Modern Medicaid ALLIANCE

Medicaid Work Requirements Put Coverage at Risk

MMA urges federal policymakers to:

- **Eliminate CMS's regulatory requirement** for individuals who are medically frail or have a special medical need **to additionally demonstrate that their condition significantly impairs their ability to comply with new community engagement requirements — also known as "work requirements."** This was not a component of the law Congress passed and is likely to prevent medically frail people from accessing care while also adding new burdens on providers.
- **Add a regulatory requirement** for states to demonstrate **system readiness and receive CMS certification** before terminating eligibility for individuals facing new community engagement requirements.
- **Require CMS to collect and publish state data tracking the impact to enrollment from implementation of community engagement requirements**.
- Provide Congressional funding for **national and state education and outreach efforts**.
- **Extend the statutory deadline** providing states with more time to properly implement the community engagement requirement.

The *One Big Beautiful Bill Act (OBBBA)* established new federal Medicaid community engagement requirements (commonly known as "work requirements") that require adults in the Medicaid expansion population to prove they are working, participating in other qualifying activities or exempt due to illness or other limited criteria. States must implement these eligibility requirements by January 1, 2027. Work requirements are estimated to result in up to **5.2 million enrollees losing Medicaid coverage by 2034**.[1]

Work requirements are estimated to result in up to

5.2 million

enrollees losing Medicaid coverage by 2034.[1]

On June 1, 2026, the Centers for Medicare & Medicaid Services (CMS) issued an interim final rule (Medicaid Program; Community Engagement Requirement for Certain Individuals; CMS-2454-IFC) outlining additional implementation requirements.[2] **The interim final rule went beyond OBBBA and introduced new and more complex criteria for certain exemptions, verification and reporting processes.** These regulatory differences are expected to reduce the number of people who qualify for the exemptions Congress created. The interim final rule will also make it harder for eligible people to get and keep coverage; additionally, it creates new implementation and administrative challenges for states and healthcare providers.

As states begin to implement Medicaid work requirements, federal policymakers should focus on preventing inappropriate coverage loss, reducing administrative burden on enrollees and providers, and ensuring states are operationally ready before disenrolling individuals.

Modern Medicaid ALLIANCE

What's in the Law

Under OBBBA, Medicaid expansion adults ages 19 to 64 must demonstrate at least 80 hours per month of participation in a qualifying activity to be eligible for or maintain Medicaid coverage. Qualifying activities include work, community service, participation in a work program, school or training at least half-time, or a combination of these activities.

Some individuals are excluded or may qualify for exemptions, including pregnant and postpartum individuals, certain caregivers, former foster youth, certain veterans with disabilities, people with qualifying medical needs or in drug or alcohol treatment programs. Of concern is when individuals meet the requirements for an exemption, they may still need to navigate complex and time-consuming state verification and documentation processes to maintain their Medicaid eligibility.

What CMS's Interim Final Rule Means for States and Beneficiaries

CMS's June 1 interim final rule outlines how states must implement these requirements, including who is subject to the rules, what activities count to fulfill the work requirements, how compliance must be verified and how states must process exemptions, notices and appeals. This means:

States must implement changes quickly.

States must implement Medicaid work requirements by January 1, 2027, but may implement them earlier*. CMS has the authority to grant temporary good-faith exemptions for states that are working to implement but not yet ready to go live, but only until December 31, 2028. CMS has indicated it will grant few if any waivers, despite the tight timeframe.

States must verify eligibility and compliance more frequently.

Beginning January 1, 2027, **states will have to conduct eligibility redeterminations for the expansion population every six months, rather than every 12 months**. States must verify an individual's compliance with work requirements at renewal and may choose to verify compliance more frequently between renewals. Increasing verification means most beneficiaries must document work, qualifying activities or exemption status twice a year, and in some states even more frequently.

States must build new verification systems and processes.

At a time when states already are overwhelmed, they are being asked to implement the new requirement, **which requires states to determine if each individual is subject to the new work requirements, meets the 80-hour standard, qualifies for an exemption or is excluded altogether**. CMS directs states to rely first on available data, but states must request more information when data are unavailable, incomplete or inconsistent.

Self-attestation is temporary and limited.

If states are unable to use reliable data to verify whether an individual is compliant with work requirements, qualifies for an exemption or is excluded from the requirement, the state must seek additional information from the individual. Through December 31, 2027, CMS provides states with the flexibility to either require documentation or accept other information, such as self-attestation, even when documentation is reasonably available.** Beginning January 1, 2028, this flexibility is scheduled to end and states will require documentation when reasonably available. States may still accept other information when documentation does not exist or is not reasonably available.

---

* Nebraska implemented work requirements on May 1, 2026. Montana began implementation on July 1, 2026, and Iowa will begin implementation on December 1, 2026. Arkansas initiated an initial implementation of work requirements on July 1, 2026, but will not disenroll beneficiaries before January 1, 2027.

** Arkansas, Idaho, Indiana, Iowa, North Carolina, North Dakota, Ohio and Utah are not adopting this flexibility. These states will require beneficiaries to provide documentation to verify that they comply with the requirements, qualify for an exemption or are excluded from the requirement starting in January 2027.

Modern Medicaid ALLIANCE

The medically frail exemption is narrow and complex.

CMS requires individuals not only to establish that they have a qualifying medical or behavioral health condition, but also to demonstrate that the condition "significantly impairs" their ability to comply with the work requirements. While CMS provided states with an example tiered framework for making these determinations following the final rule,*** **several challenges remain including the short timeline for states to develop and operationalize their processes, and new burdens for patients and healthcare providers as a result of the two-step determination**. Providers may be asked to document how a patient's condition affects their functional ability, while state officials develop standards and verification processes that may be difficult to administer consistently. For providers already facing workforce shortages and limited capacity—and patients who may struggle to obtain timely appointments—these requirements risk consuming clinical time and resources that could otherwise be devoted to needed patient care.

Ongoing outreach and education will be critical—and increasingly difficult.

States must conduct outreach before and after implementation to explain how individuals can comply with the new Medicaid requirements. States must communicate who qualifies for exemptions, the consequences of noncompliance and how to report changes. The statute requires enrollee notification to begin at least three months before implementation—or earlier if a state uses a look-back period. For most states implementing on January 1, 2027, that means outreach had to begin as early as July through September 2026. At the same time, new requirements introduced through CMS's interim final rule are forcing states to revise notices and educational materials with limited regulatory clarity on an already compressed timeline, making it more difficult to provide beneficiaries with simplified, timely and accurate information.

*** CMS's example framework outlines three tiers for identifying medically frail individuals based on available clinical, utilization and functional information, with individualized review when existing data are insufficient. States are not required to use this specific framework.
https://www.medicaid.gov/resources-for-states/working-families-tax-cut-legislation/community-engagement/ImplementingMedicalFrailtyDeck.pdf

Case Study: Thousands Lost Coverage Under Arkansas Work Requirements

In 2018, Arkansas became the first state to enforce Medicaid work and reporting requirements. Before implementation, nearly 97% of adults in the target age range were already meeting or exempt from what Arkansas would end up requiring in their future requirements.[3] In the first seven months of the new requirement, more than 18,000 people lost health coverage—or about one in four of those subject to the work requirement—including many who met the requirements but were confused by the reporting process.[4]

"My mom said I need to go online and do this and do that… I was on the phone with a lady for like an hour, then she sent me to someone else, then she sent me to someone else. So it just…I just gave up from trying to report my hours worked."[5]

– Arkansas work requirements program enrollee, Monticello, Arkansas

The Path Forward

As states move to implement federal Medicaid work requirements, Congress and the Administration should provide states and Medicaid beneficiaries with the support they need to prevent eligible people from losing coverage. MMA will continue working with policymakers to protect and strengthen Medicaid for the millions of Americans who depend on it.

1 https://www.rand.org/pubs/research_reports/RRA4098-1-v2.html
2 https://www.federalregister.gov/documents/2026/06/03/2026-11094/medicaid-program-community-engagement-requirement-for-certain-individuals
3 https://www.nejm.org/doi/10.1056/NEJMsr1901772
4 https://www.macpac.gov/wp-content/uploads/2019/10/Medicaid-Work-and-Community-Engagement-Requirements.pdf
5 https://www.kff.org/medicaid/medicaid-work-requirements-in-arkansas-experience-and-perspectives-of-enrollees/