December 11, 2025

Considerations for Implementing Community Engagement Requirements

Findings from Stakeholder Interviews

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Overview

- New community engagement requirements
- Key implementation considerations
- Next steps

Community Engagement Requirements

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)

Community Engagement Requirements

- The requirements apply to non-pregnant, non-dually eligible individuals age 19–64 who are otherwise eligible for coverage under the adult expansion group or a Section 1115 waiver providing minimum essential coverage, with some exceptions
- Individuals subject to the requirements must work or volunteer for at least 80 hours in a given month, or go to school at least half-time
- States must establish the requirements by January 2027 unless they receive a good faith effort exemption
- The Secretary of the U.S. Department of Health and Human Services must issue an interim final rule (IFR) by June 1, 2026

Mandatory Exceptions

- 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 three months
- Meeting work requirements for Supplemental Nutrition Assistance (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)

Determining Compliance and Exceptions

- Timeline for assessing compliance and exceptions
  - 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 processes
  - When possible, states must use available information (e.g., payroll and claims data) to identify compliance and exceptions

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 Centers for Medicare & Medicaid Services (CMS)

Key Considerations for Implementation

Timeline

- Guidance
  - Stakeholders stressed the need for guidance from CMS before the IFR is due in June 2026
  - Knowing which topics will be addressed in the IFR or other guidance could help states plan and prioritize more effectively
  - CMS acknowledged the amount of work that states must do in a limited timeframe and the need for more immediate guidance
- Good faith effort exemptions
  - States raised questions about the criteria and process for obtaining an exemption
  - Some stakeholders expressed a preference for CMS to be flexible in granting exemptions and noted that states will be starting from different places

State Flexibility

- Many stakeholders expressed interest in CMS giving states maximum flexibility to operationalize community engagement requirements
- They stressed the need for flexibility given the short implementation timeline and variability in state eligibility systems (e.g., whether they are integrated with other human services programs or exchange data with other entities, such as departments of correction)

Beneficiary Outreach

- Reflecting on the public health emergency (PHE) unwinding, stakeholders underscored the importance of states sending notices written in clear and plain language and using multiple means of communication to reach targeted individuals
- Stakeholders also stressed the importance of conducting outreach in coordination with various partners, including managed care organizations, community health centers, pharmacies, faith-based organizations, and others

Mandatory Exceptions

- Stakeholders highlighted data sources for identifying exceptions as well as data limitations (e.g., timeliness) and considerations for accessing data (e.g., cost and need for partnerships with other agencies)
- Data sources include:
  - Medicaid applications (which could be modified to capture relevant information)
  - Enrollment data
  - Claims data
  - Managed care data
- State Medicaid programs are less likely to have data on individuals with no prior enrollment relative to existing beneficiaries
- If required, verification of exception status will necessitate more information and manual processes

Mandatory Exceptions, cont.

- Interviewees cited a need for CMS guidance to clarify the criteria for mandatory exceptions and expectations for verification
- States were particularly focused on medical frailty
  - One state described moving forward with their “best guess” and making changes as needed to align with future CMS guidance
- Other areas of uncertainty include exceptions related to:
  - Caregiving status
  - Participation in substance use disorder treatment
  - Meeting work requirements in SNAP or TANF
  - Use of self-attestation
  - Frequency of exception status reassessment

Short-Term Hardship Exceptions

- States conveyed the importance of being flexible in consideration of hardships (e.g., illness and bereavement) that affect an individual's ability to participate in qualifying activities
- They and other stakeholders raised questions about what circumstances will qualify someone for an exception, and the type of verification that CMS may require
- There is also uncertainty about the lookback period for calculating the unemployment rate to identify areas where individuals may be eligible for exceptions due to market conditions

Definition of Community Engagement

- Stakeholders would like states to have flexibility in defining community engagement criteria
  - For example, allowing states to assess income over a period of time
- Stakeholders requested further guidance on qualifying community engagement activities, including:
  - Definition of a work program and the inclusion of job search activities
  - How to address supported employment
  - Criteria for activities that qualify as community service

Verifying Participation in Qualifying Activities

- States that choose to verify compliance more than once every six months could experience increased disenrollment and administrative burden
- Stakeholders agreed that engagement in traditional employment would be least challenging to verify
- States will need to use several data sources to support compliance verification on an ex parte basis, which may involve:
  - Using existing data sources in new ways
  - Obtaining data from other state agencies
  - User-friendly solutions for beneficiaries to submit documentation when ex parte is not possible

Verifying Employment

Considerations for commonly cited income and wage data sources

Attribute	Quarterly Wage Data	Equifax's The Work Number
Contents	• Individual-level gross income data reported by employers in the state, typically aggregated to the quarter	• Detailed, net income data
Data frequency	• Quarterly (lagged by up to 3 months)	• Real-time data (though this can vary based on various factors)
Advantages	• Free data source • Could provide data for a sizeable share of individuals	• Timely data • Detailed income information (including deductions)
Limitations	• Timeliness • Data lack details • Share of individuals included in data can vary • Does not include non-traditional employment	• Costly • Timeliness of data can vary • Share of individuals included in data can vary • Does not include non-traditional employment

Source: MACPAC, 2025, analysis of state and stakeholder interviews conducted between June and August 2025.

Verifying Employment, cont.

- Stakeholders consistently raised concerns about the cost of The Work Number
  - Some stakeholders suggested CMS allow states to use The Work Number without charge, even on a short-term basis
- Verifying compliance among individuals engaged in non-traditional employment will be difficult
  - CMS's pilot income verification as a service (IVaaS) application could help states address this challenge
  - The application is still being piloted and there is little publicly available information

Verifying Education and Community Service

- School enrollment data could be used for verifying engagement in education-related activities
  - States noted working with their state education departments to determine what data can be shared
- Verifying community service will be challenging
  - Some ideas for verification include adopting processes used for court-mandated community service, or allowing beneficiaries to submit documentation

Additional Considerations for Compliance and Exceptions

- Stakeholders emphasized the need to allow self-attestation when data are not immediately available to verify their circumstances
- States would benefit from guidance on viable data sources and expectations for data recency for ex parte verification
- Clarification is needed on how states should operationalize the provision allowing beneficiaries an opportunity to cure

Medicaid IT Systems

- Medicaid IT system changes will likely be costly and time-intensive
- The number and scope of system changes will depend on the state's existing Medicaid IT infrastructure
  - States will need to assess data they have, data they need, and the functionality required
- States' abilities to maximize automation is affected by the short implementation timeline and limited funding
  - States should prioritize low-cost data sources that cover a large share of beneficiaries
  - Automation could require higher upfront investments compared to manual processes

Medicaid IT Systems, cont.

- The short implementation timeline limits states' abilities to competitively procure systems vendors
- Stakeholders suggested that CMS support states in the procurement process, including:
  - Leveraging the advanced planning document (APD) process to establish expected costs
  - Streamlining the APD process to expedite processing and alleviate time and resource constraints

Beneficiary Supports

- Stakeholders would like states to assist beneficiaries in meeting community engagement requirements
  - Support could include enrollment assisters, enhanced call center capacity, and accessible application locations
- Stakeholders expressed concern that states are not required to address barriers to compliance (e.g., lack of transportation)
  - CMS could establish expectations in this area as they did under Section 1115 demonstrations
- States would like clarity about whether federal matching funds will be available for beneficiary supports

Monitoring

- CMS shared that they intend to monitor and are using lessons from PHE unwinding to inform their process
- Stakeholders agreed that CMS should monitor implementation of community engagement requirements
  - Monitoring helps identify trends that may indicate the need for adjustments
  - Timely, high-quality data, and meaningful metrics are important for effective monitoring
- State reporting during PHE unwinding is a useful model for developing monitoring metrics
  - Some states made additional data publicly available and used those data to identify issues and inform adjustments

Proposed Monitoring Metrics

- Stakeholders suggested new and existing metrics that could help monitor implementation and track beneficiary outcomes after implementation
  - Existing metrics include metrics related to call centers, applications, renewals, and Medicaid enrollment
  - Outcome metrics include measuring effects on new enrollment, health outcomes, cost of care, and employment rate
  - New metrics would focus on the population subject to community engagement requirements

Proposed Monitoring Metrics, cont.

- Beneficiaries subject to community engagement requirements
  - Those who qualify for an exception, overall and identified on an ex parte basis
- Beneficiaries subject to community engagement requirements who lose coverage due to noncompliance
  - Noncompliance due to not meeting community engagement requirements
  - Noncompliance due to not submitting evidence of compliance
- Beneficiaries subject to community engagement requirements satisfying requirements, total and by each type of qualifying activity
  - Beneficiaries satisfying requirements, overall and by type of qualifying activity, stratified by verification method

Technical Assistance

- States would benefit from multistate, online forums that enable cross-state learning on topics such as beneficiary outreach
- Stakeholders cited some CMS approaches during PHE unwinding as helpful models

Next steps

Next Steps

- The expert panel following this session will further discuss considerations for community engagement implementation
- In January, staff will provide more information about opportunities for monitoring
- Staff welcome your feedback on the considerations presented and the direction of the Commission's work on monitoring
  - Would you like us to emphasize or elaborate on any of the considerations raised by stakeholders when drafting the chapter?
  - Do Commissioners share the view of stakeholders we interviewed that CMS should be monitoring enrollment changes that result from community engagement implementation?
    - Are there monitoring principles that the Commission thinks are important to consider (e.g., frequency, transparency, actionable metrics)?

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DECEMBER MEETING

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