NATIONAL COUNCIL for Mental Wellbeing

HEALTHY MINDS STRONG COMMUNITIES

New Community Engagement Requirements Rule

What You Need to Know

July 2026

Housekeeping

- Please note that today's session is being recorded.
- A recording of today's webinar and the slides will be made available to registrants following the webinar.
- If you have questions, please place them in the Q&A section and we will do our best to answer them.

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Roadmap

- H.R.1: Overview
- Community Engagement Requirements Deep Dive
  - H.R.1 Requirements
  - Interim Final Rule with Comment Period
  - Practice Recommendations
- Resources

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H.R.1: Overview

H.R.1 – Overview

- H.R.1 contains the bulk of the domestic policy agenda for the current Congress.
  - H.R.1 partially offsets the cost of tax cuts and other spending items in the bill through new restrictions on Medicaid.
  - The Congressional Budget Office (CBO) estimates that Medicaid provisions could lead to 10 million people losing coverage by 2034.
- Overall, the new law will result in significant funding reductions to the program, in many cases phased in over the next decade.
  - Many of the most impactful provisions take effect in 2027 and 2028.
  - Depending on the provision, some changes to Medicaid will impact expansion states and non-expansion states differently.
  - In many cases, states will have leeway to respond and implement changes to Medicaid in different ways.

Medicaid's Role in Mental Health and Substance Use Care

- Medicaid is the **largest U.S. payer for mental health and substance use care**.
- Medicaid pays for approximately **25% of mental health services** and **40% of all substance use services.**
- The program covers nearly **1/3** of adults experiencing **mental health challenges** and **1/5** of adults experiencing **substance use challenges**.

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The Expansion Enrollee Population

- Medicaid expansion is optional for states, and currently all but 10 states have adopted the expansion.
  - Georgia and Wisconsin are not "expansion states" but have certain waivers in place which means that some H.R.1 requirements will apply to people enrolled through these waivers.

- **The Expansion Population covers:** low-income adults who may not have been eligible for Medicaid under traditional state rules.
  - Generally, this means that the Medicaid expansion population is non-pregnant individuals ages 19-64, not eligible or enrolled in Medicare Part A, not enrolled in Medicare Part B, with income up to 138% of the Federal Poverty Level ($21,597 for an individual in 2025).

H.R.1: Member Impacts

- National Council members may experience the following impacts (among others):
  - Increased uncompensated care provided
  - Increased workforce strain
  - IT/Technology challenges
  - Greater administrative burden
- Efforts to proactively prepare now before many changes come into effect may help to stave off anticipated challenges.

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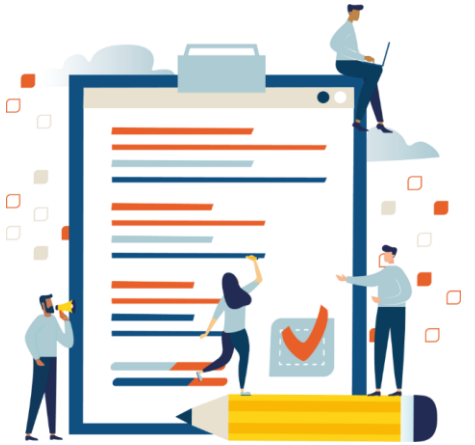
Community Engagement Requirements: *Requirements Under H.R.1*

Community Engagement (Work) Requirements

Effective Jan. 1, 2027, Medicaid expansion enrollees must complete at least 80 hours of work or qualifying activities per month.

- *Under H.R.1, behavioral health-specific exemptions include those for individuals with a substance use disorder, disabling mental disorder, or in a drug addiction or alcoholic treatment or rehabilitation program.*

- Some states have announced plans to begin the process early; NE went live May 1, while AR and MT will soft launch July 1, and IA will start Dec. 1.
- CMS ***may*** grant good-faith extensions to states through as late as Dec. 31, 2028.
- CMS is distributing $200 million to states to help with implementation, based on state share of Medicaid expansion population as of March 31, 2025.



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Community Engagement Requirements:
Interim Final Rule with Comment Period (IFC)

CMS IFC: Big Picture

- On June 1, CMS released an interim final rule with comment period (IFC) with guidance for states on how to implement community engagement requirements.
- Overall, the IFC provides further guidance on qualifying activities, exemptions, and state verification processes.
  - *Comments are due to CMS July 31, 2026. CMS may take comments into consideration but is not required to make changes.*

- The IFC provides clarification on how states can implement exclusions for individuals who do not need to meet the community engagement requirements.
  - **Medical frailty:** Enrollees must not only have a qualifying medical condition ***but must also*** demonstrate that the condition substantially impairs their ability to satisfy the community engagement requirements.
  - **Individuals participating in a treatment program:** Enrollees' participation in such programs, as determined by the state, would exclude them from having to meet the community engagement requirements.

Applicable Individuals

- All applicable individuals must meet community engagement requirements.
- ***Applicable individuals*** are nonpregnant adults between the ages of 19 and 64 who are not entitled to or enrolled in Medicare and are eligible for or enrolled in the state plan Medicaid adult group or in certain Section 1115 demonstrations that provide minimum essential coverage to adults.
- Two categories of exceptions to compliance exist: **Mandatory** and **optional**.

Mandatory Exceptions	Optional Exceptions
- Those under 19 - Entitled to or enrolled in Medicare Part A or enrolled in Part B - Enrolled in a mandatory coverage group - Specified excluded individuals - Individuals incarcerated within the last three months	• Received inpatient services or noninstitutional services that are likely to prevent an individual from receiving inpatient services • Resides in a county with a declared national emergency • Resides in a county with a high unemployment rate • Has had to travel to treat a serious or complex medical condition for self or dependent

Specified Excluded Individuals

Specified excluded individuals **are not subject to work requirements**. States will determine if someone is a specified excluded individual "at application, renewal, or, if elected by the State, at the time of a more frequent verification of community engagement compliance." Categories of specified individuals include:

Medically frail individuals
Blind/disabled individuals, those with a disabling mental disorder, SUD, serious or medically complex conditions, and those with a physical, intellectual, or developmental disorder **that** significantly impairs the ability to perform one or more activities of daily living.

Participant in a drug or alcohol rehabilitation or treatment program
States will have discretion to decide how long an individual must remain in treatment to qualify.

Former foster youth
An individual will be excluded from community engagement requirements if they are under age 26; not enrolled in a mandatory Medicaid eligibility group; were in foster care in any state upon reaching age 18 (or a higher age specified by the state's foster care program); and enrolled in Medicaid while in foster care.

Parents, guardians, or caretaker relatives of a disabled individual or dependent child under the age of 13
H.R.1 specifically excludes parents, guardians, caretaker relatives, and family caregivers who care for an individual with a disability or a dependent child age 13 or younger from Medicaid community engagement.

Specified Excluded Individuals (Cont.)

Veteran with a disability rated as total

Individuals who are Indian, Urban Indian, California Indian, or otherwise determined eligible as Indian by the Indian Health Service

Pregnant and postpartum individuals
Women who are pregnant or postpartum (60 days, states can extend up to 12 months) and receiving Medicaid are fully excluded from community engagement requirements. To verify this exclusion, states must accept a woman's self-attestation unless contradictory information exists, and should otherwise rely on existing records wherever available.

Individuals compliant with TANF work requirements and individuals not exempt from SNAP work requirements
In compliance with work participation standards applicable to TANF recipients under Section 407, or is a member of a household receiving SNAP benefits and is not exempt from SNAP work requirements

Inmate of a public institution
“Individuals who are inmates of a public institution” are excluded from community engagement. “Inmates of public institutions include individuals in correctional institutions such as State or Federal prisons, local jails, detention facilities, or other penal settings.” Public institutions do not include “institutions for mental diseases (IMDs).”

How do Applicable Individuals Comply?

- Applicable individuals who must meet community engagement requirements will need to fulfill one of the following requirements within a month:

1. Work at least 80 hours
2. Complete at least 80 hours of community service
3. Be enrolled in an educational program at least half time.
4. Participate in a work program for at least 80 hours per month
5. Engage in any combination of these activities for at least 80 hours (however, if an individual is enrolled in an educational program at least half time, states cannot combine it with another activity).
6. Have a monthly income that is not less than $580.
7. Be a seasonal worker who had an average monthly income over the preceding six months that is not less than $580.

How are these Activities Defined?

Work "Work in exchange for money, work in exchange for goods or services ('in-kind' work [which may be non-monetary compensation like housing, meals, and utilities]), and unpaid work other than community service."

Community Service: "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" at a public or nonprofit organization.

Work Program: Includes programs under the Workforce Innovation and Opportunity Act, Trade Act training programs, state-approved employment and training programs (including Supplemental Nutrition Assistance Program [SNAP] Employment and Training programs), certain veterans' employment programs and workforce partnerships.

Educational Program: Includes at least half-time enrollment at a higher education institution, a program of career and technical education, or a high school or program of study that leads to a certificate of high school equivalence. Enrollment status (full time, half time, less than half time) is determined by the school or institution.

How Will States Verify Requirements Are Met?

- States will need to verify qualifying activities and completed hours of participation. **For individuals completing a combination of activities, the state will calculate qualifying activities hours to obtain the total combined hours of at least 80 hours in a month.**
    - States must first rely on available data to confirm hours completed for these requirements, without seeking additional information from the individual.
    - If hours cannot be verified through available data sources, then states must seek information from the individual to verify.

New Applicants vs Enrolled Beneficiaries

New Applicants

States will need to require applicable individuals to demonstrate community engagement at the time of their application for at least one, but not more than 3 consecutive months, as specified in the State plan, immediately preceding the month of application.

Enrolled Beneficiaries

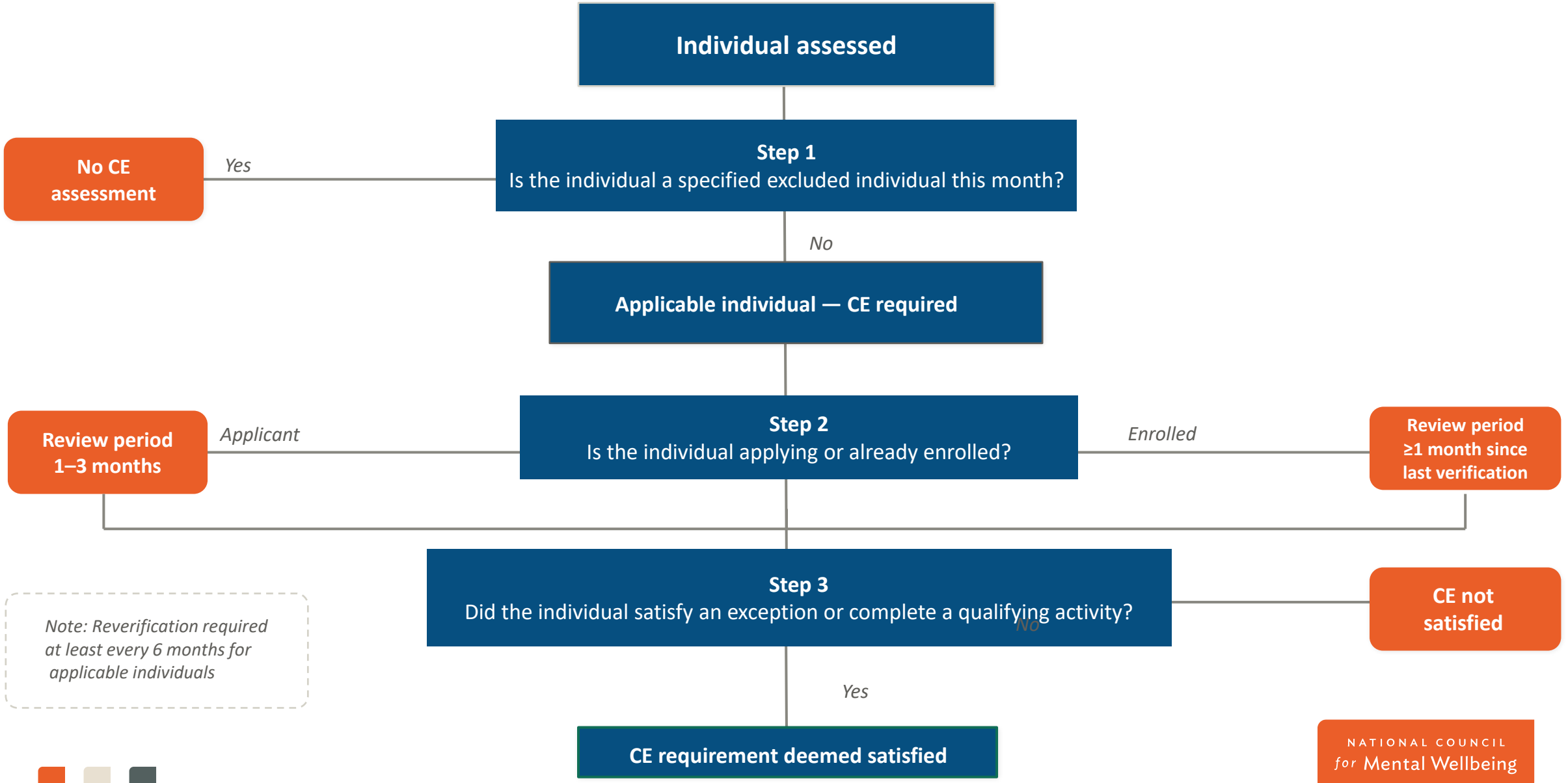
States must require applicable individuals to demonstrate compliance for one or more months in between renewals, as specified in the State plan. If the state requires applicable individuals to demonstrate community engagement for more than one month between renewals, it cannot require them to demonstrate community engagement in consecutive months.

Other Considerations for Already Enrolled Beneficiaries

- States may "begin verifying an applicable individual's compliance with community engagement at the first [eligibility] renewal initiated on or after the State's implementation date."

See the National Council's summary on states' options to implement eligibility redeterminations (effective Jan. 1, 2027). Here, CMS explicitly confirms that compliance with community engagement requirements **must be assessed at each six-month renewal, effectively making renewals the primary enforcement point.**

Verification Process: Overview



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"Disabling Mental Disorder"

- **Disabling Mental Disorder** - CMS specifies that an individual is medically frail when a disabling mental disorder ***substantially limits*** their functioning, including the ability to work, volunteer, or engage in major life activities.
  - The agency does not explicitly define "disabling mental disorder" and defers to states to make this determination.
- CMS points to criteria developed by the Interdepartmental Serious Mental Illness Coordinating Committee, the DSM-5, and the ICD-10 as resources states may consult when identifying individuals who qualify for the exception.
- CMS identifies schizophrenia, schizotypal disorder, delusional disorder, other non-mood psychotic disorders, moderate or severe bipolar disorder, major depressive disorder, and panic disorder as a non-exhaustive list of conditions that may qualify.

Substance Use Disorder

- **Substance Use Disorder –** CMS does not establish a formal definition of SUD.
  - Individuals in "stable recovery" may qualify, ***but only if they have been in recovery for less than five years.***
  - The SUD-based medically frail exemption ***is not conditioned on active treatment enrollment.*** It extends to any individual whose SUD significantly impairs their ability to comply, regardless of treatment status.

  - CMS defers to widely accepted clinical frameworks, including the DSM-5 and ICD-10, as reference points for states developing eligibility criteria.
  - CMS identifies AUD, OUD, and stimulant use disorder as conditions that may qualify.
    - The individual's SUD must substantially limit their capacity to meet community engagement requirements.

Participation in Rehab or Treatment Program

- Under CMS's interpretation, the statutory exclusion for drug addiction and alcohol treatment program participants covers individuals enrolled in **qualifying programs run by private nonprofits, public institutions, or publicly operated community mental health centers**.
  - CMS gives states discretion to decide which programs meet this requirement.
- CMS has not defined how long someone must be enrolled in a treatment program to qualify, leaving this decision to states as long as their standards are grounded in clinical guidelines.
- CMS also notes that while most people in these programs have a SUD, this exclusion is not the same as the medically frail exclusion.
- Regardless of which exclusion a state applies, federal confidentiality protections for SUD treatment records under 42 C.F.R. Part 2 must be followed.

Short-Term Hardship Exceptions

- Short-term hardship exceptions are optional for states. A person experiencing a qualifying hardship is treated as having met the requirement for that month.
- Importantly, this section does not apply to specified excluded individuals — people who are already fully exempt from the requirement don't need a hardship exception.
- The exceptions include:
    - Receiving inpatient or institutional care (or services that would require inpatient care if not received)
    - Travel for medical care
    - High unemployment counties
    - Federally declared emergency or disaster areas

Short-Term Hardship Exception - Inpatient Exception

- The most relevant hardship exception for individuals experiencing mental health challenges is likely the **inpatient exception.**
  - Qualifying services include inpatient hospital services, nursing facility services, ICF/IID services, inpatient psychiatric hospital services (including for people under 21), critical access or emergency hospital inpatient services, and inpatient services in an institution for mental diseases (IMD).
  - Intensive non-institutional services (such as PHP and IOP) that, if not received, would likely result in the person needing one of the listed inpatient services are also permitted.
- **This exception only applies in states that choose to implement this option.**
  - Enrollees would need to show the exceptions apply as often as the state is confirming compliance with CE requirements.
  - Individuals must self-declare this exception.
- We expect most individuals who would qualify for this exception due to a behavioral health condition would also qualify for the medically frail exclusion.

Verification and Self-Attestation

- States should use existing data and *ex parte* processes where possible when determining compliance or exclusion/exception.
- "States ***may*** require documentation or accept other information (even if documentation is reasonably available) to verify an individual's compliance or deemed compliance with the community engagement requirement or status as a specified excluded individual through December 31, 2027."
    - States will be permitted (but are not required) to accept self-attestation in limited circumstances through 2027 in order to confirm an individual has met medical frailty criteria. States can allow self-attestation when corroborating documentation is unavailable. There is no limit on the number of times a state can use this option in 2027, **if** the state elects to allow it at all.
- Beginning in 2028, when determining medical frailty, **states may only allow self-attestation for a given individual one time while enrolled**, and then at an individual's next scheduled renewal, other corroborating documentation will be required.

What States Are Restricting First Year Self-Attestation?

- Bills passed this year that prohibit ANY use of self-attestation:
  - **Utah**: HB 471
  - **Indiana:** SB 1
  - **North Carolina:** HB 696

  Bills introduced, but not passed, this year that prohibit ANY use of self-attestation:
  - **West Virginia:** HB 5646

Noncompliance: Notice and Procedures

- When states are unable to verify work-requirement compliance (or applicable exceptions), they must:
  - Notify the individual that they have not been found compliant.
  - Allow 30 days from the notice's receipt date for the individual to submit a "satisfactory showing" of compliance
  - Maintain the individual's Medicaid coverage throughout this 30-day grace period, but only for current enrollees undergoing redetermination. Initial applicants are not covered during this window.

Litigation Update

- On June 29, 25 states and DC filed suit against CMS over various provisions of the IFC.
- Specifically, the suit claims the "significant impairment" component of medical frailty is overly restrictive and goes beyond the scope of the statute.
- The complaint also alleges the self-attestation limitations exceed the statute.

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Practice Recommendations

Community Engagement Recommendations for Clinics

- Document all instances of substance use relapse in clinical notes.
- Work with your state to ensure the use of an accepted and efficient functional assessment screening tool that minimizes burden on both providers and patients.
- Offer onsite or virtual "reporting days" to help ensure clients maintain coverage.
- Stay in regular contact with your state Medicaid agency and your state association.
- Monitor state implementation of choices that will affect clients (review period at application, frequency of verification, short-term hardship exceptions, and qualifying conditions and diagnosis codes).

Community Engagement Recommendations for Clinics (Cont.)

- Help clients understand qualifying activities beyond employment.
- Work with your state Medicaid agency or state association to understand how noncompliance notices will be generated and delivered.
- Prioritize exemption screening at all clinical touch points.
- Track and report coverage losses to state Medicaid agencies.
- Develop written internal policies and protocols.
- Submit comments to CMS before the July 31 deadline.

Key Points When Talking with Clients

- Starting next year, nondisabled, nonelderly adults (ages 19-64) must complete at least 80 hours per month of work, job training, community service or school to keep their Medicaid coverage. Someone who fails to meet these requirements could be at risk of losing their coverage.
- The law created some protections specifically related to mental health and substance use. If you receive mental health or substance use treatment, you might not need to comply. You will need to complete all the paperwork your state requires to prove that you are receiving treatment for an exemption.

- It's important to verify your current Medicaid enrollment status and update your address and phone number.
- If you’re an adult between the ages of 19 and 64, start documenting your work or community activities (like volunteering) or educational activities now so that you can be ready when these requirements take effect.

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More Key Points When Talking with Clients

- If you receive a letter about your Medicaid coverage and aren't sure what it means, bring it to us — before the deadline in the letter passes. We'll help you understand what it means and what you need to do.
- If you or someone in your family who is on Medicaid works, make sure they get documentation from their employer now to show that they are working. That could include things like a pay stub or a letter from the employer.
- For participation in a job training program, community service role or educational program to be considered toward work requirements, it will need to be reported and verified.

Additional Practice Considerations

- Look to plan education, outreach, and enrollee evaluation for eligibility pathways, coverage, and benefits.
  - Are systems or technology needed to track renewal determination processes?
- Do staff need resources, education, or training to support their understanding of new requirements?
- Are there partners you can work with to increase universal screenings?
- Are there systems needed for proactive disability determination?
- Are there costs you can control now? Consider review of IT infrastructure or contracts for efficiency.
- Collect data both now to establish a baseline and continuously throughout the future to measure the impact of policy changes on clients, programs, and workforce.

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National Council Resources

Resources

Resources published:

- H.R.1 Journey Map
- Work Requirements White Paper
- Work Requirements IFC Summary
- FAQ: Community Engagement IFC
- Eligibility Redeterminations Memo

What's coming:

- We will continue our ongoing **webinar series** highlighting implementation strategies and considerations for the Medicaid provisions of H.R.1.
- Updated information as new rules and guidance are issued.
- Community of Practice on Eligibility Redeterminations: Apps open until July 20.

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Explore the National Council's new H.R.1 hub for tools, resources, and guidance. https://hub.thenationalcouncil.org/

H.R.1 help starts here.

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Thank you!