CENTER FOR HEALTH & RESEARCH TRANSFORMATION

MEDICAID POLICY BRIEF

HR1 and Michigan Medicaid: Work Requirements

July 2026

Authors: Helen Levy, PhD; Sarah Peterson, BA; Samantha Iovan, MPH; Marianne Udow-Phillips, MHSA; Thomas Buchmueller, PhD; Jaque King, MPP, Joshua Traylor, MPH

CHRT

NCRC, B520, Office 1166, 1600 Huron Parkway, Ann Arbor, MI 48109
chrt-info@umich.edu
CHRT.ORG

HR1 and Michigan Medicaid: Work Requirements

The 2025 budget reconciliation bill, also known as HR1 or the One Big Beautiful Bill Act (OBBBA), imposes new community engagement requirements on the more than 500,000 adults who are enrolled in the Healthy Michigan Plan (HMP), Michigan's Medicaid expansion program. In Michigan, these requirements will take effect on January 1, 2027. The Center for Medicare and Medicaid Services (CMS) released guidance on June 1, 2026, specifying how states must implement these requirements.[1] This brief summarizes what is known and what remains uncertain about the new requirements and discusses their impact for Michigan.

What are the new requirements?

Although this policy is often referred to as a work requirement, the definition of community engagement under HR1 is not limited to work but also includes performing community service; participating in job training; or attending school for at least 80 hours each month. These activities are defined as follows:

- **Work** includes paid work and "in kind" work for goods or services, as well as unpaid work such as internships, and may include self-employment or working as an independent contractor.
- **Community service** is unpaid work that benefits the community by addressing a civic, non-partisan need and must be carried out through programs overseen by public or nonprofit organizations.
- **Job training** includes work programs that meet the work requirements for the Supplemental Nutrition Assistance Program (SNAP), discussed in more detail below.
- **Attending school** means being enrolled in high school or high school equivalency programs; higher education; career or technical education; but not independent study.

These activities may be combined to meet the community engagement requirement: for example, part-time work plus part-time school.

Income as evidence of community engagement: Enrollees may also meet the community engagement requirement by having monthly household income that is at least what one would earn working 80 hours at the federal minimum wage ($7.25/hour in 2026): that is, $580. In Michigan, where the minimum wage will be $15/hour beginning in 2027, enrollees and their households could earn this amount – and thereby satisfy the community engagement requirement - by working 39 or more hours in a month.

Exemptions

The HR1 community engagement requirements apply to both existing HMP enrollees and new HMP applicants. However, certain individuals are exempt or excluded from these requirements, including:

- Foster care youth and former foster youth under the age of 26
- American Indians
- Caregivers, defined by CMS as "parent, guardian, caretaker relative, or family caregiver of a dependent child 13 years of age and under or a disabled individual"

- Disabled veterans
- Individuals already meeting work requirements under Temporary Assistance for Needy Families (TANF) or SNAP
- Individuals in treatment programs for substance use disorder
- Incarcerated or recently incarcerated individuals
- Pregnant and postpartum individuals

Also exempt are individuals who are "medically frail." The law stipulates that those who are blind or disabled, as well as those with substance use disorders, disabling mental disorders, or physical, intellectual, or developmental disabilities must be considered medically frail. Beyond this, states must define medical frailty, subject to federal requirements and guidance.

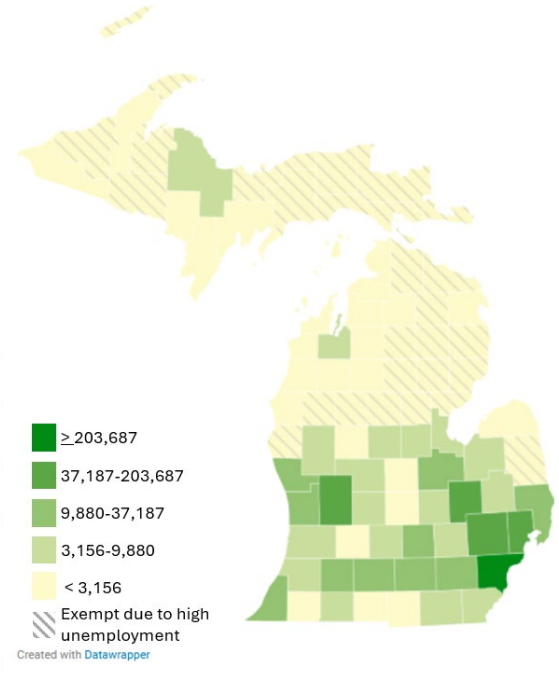
The June 1, 2026 guidance from CMS presents a more restrictive framework for defining medical frailty than what many states had expected; in particular, states cannot exempt broad groups of people with particular conditions, such as cancer or multiple sclerosis.[2] Rather, it will be necessary for states to define functional limitations that meet a standard for exempting individuals from the community engagement requirement, and individuals must be able to demonstrate those limitations through medical records and provider documentation. As of this writing, Michigan and other states are still determining how they will operationalize the definition of medical frailty in compliance with CMS requirements as this more restrictive definition has been challenged in court by 24 states, as well as the District of Columbia.

Short-term exceptions, including economic hardship

The law includes an option for states to allow short-term exceptions for economic hardship when a county's unemployment rate is higher than 8% or 1.5 times the national unemployment rate (whichever is lower). Michigan will implement this option, as well as exceptions for counties with a federally recognized national disaster and for individuals who are hospitalized or must travel to receive medical care.[3] Figure 1 shows a map of counties that currently qualify for a hardship exception (hatched line) alongside HMP enrollment numbers for counties that do not qualify. In total, 4.2% of HMP enrollees (30,059) reside in the 26 counties that would be exempt under this definition.

Figure 1

Number of HMP enrollees in counties that are ineligible for a short-term hardship exemption and counties eligible for a short-term hardship exemption [i]



[i] Figure created by CHRT using MDHHS HMP enrollment data, average enrollment per month for calendar year 2025 and Bureau of Labor Statistics unemployment data, average unemployment rate per month for calendar year 2025.

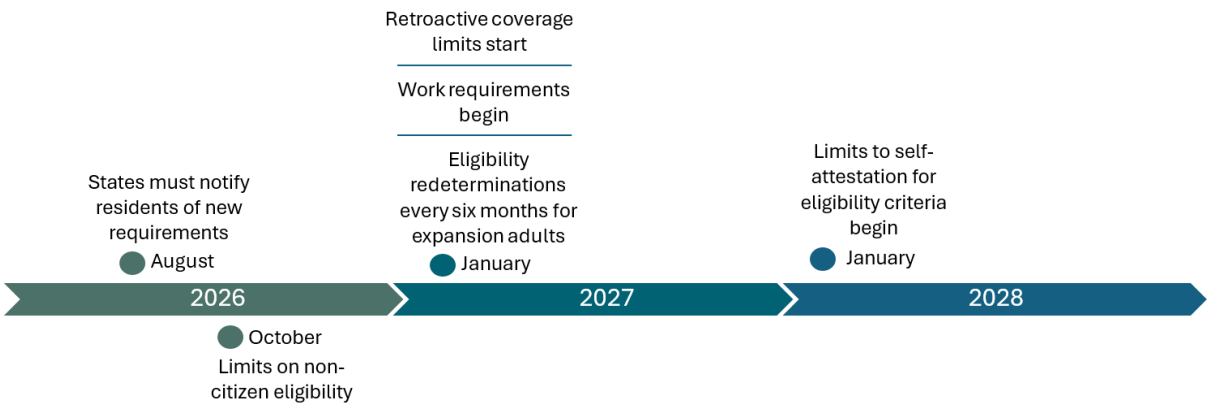
How are community engagement and exemptions verified?

HR1 requires states to attempt to use existing data to verify whether individuals are exempt from or compliant with Medicaid community engagement requirements before requiring additional documentation from individuals. This approach, known as *ex parte* verification, reduces the administrative requirements for individuals who may meet community engagement requirements or qualify for an exemption. Data sources used for *ex parte* verification may include unemployment data, SNAP and TANF income data, as well as medical claims data. When such data are insufficient, individuals will be asked to provide documentation of community engagement or to support an exemption. If an individual cannot obtain documentation, self-attestation is allowed on a limited basis. In 2027, self-attestation will be accepted at all initial applications and renewals. However, in 2028, states must require documentation when it exists and is reasonably available. If documentation is not reasonably available (e.g., informal caregiving of an elderly parent), states must define other acceptable ways for verifying an exemption.[4] Medical frailty verification will have the most limitations on self-attestation, allowing only one instance of self-attestation per enrollment period.

Beginning January 1, 2027, renewals will be required every six months rather than annually for HMP enrollees. The implementation timeline for community engagement requirements and related Medicaid enrollment provisions is shown in Figure 2.

Figure 2

Implementation timeline for Medicaid work requirements and eligibility changes



Impact of community engagement requirements on Michigan

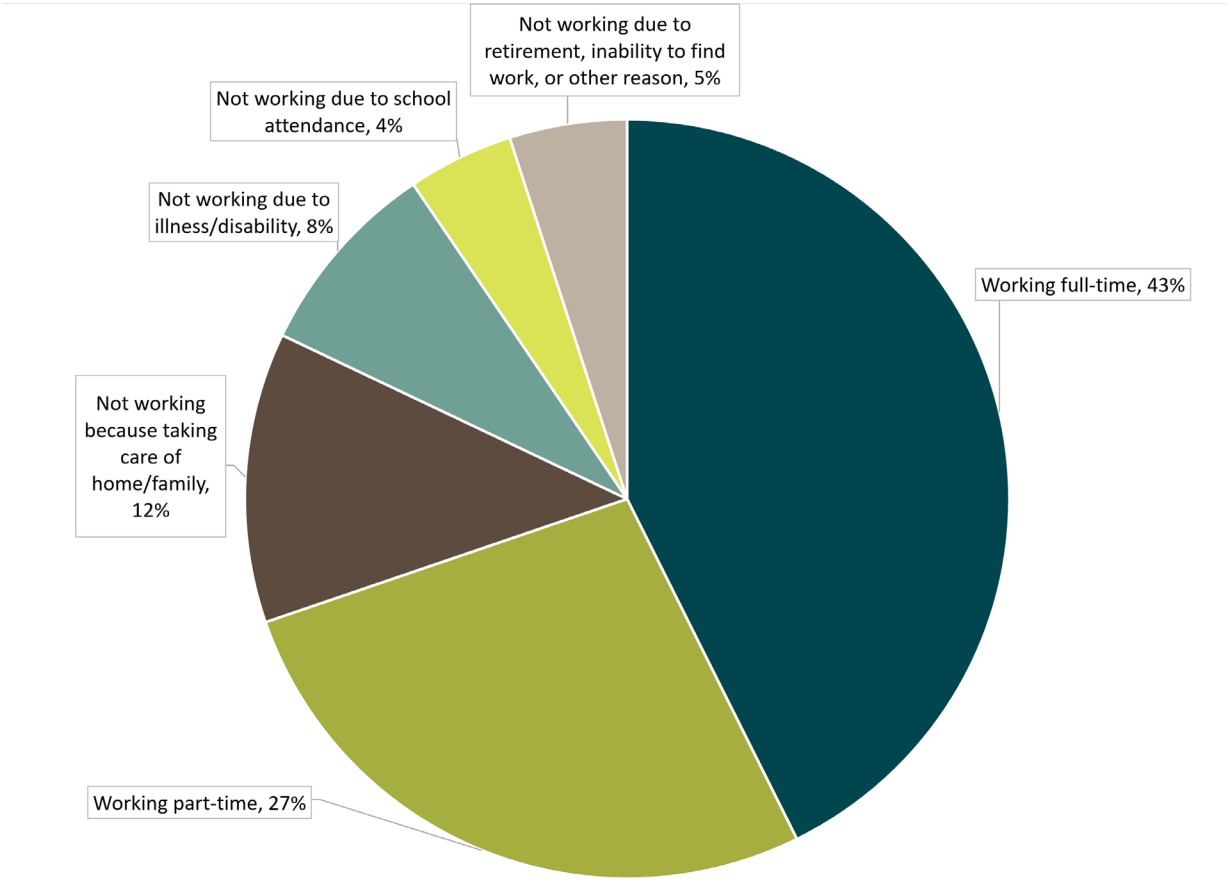
The CMS guidance from June 1, 2026 states that the community engagement requirement "has the potential to empower Medicaid beneficiaries through employment, education, or volunteer service so they can escape isolation and dependency, build confidence, and achieve self-sufficiency and independence."

In Michigan, most non-disabled adult Medicaid enrollees are already working or report a reason for not working that would likely qualify for an exemption. Figure 3 shows the work status of Medicaid enrollees in Michigan who are between the ages of 19 and 64 and not disabled. Seventy percent are working, with most (43%) working full-time, defined as 35 hours or more per week. Nearly all of those who are working, whether full-time or part-time, would satisfy the community engagement requirement based on the income criterion described above.

Twelve percent of the total report they are not working because they are taking care of home or family; 8% are ill or disabled; 4% are in school; and the remaining 5% are not working due to retirement, an inability to find work, or "other."

Figure 3

Reported work status and barriers to work among non-disabled adults ages 19 to 64 in Michigan with Medicaid in 2024 [ii]



Note: percentages may not sum to 100% due to rounding.

While most current HMP enrollees are meeting the new work requirements or should be exempt, it is likely that many enrollees will lose coverage as a result of the imposition of these new requirements. This conclusion is based on the experience in other states with the implementation of an earlier version of

[ii] Figure created by CHRT using March 2025 Current Population Survey, Annual Social and Economic supplement, data for Michigan adults ages 19 through 64 with Medicaid who do not have Medicare and did not receive Social Security or SSI last year (n = 232). The estimates are based on the variables WEWKRS (hours and weeks worked last year, for workers) and RSNNOTW (reason not working last year, for non-workers), weighted using MARSUPWT. Full-time is defined as usual weekly hours of 35 or more, a higher threshold than specified in the HR1 June 1 Interim Final Rule. Using the lower threshold from the IFR to define full-time work - work hours that earn the equivalent of 20 hours/week at the federal minimum wage, which in Michigan is 10 hours or more - almost all of Michigan's working Medicaid enrollees would be considered full-time.

Medicaid work requirements and experience with other federal programs with work requirements (in particular, the Supplemental Nutrition Assistance Program). In those cases, the administrative requirement to prove either compliance or exemption from the requirements was a substantial barrier and resulted in the loss of coverage of thousands of individuals who were otherwise eligible for coverage.

What the evidence says

All the evidence to date suggests that the Medicaid community engagement requirements in HR1 will result in substantial Medicaid enrollment reductions without increases in employment.

Prior Medicaid work requirements

Between 2018 and 2020, 11 states implemented or were planning to implement work requirements for Medicaid expansion beneficiaries as demonstration projects.[iii]

Arkansas, the only state to fully implement the policy, had just over 284,000 Medicaid expansion enrollees when their work requirement began to be implemented.[5] The best evidence suggests that 18,000 individuals lost health insurance coverage due to work requirements, and that the majority of those who lost Medicaid coverage in Arkansas did so because of complicated reporting requirements and systems, a lack of awareness of the policy, and administrative challenges – not because they weren't employed. Moreover, research on work requirements in Arkansas shows that the policy had no impact on employment.[6,7,8] The Arkansas work requirements were stopped by a federal court in March 2019, nine months after they began.

In January 2020, **Michigan** implemented work requirements as a demonstration project in HMP, which at the time had about 687,00 enrollees.[9] The state undertook extensive preparations for the new requirements, including significant investments in technology, reporting, and communication pathways. The goal of these efforts was to increase awareness and to minimize reporting burdens enrollees might face. Michigan achieved an impressive *ex parte* verification rate of 85%, which left approximately 100,000 enrollees that were required to report work or an exemption. Despite these efforts, more than 80,000 enrollees were slated to lose Medicaid coverage in 2020.[10] A federal district court halted the project shortly before enrollees were to receive notices of planned termination.

Demonstration projects in other states were abandoned because of subsequent court rulings, the COVID-19 pandemic, and/or the change of leadership as a result of the 2020 presidential election.[iv] Although there are important lessons from prior implementation of Medicaid work requirements in Arkansas and Michigan, the HR1 requirements are considerably stricter, and the impact will likely be more severe.

SNAP work requirements

SNAP requires nondisabled beneficiaries to work the equivalent of 80 hours a month or participate in a qualifying work or training program, with a three-month grace period for unemployment over the course of a 36-month benefit period. These work requirements are associated with a loss of benefits, particularly for able bodied individuals without dependents (ABAWDs), who are less frequently exempted from requirements. While regional and state-level waivers for these requirements increased during the Great Recession due to widespread unemployment, reinstatement of work requirements as the economy

[iv] Only one state, Georgia, continues to have a work requirement for their Medicaid expansion program, Pathways to Coverage.

recovered from 2013 to 2017 was associated with approximately 600,000 individuals, or one-third of ABAWDs, losing SNAP benefits.[11] Other research on the impacts of work requirements has demonstrated that SNAP work requirements decrease SNAP participation but do not have a statistically significant impact on employment.[12,13,14]

Implications for Michigan

The state's early projection is that initially 40,000 individuals will lose coverage[15]; however, this estimate predate the recent guidance that, as already noted, takes an approach to defining medical frailty that is more restrictive than states had expected based on sub-regulatory guidance from CMS over the past year, and harder to verify based on existing data sources. Indeed, on June 29, 2026, Michigan and other states have sued CMS to stop the restrictive definition of medical frailty from taking effect.

Conclusion

The stated goal of the community engagement requirements in HR1 is to increase Medicaid enrollee self-sufficiency, independence, and workforce participation. Evidence from Michigan and other states suggests that the policy will not result in increased employment. Rather, it will likely result in increased administrative complexity for the state and loss of healthcare coverage for tens of thousands of eligible individuals.

Work requirements for Medicaid beneficiaries have significant implications for healthcare coverage, administration, and compliance beyond the individual enrollees who lose coverage. As implementation progresses under current federal guidelines, ongoing evaluation will be important to assess the impacts on health insurance coverage, employment, uncompensated hospital costs, and health outcomes. Future policymaking should be informed by a clear understanding of legal, administrative, and practical considerations needed to balance program integrity with the program's purpose: ensuring access to healthcare for low-income Americans.

We would like to thank the Michigan Health Endowment Fund for supporting this work.

[1] CMS Fact Sheet on the IFR itself, which is helpful: https://www.cms.gov/newsroom/fact-sheets/medicaid-community-engagement-requirement-certain-individuals-interim-final-rule-comment-period-cms

[2] Tolbert, J. (2026, June 2). CMS requires more restrictive definition of medical frailty in new Medicaid work requirements rule. *KFF*. https://www.kff.org/quick-insights/cms-requires-more-restrictive-definition-of-medical-frailty-in-new-medicaid-work-requirements-rule/

[3] https://www.michigan.gov/healthymiplan/new-medicaid-work-requirements

[4] Manatt Health (2026 June 15). CMS releases interim final rule on Medicaid work reporting requirements. *State Health & Value Strategies*. https://shvs.org/cms-releases-interim-final-rule-on-medicaid-work-reporting-requirements/

[5] Arkansas Department of Human Services. 2019. *Arkansas Works Section 1115 Demonstration Waiver Annual Report: January 1, 2018–December 31, 2018*. April. Baltimore, MD: Centers for Medicare & Medicaid Services.

[6] Gangopadhyaya, A., Karpman, M. (2025). The impact of Arkansas Medicaid work requirements on coverage and employment: estimating effects using national survey data. *Health Services Research, 60*(5. https://doi.org/10.1111/1475-6773.14624

[7] Sommers, Benjamin D., Lucy Chen, Robert J. Blendon, E. John Orav, and Arnold M. Epstein. "Medicaid Work Requirements In Arkansas: Two-Year Impacts On Coverage, Employment, And Affordability Of Care: Study examines the impact of the Arkansas Medicaid work requirement before and after a federal judge put the policy on hold." *Health Affairs* 39, no. 9 (2020): 1522-1530.

[8] Sommers, Benjamin D., Anna L. Goldman, Robert J. Blendon, E. John Orav, and Arnold M. Epstein. "Medicaid work requirements—results from the first year in Arkansas." *New England Journal of Medicine* 381, no. 11 (2019): 1073-1082.

[9] Reference: MDHHS Green Book January 2020. https://www.michigan.gov/mdhhs/-/media/Project/Websites/mdhhs/Folder2/Folder93/Folder1/Folder193/2020_01_GreenBook.pdf

[10] https://www.npr.org/sections/shots-health-news/2025/08/08/nx-s1-5493417/michigan-robert-gordon-medicaid-work-requirements

[11] Leighton, K., Brantley, E., Pillai, D. (2019). The effects of SNAP work requirements in reducing participation and benefits from 2013 to 2017. *American Journal of Public Health, 109*(10), 1446-1451.

[12] Han, J. (2020). The impact of SNAP work requirements on labor supply. *Labour* Economics, 74 https://doi.org/10.1016/j.labeco.2021.102089

[13] Harris, T.F. (2018) Do SNAP work requirements work? *Upjohn Institute Working Paper 19-297*. https://doi.org/10.17848/wp19-297

[14] Cook, Jason, and Chloe East. 2026. "The Disenrollment and Labor Supply Effects of SNAP Work Requirements" Journal of Public Economics. Vol 257.

[15] House Fiscal Agency (February 2026). *Review and analysis of the FY 2026-2027 executive budget recommendation*. https://www.house.mi.gov/hfa/PDF/Alpha/Review_Analysis_ExecRec_Budget_FY26-27.pdf