New Federal Rule on Medicaid/CHIP Coverage for Transgender Minor Patients

Bottom line: Center for Medicare & Medicaid Services (CMS) has finalized a federal funding ban rule, which has now been adopted as a binding federal regulation.

This is a ban on federal funding, not a ban on care. It does not require any provider to change how they deliver care.

The rule changes federal funding eligibility for a narrow but critical set of services for transgender minors. The rule is scheduled to go into effect on October 13, 2026.

What Happened

CMS finalized its rule prohibiting federal Medicaid and CHIP funding for coverage of puberty blocking medications and hormone therapy for transgender minors. The final version matches the proposed rule from December 2025 almost exactly. The only substantive difference is a 6-month period for continued coverage for hormone therapy for patients who initiated care prior to the effective date of the rule

Key Points

- **Who is affected:** Applies only to minors — under 18 for Medicaid, under 19 for CHIP. Adult patients are not affected by this rule.
- **What loses funding:** Federal matching funds for state Medicaid programs and federal funding for state CHIP plans will no longer be available for puberty blockers, hormone therapy, and related surgical procedures for minors under Medicaid/CHIP.
- **6-month continued coverage period:** Patients currently on covered hormone therapy can continue to have that specific medication funded for up to 6 months after the effective date, to allow for a clinical transition plan.
- **No ban on care:** This is a funding rule, not a practice restriction. It does not prohibit clinics from providing this care — it removes federal Medicaid/CHIP reimbursement for it in the covered age groups.
- **State impact:** States lose the federal matching share for any state spending on these services for minors, and state Medicaid/CHIP plans are required to formally exclude the services from coverage for the affected age groups. States can continue to cover this care with state money only.
- **Effective date:** October 13, 2026, though legal challenges may impact this.

What Changed from the Proposed Rule

Only one substantive change: the addition of the 6-month continued coverage allowance for patients already on covered hormone therapy. Everything else in the final rule tracks the original proposal.

What We're Watching

Legal challenges to this rule are expected and may affect timing of the effective date. Efforts are also underway in some states to advocate for alternatives to covering this care with state-only dollars.

Questions and Answers About the Rule

What are Medicaid and CHIP?

Medicaid is the joint federal-state program that provides health coverage to low-income individuals and families. CHIP — the Children's Health Insurance Program — covers kids in families who earn too much to qualify for Medicaid but still can't afford private insurance. Together, they cover more than 35 million children nationwide.

States have different names for their Medicaid and CHIP programs. So, for instance, if you receive insurance through Medicaid it is called MassHealth in Massachusetts, HUSKY Health in Connecticut, and Medi-Cal in California. You can find your state's Medicaid and CHIP program names here.

What does this new rule do?

This is a funding rule. It's not a rule that directly limits medical care or the practice of medicine for transgender people.

CMS — the federal agency that runs Medicaid and CHIP — finalized a regulation that stops federal Medicaid and CHIP dollars from paying for gender transition medications for minors.

It applies to individuals under 18 on Medicaid, and under 19 on CHIP.

What care is impacted by this rule?

This rule denies federal funding for puberty blockers, hormone therapy, or any surgeries for people under 18 (Medicaid) or 19 (CHIP).

It does not impact mental health care or primary care. Psychotherapy and counseling for gender dysphoria remain fully covered.

What does this rule require states to do?

Mechanically, states have to update their Medicaid and CHIP plans to formally exclude coverage for these services for these age groups, and the federal government will stop sending states its matching share of funding for them once the rule becomes effective.

Can states continue to cover this care with state funding?

Yes. States are still free to cover these services with their own state dollars. States will just not receive federal funds for these services.

Does this rule ban gender transition care for minors?

No. This is not a ban on care. It's a funding restriction. Nothing in this rule makes it illegal for any provider to offer this care. What changes is only that Medicaid or CHIP will pay for it.

When is the rule scheduled to take effect?

The rule is scheduled to take effect October 13th, 2026 — that's 60 days after publication in the Federal Register.

Does the rule have any provision for youth who are currently receiving gender transition care?

Yes, a temporary one related to hormone therapy only. For youth who are already on hormone therapy — not blockers — that specific medication can continue to be funded for up to six months after the effective date of the new rule.

A couple of important limits: this provision only covers hormone therapy that's already underway. It also does not extend to puberty blockers. And it doesn't apply to anyone starting hormone therapy after the effective date.

Does this affect private insurance? Or a patient's ability to pay out of pocket?

No, this rule does not address private insurance. It's Medicaid and CHIP only. There's no legal mechanism by which it reaches into an employer plan or a marketplace plan.

How will this will impact system-involved transgender youth — kids in foster care or the juvenile justice system?

While the rule doesn't call them out specifically, this is a population that is particularly at risk. Practically, kids in these systems are almost entirely dependent on Medicaid and there's no special carve-out or extra protection for foster youth or justice-involved youth in this rule.

Decisions about care for system-involved youth often go through a caseworker or a judge rather than a parent. So a court could still find this care to be in a child's best interest, but Medicaid won't pay for it. That's a real gap, and it's one commenters raised specifically during the rulemaking process. CMS acknowledged the concern but didn't create any exception for it.

What does this mean for providers?

For providers, the immediate effect is on reimbursement, not on the legal ability to practice. Providers can still offer this care for minors, but they won't be able to bill Medicaid or CHIP for it after the effective date (other than for the six-month continued-use exception for patients on hormones).

Practically, that means providers and hospitals will need to have real conversations with affected families well before October about what their options are — self-pay, state-only coverage where it exists, or other resources — and they'll need to update their billing and prior-authorization processes.

What do we know so far about how states are responding? How can people find out what's happening in their state?

This is still developing. Before this rule, roughly 19 states already excluded this care from their own state Medicaid programs, and separately, 27 states have laws restricting or banning these procedures for minors more broadly. See MAP's maps on Medicaid coverage and state health care bans for more information.

Massachusetts has announced concrete action: MassHealth, the state's Medicaid program, says it will use the state's Affirming Health Care Trust Fund — a first-in-the-nation fund the legislature has grown to $8.5 million — to keep covering hormone therapy and puberty blockers for minors who lose federal support.

A number of other states that already cover this care through their own Medicaid programs — including California, Colorado, Illinois, Washington, Oregon, and New York — are broadly expected to look for ways to keep funding it with state dollars, though the specific mechanism each state will use is still being worked out in most cases.

For everyone else, it really is state by state, and it's going to keep shifting over the next couple months as states formally update their Medicaid state plans. The best way to track your specific state is your state Medicaid agency's website, and advocacy organizations that are actively tracking this state-by-state. **Contact GLAD Law Answers for help finding out what's happening in your state.**

What actions can we take to urge states to protect care?

A few concrete things. First, since states retain the choice to fund this care with state-only dollars, engaging your state legislature and governor's office directly is probably the highest-leverage thing an individual or family can do right now — that decision hasn't been made yet in a lot of states.

Second, public comment periods and state rulemaking processes are real opportunities — state agencies typically have to give notice before they formally change their Medicaid state plans, and that's a moment where advocacy matters.

Third, connecting with state and local advocacy organizations already working on this gives you both accurate, current information and a coordinated way to make your voice heard, rather than everyone acting individually. **Contact GLAD Law Answers for ways to plug into advocacy efforts in your state.**

GLAD LAW
GLBTQ Legal Advocates & Defenders

NC LR NATIONAL CENTER FOR LGBTQ RIGHTS

What are the next legal steps now that the rule is final? Will this rule be challenged?

Yes, we fully expect that this rule will be legally challenged. CMS itself said that over 90% of the roughly 11,000 comments they received opposed this rule. Given that volume and intensity of opposition in the public comment process, legal challenges are coming.

We have seen a consistent pattern of courts pushing back on this administration's efforts to restrict access to transgender health care, so there's real precedent for these fights. That said, there is no guarantee how a challenge to this specific rule will turn out, or whether it will delay the effective date. GLAD Law will continue to share updates as things develop.

Resources

For updates on this rule, legal challenges, and other actions impacted health care for transgender youth and adults, follow:

GLBTQ Legal Advocates & Defenders (GLAD Law): GLADLaw.org

National Center for LGBTQ Rights (NCLR): NCLRights.org

For specific questions, legal information and referrals, contact:

GLAD Law Answers: GLADLawAnswers.org

National Center for LGBTQ Rights: NCLRights.org/get-help

For help identifying a healthcare provider, or if your provider shares that they are no longer able to provide you care contact:

Trans Youth Emergency Project: TransYouthEmergencyProject.org

GLAD LAW
GLBTQ Legal Advocates & Defenders

NC LR NATIONAL CENTER FOR LGBTQ RIGHTS