State Strategies to Leverage Existing Medicaid Reentry Practices to Support Implementation of the One Big Beautiful Bill Act (OBBBA)

HARP
THE HEALTH AND REENTRY PROJECT

A State Implementation Resource

Beginning January 1, 2027, the One Big Beautiful Bill Act (OBBBA) will require adults ages 19 to 64 who are Medicaid expansion beneficiaries to participate in 80 hours of "community engagement" activities in order to obtain or maintain Medicaid coverage. Qualifying activities include employment, community service, participation in a work program, or enrollment in education. Additionally, the law establishes new requirements for Medicaid programs to conduct eligibility renewals at least every six months, rather than annually for Medicaid expansion beneficiaries. (For additional detail on these changes, see *Implications of Key Medicaid Provisions from the One Big Beautiful Bill Act (OBBBA) on Reentry, Health, and Public Safety.*)

People who are returning from incarceration are a key population for states to keep in mind as they implement these new policies. Every year, there are more than seven million releases of people from jails and nearly half a million releases of people from prisons.[1] The majority of incarcerated individuals are Medicaid eligible, but historically have faced significant barriers to employment post-release and additional challenges complying with administrative processes like renewals. For several years, states have been strengthening access to and continuity of care for Medicaid beneficiaries who are leaving incarceration. This work is taking place through new youth and young adult continuity of care policies, Medicaid section 1115 demonstrations, and requirements that states suspend rather than terminate Medicaid eligibility for adults when someone enters incarceration (which take effect January 2026). States can use these efforts to support effective OBBBA implementation. Doing this can be efficient and relatively low cost because it leverages approaches states have already put in place, or are in the process of implementing.

This resource for states identifies **four specific strategies** states can use to leverage reentry approaches to implement some aspects of OBBBA's new community engagement requirements, including some exemptions from those requirements, and more frequent Medicaid eligibility renewals.

1 Carson, A. & Kluckow, R. (2023). Prisoners in 2022 – Statistical Tables. Bureau of Justice Statistics.

STRATEGY 1. Operationalize OBBBA's Correctional Exemption from Community Engagement through Medicaid Suspension Requirements

Beginning in January of 2026, federal law requires that all states must suspend, rather than terminate, Medicaid eligibility for adults when an individual enters prison and/or jail. Similar requirements for youth are already in effect. Suspension and reinstatement processes can be leveraged by states to effectuate OBBBA's correctional exemption, which exempts those who are incarcerated. This exemption continues for the three months following release.

Suspension and reinstatement activities require state Medicaid agencies to partner with correctional facilities to establish data sharing practices to, for example, report incarceration status. To effectively implement the correctional exemption under OBBBA, states can utilize or strengthen these existing data sharing practices to determine who is incarcerated, and verify known release dates.

OBBBA also requires that wherever possible, states use ex parte data sources, that are existing and reliable, to verify compliance with (or exemption from) community engagement requirements. Correctional data from state prison systems and local jails can be a key element of ex parte verification of the correctional exemption. Data that establishes when a person is incarcerated and when he/she is released can be shared with state Medicaid eligibility and MMIS systems to both verify community engagement requirements and exemptions, and for the purposes of suspension and reinstatement. Correctional data may also contain other key factors for establishing the community engagement exemption, including clinical information (e.g. substance use disorder or serious mental illness diagnosis), participation in treatment programs or job training.

STRATEGY 2. Strengthen Case Management to Support Connections to Employment and Education and Inform Beneficiaries About Community Engagement Requirements

Case management is a required service under the Medicaid 1115 waiver and Consolidated Appropriations Act of 2023 (CAA) youth continuity of care policies. CMS policy defines the four main functions of case management as a comprehensive assessment of needs; creation of a care plan; referral to needed services; and follow-up on plan implementation. In addition, some states and jurisdictions, outside of Medicaid, have deployed case management specifically to address the high-risk needs of incarcerated individuals and facilitate smooth and successful reentry. For example, some states have utilized case management for individuals returning to the community who are using medication-assisted treatment.

States can use existing case management services, including pre and post-release case management that states are establishing as part of CAA youth continuity of care policies and Medicaid reentry waivers, to strengthen individuals' connections to employment, job training, education and community service activities. This can help people achieve compliance with community engagement requirements. In addition, states can use case managers to provide beneficiary education regarding community engagement requirements (including the correctional and other exemptions) and assist individuals with maintaining coverage status during incarceration (including by facilitating renewals where necessary) and during the reentry period.

STRATEGY 3. Leverage Screenings and Assessments to Facilitate Qualification for Medical Frailty and Other Community Engagement Exemptions

Screenings and assessments take place in many prisons and jails, including as a key function of reentry waivers and as a core requirement of CAA youth continuity of care requirements. In particular, screening at intake of medical, mental health, substance use and other factors, followed by a more comprehensive assessment, is considered a best practice.[2] These functions can be leveraged to establish exemption from community engagement requirements based on medical frailty and related diagnoses, or participation in substance use disorder (SUD) treatment or mental health treatment. Some correctional systems may also collect data on disability, veterans status, and other information (e.g. caregiver status, former foster youth, pregnancy status) that could be useful to establish other exemptions from community engagement requirements.

Appropriate assignment of these exemptions is important to implementation for two reasons. The first is the disproportionate incidence of multiple medical conditions (including conditions likely to align with OBBBA's definition of "medically frail") among the incarcerated population, when compared to the population as a whole. For example, an estimated 63% of people incarcerated in prisons and 58% in jails meet criteria for a substance use disorder.[3] This is more than triple the prevalence of SUD in the general population.[4] OBBBA identifies SUD as a specific exemption on the basis of medical frailty and also exempts people who are in SUD treatment. The prevalence of serious mental illness among the incarcerated population reflects a similar disproportionality when compared to the population as a whole.[5]

Second, the "medical frailty" exemptions are tied to a clinical condition, and not time-limited like the correctional exemption. Individuals returning to the community often face limited opportunities and additional barriers to employment that last beyond the three month post-release period established by the OBBBA, risking loss of essential benefits. For example, one study from North Carolina found that fewer than 40% of people released from state prison were able to find work within a full year of their release.

States can utilize existing screenings and assessments that are taking place in correctional facilities, especially those required under the reentry waivers and CAA youth and young adult pre-release policies, to identify relevant health conditions or other factors, and verify exemption(s) from the community engagement requirements. This should take place through automation where possible.

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2 Jails and Justice Support Center. Screening and Assessments.

3 Bronson et al. (2020). Drug Use, Dependence, and Abuse Among State Prisoners and Jail Inmates, 2007-2009. Bureau of Justice Statistics.

4 Substance Abuse and Mental Health Services Administration. (2024). Key substance use and mental health indicators in the United States: Results from the 2023 National Survey on Drug Use and Health. Center for Behavioral Health Statistics and Quality, Substance Abuse and Mental Health Services Administration.

5 Substance Abuse and Mental Health Services Administration. (2024). About Criminal and Juvenile Justice.

STRATEGY 4 Facilitate Medicaid Enrollment and Renewal in Prisons and Jails

State Medicaid Agencies should partner with correctional systems and facilities to facilitate Medicaid enrollment and timely renewal (including bi-annual renewal for expansion adults as required under OBBBA) when people are incarcerated. Many correctional leaders across the country are building processes that operationalize the principle that "reentry begins on day one" of a person's incarceration. By maintaining up-to-date enrollment, state Medicaid agencies working in partnership with their correctional facilities can ensure that a person's eligibility for coverage and their qualification for one or more of the exemptions from the community engagement requirements follows them into the community. Maintaining coverage is also vital for exercising the statutory exemption from the Medicaid inmate exclusion for inpatient hospital stays of more than 24 hours.

CONCLUSION

As states implement the new community engagement requirements and renewal periods under OBBBA, multiple opportunities exist for them to leverage the work states are already doing in conjunction with correctional partners. Within states, eligibility staff and staff leading reentry reforms can collaborate closely to achieve effective OBBBA implementation.

HARP IS HERE TO HELP

HARP offers technical assistance to help states and local governments effectively implement health and reentry policies. HARP also provides assistance to county health and correctional facilities and other organizations involved in the work of implementation. From translating Medicaid policy for public safety audiences to tackling the operational realities of correctional settings and building effective access to community services, HARP helps identify and operationalize the most effective strategies for successful implementation.

Interested in working with HARP to support health and reentry work in your jurisdiction? Email TA@healthandreentryproject.org to learn more.