



# Legislative UPDATE

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## Medicaid Work Requirements Under Section 71119 of the One Big Beautiful Bill Act

Section 71119 of the One Big Beautiful Bill Act (H.R.1) *requires* states to impose community engagement requirements, more commonly referred to as “work requirements.”

### Who It Impacts

The work requirements apply to adults covered under Medicaid expansion aged 19–64 (under age 65,  $\leq$  138% FPL) who are not otherwise exempt. We expect that the impact of the requirements will be felt by providers and other Medicaid stakeholders who work with this population.

### Background

Under the first Trump administration, Medicaid work requirements were pursued aggressively by HHS, using, 1115 demonstration waivers to allow states to condition Medicaid coverage on work or “community engagement.” These applied mostly to adults covered by Medicaid expansion under the Affordable Care Act, which is typically nondisabled, low-income adults without dependents. Over a dozen states received approval to implement work requirements (including Arkansas, Kentucky, Indiana). However, a federal judge struck down the policy – with the argument being that it violated Medicaid’s core purpose—to provide healthcare—not to promote employment. Georgia’s work requirements survived for other reasons that I won’t go into here.

The Biden Administration revoked all work requirement waivers, arguing they caused coverage losses and lacked evidence of improved employment outcomes. However, the current Administration has opened the door again for states to move ahead with those old waivers to implement the work requirements they had approved during the first Trump Administration. Arizona, Arkansas, Iowa, and Ohio have already submitted 1115 waivers to add work requirements to their plans. Kentucky recently submitted an 1115 to provide information about available job placement assistance programs to members of the Medicaid expansion population.

### OBBBA Section 71119

Section 71119 removes state discretion. It mandates that, starting no later than January 1, 2027, states must require certain Medicaid expansion adults to complete at least 80 hours per month of qualifying activities—such as work, education, community service, or workforce training—to maintain coverage. This will have major implications for enrollment, systems design, managed care, and provider networks.

Implementation must begin *no later than the first day of the first quarter after December 31, 2026* (i.e., January 1 – March 31, 2027), though states may opt in earlier via an 1115 waiver. HHS must publish an interim final rule by June 1, 2026.

The Secretary can grant a state an exemption from certain requirements if the state shows it is making a good-faith effort to comply. When deciding if the state is acting in good faith, the Secretary must look at:

- Steps the state has already taken to comply
- Any significant obstacles in meeting the requirements
- The state's detailed plan and timeline, including milestones
- Any other factors the Secretary deems relevant

Limits on the exemption:

- It ends no later than December 31, 2028, and cannot be renewed past that date
- The Secretary can cut the exemption short if the state fails to submit required reports or stops showing good-faith progress towards compliance

### ***What counts as "community engagement"?***

Recipients must complete at least 80 combined hours per month of any of the following

- Paid employment
- Workforce training
- Community service
- Half-time education
- Earning the equivalent of 80 hours of minimum wage income OR
- A combination of the above activities to total no less than 80 hours

### ***Exemptions for beneficiaries include:***

- Under 19 or over 64
- Tribal members
- Medically frail individuals or otherwise has special needs as defined by the Secretary (*there's a short list*)
- Students & former foster youth (< 26)
- Individuals caring for a child aged ≤ 13 or a disabled person
- Veterans with disabilities
- Individuals released from incarceration in the past 90 days
- Participants already meeting SNAP/TANF work requirement

### ***Beneficiary Short-Term Hardship Exemption***

States may (but are not required to) exempt Medicaid enrollees from meeting community engagement requirements for a given month if the enrollee experiences a short-term hardship. A Medicaid enrollee can be exempt for the month if, during part, or all, of that month, they:

1. Receive high-acuity medical care such as inpatient hospital care, nursing facility services, psychiatric hospitalization, or similar services (including related outpatient care).
2. Live in:
  - A county under a federal emergency or disaster declaration, or
  - A county with high unemployment ( $\geq 8\%$  or  $1.5x$  the national average), if the state requests approval from HHS.
3. Must travel for complex medical care – The individual or their dependent must leave their home community to get care for a serious or complex medical condition not available locally.

An individual is automatically exempted if they live in a disaster or high unemployment area but must request an exemption for hospitalization or medical travel.

## **State Requirements**

The bill allocates \$200 million in FY 2026 for CMS to support implementation. How that support will be structured remains unclear. However, the bill provides strict structure for how states must implement the requirements...

- Initial Verification: States must verify that new Medicaid applicants have met the community engagement requirement for at least 1 month. States may ask for up to 3 consecutive months immediately prior to application.
- Ongoing Verification: States must verify that current enrollees meet the requirement for at least one month during each 6-month eligibility period, with optional more frequent verifications.
- Ex Parte Determination: States are required to attempt to verify both compliance and exemption status through existing data before requesting new documentation.
- Member Notifications: States must conduct advance outreach through mail and at least one additional communication method (e.g., phone, email) if an individual fails to meet the requirement and provide a 30-day notice for the person to become compliant, during which coverage must continue.
- Standard Disenrollment Rules Apply: If the person remains noncompliant, they will lose coverage and, if coverage is terminated, states must follow traditional Medicaid requirements. This includes notice, appeals rights, and assessing eligibility through other pathways. While there is no formal lockout period, re-enrollment is only possible after meeting the requirement or receiving an exemption.

## What it Means for You

For beneficiaries, we expect this will cause coverage losses. When [Arkansas](#) implemented its waiver before the courts intervened, more than 18,000 people lost coverage in less than a year. The CBO estimates 11.8 million people will become uninsured from OBBBA, many of which will lose coverage from the Medicaid work requirements.

And this is going to be a heavy lift for states. They'll need to build or upgrade IT systems, establish data-sharing agreements, train eligibility staff, and stand up entirely new processes to track compliance and exemptions. That's on top of the existing workload from redeterminations. For states with limited capacity, this could become a major administrative burden.

The Congressional Budget Office (CBO) predicts an uptick in uncompensated care. The impact will be especially acute in rural and underserved areas.

## What's Next?

As noted above, CMS is required to issue rulemaking on implementation by June 1, 2026. So, it might be some time before we get all the outstanding questions with respect to implementation addressed.

## Resources

See links above

