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Work and Community Engagement Requirements in Medicaid

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Medicaid and CHIP Payment and Access Commission

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Overview

- Overview of work and community engagement requirements in Medicaid
- New statutory community engagement requirement
- Pending Section 1115 demonstration requests
- Next steps



Project Overview

- Study objective
 - Identify key policy and operational considerations for states and the Centers for Medicare & Medicaid Services (CMS) as they implement community engagement requirements
- Approach
 - Literature review
 - Stakeholder interviews
- Staff will present interview findings this fall and publish a chapter in the March 2026 Report to Congress

The background features a dark blue gradient with a large, semi-transparent graphic on the left side. This graphic consists of a white cross centered within a white circle, creating a stylized logo. The text is positioned to the right of this graphic.

Overview of Medicaid Work and Community Engagement Requirements

Work and Community Engagement Demonstrations

- In 2018, CMS issued guidance on testing Medicaid work and community engagement requirements under Section 1115 authority
 - CMS approved 13 state demonstrations
- Few demonstrations were fully implemented
 - Arkansas was the only state where beneficiaries were disenrolled
 - Courts, state actions, and rescission of federal approval halted other programs
 - Georgia’s demonstration is the only one remaining
- States that implemented requirements experienced or projected substantial coverage losses
 - Common reasons for not reporting included lack of awareness, barriers to employment, and technical challenges (e.g., difficulty with online portal)
 - In Georgia, some experts link requirements to low enrollment



State Experiences

Arkansas

- Phased implementation of Arkansas Works began in June 2018
 - A federal court halted implementation in March 2019
- Expansion beneficiaries age 19–49 were required to complete ≥ 80 hours of qualifying activities each month
 - Exemptions for medical frailty, pregnancy, or caring for a disabled person
 - Non-compliant beneficiaries were disenrolled and locked out of coverage
- By December 2018, more than 18,000 beneficiaries were disenrolled
 - Barriers to compliance included lack of beneficiary awareness, inadequate beneficiary outreach, and administrative challenges
- Proposed Pathway to Prosperity demonstration differs significantly
 - State would use data matching to identify beneficiaries needing support
 - No requirement for regular reporting of engagement in qualifying activities

Georgia

- Implementation of Pathways to Coverage (Pathways) began in July 2023
- Adults age 19–64 years earning up to 100 percent of the federal poverty level (FPL) must complete ≥ 80 hours of qualifying activities each month
 - Only exemptions are for good cause (e.g., serious illness, family emergency)
 - Penalty for non-compliance is coverage suspension or termination
- Pathways enrollment has been lower than expected
 - Older adults (age 50–64) were more likely to found ineligible due to failure to meet work requirements
- Georgia's extension request includes changes to Pathways
 - Caregiving of a child under six years old and compliance with Supplemental Nutrition Assistance Program (SNAP) work requirements would be new qualifying activities
 - Beneficiary reporting of qualifying activities would be annual instead of monthly

New Statutory Community Engagement Requirement

Section 71119 of Public Law 119-21, an Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14 (2025 Budget Reconciliation Act)

Individuals Subject to Requirement

- Non-pregnant, non-dually eligible individuals age 19–64 who would otherwise qualify for coverage under the adult expansion group or a Section 1115 waiver providing minimum essential coverage (MEC)
 - 40 states and the District of Columbia have expanded Medicaid
 - Georgia and Wisconsin have Section 1115 waivers providing MEC
- The law provides various exemptions

Required Activities

- Individuals must engage in the following activities for 80 hours in a given month:
 - Work or work program
 - Educational program
 - Community service
 - Combination of the above activities
- Individuals are also compliant if their monthly income \geq federal minimum wage x 80 hours
 - For seasonal workers, average monthly income is assess for previous 6 months

Mandatory Exemptions

- Current and former foster care youth
- Parents, guardians, caretaker relatives, or family caregivers of dependent child age 13 and under or disabled individual
- Medically frail or otherwise has special needs, including individuals with substance use disorder or disabling mental health condition
- Pregnant or entitled to postpartum Medicaid coverage
- American Indians and Alaska Natives
- Veterans with a total disability
- Incarcerated or released within past 3 months
- Meeting work requirements for SNAP or Temporary Assistance for Needy Families (TANF)
- Participating in a drug addiction or alcohol treatment program

Optional Short-Term Hardship Exceptions

- Receives hospital or nursing facility care, or services of similar acuity
- Lives in a county with a federally declared disaster or emergency
- Lives in a county with high unemployment
- Travels outside their community for an extended period for medical services to treat a serious condition (for themselves or dependent)

Compliance Verification

- Verification checks
 - Upon applying for Medicaid
 - Upon redetermination (every 6 months)
 - More frequently if state chooses
- State-determined look-back period
 - 1–3 consecutive months before application
 - 1 or more months before redetermination or other verification check
- Ex parte verification
 - States must use available information (e.g., payroll and claims data) to verify compliance (including exemptions) without requiring the individual to submit information

Beneficiary Outreach

- States must provide notification at least 3 months before the start of the compliance period and periodically after
- Notices must be delivered by mail or electronic format, plus one or more additional forms (e.g., text message)
- States must include certain information
 - How to comply, including explanation of exemptions
 - Consequences of non-compliance
 - How to report changes that could affect qualification for exemption

Non-Compliance

- If an individual's compliance cannot be verified, the state must send a notice of non-compliance with certain information
 - How to demonstrate compliance
 - How to demonstrate exemption status
 - How to reapply for Medicaid if disenrolled or application is denied
- An individual has 30 days from receipt to demonstrate compliance or exemption
 - Failure to do so results in application denial or disenrollment by end of the month following the 30-day opportunity to cure
- Federal subsidies for purchasing marketplace coverage not available to individuals denied enrollment or disenrolled for non-compliance

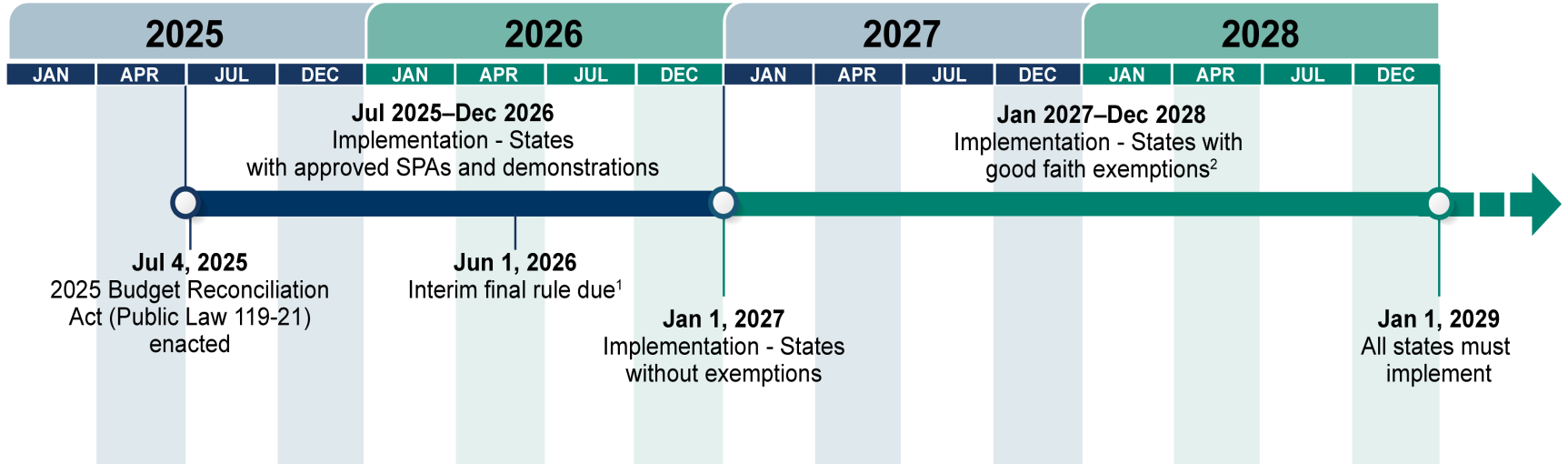
Other

- Prohibiting conflicts of interest
 - States cannot use a managed care organization or other managed care entity to determine beneficiary compliance
 - Applies also to contractors that have a direct or indirect financial relationship with managed care entity
- Prohibiting waiver of the requirements
 - States cannot waive any aspect of the requirements via a Section 1115 demonstration

Implementation Timeline

- States must establish requirements by January 2027
 - Interim final rule due by June 2026
- States have options to implement before or after that date, contingent on CMS approval:
 - States can implement **earlier** via a state plan amendment or Section 1115 demonstration
 - States can implement **later** (through December 2028) if granted a good faith effort exemption
- Good faith effort exemption
 - Law requires Secretary to consider certain factors when reviewing state requests
 - States with exemptions must report quarterly on progress toward compliance

Key Implementation Dates



Notes: The 2025 Budget Reconciliation Act is Public Law 119-21, an Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14. SPAs are state plan amendments. Demonstrations are Section 1115 demonstrations.

¹ The Secretary of the U.S. Department of Health and Human Services is responsible for issuing the interim final rule.

² The statute allows exemptions to last through 2028; however, state exemptions will be granted pursuant to federal guidance and may extend for a period of less than two years.

Implementation Funding

- \$200 million in fiscal year (FY) 2026 for states
 - To establish systems needed to implement community engagement requirements and other provisions of the law affecting Medicaid eligibility determinations
 - \$100 million awarded equally to states, \$100 million distributed by formula
- \$200 million in FY 2026 for CMS

Federal Rulemaking, Guidance, and Technical Assistance

- Interim final rule (IFR) due June 1, 2026
 - Not subject to advance notice and comment
- Possible subregulatory guidance
 - State Medicaid director letters, FAQs, etc.
- Possible technical assistance
 - One-on-one
 - Multi-state forums
 - Other potential tools or technology solutions

Standards and Definitions to be Provided by the Secretary of the U.S. Department of Health and Human Services

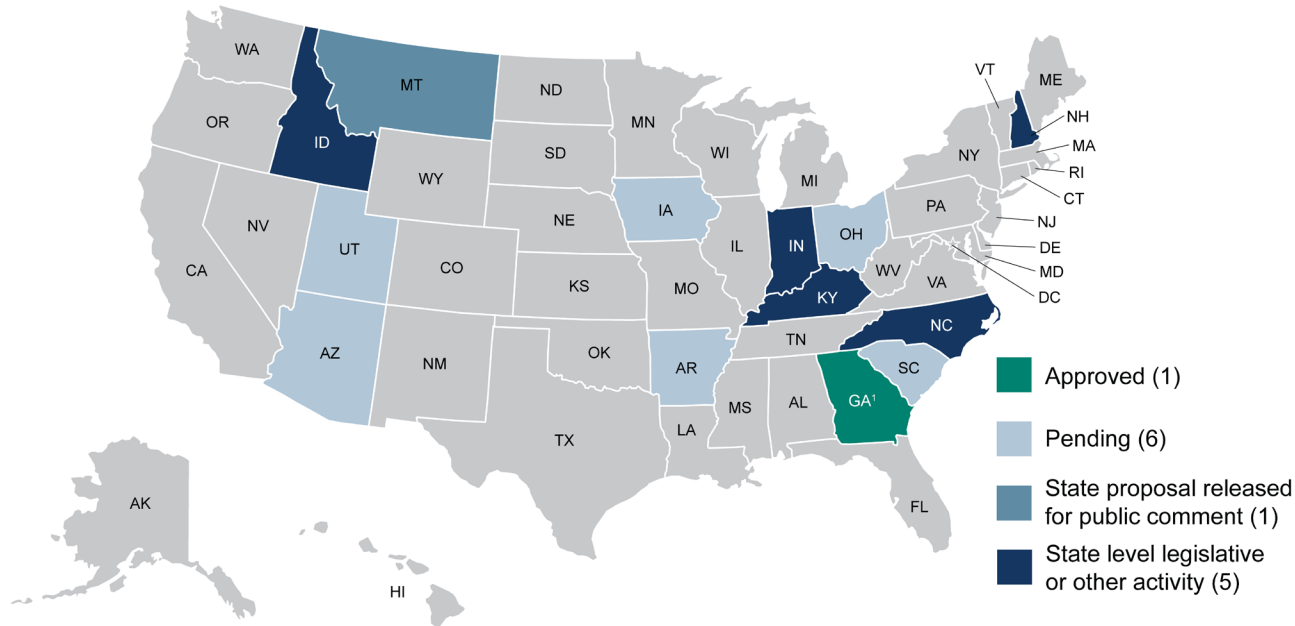
Topic	Description
Mandatory exemptions	<ul style="list-style-type: none"> Standards for determining who is considered a specified excluded individual and therefore exempt Definition of who will be considered medically frail or having special needs
Optional hardship exemptions	<ul style="list-style-type: none"> Standards for procedures that states may use to provide short-term hardship exemptions Potentially additional acute care services, receipt of which would make an individual eligible for a short-term hardship exemption
Beneficiary outreach	<ul style="list-style-type: none"> Standards for notifying individuals subject to the requirements, including forms of communication
Compliance	<ul style="list-style-type: none"> Criteria for meeting the community engagement requirement Procedures that states will use to verify compliance
Data matching	<ul style="list-style-type: none"> Standards and processes for states to use data to verify exemptions and compliance without requiring individuals to submit additional information
Noncompliance notices	<ul style="list-style-type: none"> Standards for notifying individuals whose compliance cannot be verified
Good faith effort exemption	<ul style="list-style-type: none"> Requirements for gaining and maintaining approval of a good faith effort exemption

Source: MACPAC, 2025, analysis of Public Law 119-21, an Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14.



New Section 1115 Work and Community Engagement Demonstrations

States Pursuing Work and Community Engagement Requirements, July 2025



Notes: State level legislative or other activities includes states where work and community engagement legislation has passed out of committee, or there has been other activity such as a letter from the governor to federal officials expressing in adopting work and community engagement requirements.

¹ Georgia seeks to amend and extend its current demonstration, Pathways to Coverage, which expires in September 2025.

Source: KFF 2025.

Next Steps

- Staff welcome Commissioner questions about the information presented
- The expert panel following this session will discuss considerations for implementing community engagement requirements
- In October, staff will discuss considerations that surfaced from the panel and extensive stakeholder interviews

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SEPTEMBER MEETING



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