Medicaid Work Requirements Court Ruling and Implications for Your Organization

On Oct. 29, 2026, a federal court ruled on a lawsuit that 25 states and Washington, D.C. brought against the Centers for Medicare and Medicaid Services (CMS) over its rule for H.R.1 Medicaid community engagement requirements (Massachusetts v. Oz). The court struck down one part of the rule that could potentially make it more difficult for people with mental health and substance use conditions to be exempt. The rest of the rule was preserved by the court, and work requirements are still on track to start in most states on Jan. 1, 2027.

What Changed

- People in the groups Congress listed as "medically frail," including people with a substance use disorder or a disabling mental disorder, are exempt from work requirements. They no longer also have to prove that their condition makes it difficult to work, **subject to any appeals filed by CMS. CMS has indicated they plan to appeal the decision, though timing for this is not yet known.**
- The court removed the "substantial impairment" language from the federal rule, meaning it no longer applies in any state.
- For six months, unless overturned on appeal, CMS cannot penalize these states over medical frailty decisions while they update their systems: AZ, CA, CO, CT, DE, DC, HI, IL, KY, ME, MD, MA, MI, MN, NV, NJ, NM, NY, NC, OR, PA, RI, VT, VA, WA, and WI.
- Specifically, in the plaintiff states, this means CMS will not penalize plaintiff states for medical frailty determinations, whether wrongful exemptions or wrongful denials, made while they rebuild their systems around the narrower definition.

What Did Not Change

- Work requirements still begin Jan. 1, 2027 in most states.
- States can only use claims and records from the past 12 months to confirm that someone is medically frail.
- Limits on how often people can confirm medical frailty with their own sworn statement (self-attestation) still apply. Some states are not allowing self-attestation in 2027.
- A similar case is pending in Maryland, and National Council is preparing an amicus brief in this case along with several other stakeholder organizations.

What Your Organization Can Do

1. Make sure substance use and mental health diagnoses are recorded accurately on claims.
    - States can only look back 12 months for medical frailty, meaning it will be critical to have recent records available.
2. Tell clients with mental health or substance use conditions that they may be exempt.
    - Encourage them to answer state notices quickly and to appeal if they are wrongly told they must meet work requirements.
3. Watch for an appeal from CMS and for updates from the National Council at hub.thenationalcouncil.org.