



Changes to Medi-Cal Under OBBBA: Work Requirements

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H.R. 1, also known as the "One Big Beautiful Bill Act" (OBBBA), cuts approximately \$1 trillion from Medicaid which will result in an estimated 10 million individuals and families losing health coverage across the nation. Just before H.R. 1's passage, California finalized its budget which includes additional cuts to the Medi-Cal (Medicaid) program. These cuts along with work requirements in Medi-Cal are anticipated to have a large impact on eligibility, enrollment, and retention for Californians.

Medicaid Work Requirements

OBBBA requires Medicaid expansion states to impose burdensome work requirements for adults no later than December 31, 2026.¹ Medi-Cal applicants and enrollees must satisfy these requirements, also known as "community engagement" requirements, to access coverage or otherwise satisfy an exemption.² Medi-Cal applicants and enrollees must satisfy at least one of the following "qualifying activities" for at least 80 hours per month: work, participate in community service or a work program, enroll in an education program, or a combination of these activities.³ Alternatively, individuals can satisfy the work requirement if they verify their monthly income, or their average monthly income in the prior six months, is above the federal minimum wage multiplied by 80 hours.⁴

The Congressional Budget Office (CBO) estimates that about 18.5 million people are expected to have to comply with work requirements.⁵ Their latest report estimates about 7.5 million people will lose Medicaid and CHIP coverage by 2034 and 5.3 million of those losses will be due to work requirements.⁶ In California, work requirements are estimated to result in about 3 million adults potentially losing Medi-Cal coverage, including significant losses in federal funding for the State.⁷

Verification and Notification Requirements

Individuals applying for Medi-Cal will have to verify their monthly work status at least a month (or up to three months, depending on what the state elects) **before** application and **at least one month** between redeterminations (which will occur every 6 months) for those already

enrolled in the program or verify they qualify under an exemption.⁸ (Table 1) California has not yet decided what “look back” period it will apply. However, county Medi-Cal offices must still conduct ex parte review of their cases before reaching out to enrollees for verification of their qualifying activities.⁹

If a qualifying activity under the work requirement provisions cannot be verified, state Medicaid agencies must issue a “notice of noncompliance” and either deny the application or terminate coverage if outstanding verification wasn’t submitted.¹⁰ Applicants and enrollees must have 30 days to verify and enrollees will retain their Medi-Cal coverage during the 30-day period.¹¹ If the individual or enrollee does not verify their qualifying activities timely, the state must deny or terminate eligibility by the end of the month after the 30-day period.¹² Medi-Cal offices must still comply with all other eligibility determination processes and due process requirements under federal and state laws.

OBBBA lists several mandatory exemptions, including:¹³

Table 1

Mandatory Exemptions	
Under the age of 19 years old	“Indian Health Service” members, includes individuals who identify as “Indian,” “Urban Indian,” or “California Indian;”
Foster youth or foster youth under the age of 26 years old	Inmate of a public institution or recently released from incarceration within the past 90 days
Parent, guardian, caretaker relative or family caregiver of a dependent child 13 years old and under or a disabled individual	Participates in a Substance Use Disorder (SUD) program
Pregnant or postpartum individuals	Entitled to or enrolled in Medicare Part A, or enrolled in Medicare Part B
“Medically frail” - blind or disabled, individuals with substance use disorder, a mental health condition, developmental disability, complex medical needs	Receives Supplemental Nutrition Assistance (SNAP) benefits and not already exempted from work requirements
Veterans with disabilities	

Optional Exception for Short-Term Hardship Events

States have the option to implement short-term hardship exceptions for individuals experiencing hardship during the month their work status must be verified.¹⁴ Short-term hardships can include: receipt of services at an inpatient hospital, a nursing facility, an immediate care facility, or an inpatient psychiatric hospital; residence in a county with a federally-declared emergency or disaster; residence in a county that has an unemployment rate that is at or above 8% or 1.5 times the national unemployment rate; or those who must travel for an extended period of time to receive necessary medical treatment for a serious or complex medical condition that is unavailable in their community.¹⁵ California has not yet determined whether it will seek these optional hardship exceptions for Medi-Cal applicants and enrollees.

Implementation Timeline

California must have the work requirements functionality in place by January 1, 2027. While the state has begun plans for implementation of OBBBA, further guidance will be issued by the Secretary of Health and Human Services (HHS) by June 1, 2026.¹⁶ Although California may seek a one-time good faith extension up to January 1, 2028 from HHS, it is entirely at the discretion of the HHS Secretary.¹⁷ The implementation timeline also requires states to notify enrollees three months after implementation and “periodically” thereafter.¹⁸

Along with the majority of states, work requirements are new to California. Several of the State’s existing statutes on MAGI Medi-Cal eligibility cite specifically to the amended federal provision that includes the subsection on work requirements.¹⁹ However, as California waits for the Interim Final Rule required by the Secretary of HHS and it makes decisions about implementation, including areas where it has authority to implement policies that can mitigate the harms of work requirements, the state will need to make statutory changes and release specific policy guidance on those details, as well as guidance on the automation features of implementation.

¹ An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14, Pub. L. No. 119-21, § 71119 (2025) [“OBBBA”].

² OBBBA, § 71119(a)(xx)(1).

³ OBBBA, § 71119(a)(xx)(2).

⁴ OBBBA, § 71119(a)(xx)(2).

⁵ Congressional Budget Office, *Estimated Effects on the Number of Uninsured People in 2034 Resulting From Policies Incorporated Within CBO’s Baseline Projections and H.R. 1, the One*

Big Beautiful Bill Act, (June 2025) <https://www.cbo.gov/publication/61463>.; See Elizabeth Hinton *et al.*, *A Closer Look at the Work Requirement Provisions in the 2025 Federal Budget Reconciliation Law*, KAISER FAM. FOUND. (July 30, 2025),

<https://www.kff.org/medicaid/issue-brief/a-closer-look-at-the-work-requirement-provisions-in-the-2025-federal-budget-reconciliation-law/>.

⁶ Congressional Budget Office, *Distributional Effects of Public Law 119-21* (August 11, 2025), <https://www.cbo.gov/publication/61367>. See Edwin Park, New CBO Health Coverage Estimates of Budget Reconciliation Law, Georgetown Univ. McCourt School of Pub. Pol’y, Ctr. for Children & Fam. (August 14, 2025), <https://ccf.georgetown.edu/2025/08/14/new-cbo-health-coverage-estimates-of-budget-reconciliation-law/>.

⁷ Cal. Budget & Pol’y Ctr., *State Leaders Must Respond Boldly to the Devastating Cuts in President Trump’s Budget Bill* (July 2025), <https://calbudgetcenter.org/resources/state-leaders-must-boldly-respond-to-the-devastating-cuts-in-president-trumps-budget-bill/#h-health-care>.

⁸ OBBBA, § 71119(a)(xx)(1).

⁹ OBBBA, § 71119(a)(xx)(5).

¹⁰ OBBBA, § 71119(a)(xx)(6).

¹¹ OBBBA, § 71119(a)(xx)(6)(A)(ii).

¹² OBBBA, § 71119(a)(xx)(6)(A)(iii).

¹³ *Id.*; OBBBA, §§ 71119 (a)(xx)(9)(A)(ii), (a)(xx)(3)(A).

¹⁴ OBBBA, § 71119(a)(xx)(3)(B).

¹⁵ OBBBA, § 71119(a)(xx)(3)(B).

¹⁶ OBBBA, § 71119(a)(xx)(1).

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ Welf. & Inst. Code §14005.60 *et al.*