

Section 71119 of “Working Families Tax Cut” Legislation, Public Law 119-21: Requirements for States to Establish Medicaid Community Engagement Requirements for Certain Individuals

December 8, 2025

Objectives

- This deck is a companion to Center for Medicaid and CHIP Services (CMCS) Information Bulletin (CIB), *Section 71119 of the “Working Families Tax Cut” (WFTC) Legislation, Public Law 119-21: Requirements for States to Establish Medicaid Community Engagement Requirements for Certain Individuals.*
- This slide deck is intended to provide an overview of the Medicaid-related community engagement requirements mandated by section 71119 of the WFTC legislation and support states as they begin to plan for implementation.

Content Overview

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Context Setting

Background

- On July 4, 2025, President Trump signed Public Law No. 119-21, which the Centers for Medicare & Medicaid Services (CMS) refers to as the “Working Families Tax Cuts” (WFTC) legislation, into law.
- The WFTC legislation included changes to the Medicaid program, including the introduction of community engagement requirements for certain applicable adults as a condition of their Medicaid eligibility.¹
- Implementation of the community engagement requirements will necessitate system, policy, and operational changes to state programs in the coming years and is expected to be a significant undertaking for states.
- CMS is committed to supporting states in this effort and ongoing state and stakeholder engagement will inform areas of need for additional guidance, including rulemaking by June 2026.

1. Section 71119 of the WFTC legislation amended Section 1902 of the Social Security Act (the Act) to add subsection (xx) - Community Engagement Requirement For Applicable Individuals.

Overview

- Community engagement requirements apply in any state and the District of Columbia that elects to provide coverage to the adult group under the state plan or to certain individuals through certain section 1115 demonstrations.
 - The provision is not applicable to the U.S. territories, regardless of whether they elect to cover the adult group.
- The requirement to condition Medicaid eligibility on demonstrating community engagement begins January 1, 2027, unless a state opts to implement it sooner.
 - Before effectuating the community engagement requirement, states must engage in outreach to applicable individuals.
- The community engagement requirement cannot be waived under section 1115 demonstration authority.



Key Definitions

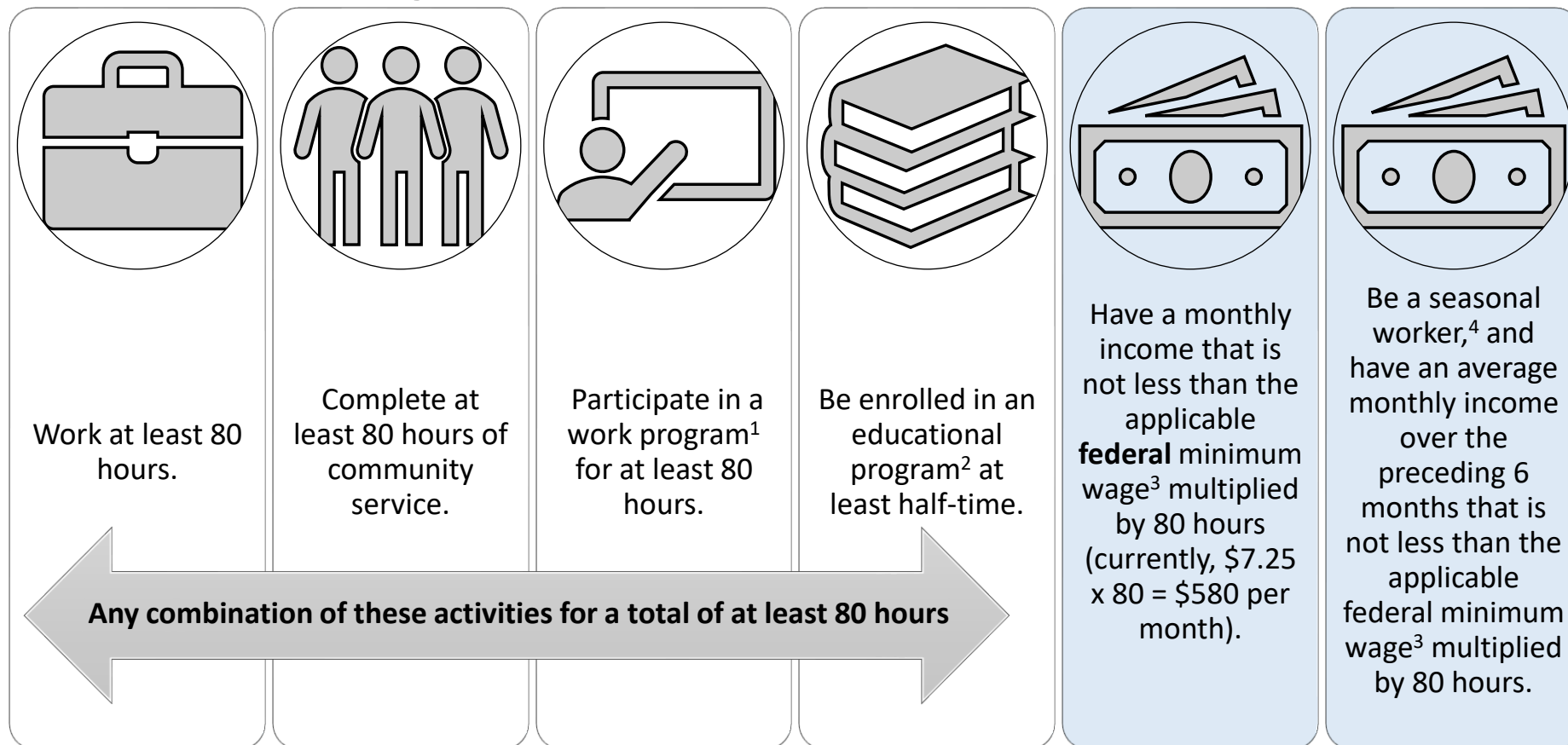
Definition of Applicable Individuals

- Community engagement requirements apply to “applicable individuals.” Applicable individuals must demonstrate compliance with community engagement requirements as a condition of Medicaid eligibility.
- Applicable individuals are generally those:
 - Eligible for or enrolled under the state plan in the adult group described in §1902(a)(10)(A)(i)(VIII) of the Act; or
 - Eligible to enroll or enrolled in a section 1115 demonstration that provides minimum essential coverage (MEC), and who are at least 19 and under 65 years of age, not pregnant, not entitled to or enrolled for benefits under Medicare Part A or Part B, and not otherwise eligible to enroll under the state Medicaid plan.

Community engagement requirements do not apply to individuals enrolled in an 1115 demonstration if the only coverage available to these individuals is not MEC (e.g., family planning-only services). CMS continues to evaluate which existing state section 1115 demonstration populations fall into the definition of an applicable individual.

Definition of Community Engagement

To meet community engagement requirements in a given month, applicable individuals must do one or more of the following:



Section 1902(xx)(2) of the Act.

1. A work program is defined by section 6(o)(1) of the Food and Nutrition Act of 2008.

2. Including an institution of higher education (as defined in section 101 of the Higher Education Act of 1965) and a program of career and technical education (as defined in section 3 of the Carl D. Perkins Career and Technical Education Act of 2006).

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.

Exclusions from and Exceptions to Community Engagement Requirements (1/3)

Individuals meeting the definition of a “specified excluded individual” for part or all of a relevant month are not subject to demonstrating community engagement for that month.

The following persons are “specified excluded individuals”:

1. former foster care children defined in §1902(a)(10)(A)(i)(IX);
2. certain American Indians and Alaska Natives;¹
3. parents, caretaker relatives, guardians, or family caregivers² of a dependent child under the age of 14 or a disabled individual;
4. veterans with a total 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);³

1. Includes individuals who meet one of the following criteria: (A) is an Indian or an Urban Indian (as defined in paragraphs (13) and (28) of section 4 of the Indian Health Care Improvement Act), (B) is a California Indian (as described in section 809(a) of such Act), or (C) has otherwise been determined eligible as an Indian for the Indian Health Service under Department of Health and Human Services (HHS) regulations.

2. “Family caregivers” are defined in section 2 of the RAISE Family Caregivers Act, P.L. 115-119.

3. Includes individuals who are blind or disabled (as defined in §1614 in the Act), have a substance use disorder, disabling mental disorder, or physical, intellectual, or developmental disability that impairs the ability of the individuals to perform one or more activities of daily living; or has a serious or complex medical condition.

Exclusions from and Exceptions to Community Engagement Requirements (2/3)

Individuals meeting the definition of a “specified excluded individual” for part or all of a relevant month are not subject to demonstrating community engagement for that month. The following persons are “specified excluded individuals” (continued):

6. individuals who are compliant with Temporary Assistance for Needy Families (TANF) work requirements;¹
7. members of households that receive Supplemental Nutrition Assistance Program (SNAP) benefits and are not exempt from SNAP work requirements;²
8. participants in certain substance use disorder treatment and rehabilitation programs;²
9. inmates of a public institution; or
10. pregnant women or individuals entitled to postpartum medical assistance.³

1. Under section 407 of the Act.

2. As defined in the Food and Nutrition Act of 2008.

3. As defined in section 1902(e)(5) or (16) of the Act.

Exclusions from and Exceptions to Community Engagement Requirements (3/3)

- Applicable individuals are excepted from demonstrating community engagement for a month if, for part or all of that month, they are:
 - under the age of 19;
 - entitled to or enrolled in Medicare Part A or enrolled for benefits under Medicare Part B;
 - described in a mandatory categorically needy eligibility group.¹
- An additional exception applies to an individual who was an inmate of a public institution at any point during the three-month period ending on the first day of a month in which the individual is otherwise subject to the community engagement requirement.

1. In any of subclauses (I) through (VII) of section 1902(a)(10)(A)(i) of the Act.

Optional Short-Term Hardship Exceptions

States also have the option to provide an exception for short-term hardship events for applicable individuals. A state that elects this option must deem an applicable individual as demonstrating community engagement for a month if, for part or all of the month, the individual:

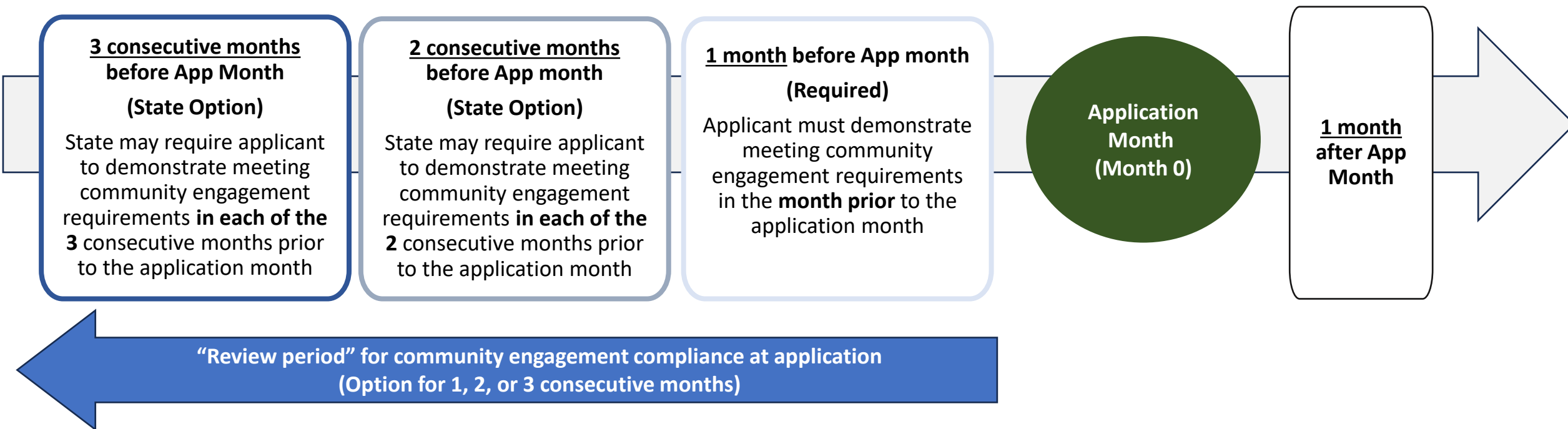
- receives inpatient hospital services, nursing facility services, services in an intermediate care facility for individuals with intellectual disabilities, inpatient psychiatric hospital services, or such other services of similar acuity;¹
- resides in a county or equivalent unit of local government in which:
 - an emergency or disaster has been declared by the President; or
 - has an unemployment rate that is at or above the lesser of eight percent or 1.5 times the national unemployment rate;² or
- must travel, or whose dependent must travel, outside of their community for an extended period of time to receive medical services necessary to treat a serious or complex medical condition that are not available in their community of residence.¹



Demonstrating and Verifying Community Engagement

Demonstrating Community Engagement at Application

- Applicable individuals must demonstrate community engagement requirements for at least one month preceding the month of application.
- States may elect to require applicable individuals demonstrate compliance for up to three consecutive months immediately preceding the month of application.

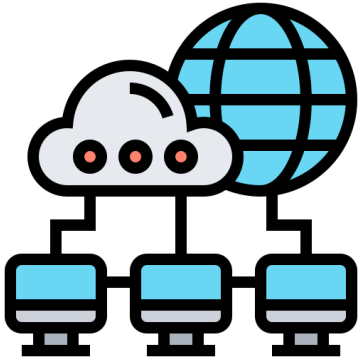


Demonstrating Community Engagement at Renewal

- Beneficiaries subject to community engagement must demonstrate compliance as part of the state's routine renewal process.
- Such Medicaid beneficiaries must demonstrate community engagement for one or more months (as specified by the state), whether or not consecutive. As such, if the state requires applicable individuals to demonstrate compliance for more than one month, it must permit, but may not require, demonstration in consecutive months.
- States may not dictate specific months during which the applicable individual must demonstrate community engagement.
- States may elect to verify compliance in between determinations or redeterminations of eligibility for beneficiaries.

As required by Section 71107 of WFTC legislation, states will be required to conduct renewals of eligibility once every 6 months, instead of once every 12 months, for a population that significantly overlaps with the population subject to the new community engagement requirements, beginning with renewals initiated on or after January 1, 2027. Individuals subject to both of these provisions will be required to demonstrate community engagement at least every 6 months at each subsequent renewal.

Using Reliable Information to Verify Compliance



- States must first attempt to use reliable information available to the state, including from the individual case record or information obtained through reliable data sources, to establish whether an individual met the community engagement requirement or was not required to do so.
- Reliable information could come from: payroll data, Medicaid provider payments, encounter data, and data sources about higher education enrollment, job training participation, or community service, as well as other data sources.
- The state may not request additional information or documentation unless it is unable to establish that the individual met community engagement requirements (or was not required to do so) using reliable information available to it.
- This requirement applies at application, at renewal, and when verifying between renewals, if a state has elected to verify compliance more frequently than the renewal schedule.

CMS expects to provide additional guidance on using reliable information to verify compliance with community engagement and exceptions and exclusions from community engagement, including the use of reliable data sources, and instructions on documenting such policies and procedures.



Non-Compliance

Procedures in the Case of Non-Compliance

- If a state cannot establish that someone met the community engagement requirements or was not required to do so, it must provide notice of noncompliance and allow the applicant or beneficiary 30 calendar days from the date such notice is received to demonstrate compliance or show that the requirement does not apply to them.
 - The notice of noncompliance must include information on how to demonstrate compliance or show that the requirement does not apply, and how to reapply for medical assistance if the individual's application is denied or if the beneficiary is disenrolled.
- A state must continue to provide medical assistance to an enrolled beneficiary during the 30-day period.
- If no satisfactory showing of compliance with or inapplicability of the requirement is made, the state must determine whether the individual has any other basis for eligibility for Medicaid or another insurance affordability program.
- The state must then provide written notice and fair hearing rights¹ and, if there is no other basis for Medicaid eligibility, deny the application or terminate eligibility by the end of the month following the 30-day period.

Non-Compliance Effects on Related Provisions

- **Certain FMAP Increases.** A state shall not be treated as not providing medical assistance to all individuals in 1902(a)(10)(A)(i)(VIII) or as not expending amounts for all such individuals under the Medicaid state plan or waiver of the plan, solely because it has determined that such an individual is ineligible for Medicaid due to a failure to demonstrate community engagement.
- **Premium Tax Credit Eligibility.** An individual is deemed to be eligible for MEC if the individual would have been eligible for Medicaid but for failure to meet community engagement requirements. As such, an applicable individual who does not demonstrate community engagement and would otherwise be eligible for Medicaid is precluded from eligibility for advance payments of the premium tax credit (APTC) and premium tax credits (PTC).



Outreach

Outreach to Applicable Individuals

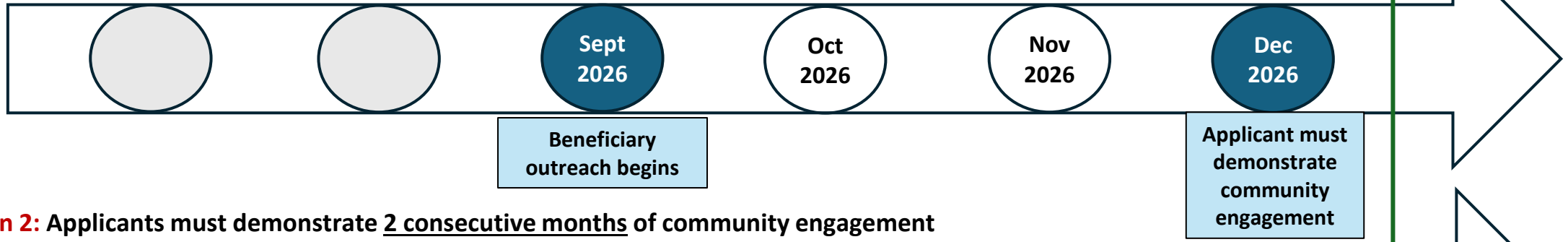
- Prior to initial implementation, and periodically thereafter, states are required to notify beneficiaries of the requirement to demonstrate community engagement.
 - The timing of initial outreach is based on the state's implementation date (i.e., January 1, 2027, or earlier if elected by the state) and the state's review period.¹
- The outreach notice must include information on:
 1. how to comply with community engagement requirements, including the definition of an “applicable individual” and the exceptions;
 2. consequences of non-compliance; and
 3. how to report a change in status (e.g., qualifying as a specified excluded individual, meeting an exception, or being subject to community engagement requirements after an exclusion or exception ends).
- States must provide this outreach notice by mail (or in an electronic format, if elected by the individual) and at least one additional format.
 - Additional formats may include telephone, text message, an internet website, other commonly available electronic means, and other formats the Secretary determines appropriate.

Outreach Timing

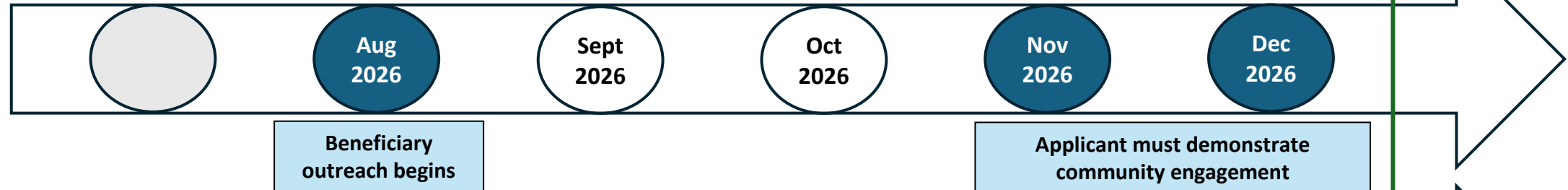
Based on the statutory implementation date of January 1, 2027, this graphic depicts state options for timelines accounting for the required three months of initial outreach to existing beneficiaries and the state's review period.¹

Implementation:
Jan 1, 2027

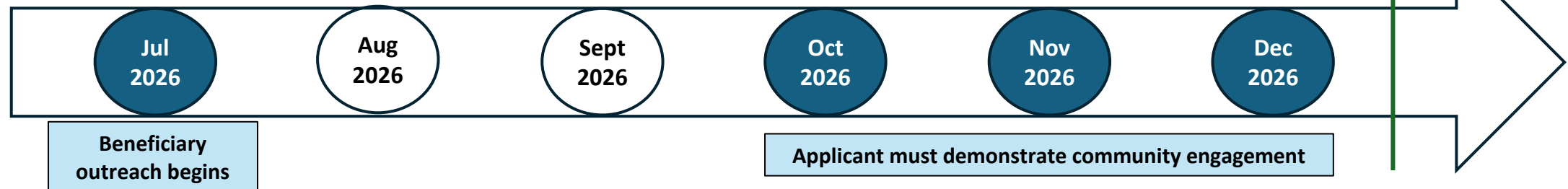
Option 1: Applicants must demonstrate 1 month of community engagement



Option 2: Applicants must demonstrate 2 consecutive months of community engagement



Option 3: Applicants must demonstrate 3 consecutive months of community engagement



Managed Care Plan Role

- States are prohibited from using Medicaid managed care organizations (MCOs), prepaid inpatient health plans (PIHPs), prepaid ambulatory health plans (PAHPs), or other contractors with direct or indirect financial relationships to MCOs, PIHPs, or PAHPs to determine beneficiary compliance with community engagement requirements.
- There is no other prohibition on states delegating some support activities to managed care plans to support implementation.

CMS expects to issue further guidance on the potential role that managed care plans can appropriately play in activities that are not related to determining beneficiary compliance.



State Implementation



Implementation and Temporary Exemption for Good Faith Effort (1/2)

- Section 1902(xx)(1) of the Act requires that states implement the community engagement requirements beginning January 1, 2027, although states may elect an earlier implementation via a section 1115 demonstration or through a state plan amendment.
- The HHS Secretary has the authority to provide states a temporary good-faith-effort exemption to delay implementation of community engagement requirements.
- Good-faith exemptions, if granted by the Secretary, must expire no later than December 31, 2028.
- The Secretary may terminate exemptions early if a state fails to comply with quarterly reporting requirements or ceases making good faith compliance efforts.

Implementation and Temporary Exemption for Good Faith Effort (2/2)

In considering whether a state is demonstrating a good faith effort to comply, the Secretary will consider:

- actions taken by the state toward compliance,
- any significant barriers or challenges to meeting the requirements that the state has faced or continues to face,
- the state's detailed plan and timeline for achieving full compliance, and
- any other criteria the Secretary determines appropriate.

Good-faith-effort exemptions will be considered on a case-by-case basis and will be approved only for states that make the required showing. CMS anticipates that approvals will be limited to states that are making meaningful efforts towards implementation and experience severe and/or unexpected issues that hinder their progress.

Financial Resources for States (1/2)

Grants to States

- A total of \$200 million in federal funding for fiscal year 2026 is available for the 50 states and the District of Columbia to establish systems necessary to carry out WFTC legislation section 71119 and other sections related to conducting eligibility determinations and redeterminations.
- CMS will award states this funding through two mechanisms:
 1. \$100 million distributed equally among all 50 states and the District of Columbia, and
 2. \$100 million distributed based on the share of individuals subject to community engagement requirements relative to the total number of individuals across all 50 states and the District of Columbia, as of March 31, 2025.

Financial Resources for States (2/2)

Medicaid Information Technology (IT) System Costs

- Certain state Medicaid agency IT system costs necessary to support the community engagement requirements may be eligible for enhanced federal financial participation (FFP).
- Approval of enhanced match requires the submission of an Advanced Planning Document (APD).
- A state may submit APD requests for:
 - 90/10 enhanced match for the design, development, and installation of their Medicaid Enterprise Systems (MES) initiatives contributing to the economic and efficient operation of the program; and/or
 - 75/25 enhanced match for ongoing operations of CMS-approved systems.



Closing

Next Steps

- CMS recognizes implementing section 71119 of the WFTC legislation is a significant undertaking for states that will require policy, operational, and system changes.
- CMS is currently developing the required interim final rulemaking along with additional guidance on the new requirements.
- CMS is available to answer questions and provide technical assistance to states; requests can be directed to MedicaidWorks@cms.hhs.gov.