

# Interim Final Rule: Medicaid Community Engagement Requirements

*June 2, 2026*



**NASHIA**

# Background: H.R. 1 Requirements

- **Application:** Applies to adults 19 - 64 eligible for/enrolled in Medicaid expansion group
- **Exclusions:**
  - Mandatory exclusions for children, adults 65+, individuals considered “medically frail,” and parents/caregivers of children 13 and under or dependents with a disability, among others
  - Optional short-term hardship waivers.
- **Compliance standard:** An individual meets the requirement by engaging in any combination of the following activities for at least 80 hours per month:
  - Working;
  - Completing community service;
  - Participating in a work program; or
  - Participating in an educational program at least half-time.

# Overview: Interim Final Rule

- On June 1, CMS published an interim final rule with public comment (IFC) related to implementation of Medicaid community engagement requirements established in H.R. 1, the One Big Beautiful Bill Act (OBBBA).
- The rule is effective **July 31, 2026**; public comments are also due by this date.
- Related links:
  - [Interim Final Rule](#)
  - [CMS Fact Sheet | CMS Press Release](#)

# What is an interim final rule?

- An interim final rule is a rule issued by a federal agency that typically becomes effective upon publication without first seeking public comment on the rule's substance.
- Interim final rules can help expedite the regulatory process so that new requirements can be put quickly in place.

# Key Provisions

# Definitions (§ 435.554(a))

Term	Definition
<b>Caretaker relative</b>	<p>Caretaker relative means a relative of a dependent child or a disabled individual, as those terms are defined in this section, by blood, adoption, or marriage with whom the child or disabled individual is living, who assumes primary responsibility for the dependent child's or disabled individual's care, and who is one of the following –</p> <ul style="list-style-type: none"><li data-bbox="537 729 2390 865">(i) The dependent child's or disabled individual's father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, aunt, first cousin, nephew, or niece.</li><li data-bbox="537 882 2303 972">(ii) The disabled individual's husband, wife, son, daughter, stepson, stepdaughter, grandson, or granddaughter.</li><li data-bbox="537 989 2354 1025">(iii) The spouse of such parent or relative, even after the marriage is terminated by death or divorce.</li><li data-bbox="537 1042 2390 1325">(iv) At State option, another relative of the dependent child or disabled individual based on blood (including those of half-blood), adoption, or marriage; the domestic partner of the parent or other caretaker relative; or an adult with whom the dependent child or disabled individual is living and who assumes the primary responsibility for the dependent child or disabled individual's care. To the extent a State has elected to include any of these relationships for the purpose of eligibility for the group at § 435.110, the same elections shall apply for this definition for such State.</li></ul>

# Definitions (§ 435.554(a))

Term	Definition
<b>Family caregiver</b>	Family caregiver means an adult family member or other individual who has a significant relationship with, and who provides care within a broad range of assistance to, a dependent child or a disabled individual as both terms are defined in this section.
<b>Disabled individual</b>	Disabled individual means an individual who meets the Americans with Disabilities Act definition of disability at 28 CFR 35.108. An individual need not be eligible for Medicaid or other Federal programs on the basis of a disability to be a disabled individual under this definition.
<b>Dependent child</b>	Dependent child means a child 13 years of age or under who relies on another individual for care.
<b>Guardian</b>	Guardian means an adult appointed by a court to care for and make personal decisions for a dependent child or disabled individual, as defined in this section, who cannot care for themselves, in accordance with applicable State law.
<b>Parent</b>	Parent means an individual with the legal status of a mother or father, including by adoption, in accordance with applicable State law, who provides some level of care to a dependent child or disabled individual, as defined in this section.

# Excluded Family Caregivers (§435.554(c)(3))

**(i) An individual who is a family caregiver as defined in this section is a specified excluded individual if he or she meets one of the following criteria:**

(A) The individual primarily resides with a dependent child or disabled individual, as these terms are defined in this section, for whom he or she provides assistance that occurs on a regular basis and is not solely incidental in nature.

(B) The individual is a relative (as specified in the “caretaker relative” definition in this section, without regard to the requirements to live with and to assume primary responsibility) of a dependent child or disabled individual, as these terms are defined in this section, for whom he or she provides assistance that occurs on a regular basis and is not solely incidental in nature, and with whom he or she does not reside.

(C) The individual does not reside with and is not a relative (as specified in the “caretaker relative” definition in this section, without regard to the requirements to live with and to assume primary responsibility) of a dependent child or disabled individual, as these terms are defined in this section, for whom he or she provides not less than 80 hours of assistance that is not solely incidental in nature per month.

# Medically Frail Exemption (§435.554(c)(5))

- (i) An individual who is medically frail or otherwise has special medical needs is defined as an individual whose physical, mental, or other behavioral health condition **significantly impairs** the individual's ability to comply with the community engagement requirement in this subpart **and** is an individual:
- (A) Who is blind or disabled (as defined in section 1614 of the Social Security Act);
  - (B) With a substance use disorder, excluding an individual in stable recovery (which means, an individual who is in recovery for 5 or more years);
  - (C) With a disabling mental disorder;
  - (D) With a physical, intellectual, or developmental disability that significantly impairs their ability to perform one or more activities of daily living; or
  - (E) With a serious or complex medical condition which is 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 consequences 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 a risk of serious complications, or requiring adjustment in non-medical environments.

# Medically Frail Exemption (cont.)

(ii) The state must develop a list of diseases, diagnoses, disorders, or other health conditions to identify individuals who meet the criteria.

(A) The list must be auditable, justifiable, and consistent with the definitions established in paragraphs (a)(5)(i)(A) through (E) of this section.

(B) The State must revise this list on a regular basis to add or remove diseases, diagnoses, disorders, or health conditions based on the State's experience applying this exclusion.

(C) If an individual does not have a disease, diagnosis, disorder, or health condition on this list, the State must have reasonable processes and criteria in place for such individual to request consideration for the exclusion for individuals who are medically frail or otherwise have special medical needs.

# Medically Frail Exemption: Additional Info

- Regarding conditions that significantly impair a person’s ability to meet community engagement requirements, CMS states in the rule preamble:
  - States may consider certain conditions as serious or complex, when such conditions significantly impair a person’s ability to meet the community engagement requirements.
  - CMS considers conditions that significantly impair a person’s ability to meet community engagement to be conditions that impair their ability to perform one or more activities of daily living (ADLs). CMS does not include performance of instrumental activities of daily living (IADLs).
  - CMS does not include an exhaustive list of conditions that would meet this definition, other than those highlighted in H.R. 1 (i.e., those "with a physical, intellectual, or developmental disability that significantly impairs their ability to perform one or more activities of daily living"). However, CMS does include a list of conditions that states could reasonably consider, found on pp. 33373 – 33376 of the [rule](#).

# Medically Frail Exemption: Verification

- States must first rely on ex parte verification (i.e., using information and data available to the state before requesting information from Medicaid recipients).
  - CMS defines information available to the state for the purpose of verifying an individual's status as "information necessary for determining eligibility to which the state has access or should have access" and lists potential data sources.
- **In 2027 only**, individuals can self-declare that they have met the exemption.
- **Beginning January 1, 2028**, states may only use a statement or other information provided under penalty of perjury one time during an individual's period of enrollment, to verify eligibility as a specified excluded individual on the basis of medical frailty or having other special medical needs.

# Medically Frail Exemption: Verification

- Regarding documentation, CMS notes in the rule preamble:
  - States may accept provider documentation from many types of practitioners. This documentation must be shared with CMS upon request.
  - Some individuals may not identify themselves as having a condition that could qualify them as a specified excluded individual on this basis for several reasons, even upon completing a screener, but their status as medically frail or otherwise having special medical needs may be apparent based on other documentation or information provided by the individual.

# What Constitutes Work & Community Service

# Definitions (§ 435.552(b))

Term	Definition
<b>Work</b>	Work means: <ul style="list-style-type: none"><li data-bbox="537 579 1149 618">(i) Work in exchange for money;</li><li data-bbox="537 629 1717 668">(ii) Work in exchange for goods or services (“in-kind” work); and</li><li data-bbox="537 679 2015 718">(iii) Unpaid work (other than community service as defined in this paragraph (b)).</li></ul>
<b>Community service</b>	Community service means unpaid work, completed voluntarily or because of a mandate by court order, with a structured program that is completed for the direct benefit of the community under the auspices of public or nonprofit organizations (including embedded activities of the program that allow an individual to develop skills necessary to complete community service). The public or nonprofit organizations: <ul style="list-style-type: none"><li data-bbox="537 1003 2321 1093">(i) Include organizations described in section 501(c)(3) of the Internal Revenue Code of 1986 (26 U.S.C. 501(c)(3)) and other organizations.</li><li data-bbox="537 1105 2372 1293">(ii) Must provide oversight of the activity, which must not serve a partisan purpose, and have a process in place to track the community service completed by individuals, including the type of community service activity, dates and hours the community service is completed, and a point of contact who can confirm the hours completed.</li></ul>

# Definitions (§ 435.552(b))

Term	Definition
<b>Work program</b>	<p>Work program means a program that is one of the following:</p> <ul style="list-style-type: none"><li data-bbox="537 578 2372 664">(i) A program under title I of the Workforce Innovation and Opportunity Act (WIOA) (Pub. L. 113-128) (29 U.S.C. 3111 et seq.);</li><li data-bbox="537 678 1898 721">(ii) A program under section 236 of the Trade Act of 1974 (19 U.S.C. 2296);</li><li data-bbox="537 735 2390 1021">(iii) A program of employment and training operated or supervised by a State or political subdivision of a State that meets standards approved by the Governor of the State, including a program under subsection (d)(4) of section 6 of the Food and Nutrition Act of 2008 (7 U.S.C. 2015(d)(4)), other than a supervised job search program or job search training program. However, a program under this subsection may include supervised job search or job search training as subsidiary activities as long as such activity is less than half the required hours of the program;</li><li data-bbox="537 1035 2390 1220">(iv) A program of employment and training for veterans operated by the Department of Labor or the Department of Veterans Affairs. For the purposes of this paragraph, any employment and training program of the Department of Labor or Veterans Affairs that serves veterans must be an approved work program; and</li><li data-bbox="537 1235 2346 1320">(v) A workforce partnership under subsection (d)(4)(N) of section 6 of the Food and Nutrition Act of 2008 (7 U.S.C. 2015(d)(4)(N)).</li></ul>

# Work: Understanding the Definition

- CMS provides a broad definition of work. Noted in the rule preamble:
  - “With a broad definition of work, we recognize the reality of the **wide array of work arrangements** and seek to enable individuals participating in such arrangements to demonstrate community engagement.”
  - “An individual **does not need to be an employee of a company** or organization to meet this definition.”
  - “Our definition of work, which does not require that an individual receive payment for duties or activities performed for the benefit of another individual or entity, **accommodates situations where individuals engage in unpaid work**, including, but not limited to, unpaid work as part of a trial period when applying for a job, or unpaid work, such as an internship, to gain experience for a job or industry.”

# Work: Unpaid Caregiving

- CMS clarifies that the unpaid work of a family caregiver who does not qualify for an exclusion, can qualify as unpaid work under the definition at 435.552(b).
- Hours spent on caregiving that do not meet the 80-hour caregiving threshold and are provided by a family caregiver (as defined in the rule), with whom he or she does not reside and is not related to, would count toward the 80-hour community engagement threshold.

# Work (cont.)

## Examples of work included in the rule preamble:

An individual who performs duties as a property manager or building superintendent may receive compensation in the form of free or reduced rent.

An individual can intern at a private office to gain experience with bookkeeping and records management.

Many individuals work for themselves by being self-employed due to starting a business, owning a business, or as an independent contractor, and these activities meet the definition of work.

# Community Service

- CMS notes that they sought to align the definition of community service in this rule with corresponding policies for SNAP and TANF.
- While community service under this definition is a type of unpaid work, it counts separately as a qualifying activity and thus is not counted as work.
- The public or nonprofit organization must provide oversight of the activity and have a process in place to track the community service completed by individuals, including the type of community service activity, dates and hours the community service is completed, and a point of contact who can confirm the hours completed.

# Verification: Work & Community Service

- CMS requires states to conduct ex parte verification of compliance with the community engagement requirement.
- However, states are not required to change their existing procedures for verifying other factors of eligibility not related to community engagement or to implement a specific hierarchy when checking reliable information available
- States must make every effort to ensure they do not seek information to verify compliance with community engagement for a specified excluded individual.

# Thank you!

Please send federal policy questions to:

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