Important Medicaid Updates for Organizations Working with People with Substance Use Disorders

A practical guide to helping people with SUD get and keep Medicaid as new work reporting rules begin in 2027

H.R. 1, a federal law passed in July 2025, created new Medicaid work reporting requirements set to take effect on January 1, 2027, that are predicted to cause millions to lose their coverage. To help ensure people with substance use disorders (SUDs) keep their Medicaid and access to vital care, organizations serving this population should help them understand the rules and applicable exemptions.

What exactly is changing?

The requirements apply to adults ages 19–64 enrolled in or applying for Medicaid through the expansion (low-income adults without children). To meet the requirement, a person generally needs to do ONE of the following:

- Have at least $580 in monthly household income; OR
- Complete 80 hours a month of qualifying activities, such as work or community service, or enroll in school at least half-time; OR
- Qualify for an exemption.

Most States will check compliance at application and renewal but some are choosing to check compliance more frequently.

Two important exemptions related to SUD

Medically frail

A person with an SUD may qualify for this exemption if their condition significantly impairs their ability to meet the work reporting requirement. People in recovery for five or more years are excluded from this exemption. A diagnosis alone does not necessarily establish the required impairment; state guidance will matter.

Participating in treatment

This exemption applies to people participating in an SUD treatment or rehabilitation program at a private nonprofit facility or publicly operated community mental health center. They need not show significant impairment. States will identify qualifying programs and may set clinically consistent minimum participation rules.

Receiving SUD services, by itself, does not necessarily establish eligibility for either of these exemptions.

How can your organization help?

Start by checking your state Medicaid agency's website for state-specific implementation details. State plans may change as implementation progresses.

Enrollment and communication

- Help people apply for or renew Medicaid, update their contact information, read agency notices, and keep copies of submissions. Offer internet, computer, and printer access when possible.
- Explain that the state must send notices and will review compliance at application and renewal (unless state has choosen to check more frequently between renewals). Encourage people to respond promptly to requests for information.

Helping People with SUD Keep Medicaid

Practical steps for providers, peers, treatment programs, and community organizations

For a medically frail exemption

- Help a person obtain and/or gather records of an SUD diagnosis, treatment, medications, and other relevant services. When documentation is needed, help people get it from a practitioner who, if applicable, can describe how the condition significantly impairs the person's ability to meet the requirement.
- States must first try to identify people who may qualify for the exemption from available data. In 2027, states may accept self-attestation; starting in 2028, self-attestation for medically frail status may be accepted only once per continuous enrollment period. Check the state's process to help people navigate the exemption.

For a treatment participation exemption

- Confirm whether the program and setting qualify under federal and state rules. Offer proof of participation when required. States may accept self-attestation in 2027; starting in 2028, documentation is generally required unless it is not reasonably available.
- Share only information needed to verify eligibility for the exemption and be sure to follow the laws protecting patient privacy, including by obtaining patient consent when necessary.

If no exemption applies

Help people document qualifying work, community service, education, or other activities. Keep dates, hours, and a contact who can verify community service. State rules determine which programs and activities count.

If someone receives a noncompliance notice

The person has 30 calendar days to show that they comply or qualify for an exemption. Someone already enrolled remains covered during that window. If the issue is not resolved, the state must consider other Medicaid eligibility before ending or denying coverage. The person may request a fair hearing, contact legal aid, and reapply at any time after a loss of coverage.

Other exemptions that may apply

- Pregnancy or postpartum coverage
- Medicare eligibility or enrollment
- Incarceration in the prior three months
- Former foster youth under 26
- Caring for a child under 14 or a person with a disability
- Already meeting SNAP or TANF work requirements
- American Indian or Alaska Native status
- Veteran with a total disability rating

States may also choose certain short-term hardship exemptions.

Stay connected!

Sign up for state Medicaid updates, partner with health care and community organizations, and share feedback with state Medicaid officials, including through the Medicaid Advisory Committee (MAC) and Beneficiary Advisory Council (BAC).

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