of PRWORA, Congress specifically amended the
 4 relevant Supplemental Nutrition Assistance Program (SNAP), Medicare (as opposed to
 5 Medicaid), and health care insurance premium tax credits statutes.

6 41. H.R. 1 § 71109 also specifically amended § 1903(v)(l) of the Social Security Act.
 7 H.R. 1 added another exception to the to the general prohibition against payment for medical
 8 assistance furnished to a noncitizen who is not admitted for permanent residence or otherwise
 9 permanently residing in the United States under color of law. That exception appears in
 10 paragraph (5) and provides that “in no event shall payment be made to a State under this section
 11 for medical assistance” for individuals who are not a citizen, LPR, Cuban or Haitian entrant, or
 12 COFA migrant.

13 **D. CMS Issued Unlawful and Arbitrary and Capricious Guidance Concerning the**
 14 **Implementation of Section 71109 of H.R. 1**

15 42. On April 8, 2026, CMS issued the SHO Letter to the State of Washington and
 16 other state health officials, regarding the implementation of H.R. 1 § 71109. The SHO Letter
 17 acknowledged that H.R. 1 “did not amend . . . the description in 8 U.S.C. § 1612(b)(2) of the
 18 populations to which states must provide full Medicaid benefits, nor did it amend the description
 19 or scope of the populations in section 1902 of the Act to which states are required to provide
 20 medical assistance (e.g. individuals to whom supplemental security income (SSI) benefits are
 21 being paid).” Dkt. # 1 at p. 30.

22 43. Yet, it made clear that certain categories of qualified noncitizens, including
 23 asylees, refugees, parolees, and victims of trafficking, will not be eligible for FFP funding
 24 effective October 1, 2026. Dkt. # 1 at pp. 31, 47–52. And it indicated that Washington and other
 25 states must stop claiming FFP for individuals lacking “satisfactory immigration status.” *Id.*
 26

1 44. The SHO Letter indicated that, beginning October 1, 2026, it “will not require
2 states to provide state-only funded health coverage to noncitizens for whom FFP is not available
3 for full Medicaid benefits under 1903(v)(5) of the Social Security Act.” Dkt. # 1 at p. 31. But it
4 made clear that health coverage for such individuals that is provided by a state with one hundred
5 percent state-only funds will not be considered “Medicaid.” *Id.*

6 45. CMS reached this conclusion “notwithstanding the fact that 8 U.S.C.
7 § 1612(b)(2) still describes coverage that will no longer be eligible for federal matching funds
8 beginning October 1, 2026, as ‘Medicaid,’ and notwithstanding the fact that section 1902 of the
9 Act still describes mandatory Medicaid coverage that (when provided to certain populations)
10 will no longer be eligible for federal matching funds beginning October 1, 2026.” Dkt. # 1 at
11 p. 31.

12 46. On July 31, 2026, CMS issued additional guidance in the form of the State
13 Implementation Tool. The tool indicates that it is “designed to aid states in their implementation
14 of the statutory changes made by section 71109.” The tool also states that it “outlines policy,
15 operational, and system actions most states will need to take to implement the statutory changes”
16 and “critical tasks to accurately determine eligibility for full Medicaid and Children’s Health
17 Insurance Program (CHIP) benefits; provide the appropriate scope of coverage; and properly
18 claim federal financial participation (FFP) for noncitizens.” Dkt. # 1 at p. 60.

19 47. The tool reaffirms HHS’s erroneous conclusion that Section 71109 of H.R. 1
20 “generally limit[s], with some exceptions, FFP for ‘full Medicaid or CHIP benefits’ to the
21 following groups of individuals: U.S. citizens and U.S. nationals; lawful permanent residents
22 (LPRs or ‘green card holders’); Cuban/Haitian entrants; and Compacts of Free Association
23 (COFA) migrants.” Dkt. # 1 at p. 60. And it makes clear that “on and after October 1, 2026, FFP
24 is not available for full Medicaid or CHIP benefits for noncitizens unless they are determined to
25 be an FFP-eligible noncitizen or meet an exception” *Id.*
26

48. The tool also outlines several “system and operational changes” related to implementing Section 71109 of H.R. 1. Dkt. # 1 at p. 60. Specifically, the tool provides that “states must make any and all necessary changes to their eligibility, Medicaid Management Information System (MMIS), notices, and claiming systems to ensure that they can: (1) Complete redeterminations for all ‘potentially affected beneficiaries’ to ensure they have a ‘satisfactory immigration status’ for full Medicaid or CHIP benefits under sections 1903(v)(5) and 2107(e)(1)(R) of the Act; (2) Accurately determine eligibility at application and renewal, consistent with sections 1903(v)(5) and 2107(e)(1)(R) of the Act; (3) Provide clear communications to individuals and other state agencies and partners; and (4) Appropriately report financial claiming in the Medicaid and CHIP Financial System (MACFin) and enrollment data in Transformed Medicaid Statistical Information System (T-MSIS) to CMS.” Dkt. # 1 at p. 61.

49. The tool also instructs states to “ensure that FFP claiming for Medicaid and CHIP benefits is in accordance with sections 1903(v)(5) and 2107(e)(1)(R) of the Act on and after October 1, 2026.” Dkt. # 1 at p. 66. It warns that “If a state cannot ensure their claiming practices comply with sections 1903(v)(5) and 2107(e)(1)(R) of the Act by October 1, 2026, the state must not submit FFP claims for potentially affected beneficiaries until the state completes all necessary actions to accurately determine and redetermine eligibility and ensure that claiming of FFP complies with sections 1903(v)(5) and 2107(e)(1)(R) of the Act, or the state’s FFP will be at risk.” *Id.*

50. The Tool concludes with the threat that “CMS intends to continue to conduct routine oversight activities to ensure that state FFP claims for full Medicaid . . . benefits comply with all applicable federal requirements.” *Id.*

51. The SHO Letter and State Implementation Tool constitute final agency actions. They are the consummation of HHS’s decision-making process, they determine the rights of categories of noncitizen SSI recipients to Medicaid-funded services, they determine the rights

1 and obligations of the states regarding Medicaid-funded services for those noncitizen SSI
 2 recipients, and legal consequences flow from the agency's actions, including the loss of FFP for
 3 medical services provided to certain categories of noncitizen SSI recipients. The SHO Letter and
 4 the State Implementation Tool reflect a definitive statement of HHS policy that certain
 5 noncitizen SSI recipients are no longer eligible for FFP. HHS has made clear that state
 6 compliance was expected by October 1, 2026.

7 52. Through the SHO Letter and State Implementation Tool, HHS is unlawfully
 8 interpreting H.R. 1 to terminate FFP for certain categories of qualified noncitizen SSI recipients.
 9 HHS does not have authority to change who is eligible for FFP and cannot eliminate its statutory
 10 obligations to provide Medicaid funding to entire categories of noncitizen SSI recipients. *See*
 11 Dkt. # 28 at p. 1.

12 53. The SHO Letter and State Implementation Tool are contrary to PRWORA, which
 13 predates H.R. 1 and contemplates bilateral funding pursuant to the Medicaid program. PRWORA
 14 also provides that qualified noncitizens who receive SSI benefits are "eligible for medical
 15 assistance" pursuant to Title XIX of the Social Security Act "under the same terms and
 16 conditions" as other Medicaid recipients. 8 U.S.C. § 1612(b)(2)(F).

17 54. The SHO Letter and State Implementation Tool are also contrary to 42 U.S.C.
 18 § 1396a(a)(10)(A), which requires states to make full Medicaid benefits available to all
 19 individuals receiving SSI benefits. Additionally, it is contrary to HHS regulations establishing
 20 SSI recipients as "categorically needy" and entitled to Medicaid. 42 C.F.R. § 435.4.

21 55. Under PRWORA and the Medicaid Act, HHS is statutorily obligated to reimburse
 22 states for the provision of Medicaid to certain noncitizen SSI recipients, including asylees,
 23 refugees, and parolees. *See* 8 U.S.C. § 1612(a)(2)(A).

24 56. In addition to disregarding the irreconcilable conflict that HHS's interpretation of
 25 H.R. 1 poses with federal laws mandating Medicaid eligibility and FFP for noncitizens receiving
 26 SSI benefits, HHS failed to consider that Washington and other states lack the resources to

1 provide full healthcare funding to noncitizen SSI recipients. As a result, noncitizen SSI recipients
 2 will lose healthcare coverage because of the SHO Letter and State Implementation Tool. For
 3 many noncitizen SSI recipients, this means a loss of critical, life-sustaining care.

4 **E. The SHO Letter and State Implementation Tool Harm the State of Washington**

5 57. The SHO Letter and State Implementation Tool harm the State of Washington as
 6 the administrator of its state Medicaid program.

7 58. The SHO Letter and State Implementation Tool directly cause the loss of FFP for
 8 healthcare services to the State of Washington's noncitizen SSI-enrolled Medicaid clients.

9 59. The Washington Legislature has not appropriated funds to fully replace the FFP
 10 that the SHO Letter erroneously asserts H.R. 1 withdrew from this population. HCA is
 11 financially unable to provide the medical coverage that this population has received in the past
 12 due to the withdrawal of FFP.

13 60. The State of Washington has not assumed the full costs of providing healthcare
 14 to its noncitizen SSI-enrolled Medicaid clients, consequently these individuals will lose their
 15 healthcare coverage because of the erroneous SHO Letter and State Implementation Tool. The
 16 loss of healthcare coverage imposes downstream costs on the State of Washington.

17 61. *First*, without necessary healthcare coverage, the noncitizen SSI-enrolled
 18 Medicaid clients who are medically fragile or who have chronic health conditions are likely to
 19 need emergency medical care. Provision of such emergency medical care burdens the State's
 20 already strained safety-net healthcare system. The State of Washington will also be directly
 21 financially harmed by providing such required emergency medical services at its public
 22 university hospital systems.

23 62. *Second*, the change in healthcare coverage imposes operational burdens on the
 24 State of Washington. For example, HCA has already incurred costs in the issuance of
 25 notifications to impacted beneficiaries, both when CMS issued the SHO Letter and when this
 26 Court enjoined the federal government from enforcing the SHO Letter and State Implementation

1 Tool. All such impacted beneficiaries may also request a hearing upon a change in benefits. *See*
 2 Wash. Rev. Code § 74.09.741; Wash. Admin. Code §§ 182-526-0095, 0100. Though the State
 3 of Washington is not always required to hold such hearings, it must still process notices and
 4 requests for hearings, *see* Wash. Rev. Code § 74.09.741(3), which imposes an administrative
 5 burden on the State. The State of Washington will also incur additional administrative costs in
 6 managing eligibility determinations for noncitizen SSI recipients, whose federal Medicaid
 7 eligibility the SSA previously determined under the State’s 1634 Agreement.

8 63. To the extent that the State of Washington assumes the full costs of providing
 9 healthcare to its noncitizen SSI-enrolled Medicaid clients, or some subset thereof, then the SHO
 10 Letter and State Implementation Tool imposes direct financial harm on the State of Washington
 11 by imposing costs on the state which lawfully should be shared with the federal government.

12 64. The SHO Letter and State Implementation Tool also harm the State of
 13 Washington by hindering its ability to comply with federal law. The Medicaid Act and
 14 PRWORA mandate federal Medicaid eligibility for noncitizen SSI recipients. 8 U.S.C.
 15 § 1612(b)(2)(F); *see* 42 U.S.C. § 1396a(a)(10)(A)(i)(II)(aa); 42 C.F.R. § 440.4. Furthermore,
 16 because Washington has a 1634 Agreement with the SSA, federal regulations require
 17 “[a]utomatic enrollment” in Medicaid for individuals who receive SSI and provide that eligibility
 18 for SSI payments automatically confers federal Medicaid eligibility. 42 C.F.R. § 435.909(a); *see*
 19 42 C.F.R. § 435.541(a)(2). Excluding SSI-receiving noncitizens from Medicaid coverage runs
 20 afoul of these requirements.

21 65. The SHO Letter and State Implementation Tool further harm the State of
 22 Washington by hindering its ability to comply with state law. The State of Washington may not
 23 arbitrarily deny or reduce access to medical care for needy beneficiaries. *See* Wash. Rev. Code
 24 § 34.05.001 *et seq.* (requiring agency actions be based on “good cause” and supported by
 25 substantial evidence, and that all required procedures be followed); Wash. Admin. Code
 26 § 182-526-0005 *et seq.* (governing appeals of Medicaid decisions, including eligibility,

coverage, and service denials). Denying coverage to Medicaid-eligible individuals based on immigration status may violate state antidiscrimination laws prohibiting discrimination based on such status in the provision of Medicaid benefits and fail to satisfy “good cause.” *See* Wash. Rev. Code § 49.60.030(1).

F. The State of Washington Has Standing

66. As demonstrated above, the State of Washington has already suffered, and will suffer, actual and imminent, concrete and particularized injuries in fact. Among other harms enumerated above, the SHO Letter and the State Implementation tool “directly reduces the number of individuals that [Apple Health] serves, causing a loss of revenue that the state would have otherwise receive under [the Medicaid program]” and so Washington State has standing to bring suit. *Washington v. Trump*, 145 F.4th 1013, 1022 (9th Cir. 2025) (citing *Biden v. Nebraska*, 600 U.S. 477, 490 (2023)).

67. The State of Washington’s injuries are traceable to the challenged SHO Letter and State Implementation Tool issued by HHS and the Secretary of Health and Human Services because it is these agency actions that direct Apple Health to make SSI-eligible noncitizens ineligible for Medicaid benefits.

68. A favorable decision by this court is likely to redress the injuries that the State of Washington has suffered and reasonably fears. This Court may vacate the SHO Letter and State Implementation Tool to the extent that they require SSI eligible noncitizens to be ineligible for Medicaid benefits and this would redress the State’s injuries.

V. CLAIMS

Count I Violation of the Administrative Procedure Act— Contrary to Law

69. The State incorporates by reference the allegations contained in the preceding paragraphs.

70. HHS is an “agency” under the APA. 5 U.S.C. § 551(1).

79. HHS is an “agency” under the APA. 5 U.S.C. § 551(1).

80. The SHO Letter and State Implementation Tool constitute “final agency action for which there is no other adequate remedy in a court,” and are thus subject to judicial review. 5 U.S.C. § 704.

81. Under the APA, a court must “hold unlawful and set aside agency action, findings, and conclusions found to be . . . arbitrary, capricious, [or] an abuse of discretion” 5 U.S.C. § 706(2)(A).

82. An agency action is arbitrary and capricious if the agency has:

relied on factors which Congress has not intended it to consider, entirely failed to consider an important aspect of the problem, offered an explanation for its decision that runs counter to the evidence before the agency, or is so implausible that it could not be ascribed to a difference in view or the product of agency expertise.

Motor Vehicle Mfrs. Ass’n of the U.S., Inc. v. State Farm Mut. Auto. Ins. Co., 463 U.S. 29, 43 (1983). Federal administrative agencies are required to engage in reasoned decision-making. “Not only must an agency’s decreed result be within the scope of its lawful authority, but the process by which it reaches that result must be logical and rational.” *Allentown Mack Sales & Serv., Inc. v. N.L.R.B.*, 522 U.S. 359, 374 (1998).

83. An agency must provide a “reasoned explanation” for departing from prior policy and “a more detailed justification than what would suffice for a new policy” when “its prior policy has engendered serious reliance interests that must be taken into account.” *FCC v. Fox Television Stations, Inc.*, 556 U.S. 502, 515 (2009) (citing *Smiley v. Citibank (South Dakota), N.A.*, 517 U.S. 735, 742, (1996)).

84. Moreover, an agency must “pay[] attention to the advantages and the disadvantages” of its decision, *Michigan v. EPA*, 576 U.S. 743, 753 (2015), and it must consider “alternatives that are within the ambit of the existing policy,” *Dep’t Homeland Sec. v. Regents of the Univ. of Cal.*, 591 U.S. 1, 30 (2020) (citation modified).

85. HHS failed to provide a reasoned explanation for why its own regulation, 42 C.F.R. § 435.120, which establishes mandatory federal Medicaid eligibility for individuals receiving SSI, including qualifying noncitizens, does not apply. Nor does it explain why 42 U.S.C. § 1396a(a)(10)(A)(i)(II)(aa) and 8 U.S.C. § 1612(b)(2)(F) do not apply, notwithstanding the fact that Congress has not amended or repealed those statutory mandates for noncitizen SSI recipients to be eligible for Medicaid under the same terms and conditions as other SSI recipients.

86. HHS also failed to consider important aspects of the problem, including how states, like Washington, with 1634 Agreements delegating eligibility determinations to SSA will implement terminations for otherwise qualified SSI recipients.

87. Likewise, HHS failed to consider the harmful effects its actions will have on certain qualified noncitizens who are aged, blind, and/or disabled; have highly limited resources; and depend on Medicaid for healthcare. And it failed to consider the numerous downstream administrative and financial consequences to states, including further straining its safety-net healthcare system.

88. Pursuant to 5 U.S.C. § 706 and 28 U.S.C. § 2201, the State is entitled to a declaration that the SHO Letter and State Implementation Tool are arbitrary and capricious in violation of the APA.

89. Pursuant to 5 U.S.C. § 706, the State is also entitled to permanent vacatur of HHS's instructions to terminate Medicaid FFP eligibility for SSI recipients who are not citizens, LPRs, Cuban or Haitian Entrants, or COFA migrants.

VI. PRAYER FOR RELIEF

WHEREFORE, Intervenor-Plaintiff State of Washington prays that the Court:

a. Declare that the SHO Letter and State Implementation Tool are contrary to law in violation of the APA;

b. Declare that the SHO Letter and State Implementation Tool are arbitrary and capricious in violation of the APA;

c. Vacate and set aside the SHO Letter and State Implementation Tool pursuant to 5 U.S.C. § 706, and specifically HHS's instructions to terminate FFP for SSI recipients who are not citizens, LPRs, Cuban or Haitian Entrants, or COFA migrants;

d. Permanently enjoin Defendants from implementing or otherwise giving effect to the SHO Letter and State Implementation Tool; and

e. Grant other such relief as this Court may deem proper.

DATED this 16th day of October 2026.

NICHOLAS W. BROWN
Attorney General

s/ Mina Shahin

MINA SHAHIN, WSBA #46661
KRISTEN S. VALORE, WSBA #51696
Assistant Attorneys General
WILLIAM MCGINTY, WSBA #41868
KELLY PARADIS, WSBA #47175
Deputy Solicitors General
Washington State Office of the Attorney General
800 Fifth Avenue, Suite 200
Seattle, WA 98104
206-464-7744
Mina.Shahin@atg.wa.gov
William.McGinty@atg.wa.gov
Kelly.Paradis@atg.wa.gov
Kristen.Valore@atg.wa.gov

Attorneys for Intervenor-Plaintiff State of Washington