Community Engagement Requirement for Certain Individuals – Interim Final Rule with Comment Period (CMS-2454-IFC) Overview

July 2026

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES

Objectives

- This deck provides an overview of policies in the interim final rule titled “Community Engagement Requirement for Certain Individuals” (CMS-2454-IFC), available at https://www.govinfo.gov/content/pkg/FR-2026-06-03/pdf/2026-11094.pdf.
- The interim final rule with comment period (IFC):
  - Interprets and implements the community engagement requirement in Medicaid under section 1902(xx) of the Social Security Act (the Act) as added by Section 71119 of Public Law 119-21 (which CMS refers to as the Working Families Tax Cut (WFTC) legislation); and
  - Fulfills the legislative directive for CMS to promulgate an interim final rule no later than June 1, 2026, to implement these provisions.
- The information provided in this document is intended only to be a general informal summary of technical legal standards. It is not intended to take the place of the statutes, regulations, or formal policy guidance that it is based upon. This document summarizes current policy and operations as of the date it was presented. We encourage readers to refer to the applicable statutes, regulations, and other interpretive materials for complete and current information.

Overview

This deck outlines the key IFC provisions:

- Restoring Certain Eligibility and Enrollment Regulations to Implement Community Engagement
- Applicable Individuals, Including Individuals in Relevant Section 1115 Demonstrations
- Demonstrating Community Engagement
- Mandatory Exceptions and Specified Excluded Individuals
- Short-Term Hardship Exceptions
- Assessing Compliance with the Community Engagement Requirement
- Verifying Compliance, Exceptions, and Exclusions
- Noncompliance Procedures
- Implementation Timing
- State Outreach Requirements
- Managed Care Implications
- Monitoring

Restoring Certain Eligibility and Enrollment Regulations to Implement Community Engagement

Restoring Certain Regulations Necessary for Community Engagement Implementation

- Section 71102 of the WFTC legislation (*Moratorium on implementation of rule relating to eligibility and enrollment for Medicaid, CHIP, and the Basic Health Program)* prohibits CMS from enforcing certain provisions of the 2024 Eligibility and Enrollment final rule[1] until after September 30, 2034.
- CMS restores, until October 1, 2034, the previous version of the regulations published in the Code of Federal Regulations (CFR) in effect as of June 2, 2024, for suspended provisions relevant to the community engagement requirement.
- The changes are limited to restoring provisions affected by the moratorium when needed to implement the community engagement requirement, and when conforming changes are needed for consistency.

1. See final rule titled "Medicaid Program; Streamlining the Medicaid, Children's Health Insurance Program, and Basic Health Program Application, Eligibility Determination, Enrollment, and Renewal Processes" (89 FR 22780).

Applicable Individuals, Including Individuals in Relevant Section 1115 Demonstrations

Applicable Individuals (1/2)

IFC Definition

- An applicable individual is an individual who is not a specified excluded individual as defined in the IFC and who is:
  - Eligible to enroll or is enrolled under the State plan **in the adult group** described in section 1902(a)(10)(A)(i)(VIII) of the Act and 42 CFR 435.119; or
  - Otherwise eligible to enroll or is enrolled **in a demonstration project under section 1115(a)(2) of the Act** that provides coverage that meets minimum essential coverage (MEC) requirements as defined under 42 CFR 435.4, and who is: at least 19 and under 65 years of age, not pregnant, not entitled to or enrolled for benefits under Medicare Part A or enrolled for benefits under Medicare Part B, and not otherwise eligible to enroll under the State plan.

Applicable Individuals (2/2)

- Populations enrolled in the following waivers or demonstrations can be applicable individuals **only** if they are also enrolled in the State plan adult group or a relevant section 1115(a)(2) population:
  - Section 1915(b) waivers, or
  - Section 1915(c) waivers, or
  - In demonstrations that include only section 1115(a)(1) waiver authority, or
  - In demonstrations that include section 1115(a)(2) authority only for certain services (vs. eligibility).

- An individual enrolled in the adult group or a relevant section 1115(a)(2) demonstration population would not be an applicable individual if they meet the criteria of a specified excluded individual, and therefore would not be subject to the community engagement requirement.

Applicable Individuals in Section 1115 Demonstrations

- CMS is engaged in a systematic review and analysis of approved demonstration-only populations to determine whether they include individuals who would be subject to the community engagement requirement due to: 1) receiving MEC through the demonstration, and 2) meeting all other applicability criteria.

- To date, CMS has identified 13 such populations in eight States.
  - Demonstration populations were determined not to be subject to the community engagement requirement if: 1) demonstration coverage is not MEC, or 2) the population is likely to meet the definition of a "specified excluded individual."

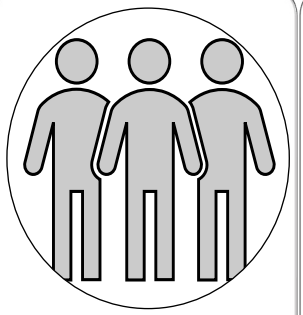
Demonstrations with Applicable Individual Populations Subject to Community Engagement	
State	**Demonstration Name**
GA	Pathways to Coverage: Pathways population & ESI/HIPP
HI	QUEST Integration: Population 1, 4, & 5
MA	MassHealth: e-HIV/Family Assistance & TANF and EAEDC
NY	Medicaid Redesign Team: TANF
OR	Oregon Health Plan: Youth with Special Health Care Needs
TN	TennCare III: Parent/Caretaker Relatives Expansion
UT	Utah Medicaid Reform: Adult Expansion population & Targeted Adults
WI	Badgercare Reform: Childless Adult demonstration population

Demonstrating Community Engagement

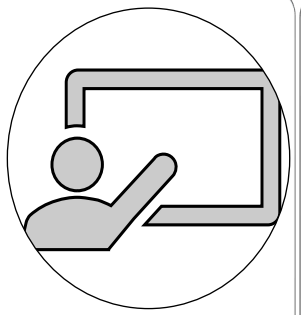
Community Engagement Requirement

Statutory Requirement: An applicable individual can meet the community engagement requirement in a given month by doing one or a combination of activities shown in boxes A through D below (i.e., qualifying activities). Individuals may also demonstrate community engagement by meeting one of the income-based criteria (boxes E and F). The community engagement requirement does not apply to specified excluded individuals.[1]

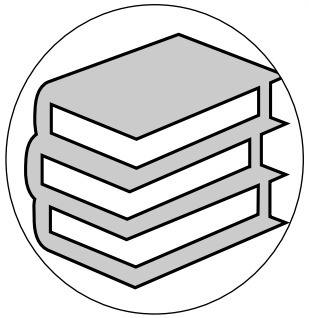
A. Work at least 80 hours.



B. Complete at least 80 hours of community service.



C. Participate in a work program for at least 80 hours.



D. Are enrolled in an educational program at least half-time.[1]

Individuals can combine hours across more than one activity to reach 80 hours

E. Have a monthly income that is not less than the applicable **Federal** minimum wage[2] multiplied by 80 hours (i.e., $7.25 (in 2026) x 80 = $580 per month).

F. Is a seasonal worker[3] and has an average monthly income over the preceding 6 months that is not less than the applicable **Federal** minimum wage[2] multiplied by 80 hours.

Individuals can meet one of these income-based criteria to demonstrate compliance[5]

1. Individuals meeting the mandatory exception criteria (see slide 17) are deemed compliant with the community engagement requirement.
2. Hours accrued by an individual enrolled in an educational program less than half-time may be combined with hours performed for other activities to count towards demonstrating community engagement. If the applicable individual was enrolled at least half-time, then the individual would have already demonstrated community engagement.
3. Federal minimum wage is defined by section 6 of the Fair Labor Standards Act of 1938, 29 U.S.C. § 206(a)(1)(C).
4. A seasonal worker is described in section 45R(d)(5)(B) of the Internal Revenue Code of 1986.
5. States may use income as a proxy for calculating work hours (see slide 13).

Defining Qualifying Activities

- **Work:** Means work in exchange for money, in-kind work, and unpaid work (e.g., internships) in general alignment with SNAP's definition of work (7 CFR 273.24(a)(2)).
- **Community Service:** Means unpaid work (voluntary or court-mandated) with a structured program that is completed for the direct benefit of the community under the auspices of an established organization (e.g., a public or nonprofit organization that provides oversight of the activity). The activity must not serve a partisan purpose.
- **Work Program:** Means a program as defined at section 6(o)(1) of the Food and Nutrition Act (2008). Includes, but is not limited to, certain State-operated employment and training programs and veterans' training programs operated by the Dept. of Veterans Affairs (VA) or the Dept. of Labor.
- **Educational Program:** Means certain institutions of higher education, certain programs of career and technical education, certain high schools, and certain high school equivalency programs (e.g., General Educational Development (GED) programs).
  - States must use the school or institution's determination of student status (full-time, half-time, or less than half-time).
  - For students enrolled less than half-time in an educational program that uses credit hours, States must multiply the number of credit hours by 3 to get the hours per week and then multiply by 4.33 to calculate total hours in one month.
  - For students enrolled less than half-time in an educational program that does not use credit hours, States must count the hours spent attending class and participating in educational activities.

Calculating Income and Minimum Wage

- States must use an individual's **modified adjusted gross income (MAGI)-based monthly household income** for Medicaid to determine compliance with the community engagement requirement (i.e., generally the same income methodology used to determine financial eligibility).
  - States must use MAGI-based methodologies in circumstances where a population of applicable individuals eligible only under a section 1115 demonstration does not have an income test or uses a non-MAGI methodology for financial eligibility.
- States must use the **Federal minimum wage** (i.e., $7.25 per hour in 2026) to calculate the income threshold to determine compliance with the community engagement requirement based on income. States may not use State or local minimum wages for this calculation.
- If the individual's verified income is below the Federal minimum wage multiplied by 80 hours and the State does not have documentation regarding the number of hours worked, States have the option to use this income amount to calculate the number of hours worked by dividing the income for the month by the applicable Federal minimum wage.[1] These hours can then be combined with other qualifying activities to demonstrate 80 hours of community engagement.

§ 435.552(f) and (g)

1. The agency must use a reasonable method to allocate work hours between members of the household.

Combining Activities

- When considering multiple community engagement activities in a month, States add the number of hours for work, community service, work program participation,[1] or participation in an educational program (if enrolled less than half-time) to determine total hours of qualifying activities. The combined hours must total not less than 80 hours to demonstrate community engagement.

EXAMPLE:

An individual who meets the definition of a family caregiver (see slide 18) provides 55 hours of unpaid caregiving in a month to a disabled individual with whom they do not reside and to whom they are not related. Those 55 hours of work would count toward demonstrating community engagement and the individual would need 25 additional hours in the month of other qualifying activities, such as community service or participation in an educational program, to demonstrate compliance.

§ 435.552(e)

1. States would only need to combine hours across activities if work, community service, or work program participation activities are completed for less than 80 hours.

Mandatory Exceptions and Specified Excluded Individuals

Key Terminology Used in This Deck

EXCLUSIONS: Apply to **specified excluded individuals** who are excluded from the definition of applicable individuals and are therefore not subject to the community engagement requirement.

EXCEPTIONS: Apply to **applicable individuals** who meet the criteria for either a **mandatory exception** or, at State option, a **short-term hardship exception,** and are therefore **deemed compliant** with the community engagement requirement.

EXEMPTIONS: Apply to **States** who are granted a **good faith effort exemption** from compliance with timely implementation.

Mandatory Exceptions

- Applicable individuals are **excepted** from demonstrating community engagement for a month and **deemed compliant** for that month if for all or part of the month the individual was:
  - **Under the age of 19**;
  - Entitled to or enrolled in **Medicare Part A** or enrolled in **Medicare Part B**;
  - Described in another **mandatory categorically needy eligibility group** (in sections 1902(a)(10)(A)(i)(I) through (VII) of the Act); or
  - A specified excluded individual.
- An additional exception applies to an individual who was an **inmate of a public institution at any point during the 3-month period** ending on the first day of a month in which the individual is otherwise subject to the community engagement requirement.
  - To apply this exception to a given month of a review period, the State must consider whether an individual was an inmate in any of the 3 months prior to that month of the review period. Other mandatory exceptions are applied to a month of the review period if the applicable individual met the criteria for the exception in that month.

Specified Excluded Individuals

- "Specified excluded individuals" are excluded from the definition of "applicable individual" and are **not** subject to the community engagement requirement.
- Status as a specified excluded individual is based on the **individual's status at the time of application or renewal**[1] and does not require a review of prior months.

1. **Former foster care children** described at section 1902(a)(10)(A)(i)(IX) of the Act as amended by Public Law 115-271, regardless of whether the individual turned age 18 on or after January 1, 2023;
2. Most **American Indians and Alaska Natives**;
3. A **parent, guardian, caretaker relative, or family caregiver** of a dependent child 13 years of age and under or a disabled individual (see slide 19);
4. **Veterans** with a total (100 percent) disability rating as defined under 38 U.S.C. §1155;
5. Individuals who are **medically frail** or otherwise have special medical needs (as defined by the Secretary, see slides 20-23);
6. Individuals who are **already compliant with Temporary Assistance for Needy Families (TANF) work requirements**;
7. Members of households that **receive Supplemental Nutrition Assistance Program (SNAP) benefits who are subject to SNAP work requirements** (general or time limit work requirements);
8. Participants in certain **drug addiction or alcoholic treatment and rehabilitation programs** (i.e., substance use disorder (SUD) treatment programs);
9. **Inmates of a public institution**; and
10. **Pregnant women** or individuals entitled to **postpartum medical assistance**.

§ 435.554

1. If a State identifies that an applicable individual meets an exclusion, the person becomes a specified excluded individual and is no longer subject to the community engagement requirement. The individual could be identified during the renewal process, as part of a more frequent verification of community engagement (if elected by the State), through information that becomes available to the State, or due to the individual reporting a change in their status to the Medicaid agency.

Family Caregiver Definition & Implementation Criteria

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 13 years of age and under or a disabled individual of any age (i.e., care recipient). A family caregiver is a specified excluded individual if he or she meets one of the following criteria:

1. The individual primarily **resides with** the care recipient(s).
   - Assistance must be provided regularly and not be solely incidental in nature (no minimum hours of assistance required per month).
2. The individual is a **relative[1] of but need not reside with the care recipient(s**).
   - Assistance must be provided regularly and not be solely incidental in nature (no minimum hours of assistance required per month).
3. The individual **does not reside** with and **is not a relative** of the care recipient(s) and **provides at least 80 hours of assistance** per month to the care recipient(s) that is not solely incidental in nature.
   - Caregiving hours less than 80 hours per month may be counted towards qualifying community engagement activities for applicable individuals

§ 435.554(a) and (c)(3)
1. Caretaker relative is further defined at § 435.554(a).

Medical Frailty Exclusion – Statutory Definition

- The statutory definition of medical frailty includes individuals who meet one or more of the following five categories, subject to the agency's authority to further define medical frailty:
  1. Who is blind or disabled (as defined in section 1614 of the Act);
  2. With a substance use disorder;
  3. With a disabling mental disorder;
  4. With a physical, intellectual or developmental disability that significantly impairs their ability to perform one or more activities of daily living; or
  5. With a serious or complex medical condition.

Medical Frailty Exclusion – Additional Definitional Details

- The definition of medically frail in the IFC only includes individuals:
  - whose physical, mental, or other behavioral health condition significantly impairs the individual's ability to comply with the community engagement requirement; and
  - who meet one or more of the five categories identified in the statute (section 1902(xx)(9)(A)(ii)(V) of the Act) and which are further define in IFC.

- States do not have the option to add other categories of individuals to the definition of medical frailty, beyond those listed in the statute and IFC.

- The IFC definition of individuals with an SUD (for purposes of the medical frailty exclusion) excludes an individual in stable recovery (i.e., in recovery for 5 or more years).

Medical Frailty Exclusion – Framework (1/2)

- A “serious or complex medical condition” is defined in the IFC as a medical condition that is:
  - life threatening,
  - seriously disabling without necessarily being life threatening,
  - causes significant pain or discomfort that can cause serious interruptions to life activities,
  - requires a major time or effort commitment from caregivers for a substantial period of time,
  - requires frequent monitoring,
  - is associated with severe consequences or negative consequences for someone else,
  - affects multiple organ systems,
  - requires management to tight physiological parameters,
  - requires coordination of multiple specialties,
  - requires treatment that carries a risk of serious complications, or
  - requires adjustment in non-medical environments.

Medical Frailty Exclusion – Framework (2/2)

- States must develop a list of diseases, diagnoses, disorders, or other health conditions to identify individuals who are potentially medically frail and must verify that an individual's physical, mental, or other behavioral health condition significantly impairs their ability to comply with the community engagement requirement.
  - The list must be auditable, justifiable, and consistent with the regulatory definition.
  - The list must be revised on a regular basis to add or remove diseases, diagnoses, disorders, or health conditions (as applicable) based on States' implementation experiences.

- The State must have reasonable processes and criteria in place for individuals to request consideration for the exclusion due to having a condition not on the State's list.

Short-Term Hardship Exceptions

Optional Exception for Short-Term Hardship Events for Applicable Individuals

- States have the option to adopt the exception for short-term hardship events.
- A short-term hardship event exists if an applicable individual, for all or part of a month:
  - Received inpatient hospital services, nursing facility services, services in an intermediate care facility for individuals with intellectual disabilities, inpatient psychiatric hospital services, or other services of similar acuity as identified in the IFC.[1]
  - Resided in a county or equivalent unit of local government for which, under the authority of the National Emergencies Act, the President declared an emergency that affects the ability of applicable individuals to demonstrate community engagement.
  - Resided in a county or equivalent unit of local government for which the President declared an emergency or disaster under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.
  - Resided in a county or equivalent unit of local government in which the unemployment rate is at or above the lesser of 8 percent or 1.5 times the national unemployment rate.
  - Must travel, or whose dependent must travel, outside of their community of residence for an extended period of time (which could be for part or all of a month or longer) to receive medical services necessary to treat a serious or complex medical condition that are not available within their community of residence.

§ 435.555

1. The IFC identifies other services of similar acuity to include inpatient services furnished in critical access hospitals, emergency hospitals, institutions for mental diseases, and other facilities not covered under Medicaid, but recognized by the State. The IFC also includes noninstitutional services received, but for the receipt of such services, would likely result in the applicable individual receiving the other specified types of inpatient services.

Optional Exception for Short-Term Hardship Events for Applicable Individuals – Additional Details

- States adopting the short-term hardship exception must deem an applicable individual to have demonstrated community engagement when the individual experiences any one of the hardship events.
- States that have elected to provide short-term hardship exceptions must include information about their availability in outreach and noncompliance notices.
- The exceptions based on receipt of certain health care services or travel to receive certain health care services are contingent on State approval of an individual's request. However, when the conditions for the emergency, disaster, or unemployment-related hardship events are met, States must apply an automatic exception to all applicable individuals residing in the affected area(s).
- States request and receive approval from CMS when seeking to implement the unemployment-related short-term hardship exception and a state must notify CMS timely of its plan to effectuate an emergency exception under the National Emergencies Act.
- An applicable individual seeking the exception for travel to receive certain health care services but who does not travel with their dependent must demonstrate having taken leave from employment or having absented themselves from other community engagement activities for reasons related to the dependent's travel or medical condition during the month(s) in which the dependent must travel.[1]

§ 435.555

1. Such activities could include, but are not limited to, taking the dependent to a local medical appointment in preparation for the medical appointment requiring travel, conducting logistical activities related to travel, or maintaining primary responsibility for communicating with the dependent's medical providers.

Assessing Compliance with the Community Engagement Requirement

Assessing Compliance Overview

- CMS is using the term **"Review Period"** to refer to the time period under consideration during which an applicable individual must demonstrate the requisite number of months (specified by the State) of community engagement to fulfill the requirement.

- At application: The review period is the 1, 2, or 3 consecutive months prior to the month of application, as specified by the State.
  - Note: at application, the months in the review period and the number of months that an applicable individual must demonstrate community engagement are necessarily the same.

- For beneficiaries enrolled in Medicaid:
  - At renewal, if the State does not elect to conduct more frequent verifications: the review period is the eligibility coverage period that ends when the renewal is due.
  - If the State elects more frequent verifications of community engagement: the review period is the time between the most recent verification and the date the next verification is due (either of which could be the regularly scheduled 6-month renewal).[1] Each review period is inclusive of the month in which the verification is due.

§ 435.556

1. Most individuals required to demonstrate community engagement are also subject to the new 6-month renewal requirement under section 1902(e)(14)(L) of the Act.

Assessing Compliance with Community Engagement Requirement for Enrolled Beneficiaries

Medicaid beneficiaries must demonstrate community engagement for 1 or more months (as specified by the State), whether or not consecutive, at renewal, or at State option, more frequently.

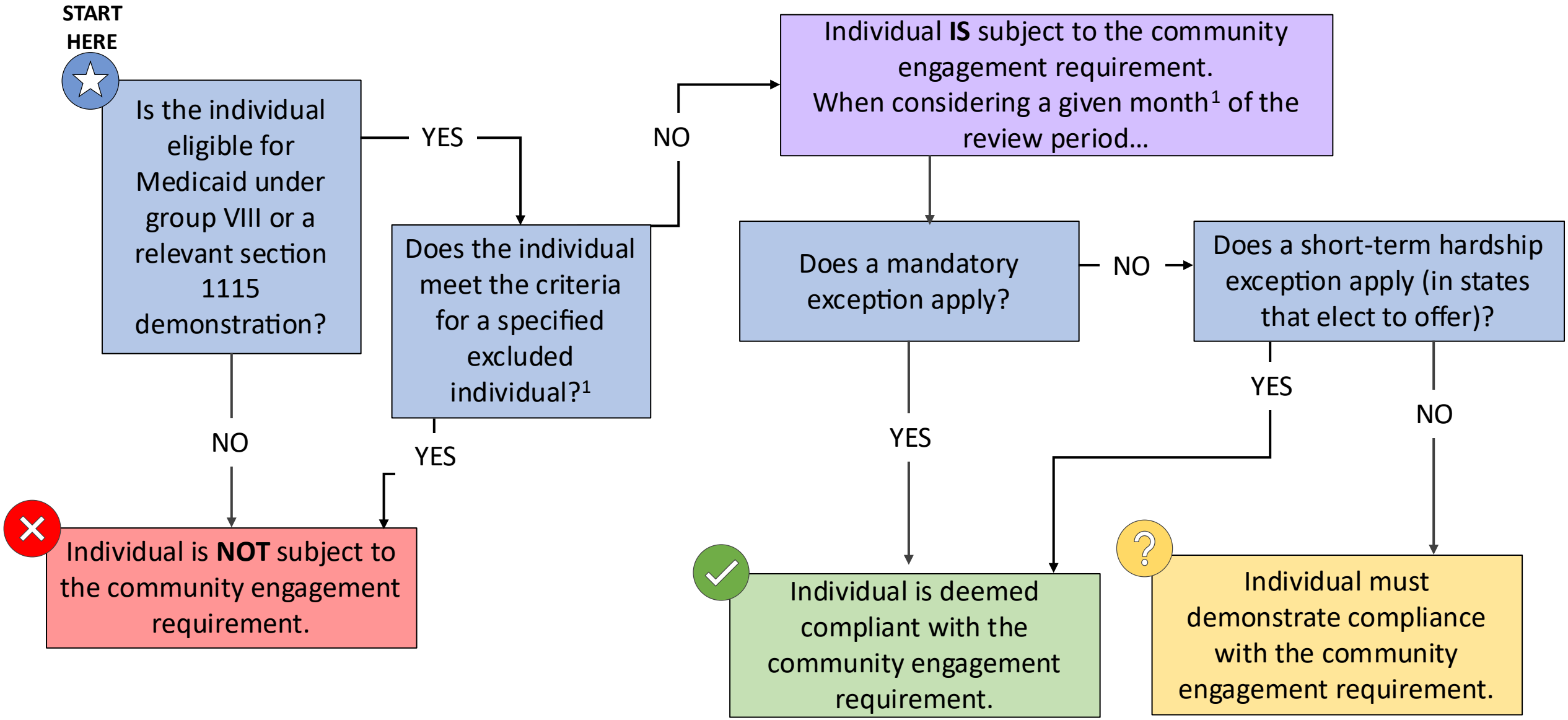
- A beneficiary is considered to have successfully met the requirement if during any part of the review period, the beneficiary demonstrated or is deemed to demonstrate community engagement for the number of months the State specified; while the State may specify the number of months it **may not** dictate the specific month(s).
- If the State requires applicable individuals to demonstrate community engagement for more than 1 month, it must permit, but may not require, them to demonstrate community engagement in consecutive months.

Frequency of Assessing Compliance

- States are required to assess compliance with the community engagement requirement at each renewal.
- States may elect to conduct more frequent verifications of community engagement between renewals.

The option to conduct more frequent verifications only applies to applicable individuals, thus a specified excluded individual's status as such **cannot** be verified more frequently than at each renewal.

Identifying Who is Subject to Community Engagement



§ 435.556(a)(2)(ii), (iii), and (c)

1. Individuals who are currently inmates of a public institution are considered specified excluded individuals and are not subject to community engagement. Individuals who were at any point an inmate of a public institution during the prior 3-month period meet the criteria for a mandatory exception and are deemed compliant with community engagement.

Verifying Compliance, Exceptions, and Exclusions

Verifying Compliance, Exceptions, and Status as a Specified Excluded Individual (1/2)

- States must first attempt to use reliable information available to the State to verify an individual's compliance with, or exception or exclusion from, the community engagement requirement using reliable information available to the State, without requiring additional information from an applicant or beneficiary. The use of *ex parte* verification for community engagement is required at application, renewal, and more frequent verifications (if adopted by the state).
- States must document in their verification plan policies and procedures for verifying compliance with the community engagement requirement, including the data sources the State will use and must retain and be able to produce all information, data, and documentation (when applicable) used to make an eligibility determination.
- States must seek additional information or documentation from individuals when reliable information is not available to the State, or the information available to the State is not reasonably compatible with the information provided by the applicant or beneficiary on their application or renewal form, to verify an individual's compliance or excluded or excepted status.

Additional details regarding verification of medical frailty are covered on slides 35-36.

§ 435.557(a) and (b)

Verifying Compliance, Exceptions, and Status as a Specified Excluded Individual (2/2)

- States must provide an individual the opportunity to furnish information and documentation needed to verify their compliance or deemed compliance via an exception with the community engagement requirement or that they are a specified excluded individual prior to denying or terminating eligibility.
- **Prior to January 1, 2028**, States **may** require documentation or accept other information (e.g., self declaration under penalty of perjury) when there is no reliable information available to the State or the reliable information is not reasonably compatible with the information provided by or on behalf of the individual.
- **Beginning on January 1, 2028**, States **must** require documentation, wherever documentation is reasonably available, if there is no reliable information available to the State or reliable information is not reasonably compatible with information provided by or on behalf of the individual.

Additional details regarding verification of medical frailty are covered on slides 35-36.

Verification Hierarchy

1. **Ex parte (available information):** States must first attempt to verify information using available data. If there is sufficient information available through data sources to verify eligibility, the State **must** use that information to complete a determination and may not require additional information or documentation from the individual.

2. **Documentation:** Beginning on January 1, 2028, states **must** require documentation, wherever documentation is reasonably available, if there is no reliable information available to the State or reliable information is not reasonably compatible with information provided by the individual.

   Prior to 2028, states may accept self declaration under penalty of perjury in the absence of available reliable information.

3. **Other information:** States **must** accept other information when no documentation is reasonably available (regardless of the year).

Verification of Medical Frailty (1/2)

- States must attempt to use reliable information available to the State to verify that an individual is medically frail or has other special medical needs.
  - Reliable information includes claim(s) relevant to the individual that have been adjudicated in the preceding 12 months, including those that have been paid, pended, or denied, and encounter data, as relevant to the individual. States may not consider information older than 12 months when verifying medical frailty or other special medical needs.
  - **Before January 1, 2028**, if no reliable information is available or the information is not reasonably compatible, with information provided by or on behalf of the individual, States **may** require documentation or accept a statement or other information under penalty of perjury.
  - **Beginning on January 1, 2028**, if no reliable information is available or the information is not reasonably compatible with information provided by or on behalf of the individual, States may accept a statement or other information under penalty of perjury only once during a beneficiary's period of enrollment and thereafter **must** request documentation from the individual to verify medical frailty.
- States must reverify medical frailty status at least once every 12 months, but States may verify more frequently, such as at each renewal.

§ 435.557(f)

Verification of Medical Frailty (2/2)

For new applicants or beneficiaries newly attesting to medical frailty, there may not be reliable information available to the State. For example, this may be true if an individual has a new condition and has not yet received medical care. In this scenario:

- **Until December 31, 2027,** States may use a statement or other information provided under penalty of perjury.

- **Beginning in 2028,** States may only use a statement or other information provided under penalty of perjury, such as a screening tool, to verify medical frailty **one time** during an individual's enrollment period. The State **must** use reliable information or request documentation at that individual's first regularly-scheduled redetermination if data is not available or does not confirm medical frailty status.

Noncompliance Procedures

Noncompliance Procedures (1/2)

- When a State is unable to verify compliance with or exception/exclusion from the community engagement requirement, the State must send a notice of noncompliance to the applicant/beneficiary and provide 30 calendar days to make a satisfactory showing either demonstrating compliance (including deemed compliance through an exception) or that the community engagement requirement does not apply.

- After the 30-calendar day period ends, if the individual has not made a satisfactory showing, the State must consider if the individual is eligible for Medicaid on any other basis.
  - If so, the State must enroll the individual in such group.
  - If not, the State must deny the application or disenroll the individual not later than the end of the month following the month in which the 30-calendar day period ends after providing advance notice and fair hearing rights and assessing potential eligibility for other insurance affordability programs.

Noncompliance Procedures (2/2)

- **Application**: When a notice of noncompliance and the 30-calendar day period to respond are required at application, CMS is allowing a new optional exception to the timeliness standard for MAGI eligibility determinations (45 days). States must document this exception and the reason for delay in the beneficiary case record.
- **Renewal**: The noncompliance notice and the 30-calendar day response period **must** be completed by the end of the eligibility period. To accomplish this, States have two options to fit the noncompliance notice within the existing renewal process. The noncompliance notice can be sent:
  1. At the same time as the renewal form (that is, sent after a State attempted to but is unable to renew coverage on an *ex parte* basis), or
  2. After a renewal form is returned with insufficient information to verify compliance with the community engagement requirement or after the time allotted to return the renewal form has elapsed.

Implementation Timing

Implementation Timing

- States must implement the community engagement requirement by January 1, 2027, or, at State option, earlier via amendment to the State plan or section 1115 authority.
- A State's implementation date is the date on which the community engagement requirement becomes a condition of eligibility for applicable individuals. On or after the implementation date:
  - **Applicants** must demonstrate or be deemed to demonstrate community engagement.
    - For applications pending as of the implementation date, States must apply policies in place when the application was submitted.
  - Enrolled **beneficiaries** must demonstrate or be deemed to demonstrate community engagement as part of periodic renewals, or more frequent verifications, if elected by the State.
    - States must verify an applicable individual's compliance beginning with the first renewal **initiated** following the State's implementation date.

Good Faith Effort Exemption

- The Secretary may grant a State a temporary exemption from compliance with timely implementation of the community engagement requirement, if the State has demonstrated a good faith effort.
- CMS will consider the following criteria on a case-by-case basis in granting exemptions:
  - Any actions taken by the State toward compliance,
  - Any significant barriers to meeting requirements,
  - The State's detailed plan and timeline for achieving full compliance, and
  - Any other criteria determined appropriate by the Secretary.
- CMS expects States to have made consistent progress towards implementation across multiple domains, such as procurement, policy development, and operational preparations.
- CMS expects to approve initial requests for no longer than 6 months and may approve extensions. Exemptions must expire no later than December 31, 2028.
- States receiving an exemption must submit quarterly reports on their progress and timeline for implementation, along with information on newly identified barriers or challenges to full compliance.
  - CMS may end an exemption if a State does not meet reporting requirements or no longer demonstrates a good faith effort towards implementation.

State Outreach Requirements

Outreach – Timing and Operations

Statutory Requirement

- States must conduct outreach to applicable individuals in the 4th, 5th, and 6th months prior to the first day that individuals must comply with the community engagement requirement, depending on whether a State elects a 1-, 2-, or 3-month review period, respectively.

Additional Details

- States must provide beneficiary-specific outreach to all individuals enrolled in the adult group described at § 435.119 or an applicable section 1115 demonstration, including specified excluded individuals and those who qualify for an exception.
- States must also conduct outreach when:
  - an individual is determined eligible at application, renewal, or change in circumstance;
  - the State elects the State plan option for the short-term hardship exception;
  - the State effectuates certain short-term hardship exceptions;
  - the State reduces a beneficiary's eligibility and sends advance notice for the deselection of the State plan option for the short-term hardship exception, for the anticipated expiration of certain short-term hardship events, and for the loss of a beneficiary's status as a specified excluded individual; and
  - CMS requests it based on State monitoring data.
- States may use managed care plans to assist with periodic outreach.

Outreach – Content and Modalities

- Outreach must include information on:
  - How to comply with the community engagement requirement, including an explanation of the exceptions, exclusions, and the definition of an applicable individual;
  - The number of months the individual must demonstrate compliance at renewal;
  - Information on how often the State will verify compliance between renewals, if the State elects to conduct more frequent verifications;
  - The consequences of noncompliance, including information on potential ineligibility for Medicaid and the advance payments of the premium tax credit (APTC) and the premium tax credit (PTC); and
  - How to report changes in status relating to exceptions, including short-term hardship exceptions, if elected by the state, or exclusions.
- States must send notices by mail or, if elected by the individual, an electronic format, and through one or more additional modalities (electronic portal, telephone, text message, or other commonly available means).
- States may combine outreach notices with determination notices or other existing communications.

Managed Care Implications

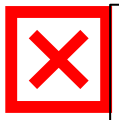
Role of Managed Care Plans

- States are prohibited from using their Medicaid managed care plans or other contractors that have direct or indirect financial relationships with plans to determine beneficiary compliance with the community engagement requirement. There is no prohibition on States delegating some support activities to plans.
- States and their actuaries must ensure that any costs associated with the non-benefit component of a capitation rate comply with all Federal requirements, including §§ 438.4 and 438.5.

States **may** elect to utilize their managed care plans to provide or enhance certain activities that leverage the plans' relationships with their enrollees.

For example, States **may** use managed care plans to:

- Conduct outreach and educate enrollees,
- Share data (e.g., related to medical frailty status) to inform States' determinations, or
- Refer enrollees to work programs.



States **cannot** delegate activities to managed care plans that are unrelated to the provision of Medicaid-covered services in accordance with the contract or that would be unreasonable to include in capitation rates.

For example, States **cannot** delegate activities to:

- Conduct tracking or collect information on work, community service, or education activities, or
- Issue formal notifications to Medicaid beneficiaries regarding noncompliance.

Implementation Materials

- CMS has released additional implementation materials available through Paperwork Reduction Act packages (https://www.cms.gov/medicare/regulations-guidance/legislation/paperwork-reduction-act-1995/pra-listing). This includes:
  - State Plan Amendment Community Engagement Requirement Template: CMS-10434 #15
  - Beneficiary Application Updates: CMS-10410
  - MAGI-Based Eligibility Verification Plan: CMS-10398 #11
  - Short-Term Hardship Exception Requests: CMS-10398 #101
  - Good Faith Effort Exemptions and Quarterly Reporting: CMS-10398 #100
  - Reporting Metrics:
    - Eligibility Processing Data Report and Renewal Compliance Template: CMS-10434 #66
    - Performance Indicator Data: CMS-10398 #35
    - Transformed-Medicaid Statistical Information System (T-MSIS); CMS-R-284

Monitoring

Data Monitoring

- CMS will require States to submit timely, complete, and accurate data to support monitoring of State eligibility and enrollment operations and the implementation and impact of the community engagement requirement.
- To the extent possible, CMS intends to develop a metric set using existing data elements and submission portals.
- States will be required to report data for the following categories:
  - Enrollment totals;
  - Application and renewal processing, timeliness, and backlogs;
  - Outcomes of determinations and redeterminations of eligibility;
  - Populations subject to and their compliance with the community engagement requirement, including the manner of compliance; and
  - Other data specified by CMS.
- States failing to submit data or whose data indicate compliance issues may be subject to corrective action, additional data collection, or additional outreach noticing.