

June 4, 2026 National Health Law Program (NHeLP) Webinar

"Inside the Medicaid Work Requirement Interim Final Rule: Exemptions Support"

Following the Centers for Medicare & Medicaid Services' (CMS) release of the [Interim Final Rule](#) (IFR) on June 1, 2026 establishing a work requirement for Medicaid coverage, NHeLP launched a series to equip individuals with strategies to navigate work requirements and medical disability exemptions in the least harmful way possible. Below is a summary of the first webinar on exemptions.

I. What is the new work requirement?

- Applicable to adults enrolled in Medicaid expansion and certain individuals
- At least 80 hours of qualifying activities per month or satisfactory income
- Must show compliance with prior month at application, with state option lookback up to 3 prior months with various exemptions
- Implementation deadline no later than 1/1/27; Secretary may grant "good faith" waiver to delay through 12/31/28

CBO has projected a 5.3 million increase in uninsured population and a Medicaid funding cut of \$235 billion (federal only). Projected reduction in Medicaid expansion enrollment is 30%

This is the harshest work requirement ever seen with the largest age range (19-64), must comply prior to enrollment, and not eligible for Marketplace tax credits.

II. What is in this IFR?

CMS' interpretation of OBBA's work requirements. **Comments are due 7/31/28** and the IFR covers:

- Who is subject to work requirements
- Scope of exemptions and exclusions
- Compliance and documentation requirements for applicants and enrollees
- Due process and notice requirements

III. How IFR handles exceptions and exclusions?

- Distinction between exclusions and exceptions;
 - **An exclusion:** said individual is not subject to work requirements. CMS requires states to identify these individuals first
 - "Specified Excluded Individuals" include:

- Former foster care children; American Indian or eligible for Indian Health Services; inmate in public institution; veteran with total disability rating; in compliance with TANF requirements; in a household that receives SNAP and is not exempt from work requirement; pregnant or entitled to postpartum services; participating in drug addiction or alcoholic treatment program; parent or caregiver of dependent children under 14 or a disabled individual; medically frail or special medical needs
 - **An exception:** An “applicable individual” who is subject to work requirements but qualify for the following exceptions:
 - For all or part of a month: was a specified excluded individual; was under 19, was entitled to or enrolled in Medicare; was enrolled in a different mandatory Medicaid category; was an inmate of a public institution during the 3 months prior to the day the month began
 - Optional temporary exception: Unemployment/disaster at a county-level and optional temporary hardship (receiving inpatient institutional service or individual had to travel outside community for
- Criteria, duration, and documentation requirements for exceptions and exclusions
 - **They are very concerned** about the requirement that individuals must demonstrate that they belong to one of five subcategories AND that their condition significantly impairs their ability to comply with the work requirement
- Generally, more documentation required from enrollees than under current regulations

IV. Further Detail on Exclusions and “Specified Excluded Individuals”

- **Former Foster Care Children (FFCC):**
 - Exclusion includes FFCCs who: aged out of foster care in any state; were enrolled in Medicaid while in foster care in any state; are not enrolled in another mandatory eligibility group, even if eligible; and are under age 26
 - States should already have the ability to determine FFCC status and FFCC status doesn’t need to be reverified until the enrollee turns 26

- Eligibility renewal process follows normal schedule
- **American Indian or eligible for Indian Health Services:**
 - Exclusion includes language in 42 C.F.R. § 447.51
 - Verification: permanent exclusion and no need to reconfirm
- **Compliant with TANF work requirements or subject to SNAP work requirements:**
 - Includes people who are subject to and complying with TANF work requirements
 - IFR doesn't promulgate a uniform definition of compliance – depends on compliance with state requirements
 - People who live in a SNAP household and are not exempt from SNAP work requirements
 - Exclusion only requires that the person is living in a SNAP household and not exempt from SNAP work requirements – not that they are actually complying with SNAP work requirements
 - Verification – states must obtain information from state TANF and SNAP agencies
- **Pregnant or entitled to postpartum coverage:**
 - Exclusion includes pregnant people and people entitled to postpartum medical assistance (48 states + DC have extended to 12 months after end of pregnancy)
 - Verification:
 - States must accept information on application/renewal form
 - States may use available data sources (claims, encounter data) to identify pregnancy or post-pregnancy in addition to information collected at application/renewal
- **Participating in drug addiction or alcoholic treatment program:**
 - NA or AA do not count as a treatment program in most states
- **Parent or caregiver of dependent child under 14 or a disabled individual:**
 - **Parent:** Individual with legal status of a mother or father under applicable state law

- **Guardian:** CMS excludes people making personal decisions on behalf of the individual. To be a specified, person has to be one of the following three:
 - Primarily reside with dependent child under 13, or a disabled person who regular basis and isn't solely incidental
- **Caretaker relative:** a parent or other relative living with a dependent child, who assumes primary responsibility for the dependent child's care
- **Familial relationship:** Are a relative of a dependent child or disabled person and provides regular care
 - Regular care is defined as if they provide 80 hours of assistance per month on a regular basis and is not solely incidental in nature
 - Can apply to multiple people in a single residence
- **Dependent child:** A child 13 years old or younger who relies on another individual for care
- **Disabled individual:** individual meeting the ADA definition of "disabled" at 28 C.F.R. § 35.108
- To verify: age of person receiving care or disability status of person receiving care; relationship to person receiving care:
 - Guardian: requires proof of a court order
 - Parent or caretaker relative: existing household composition information should be sufficient
 - Family caregiver: use household composition data to confirm familial relationship or co-residence; if not related or cohabiting, verify number of hours of assistance provided
- **Medical frailty and special medical needs:** must meet at least one of the following (states cannot add additional categories), and must separately show the condition significantly impairs one's ability to meet the work requirement:
 - **Blind or disabled:** same definitions in section 1614 of the Social Security Act
 - Disabled – Social Security criteria includes requirement that the individual cannot participate in "substantial gainful employment"

- No additional definitions for “**disabling mental disorder**”: directs states to consider whether the disorder significantly impairs their ability to comply with community engagement requirement
- No additional definition for disabilities: same as the above
- Has **substance use disorder** (SUD): including those in recovery from SUD, exception for people with 5 years of stable recovery
- **Serious or Complex Medical Condition:**
 - Definition: “A medical condition that is life threatening, seriously disabling without necessarily being life threatening, causing significant pain or discomfort that can cause serious interruptions to life activities, requiring a major time or effort commitment from caregivers for a substantial period of time, requiring frequent monitoring, associated with severe or negative consequences for someone else, affecting multiple organ systems, requiring management to tight physiological parameters, requiring coordination of multiple specialties, requiring treatment that carries risk of serious complications, or requiring adjustment in non-medical environments” from the 1999 Institute of Medicine Report.
 - CMS interprets that this includes a serious condition, complex condition, or a condition that is serious and complex. Conditions and diagnoses alone cannot establish an exclusion. States must factor in other data when making the determination. Asthma, type I or II diabetes, and ADHD are explicitly stated as not one of these. Every 12 months the condition must be reverified
- Verifying “Specified Excluded Individual” Status: General principles
 - Ex parte requirements apply: States must use reliable information available to verify
 - Review your state’s MAGI Verification Plan to see what sources are already in use
 - New sources will come into play
 - Verification shift → 2027 vs. 2028
 - Through 2027: States may require documentation “or accept other information” for verification if no reliable information available

- Beginning 1/1/28: Documentation will generally be required if no reliable information available
- Ex Parte Verification and Code Lists
 - Preamble includes a list of discouraged conditions (e.g., Type I and II diabetes)
 - States may only use claims data adjudicated within the 12 months prior to renewal
 - CMS says severity of condition is necessary component of this evaluation, but that it is “incredibly difficult” to set a standard for severity, and it leaves that decision to states
 - CMS can request states to submit code lists and methodologies to determine severity of conditions, as well as a list of which providers may make determinations for medical exclusions