What New Medicaid Community Engagement and Renewal Requirements Mean for Continuity of Care at Reentry

HARP
THE HEALTH AND REENTRY PROJECT

Beginning January 1, 2027, two separate Medicaid eligibility changes will affect millions of beneficiaries, including many people returning to their communities from prison and jail. A new "community engagement" requirement, also known as a work requirement, will add conditions that many adults must meet to enroll in or keep Medicaid coverage. Additionally, Medicaid agencies will review eligibility every six months, rather than annually, for most adults enrolled through the Affordable Care Act's Medicaid expansion. Medicaid expansion coverage generally covers adults ages 19–64 with household incomes up to 138 percent of the federal poverty level, including parents and adults without dependent children.

The questions and answers below explain the two new policies, their implications for health care access at reentry, and how state and local Medicaid and correctional administrators can implement them as they simultaneously implement new reentry policies to promote continuity of care.

The two new policies were established in the One Big Beautiful Bill Act (OBBBA), enacted in 2025. For details on these and the law's other Medicaid changes, see HARP's Implications of Key Medicaid Provisions of the One Big Beautiful Bill Act on Reentry, Health and Public Safety. While OBBBA did not change policies designed to strengthen access to Medicaid at reentry, such as Medicaid 1115 reentry demonstration waivers or youth continuity-of-care requirements, the new eligibility requirements have significant implications for continuity of care for people returning to communities.

By aligning existing reentry efforts with the new eligibility requirements, states and localities can reduce administrative burdens on beneficiaries and government agencies and support continued access to needed health care and treatment, which is vital to successful community transitions.

WHAT IS THE NEW COMMUNITY ENGAGEMENT REQUIREMENT?

To enroll in or keep Medicaid coverage, many adults will need to meet a minimum income threshold or participate in qualifying activities, such as work, job training, education, or community service. States generally must begin applying this community engagement requirement by January 1, 2027.[1]

1 State hold-harmless option. On November 13, 2026 CMS announced an option for states in which it suspends federal enforcement during the first six months of implementation of work requirements. Between the start of implementation on January 1, 2027 until June 30, 2027 (or earlier, at the option of the state), states must apply the work requirements at application and renewal and assess whether a person meets community engagement or qualifies for an exclusion or exception. However, if an otherwise eligible person cannot show that they meet the requirements, they will not be denied or disenrolled from Medicaid. States seeking the hold-harmless option must notify CMS in writing by December 11, 2026.

The Centers for Medicare & Medicaid Services (CMS), the federal agency that oversees Medicaid, has issued an interim final rule interpreting the new law and explaining how states must implement the requirement. The rule took effect on July 31, 2026.

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Adults subject to community engagement have several pathways to meet the requirement:

- **Participate in qualifying activities.** People generally must complete at least 80 hours each month and may combine multiple types of activities to reach that total. Qualifying activities include:
  - **Work.** This includes paid employment and self-employment, work in exchange for goods or services, and unpaid work that is not otherwise counted as community service.
  - **Job training or workforce programs.** This includes qualifying employment and training programs operated or approved by government agencies, such as certain workforce development, SNAP employment and training, and veterans' employment programs.
  - **Community service.** This is unpaid work through a structured program overseen by a public agency or nonprofit organization that directly benefits the community. It may be voluntary or court-ordered. Not every informal volunteer or reentry activity will qualify.
  - **Education.** Qualifying programs include college, career and technical education, high school, and state-approved high school equivalency programs. Persons enrolled at least half-time meet the requirement without documenting 80 hours. Someone enrolled less than half-time may combine education hours with work, job training, or community service; for example, a person could combine 30 counted education hours with 50 hours of work.

- **Have at least $580 in monthly income counted under Medicaid rules.** A person can meet the community engagement requirement if they have at least $580 in monthly income counted for their Medicaid household, even if they worked fewer than 80 hours that month. Qualifying seasonal workers can meet the requirement using their average monthly income over the preceding six months.

  If the monthly income counted for this requirement is below $580 and the state does not have information showing how many hours the person worked, the state may calculate work hours by dividing that income by $7.25, the federal minimum wage. When using household income, the state must use a reasonable method to allocate the calculated hours among household members. Each person's allocated hours can then be combined with hours spent on other qualifying activities.

  For example, $290 converts to 40 work hours. If all 40 hours are allocated to one person, that person could combine them with 40 hours of community service to meet the 80-hour monthly requirement. If, instead, the state reasonably allocates those 40 hours equally between two adults in the household, each adult would receive credit for 20 hours. Each would then need 60 additional hours of qualifying activities, such as community service, to meet the requirement for that month.

  States will need to explain which programs and activities qualify toward the requirement, how education hours and half-time enrollment are determined, and how participation or income can be documented.

WHO WILL BE AFFECTED BY THE COMMUNITY ENGAGEMENT REQUIREMENT?

Community engagement generally applies to adults ages 19 through 64 covered through Medicaid expansion, as well as certain adults covered through section 1115 demonstration waivers. It generally does not apply to people covered through other Medicaid eligibility groups.

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People with low incomes can qualify for Medicaid in different ways, depending on their age, health, family circumstances, and the state's eligibility rules. For example, a person may qualify because they are pregnant, or are age 65 or older, or are blind or have a disability, or are a parent or other relative caring for a child. Each of these eligibility groups has its own requirements, including income limits.

Medicaid expansion is an eligibility pathway for adults ages 19–64 with low incomes. It covers many people who do not qualify through another pathway, including adults without children and some parents whose income is above the limit for the eligibility group consisting of parents and caretaker relatives. The federal community engagement requirement does not apply in every state. It generally applies to adults covered through the Affordable Care Act's Medicaid expansion or certain Section 1115 waiver programs, unless they qualify for an exclusion or exception. Currently, the requirement does not apply in Alabama, Florida, Kansas, Mississippi, South Carolina, Texas, or Wyoming because these states have neither adopted Medicaid expansion nor covered an adult population subject to the requirement through a Section 1115 waiver.

State Medicaid agencies must verify whether a person subject to the community engagement requirement has met it when they apply for Medicaid and at each renewal. States may also check compliance more often. If the state cannot verify that the person has met the requirement or qualifies for an exclusion or exception, it must send a written notice explaining what information is needed and give the person 30 calendar days from receipt to respond. Before denying an application or ending coverage for noncompliance, the state must also consider whether the person qualifies for Medicaid on another basis and provide the required notice and appeal rights. This review of other eligibility options must consider the person's current circumstances. For example, a person who becomes pregnant or develops a disability may qualify through a different Medicaid eligibility group, as described above. The state must determine whether the person meets that group's eligibility requirements before denying or ending coverage.

DO ALL ADULTS IN MEDICAID EXPANSION HAVE TO MEET THE COMMUNITY ENGAGEMENT REQUIREMENT?

No, but most do. Federal law and the CMS rule provide two ways people do not have to complete community engagement activities: "exclusions" and "exceptions."

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An **exclusion** means the community engagement requirement does not apply to the person as long as they meet the exclusion's criteria. An **exception** means the person would otherwise have to meet the requirement but is treated as *having met it for a particular period of time* because of qualifying circumstances.

A person qualifies for an **exclusion** if they are:

- **Incarcerated** in a prison, jail, or other public institution covered by Medicaid's definition.
- **"Medically frail" or have special medical needs.**[2] Qualifying conditions include blindness, certain disabilities, disabling mental health conditions, substance use disorders, and serious or complex medical conditions. A person who has been in recovery from a substance use disorder for five years or more cannot qualify as medically frail based on that condition alone. In general, states will determine the list of specific conditions and diagnoses that qualify a person as medically frail.
- **Participating in a qualifying drug or alcohol treatment and rehabilitation program.** This exclusion is separate from medical frailty and the program must meet the definition used in federal law. States may set a minimum level of participation consistent with clinical guidelines.
- **Under age 26 and formerly in foster care,** if they had Medicaid coverage when they reached the age for leaving foster care (age 18 or an older age set by the state). This exclusion can apply even if the person now lives in a different state.
- **A veteran** with a temporary or permanent 100-percent disability rating from the Department of Veterans Affairs.
- **Pregnant or covered by Medicaid for a certain period after pregnancy,** known as postpartum coverage.
- **A parent or caregiver** of a child age 13 or younger or a person with a disability. This includes parents, court-appointed guardians, relatives responsible for care, and other caregivers who meet the requirements for their relationship and the care they provide.
- **An American Indian or Alaska Native person.** This includes members of federally recognized Tribes and other people who qualify for services through the Indian Health Service because of their American Indian or Alaska Native status, including certain urban Indians and California Indians.
- **Meeting applicable work requirements under Temporary Assistance for Needy Families (TANF)**, which provides cash assistance to eligible families, **or subject to work requirements under the Supplemental Nutrition Assistance Program (SNAP)** while part of a household receiving SNAP food assistance.

States must apply an exclusion whenever they have enough information to verify it, even if the person also meets an exception or satisfies community engagement through activities or income. When more than one category could apply, CMS encourages states to prioritize the category that can last longer and requires less frequent verification.

A state must grant **exceptions** counting particular months as meeting the requirement if a person:

- **Was recently incarcerated.** A state must grant an exception for any month in which a person was incarcerated at any point during the previous three months.
- **Had a different status during the month reviewed.** A state must grant an exception for any month in which, for any part of it, the person was under age 19, had qualifying Medicare coverage, qualified for one of the mandatory Medicaid eligibility groups specified in the rule, or met an exclusion. This includes, for example, qualifying coverage based on pregnancy, parent or caretaker status, or receipt of Supplemental Security Income.

2 Medical frailty. On October 29, 2026 a federal court struck down an additional test in CMS's interim final rule. People who meet any one of the five statutory "medically frail" categories qualify for the exclusion without having to show that their condition significantly limits their ability to meet the community engagement requirement.

States may also offer short-term hardship exceptions, described below. Before asking a person for more information, the state must check available, reliable information for an exclusion, exception, or other way of meeting the requirement.

HOW DOES COMMUNITY ENGAGEMENT APPLY DURING INCARCERATION AND AFTER RELEASE?

People do not have to meet the community engagement requirement while incarcerated in prison or jail. A separate exception also counts people as meeting the requirement for the first three calendar months after release.

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A person is excluded from the community engagement requirement while incarcerated and excepted from the requirement for the three calendar months after the month they are released. For example, someone released on June 15, 2027 does not have to meet the requirement for June (because they were incarcerated for part of that month) and is excluded from the requirement for July, August, and September. (See table below.)

This simplified example does not show when coverage ends. Based on state-level decisions about verification of community engagement at application and at renewal, these exclusions and exceptions may allow for coverage to extend beyond September, as explained below.

Example release date: June 15, 2027

JUNE – MONTH OF RELEASE	JULY, AUGUST, SEPTEMBER	OCTOBER AND LATER
June counts as meeting the requirement because the person was incarcerated for part of the month.	These three months count as meeting the requirement because of the person's recent incarceration.	The recently incarcerated exception no longer covers these months. Other exclusions or exceptions, activities, education, or income may apply when the state reviews them.

WHAT HAPPENS WHEN THE THREE-MONTH POST-RELEASE EXCEPTION ENDS?

A person does not automatically lose Medicaid when the three-month exception ends. They may qualify for another exclusion or exception, or they may meet the requirement through qualifying activities such as work, education, or job training or by having monthly household income of at least $580. They must still meet Medicaid's other eligibility requirements.

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The State Medicaid Agency should consider all available exclusions and exceptions without waiting for the post-release exception to end. States must apply any verified exclusion and should prioritize categories that can enable an individual to receive Medicaid longer.

For example, an American Indian or Alaska Native person who is a member of a federally recognized Tribe qualifies for an *ongoing* exclusion, regardless of incarceration status. A participant in a qualifying drug or alcohol treatment program may qualify for the treatment exclusion during the

post-release period. And someone with a qualifying health condition may meet the medically frail exclusion. States should apply any other exclusion or exception for which a person qualifies without waiting for the post-release exception to end.

The timing of a community engagement review depends on the state's policies, the person's renewal date, and any reported changes in circumstances. For example, a person released from jail in January who renews Medicaid in July would be treated as meeting the requirement for February, March, and April under the recently incarcerated exception. If the state requires only one month of compliance at renewal, any one of those months could satisfy that requirement. If the state requires compliance for every month in the review period, it must also determine whether the person met the requirement or qualified for another exclusion or exception in May and June.

As part of this review, the State Medicaid Agency must first check available information to determine whether the person meets the community engagement requirement or qualifies for an exclusion or exception before asking them for additional information. Case managers and other partners can help identify relevant circumstances and support the person in responding to any agency requests for information, as discussed in the next question.

CAN STATES OFFER ADDITIONAL EXCEPTIONS TO COMMUNITY ENGAGEMENT FOR TEMPORARY HARDSHIPS?

Yes. States may offer short-term hardship exceptions as listed in the law. These are optional for states, unlike the mandatory exceptions described above. If a state offers them, qualifying people are counted as meeting the requirement for the affected months.

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If a state adopts this option, people may qualify for a temporary exception if they:

- Are receiving certain inpatient hospital, psychiatric, or other institutional health care services.
- Live in an area affected by a qualifying federal emergency or disaster that interferes with their ability to meet (or document that they meet) the community engagement requirement.
- Live in a county with unemployment above the federal thresholds established in the rule.
- Need to travel outside the community for an extended period to obtain care for a serious or complex condition when that care is unavailable locally. This can also apply when a dependent needs this care and the person meets the rule's caregiving-related criteria.

A state that offers short-term hardship exceptions must make all of the above hardship categories available.

HOW ARE MEDICAID RENEWALS CHANGING?

Every State Medicaid Agency periodically reviews whether a person still qualifies for health insurance coverage. Beginning in 2027, most adults covered through Medicaid expansion will have renewals every six months instead of annually.

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The change applies to renewals scheduled on or after January 1, 2027, as explained in recent CMS guidance. It also applies to certain demonstration waivers covering the full expansion population. American Indian and Alaska Native beneficiaries who meet the federal criteria remain on a 12-month renewal schedule.

Even if a person receives an exemption or exception from the community engagement requirement, their Medicaid eligibility generally will still need to be reviewed every six months. The State Medicaid Agency must first try to renew coverage using reliable information already available. If more information is needed, the state will send a notice explaining what the person needs to provide and the deadline to respond. It is therefore important for the state to keep contact information current and for people to watch for Medicaid notices and get any needed help with renewal requests. Missing a notice or deadline can lead to a loss of coverage even when the person still qualifies for Medicaid.

HOW DO THE COMMUNITY ENGAGEMENT REQUIREMENT AND SIX-MONTH RENEWALS WORK TOGETHER?

The community engagement and six-month renewal requirements intersect when the State Medicaid Agency reviews whether a person still qualifies for coverage. During this review, the agency checks whether community engagement applies and, if so, whether the person has met the requirement. People who qualify for an exclusion or exception from the requirement generally still need to have their Medicaid eligibility renewed every six months.

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At renewal, the State Medicaid Agency checks available information to determine whether the person still meets Medicaid's eligibility rules, such as income and residency, and whether community engagement applies. States decide the number of months for which a person must demonstrate community engagement or qualify for an exclusion or exception, with a minimum of one month. A verified *exclusion* during this period means the person is not subject to, and does not have to demonstrate, community engagement. If a person qualifies for an *exception* in the required months, the person is counted as meeting the requirement without proof of activities for those months. Otherwise, the state checks whether the person meets the requirement through qualifying activities or income.

For example, a person released in June and enrolled in July may have a renewal due in December. If, at this renewal, the state requires only one month of community engagement compliance since enrollment, then July, August, or September can satisfy that review, because during those months the person qualified for the recently incarcerated exception. If the person meets all other eligibility requirements, coverage can be renewed for the next six-month period.

This example assumes the state checks community engagement only at renewal and requires one month of compliance. Medicaid partners such as correctional facilities can help people understand their renewal date, which months the state will review, and any deadlines for providing information.

WHICH MONTHS CAN STATES REVIEW AT APPLICATION AND RENEWAL?

States have choices about how many months a person must meet community engagement and when they check. These choices can affect how long the recent-incarceration exception supports continued coverage.

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- **At application.** A state checks the one, two, or three consecutive months immediately preceding the application month. For each month checked, it looks for an exception or compliance. For example, if someone released June 15 applies in October and the state checks only one month (in this case, September), the recent-incarceration exception — which applies to July, August, and September — can satisfy that review.
- **At renewal.** A state requires compliance or an exception for one or more months since the last eligibility determination or renewal. Those months do not have to be consecutive. A month covered by the recent-incarceration exception can satisfy the review even when the renewal occurs after that exception ends.

States may check community engagement more often than at renewal. For examples of how states assess the requirement at application and renewal, including for people returning from incarceration, see the State Health and Value Strategies (SHVS) member scenarios toolkit.

WHAT IF A PERSON'S CIRCUMSTANCES CHANGE BETWEEN RENEWALS?

A change in a person's health, income, or family circumstances can affect how they qualify for Medicaid or whether they need to meet the community engagement requirement. People should report relevant changes to their State Medicaid Agency rather than wait for their next renewal.

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A change in circumstances may mean that a person newly qualifies for an exclusion from community engagement. For example, they may become pregnant, start a qualifying treatment program, develop a health condition that may qualify them for the medically frail exclusion, or begin caring for a child or a person with a disability. A change in circumstances may also mean that a person no longer qualifies for an exclusion. For example, the exclusion based on caring for a child age 13 or younger lasts through the month the child turns 14.

When a State Medicaid Agency learns of a change that may affect eligibility, it must review the change promptly, even between scheduled renewals. For example, a parent may become subject to the community engagement requirement after their child turns 14. If the state looks back at months when the parent qualified for the parent exclusion, that exclusion satisfies the requirement for those months. The parent does not need to prove that they worked or completed other qualifying activities during that time. The agency should explain what the person needs to do going forward and whether additional information is needed. Correctional and community partners can help people report changes and obtain relevant records.

WHAT DO THESE CHANGES MEAN FOR PEOPLE RETURNING FROM INCARCERATION?

The process of complying with the community engagement requirement and more frequent renewals can make it harder for eligible people to obtain and keep Medicaid at the same time they are trying to manage their health needs, find housing, find work, and meet the conditions of their release. Gaps in coverage can interrupt treatment and other care that supports a successful return to the community.

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Maintaining coverage after release helps people continue receiving medications, mental health and substance use treatment, and follow-up care, because providers are more likely to serve people if they have health insurance coverage. However, even people who remain eligible for Medicaid—including those who qualify for an exclusion or exception—may experience coverage gaps if needed records are unavailable, notices do not reach them, or deadlines are missed. Unstable housing, limited phone access, and changes in contact information can magnify these challenges.

The requirements from Medicaid and community supervision may overlap in some cases. Some reentry activities, including qualifying community service, education, and job training, can also help meet community engagement requirement. However, an activity does not qualify for Medicaid purposes simply because a court or supervision agency requires it. Court appearances, supervision appointments, and treatment appointments may take time away from work or other qualifying activities without automatically counting toward the 80 hours.

Without coordination, people may face conflicting requirements: meeting conditions of release can make it harder to meet community engagement requirement, while losing Medicaid can interrupt the treatment needed to comply with supervision. Coordination among Medicaid agencies, corrections, community supervision, and health care partners can reduce these conflicts and avoid gaps in care.

HOW CAN MEDICAID AND CORRECTIONAL PARTNERS SUPPORT CONTINUITY OF CARE?

Existing reentry efforts offer a starting point for implementing the new Medicaid requirements. Medicaid, corrections, community supervision, and community partners can coordinate eligibility processes and help people keep coverage as they return home.

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Implementing the community engagement requirement involves more than adding a check at Medicaid enrollment or renewal. States are modifying eligibility systems, training staff, establishing reliable ways to share data, and coordinating information from employers, schools, health care providers, correctional agencies, and other programs. HARP's State Strategies to Leverage Existing Medicaid Reentry Practices to Support OBBBA Implementation identifies approaches that build on work already underway:

- **Connect suspension and reinstatement processes with correctional exclusions and exceptions.** Establishing data-sharing practices that provide states with accurate information about a person's custody and release can help them apply the incarceration exclusion and recent-incarceration exception by enabling them to use reliable information they already have before asking the person for more.

- **Strengthen case management and align reentry plans.** State Medicaid agencies and correctional and community supervision partners should work together to align community engagement requirements with supervision obligations to the greatest extent possible under the law. Case managers can help identify qualifying employment, education, and other activities and explain when information is needed.
- **Use screenings and assessments to identify possible exclusions before release.** Screenings can identify previously unrecognized health conditions that need further assessment. They can also identify treatment participation or other circumstances that may qualify a person for an exclusion from the community engagement requirement. Medicaid agencies can use Medicaid claims, clinical records, and other information to verify whether the person qualifies for an exclusion.
- **Support enrollment and renewal in prisons and jails and after release.** Partners can help people understand notices, response deadlines, and where to get help. Because release plans and living arrangements may change, staff can help confirm contact information before release and update the State Medicaid Agency when an address or phone number changes afterward.