

Subject:

The Medical Frailty Exemption: The Implementation Cornerstone of Medicaid Work Requirements

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The Medical Frailty Exemption: The Implementation Cornerstone of Medicaid Work Requirements

Medical frailty isn't just a technical detail. It is the linchpin for protecting access to coverage and care for millions of Medicaid enrollees with serious health conditions.

THE 80 MILLION

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tl;dr

- Congress sought to protect vulnerable individuals from losing coverage by expressly exempting medically frail individuals from work requirements. In doing so, H.R.1 provides for minimum standards for individuals who are medically frail, meaning they experience serious

physical and intellectual disabilities, complex medical conditions, behavioral health problems, and/or a substance use disorder.

- Historically, the Centers for Medicare & Medicaid Services (CMS) has deferred to states to define medical frailty — a definition that will matter a great deal for Americans who may qualify for exemptions from the forthcoming **Medicaid work reporting requirements** that will take effect Jan. 1, 2027.
- Defining medical frailty, and determining who qualifies for such exemptions, is another important task added to states' growing list of action items as new policies implemented under H.R.1 begin to take effect. Manatt toolkits for the State Health & Value Strategies (SHVS) program provide a strong start to the work.
- **Ex parte data verification** is required to identify medically frail individuals and will be essential to states' medical frailty exemption processes. Simple, straightforward and accessible application screening questions will also help new applicants self-identify as medically frail.

The 80 Million Impact

As states prepare for the Jan. 1, 2027, implementation of federally mandated Medicaid work reporting requirements, the most consequential — and complex — decisions lie in how states define and operationalize the medical frailty exemption. Defining “medical frailty” and building systems and operational capacity to identify and verify those medical conditions are proving to be one of the most challenging aspects of implementation for states. Specifically, states will need to build new operational processes and IT systems that bridge claims, encounter and other data with their eligibility and enrollment system in order to exempt individuals identified as medically frail.

Under H.R.1, individuals who are “medically frail or otherwise have special medical needs” are exempt from Medicaid work reporting requirements. The statute provides a floor — not a ceiling — for qualification:

- Individuals with a **substance use disorder**
- Those with disabling mental disorders
- People with significant physical, **intellectual or developmental disabilities** that impair daily functioning

- Individuals with a serious or complex medical condition
- Those who are blind or meet the Social Security Administration (SSA) definition of disability

States have flexibility to define which diagnoses and types of services fall within these categories. It's essential that they do so within a framework that is operationally feasible, data-driven, and ensures applicants and enrollees are able to access the pathways to exemption if they are eligible.

Defining Medical Frailty

Manatt Health, through the Robert Wood Johnson Foundation-funded SHVS program, has developed a suite of toolkits to support states in implementing work requirements in a manner that ensures that eligible people get and stay enrolled in Medicaid. These toolkits establish **implementation planning milestones** to support states' work planning, lay out key **policy and operational decision points**, tee up potential data verification processes for **verifying compliance and exemptions** and coordinating with the **Supplemental Nutrition Assistance Program**, and offer considerations for states as they develop a **strategic verification hierarchy** for work requirements exemptions and compliance.

Most recently, Manatt Health released **a medical frailty toolkit** that provides a description of the factors that states may consider when developing medical frailty definitions, examples of potential state definitions, and the types of claims data diagnosis and utilization codes that states can use to assess and verify medical frailty. States (as well as vendors and other stakeholders) can use this toolkit as a jumping off point for developing sound, inclusive definitions and data verification strategies.

Data Is the Backbone of Medical Frailty Determination

Ex parte verification — using data sources to confirm exemption status without requiring additional documentation from enrollees — is not just a best practice, it's a statutory requirement under H.R.1 and will be critical in identifying people who are medically frail and should be exempt from work requirements. Leveraging claims, encounter data and other new data sources

is a key component to identifying individuals who meet the medically frail definition. To do that, states will need to develop a code list of diagnoses, service utilization, pharmacy and durable medical equipment that align with the states' definitions of medical frailty that will be used to data mine Medicaid Management Information Systems. States can also identify medically frail individuals who are assigned to a state program where eligibility aligns with medical frailty (e.g., a behavioral health managed care plan) and through **information provided by a managed care plan** based on utilization data review and information provided by care managers. By leveraging new and existing datasets, states can verify whether enrollees qualify for the exemption. Absent reliance on data, the burden of proof for exemption falls to individuals, and experience tells us they are likely to fail in demonstrating their medical frailty.

Getting the data sources and systems in place will be a heavy lift for states, especially as they race to implement their work reporting requirement technology by January 2027. Most states, if not all, will need to build or enhance data-sharing infrastructure, develop new algorithms to flag potentially frail individuals, and train eligibility workers and managed care organizations on how to interpret and act on these data.

The Hardest Part: Identifying New Applicants

While existing enrollees can often be identified through historical data, new Medicaid applicants present a unique challenge. They may not yet have claims history or be connected to state systems. That's why states must include simple, effective screening questions in the Medicaid application itself. These questions should allow individuals to self-identify as medically frail in order to receive an exemption. States can trigger prospective, back-end verification to mine their systems for data on enrollees who self-identify as medically frail. Manatt's guidance, based on best practices for communicating with Medicaid applicants and enrollees on complex health and eligibility matters, suggests that these questions should be:

- Plain language and accessible to individuals with low health literacy
- Validated through consumer and stakeholder testing

- Integrated with a single, streamlined application and not require a separate step for collecting information
- Complemented by a strong multi-modality outreach and education component
- Supported by plain language notices with clear action items
- Translated into the languages other than English consistent with program demographic

Manatt Health and SHVS intend to release forthcoming toolkits that include example medical frailty screening questions. Manatt also intends to release specific outreach and education strategies for highly vulnerable medically frail populations, such as those with behavioral health needs and intellectual and developmental disabilities.

The Bottom Line

If states stumble in their decision making and execution around medical frailty exemption policy, systems or operations, the consequences can be severe. Medically frail individuals could be denied or lose coverage, leading to disenrollment, worsening health and increased costs down the line for the Medicaid program. But if states get it right, they can make data informed, person-centered medical frailty exemption decisions, protecting the most vulnerable people in the program and meeting the intent of the mandatory eligibility condition established by Congress. The clock is ticking to get it right.

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