September 24, 2026

Community Engagement Requirements in Medicaid

Overview of Interim Final Rule

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Medicaid and CHIP Payment and Access Commission

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Overview

- Summary of key interim final rule with comment (IFC) provisions
- Updates since the release of the IFC
  - Additional CMS resources
  - Ongoing litigation
- MACPAC's monitoring framework
- Next steps

Key IFC Provisions

Applicable Individuals and Demonstrating Compliance

- Community engagement (CE) requirements apply to individuals eligible for or enrolled in the new adult group, and to non-pregnant, non-dually eligible individuals age 19–64 eligible for or enrolled in a Section 1115 demonstration providing minimum essential coverage
- Applicable individuals must demonstrate monthly income of at least $580, or participate in a minimum of 80 hours of the following activities:
  - Work or work program
  - Educational program (at least half-time enrollment)
  - Community service
  - Combination of the above activities

Mandatory Exceptions

- States must deem compliant individuals who, for all or part of a month, are:
  - Younger than age 19;
  - Entitled to or enrolled in Medicare;
  - Enrolled in a mandatory categorically needy eligibility group;
  - Incarcerated at any point in the three months before the application month; or
  - A specified excluded individual

Specified Excluded Individuals

- Specified excluded individuals are not applicable individuals and not subject to CE requirements. These individuals are:
  - Former foster care children;
  - American Indian or Alaska Native;
  - Medically frail or otherwise have special needs;
  - Pregnant or entitled to postpartum Medicaid coverage;
  - Parents, guardians, caretaker relatives, or family caregivers of a dependent child age 13 years and younger or a disabled individual;
  - Veterans with a total disability rating;
  - Incarcerated;
  - Meeting the Temporary Assistance for Needy Families (TANF) work requirements or receiving Supplemental Nutrition Assistance Program (SNAP) benefits and subject to SNAP work requirements; or
  - Participating in a drug addiction or alcoholic treatment program

Specified Excluded Individuals, cont.

- Medical frailty is defined as individuals with a physical, mental, or behavioral health condition
  - The IFC expands on the statutory definition by requiring the individual's condition to significantly impair their ability to comply with CE
- Individuals need to meet one or more of the conditions included in the medical frailty definition:
  - Blindness or disability (as defined at Section 1614 of the Act);
  - Substance use disorder (SUD) and not in stable recovery;
  - Disabling mental disorder;
  - Physical, intellectual, or developmental disability that significantly impairs their ability to perform one or more activities of daily living (ADLs); or
  - Serious or complex medical condition

Specified Excluded Individuals, cont.

- States can develop lists of diseases, diagnoses, disorders, or other health conditions for identifying medical frailty
  - States must share these auditable lists with the Centers for Medicare & Medicaid Services (CMS) for oversight and monitoring
  - Presence of a condition alone does not satisfy the medical frailty definition, and states should use other information (e.g., utilization or acuity) to assess individuals' impairment with CE compliance
- Following the IFC, CMS published a slide deck on identifying medical frailty using a tiered approach
  - Tier 1 conditions are diagnoses that alone suffice to determine CE compliance and impairment
  - Tier 2 conditions are diagnoses that may indicate medical frailty, but additional information is needed to determine impairment
  - Tier 3 are cases with insufficient information and manual review may be required

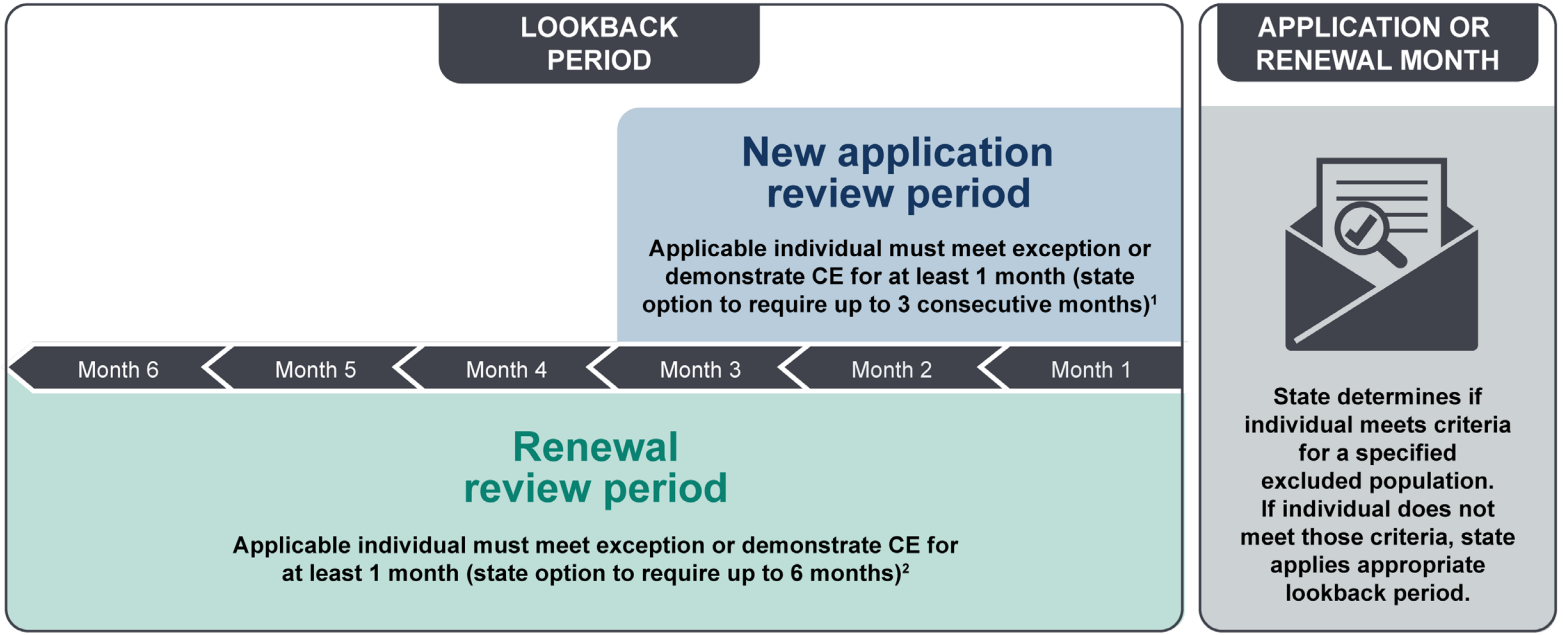
Optional Short-Term Hardship Exceptions

- States electing to provide short-term hardship exceptions must deem individuals compliant who for the month in question:
  - Received hospital or nursing facility care, or services of similar acuity;
  - Lived in a county with a federally declared disaster or emergency;
  - Lived in a county with high unemployment; or
  - Traveled outside their community for an extended period for medical services to treat a serious condition (for themselves or a dependent)
- States electing this option must provide all short-term hardship exceptions

Exclusion vs. Exception

- Specified excluded individuals are not considered applicable individuals and therefore not subject to CE
  - State may not apply a lookback period to assess CE compliance
- Those who meet criteria for mandatory or optional short-term hardship exceptions are applicable individuals and are deemed compliant for the month(s) in which they meet exception criteria
  - State assesses CE compliance during appropriate lookback period
  - Individuals are also deemed compliant if they meet criteria for an exclusion during the lookback period

CE Compliance Review Period



Notes: Applicable individuals meeting criteria for an exception are deemed compliant with CE for the month(s) during the review period in which they meet criteria.
[1] Individuals subject to CE must demonstrate compliance for at least one month immediately preceding their application month, and states may require up to two additional consecutive months.

[2] Beneficiaries subject to CE who are renewing their Medicaid coverage must demonstrate compliance for at least one month immediately preceding their redetermination month, and states may require up to five additional months of compliance. States requiring more than one month of compliance must verify compliance or exception status for the total number of months specified by the state (i.e., states cannot pick and choose which months to determine compliance for).

Source: MACPAC analysis of 42 CFR 435.550 – 435.563, 2026

Verification of Compliance, Exceptions, and Exclusions

- Ex parte verification
  - State must first attempt to confirm whether the individual is a specified excluded individual using reliable information
  - If unable to determine exclusion status, then state verifies CE compliance
- Reliable sources of information include but are not limited to:
  - Federal Data Services Hub
  - Information from SNAP and TANF
  - Incarceration data
  - Education data
  - Payroll information
  - Adjudicated claims and encounter data

Verification of Compliance, Exceptions, and Exclusions, cont.

- Ex parte verification of medical frailty must be attempted first using reliable information (e.g., claims and encounters) from prior 12 months
  - States may accept provider documentation and must provide CMS with list of practitioners
  - Medical frailty status must be reverified every 12 months
- States must allow individuals to provide documentation verifying their status if reliable information is not available
  - Before January 1, 2028, states may first require documentation or accept self-attestation
  - Starting January 1, 2028, states must require documentation first and for medical frailty, states may accept self-attestation only one time and require documentation thereafter

Noncompliance Procedures

- States must send beneficiaries a noncompliance notice when CE compliance cannot be verified
  - Beneficiaries will have 30 days from receipt (5 days after send date) to respond
  - States can either send a request for information (RFI) concurrently with noncompliance notice or send the RFI first and only send the notice if the beneficiary does not respond or sends insufficient information
- If a beneficiary does not demonstrate CE compliance within the 30-day response period, existing re-enrollment and reconsideration period regulations apply
  - For the month of application or renewal, the individual is not eligible for premium tax credits

Beneficiary Outreach

- States must send periodic outreach through at least two modalities to inform beneficiaries of CE requirements
  - States may use managed care plans to assist with some outreach activities
- Initial outreach must be sent at least three months before the start of the state's compliance review period
  - For states implementing on January 1, 2027, initial outreach must be sent by September 30, 2026
- Periodic outreach must be sent regarding circumstances that may affect eligibility (e.g., eligibility determinations, renewals, short-term hardship exceptions)

Monitoring

- States are required to report CE-related data to CMS, which build on existing data collection efforts:
  - Enrollment totals
  - Application and renewal processing and timeliness
  - Outcomes of eligibility determinations and redeterminations
  - Population counts of individuals subject to and their compliance with CE requirements
- CMS added 11 new CE-specific reporting metrics to the Performance Indicator (6) and the Medicaid and CHIP Eligibility Processing (5) data

Required Reporting Metrics

Data source	New metrics
Performance indicator data	Number of individuals determined eligible at application who are: • Determined to be a specified excluded individual • Applicable individuals and either demonstrated CE or were deemed compliant by meeting a mandatory exception • Applicable individuals and were deemed compliant by meeting a short-term hardship exception Number of individuals determined ineligible at application due to: • Not meeting CE requirements • Procedural reasons • All other reasons
Eligibility processing data	Of beneficiaries due for renewal and retained coverage: • Number who are determined to be a specified excluded individual • Number who are applicable individuals and either demonstrated community engagement or were deemed to have demonstrated CE by meeting a mandatory exception • Number who are applicable individuals and were deemed to have demonstrated CE by meeting a short-term hardship exception Of beneficiaries due for renewal and determined ineligible: • Number determined ineligible due to not meeting CE after notice of noncompliance Of beneficiaries due for renewal and terminated due to procedural reasons: • Number determined ineligible due to not meeting CE after notice of noncompliance

Sources: MACPAC, 2026, analysis of Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. § 3501) package CMS-10398 #35 and CMS-10434 #66

Implementation Timeline

- States must implement CE requirements by January 1, 2027
  - Four states (Nebraska, Montana, Iowa, and Arkansas) are implementing CE requirements earlier
  - Arkansas "soft-launched" CE requirements on July 1, but will not disenroll individuals for noncompliance until January 1, 2027
- Applicable individuals who apply on or after the implementation date must demonstrate compliance or be deemed compliant
- States must verify enrolled beneficiaries' CE compliance upon their first renewal on or after implementation
- States can request a time-limited good faith effort exemption to delay implementation
  - IFC estimates 10 states will submit a request, but approvals will be limited

Updates Since Release of IFC

Additional CMS Resources

- CMS published additional resources for states
  - Outreach materials and templates to support development outreach notices
  - Slide deck on implementing medical frailty under CE
- Based on the IFC, states are anticipating guidance or additional resources on:
  - Coordination with exchanges
  - Submitting a request for a good faith effort exemption
  - 42 CFR Part 2 SUD patient records confidentiality and the interaction with the CE exclusion for SUD

Ongoing Litigation

- *Commonwealth of Massachusetts v. Oz et al*
  - June 29, 2026: Twenty-five states and the District of Columbia filed a lawsuit challenging aspects of the IFC's interpretation of CE requirements, including medical frailty
  - July 29, 2026: Plaintiff states' motion for a preliminary injunction was denied
    - The court's decision sets an expedited schedule for a full briefing of merits before the implementation deadline
    - The hearing on the motion for summary judgment is set for October 20, 2026
- *Taylor et al. v. Kennedy, Jr. et al*
  - September 18, 2026: Five Medicaid beneficiaries, six provider organizations and the City of Columbus filed a lawsuit challenging specific provisions, including the medical frailty exclusion definition and limitation on self-attestation

MACPAC's Monitoring Framework

2026-2027 analytic cycle

MACPAC's Monitoring Framework

- Staff will monitor four key areas related to state implementation and ongoing operationalization of CE requirements:
  - State readiness
  - Medical frailty
  - Beneficiary outreach
  - Federal and state reporting
- Staff will use publicly available information from reliable sources and regularly engage with stakeholders

Next steps

- Commissioners will have the opportunity to engage with the expert panel on the IFC provisions
- In October, staff will return with updates from our monitoring efforts, and a panel discussion on CE implementation

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Panel on Community Engagement Requirements in Medicaid

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Panelists

- **Jack Rollins**
  - Director of federal policy, National Association of Medicaid Directors (NAMD)
- **Lora Saunders, MPH**
  - Associate principal, Health Management Associates (HMA)

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