

In July 2025, the President signed into law H.R. 1, the “One Big Beautiful Bill Act” (Public Law 119-21) which makes many changes to the Medicaid program. One of the biggest changes is that the law requires states to determine whether certain people on Medicaid are working, engaging in certain community engagement activities, or are exempt from these new requirements in order to retain or gain Medicaid health insurance coverage.

What are work reporting requirements?

Medicaid work reporting requirements (also called “community engagement” requirements) are new rules passed into law in 2025 that will make Medicaid coverage for certain adults conditional on that person working, volunteering, or engaging in defined educational activities for at least 80 hours each month. If people are not able to meet these rules or qualify for an exemption, they will lose or be unable to get Medicaid health care coverage.

NAMI’s concern: The Congressional Budget Office (CBO) estimates that these work reporting requirements will result in 5.3 million more people becoming uninsured by 2034. Unfortunately, many people will lose coverage not because they didn’t meet the work reporting requirements but because they could not successfully navigate the process to report their work activities or be able to obtain relevant exemptions.

What activities count toward the work reporting requirement?

People who are not exempt will need to meet a work reporting requirement of at least 80 hours per month from among the following activities: employment, community service, work program, and/or education activity.

NAMI’s concern: Determining whether people meet this requirement will be difficult and costly for states and confusing for individuals. Work reporting requirements have shown little or no effect on employment or hours worked.

Who will be subject to work reporting requirements?

Not all people on Medicaid will be subject to these requirements. The work reporting requirement applies to adults (ages 19 through 64) who are covered by Medicaid as a result of Medicaid expansion^[1] and do not qualify for an exemption. Adults who are covered by Medicaid as a result of qualifying for Supplemental Security Income (SSI) because of a disability will not be impacted.

NAMI’s concern: Many people with mental illness are covered by Medicaid as a result of the Medicaid expansion because the process for establishing eligibility based on disability is limited. Additionally, many people are not familiar with the details of how they are eligible for Medicaid – and sometimes may not realize they are on Medicaid at all because it is called different names in different states. Because of this, many people might not know that these new requirements apply to them.

More information: Learn the name of your state’s Medicaid program [here](#). Learn more about Medicaid expansion [here](#).

^[1] ***The Affordable Care Act (ACA) expanded Medicaid coverage (“Medicaid expansion”) to nearly all adults with incomes up to 138% of the Federal Poverty Level and provided states with an enhanced federal matching rate (FMAP) for their expansion populations. To date, 40 states and DC have expanded Medicaid. Work reporting requirements will apply in those 40 states and DC, as well as Wisconsin and Georgia, which have not expanded Medicaid but provide a limited benefit for certain adults. As a result, only Alabama, Florida, Kansas, Mississippi, South Carolina, Tennessee, Texas, and Wyoming will not be required to implement work requirements.*

Who is excluded from work reporting requirements?

States are required to exclude certain individuals from the work reporting requirements, including:

- Foster care youth under age 26;
- Indian Health Service members;
- Parent, guardian, caretaker relative, or family caregiver of a dependent child 13 years of age and under or a disabled individual;
- Veterans with a total disability rating;
- Medically frail individuals, including people with a substance use disorder, a “disabling mental disorder,” or “a serious or complex medical condition”;
- Individuals already meeting work requirements under Temporary Assistance for Needy Families (TANF) or the Supplemental Nutrition Assistance Program (SNAP);
- Individuals participating in a qualifying substance use disorder (SUD) treatment program;
- Incarcerated or recently incarcerated individuals who have left incarceration within the prior three months; and
- Those who are pregnant or receiving Medicaid postpartum coverage.

States also have flexibility to exempt additional populations through an “optional exception for short-term hardship event” provision, which can be used for people currently receiving care in hospitals or nursing homes or who are living in areas where there is a natural disaster or high unemployment rate.

NAMI’s concern: Many people with mental illness should qualify for one or more exemptions, but exemption processes are often administratively burdensome and difficult to navigate. It is also not clear if all people with mental health conditions will qualify for these exemptions, as federal regulations related to work requirements – which should provide more detail on how these exemptions can be applied – are not due until July 1, 2026.

Will the “medically frail” exemption protect people with mental illness?

Maybe. The federal government will define what it means to be “medically frail” and then states will have to make decisions on how to implement the exemption. The new law says that “medically frail” has to include a person:

- Who is blind or disabled;
- With a substance use disorder;
- With a disabling mental disorder;
- With a physical, intellectual or developmental disability; or
- With a serious or complex medical condition.

NAMI’s concern: Without knowing how these terms will be defined, it is not clear if they will adequately protect the people that Congress intended to be exempt from the requirements. Additionally, the process for proving eligibility for exemptions will be different state-to-state and cause hurdles for individuals.

How will people prove they are meeting the requirements or are exempt?

The law requires states to use “ex parte processes” that are based on “reliable information”, “where possible”, in order to determine if someone is meeting the requirements or is excluded from the requirements. What this means is that states must make efforts to use available electronic data, such as payroll or tax information, wherever possible rather than requiring additional information to be submitted by the individual. Ideally, this requirement should help decrease the actions that individuals have to take in order to prove they are meeting work requirements or are exempted from work requirements.

NAMI’s concern: Without knowing how states will implement these “ex parte processes,” it is hard to know whether they will correctly identify people as meeting the requirements or qualifying for an exemption. Additionally, the ex parte process requires coordination between various types of data systems that may not currently interact or may have incomplete information.

What states will have to implement work reporting requirements?

The requirements will apply in all states EXCEPT Alabama, Florida, Kansas, Mississippi, South Carolina, Tennessee, Texas, and Wyoming. This is because the new requirement impacts all states that have expanded Medicaid eligibility under the Affordable Care Act (40 states and the District of Columbia), as well as Wisconsin and Georgia, both of which have expanded coverage for certain adults outside of the formal Medicaid expansion pathway.

NAMI’s concern: People in 42 states and DC will be at risk of losing critical health insurance coverage as a result of these new rules. Additionally, these new requirements will drastically reduce the likelihood that states who have not expanded Medicaid will choose to expand Medicaid in the future.

When will these changes take effect?

States are required to implement work requirements by January 1, 2027, but they may choose to do so sooner by submitting a request, known as a waiver, to the federal government, which has to approve the request. Additionally, the federal government may grant states an extension until December 31, 2028, if states demonstrate a good faith effort to meet the requirements.

NAMI’s concern: These are major changes to Medicaid that are being implemented on a very short timeline. There will only be 17 months between when the law was enacted and when states need to make major systems changes to implement the new requirements, which means many considerations to protect individuals may not be fully explored.

How will states pay to implement this new requirement?

There is a \$200 million implementation fund created by the bill that will be distributed to states to help offset the implementation costs of work reporting requirements. Details are forthcoming about how the money will be distributed.

NAMI’s concern: Estimated costs to implement work reporting requirements vastly exceed the \$200 million across all states. This burden on states will be compounded by additional changes to Medicaid that will decrease the amount of federal Medicaid dollars available to states.