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Medicaid
Community
Engagement
Requirements
Interim Final Rule

Medicaid Community Engagement Requirements Interim Final Rule

On June 1, 2026, the Centers for Medicare and Medicaid Services (CMS) [released](#) an interim final rule on implementing the new Medicaid community engagement requirements enacted under [H.R. 1](#), the One Big Beautiful Bill Act (OBBBA). The press release from CMS is available [here](#). A fact sheet from CMS is available [here](#). Comments on the interim final rule are due July 31, 2026.

BACKGROUND AND STATUTORY BASIS

Section 71119(a) of the WFTC legislation, signed into law on July 4, 2025, added section 1902(xx) to the Social Security Act (the Act), establishing a community engagement requirement for certain adults applying for or enrolled in Medicaid. Section 71119(d) directed CMS to publish this IFC to implement the requirement. CMS describes the policy as bringing Medicaid into alignment with work-focused requirements in other public benefit programs such as SNAP and TANF.

The requirement applies only to the 50 States and the District of Columbia that elect to cover the adult group under the State plan, or that operate certain section 1115 waiver demonstrations covering an equivalent population. It does not apply to the U.S. territories. Noncompliance results in denial of eligibility for, or disenrollment from, the adult group (or applicable section 1115 waiver demonstration), though an individual may reapply at any time and will be reassessed under the procedures for applicants.

APPLICABLE INDIVIDUALS

CMS implements the statutory definition of “applicable individuals” - the applicants and beneficiaries who must demonstrate community engagement. Applicable individuals are those eligible for or enrolled in the State plan adult group under section 1902(a)(10)(A)(i)(VIII) of the Act, as well as individuals eligible for or enrolled under certain section 1115(a)(2) expenditure authority that provides coverage equivalent to minimum essential coverage and who are age 19 through 64, not pregnant, not entitled to or enrolled in Medicare Part A or B, and not otherwise eligible under the State plan.

Individuals in other mandatory or optional eligibility groups, for example, parents and caretaker relatives under section 193, are not applicable individuals. CMS also clarifies that section 1915(b) and 1915(c) waivers are not “a waiver of such plan” for this purpose, and that it is reviewing approved section 1115 demonstrations to identify which demonstration populations could be subject to the requirement.

DEMONSTRATING COMMUNITY ENGAGEMENT

An applicable individual demonstrates community engagement for a month by meeting any one or more of the statutory options. States must make all of the options available and may not offer only a subset.

The options are:

- Working not less than 80 hours;
- Completing not less than 80 hours of community service;
- Participating in a work program for not less than 80 hours;
- Being enrolled in an educational program at least half-time;
- Engaging in any combination of the above for a total of not less than 80 hours;
- Having monthly income not less than the Federal minimum wage multiplied by 80 hours (currently \$580, based on $\$7.25 \times 80$); or
- Being a seasonal worker whose average monthly income over the preceding six months meets that income threshold.

CMS defines the qualifying activities broadly and aligns them, where possible, with SNAP and TANF definitions. “Work” includes self-employment, in-kind work, and certain unpaid work such as internships and trial work periods. “Community service,” “work program,” and “educational program” are likewise defined by reference to existing program standards.

MANDATORY EXCEPTIONS

States must deem an applicable individual compliant for any month in which, for part or all of the month, the individual was under age 19; entitled to or enrolled in Medicare Part A or B; described in a mandatory eligibility group under section 1902(a)(10)(A)(i)(I) through (VII); or a specified excluded individual. A separate exception applies to recently incarcerated individuals: a person is deemed compliant for a month if, at any point during the three-month period ending on the first day of that month, the individual was an inmate of a public institution. These exceptions are assessed against the applicable months in the State’s review period.

Specified Excluded Individuals

The statute lists nine categories of “specified excluded individuals” who are removed from the definition of applicable individual altogether and therefore need not demonstrate community engagement. States must determine excluded status before assessing compliance. The nine categories are:

- Former foster care children
- American Indians and Alaska Natives
- Parents, guardians, caretaker relatives, or family caregivers of a dependent child age 13 or under, or of a disabled individual;
- Veterans with a disability rated as total;
- Individuals who are medically frail or otherwise have special medical needs;
- Individuals complying with TANF work requirements and individuals not exempt from (and meeting) SNAP work requirements;
- Participants in a drug or alcohol rehabilitation or treatment program;
- Inmates of a public institution; and
- Individuals who are pregnant or entitled to postpartum coverage.

MEDICALLY FRAIL OR SPECIAL MEDICAL NEEDS EXCLUSION

CMS defines a medically frail individual as one whose physical, mental, or other behavioral health condition significantly impairs the ability to comply with the community engagement requirement and who falls within at least one of five categories: blind or disabled; has a substance use disorder (SUD); has a disabling mental disorder; has a physical, intellectual, or developmental disability that significantly impairs one or more activities of daily living; or has a serious or complex medical condition. An individual needs to meet only one category. CMS applies a functional standard rather than a purely diagnostic one: a qualifying condition alone is not enough, and a person who can perform 80 hours per month of qualifying activities despite the condition would not qualify. CMS declined to adopt the existing alternative benefit plan definition of medically frail, to add categories beyond the five in the statute, or to let States add their own.

For the SUD category, the exclusion applies regardless of whether the individual is in active treatment and includes those in early or sustained recovery, but excludes individuals in “stable recovery” (five or more years). States must verify medically frail status on an ex parte basis using reliable information, including adjudicated claims or encounter data from the preceding 12 months, and may not deny the exclusion based on the absence of claims data; where status cannot be verified from available data, the State must allow the individual to submit documentation. States must reverify at least every 12 months.

SHORT-TERM HARDSHIP EXCEPTIONS

States may elect to offer a short-term hardship exception, but if they do, they must recognize all of the statutory hardship circumstances rather than selecting only some. The qualifying circumstances, applicable for all or part of a month, are: receipt of inpatient, nursing facility, ICF/IID, inpatient psychiatric, or similar-acuity services; residence in a county subject to a Presidentially declared emergency or disaster, or in which the unemployment rate is at or above the lesser of 8 percent or 1.5 times the national rate (which requires a State request to the Secretary); and the need to travel outside one's community for an extended period to obtain medical treatment for a serious or complex condition. The institutional-services and medical-travel circumstances are triggered by an individual's request.

ASSESSING COMPLIANCE AND REVIEW PERIODS

At application, States must require an applicable individual to demonstrate community engagement for at least one, but not more than three, consecutive months immediately preceding the month of application, as specified in the State plan. For enrolled beneficiaries, States must require demonstration for one or more months (not necessarily consecutive) during the eligibility period, assessed at renewal and, at State option, through more frequent verifications between renewals. CMS uses the term "review period" to describe the months under consideration in each context.

VERIFICATION

States must first conduct ex parte verification, maximizing reliance on reliable electronic data sources already available to the State, before requiring an individual to submit information. CMS directs States to use specified data sources and may permit additional sources and addresses how to proceed when no data source is available or when available data are not reasonably compatible with information the individual provides. Only then may a State request documentation from the individual.

NONCOMPLIANCE PROCEDURES

When a State cannot verify that an applicable individual has met (or is deemed to have met) the requirement, it must send a notice of noncompliance and allow 30 calendar days from receipt for the individual to make a "satisfactory showing" of compliance or of an exception or exclusion. Coverage continues during that 30-day period. If no satisfactory showing is made, the State must, after first checking whether the individual qualifies on another basis, deny the application or disenroll the beneficiary no later than the end of the month following the month in which the 30-day period ends, with applicable notice and fair-hearing rights. CMS confirms that States may not impose a waiting or "lock-out" period; individuals may reapply at any time.

IMPLEMENTATION TIMING AND GOOD FAITH EFFORT EXEMPTION

States must implement the requirement no later than January 1, 2027, and may implement earlier through a State plan amendment or section 1115 demonstration. Applications pending at implementation are adjudicated under the rules in effect on the date of submission; compliance for those individuals is first assessed at their next renewal. The IFC also implements the statutory good faith effort exemption, under which the Secretary may grant a temporary, time-limited exemption from timely implementation. States must address statutory criteria (actions taken toward compliance, significant barriers, and a detailed plan and timeline). CMS expects to approve initial requests for no longer than six months, with extensions available only until no later than December 31, 2028, contingent on quarterly milestone reporting. Exempt States that meet their reporting obligations will not be treated as noncompliant or subjected to corrective action under section 1904 during the exemption.

OUTREACH, MANAGED CARE, AND MONITORING

States must conduct outreach and provide notice of the requirement to affected individuals before the implementation date, with prescribed notice content. States may use managed care plans to assist with outreach, education, data sharing, and referrals to work programs (subject to limits on what may be reflected in capitation rates), and the IFC addresses conflict-of-interest considerations for plans and contractors. For monitoring, CMS will rely on existing eligibility and enrollment data collections - the Performance Indicator (PI), Eligibility Processing (EP), and T-MSIS data sets - and § 435.562 requires States to submit timely, complete, and accurate data on implementation and the impact of the requirement.

RESTORATION OF SUSPENDED ELIGIBILITY AND ENROLLMENT REGULATIONS

Section 71102 of the WFTC legislation suspends, until after September 30, 2034, the amendments made by the 2024 Eligibility and Enrollment final rule (89 FR 22780) to various Medicaid and CHIP eligibility and enrollment provisions, including those governing applications, renewals, changes in circumstances, and timeliness standards. Because those provisions are necessary to implement and enforce the community engagement requirement, the IFC restores, until October 1, 2034, the pre-2024-rule versions of the affected regulations, including §§ 431.213(d), 431.231(d), 435.907, 435.911(c), 435.912, 435.916, 435.919, 457.340(d)(1), 457.344, and 457.960, along with conforming changes.

We trust you found this summary useful. Please reach out to [us](#) with any questions.

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