

Reconciliation Law: Work-Community Engagement Requirements

Updated July 11, 2025 Working Draft: Talking Points List

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Disability Medicaid Prevalence

One in 5 Medicaid enrollees have a disability (15 million). Two-thirds of disabled persons on Medicaid do “not” receive SSI. Only one third of Medicaid enrollees with a disability receive SSI.

7.8 million persons with disabilities and aged persons needing assistance in community living receive state option Home-and-Community-Based (HCBS) waiver services.

Medicaid is the single largest payor of mental health and substance use disorder services (27% of all behavioral health spending). 23% of nonelderly adults with mental illness and 22% of adults with SUD receive Medicaid.

Work Requirements [Community Engagement]

Requirement for States To Establish Medicaid Community Engagement Requirements – pages 180-188 – from the Medicaid Red Line Text.

Applies as a condition of eligibility for the Medicaid Expansion population (aged 19-64).

Specifically Excluded Individuals:

1. Exempt from Requirements - Persons Disabled and Receiving SSI. Section 1614 of the Social Security Act (from the SSI authorizing law). Note pages 185-186 of the Community Engagement Requirements – “specific excluded individual” defined – “who is blind or disabled (as defined in section 1614).” Thus, only persons defined as disabled for SSI purposes are excluded.
2. Exempt from Requirements - Persons dually enrolled in Medicare and Medicaid: [page 181; Section (3) (A) (1) (II) (bb)]. There are roughly 12 million people dually enrolled in Medicare and Medicaid.
3. Exempt from Requirements - The Secretary will also define “physical, intellectual, or developmental disability that significantly impairs their

ability to perform one or more activities of daily living;” [Instrumental ADLs are not cited in the law text.]

4. Exempt from Requirements - Individual with “a substance use disorder.”
Another section of the exemption: an individual who participates in a drug addiction treatment and rehabilitation program.
5. Exempt from Requirements - Individual with a “disabling mental disorder.”
6. Exempt from Requirements - Individual with a serious or complex medical condition.”

Community Engagement Requirements – no later than the first quarter that begins December 31, 2026. Final rule by CMS/HHS required by June 1, 2026. States may request extension (with HHS/CMS approval) to December 31, 2028.

States shall, in accordance with standards established by HHS/CMS, establish “ex parte Verifications” using state data systems on exemptions rather than requiring/relying on information individuals must submit.

Failure to comply with this requirement not only results in loss of Medicaid, but also results in prohibition of ACA Marketplace premium tax credits.

AAHD has reminded coalitions of the larger context and inter-relationships between categories of exempt individuals (and relation/impact on persons with co-occurring conditions). Keep reminding folks that all populations have unique and important needs – in combination with the totality of population groups (complicated by the many folks with co-occurring conditions).