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OBBBA Cheat Sheet: Exclusions and Exceptions

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The so-called "One Big Beautiful Bill" Act (OBBBA) and the June 2026 Interim Final Rule (IFR) on work requirements introduced several easily confused terms describing which Medicaid applicants and enrollees are and are not subject to the new Medicaid work requirements.

Certain individuals enrolled in Medicaid Expansion and other similar coverage programs must comply with work requirements to be eligible for Medicaid beginning in 2027.[1] Individuals subject to these work requirements are referred to as "**applicable individuals**." But many individuals enrolled in the Medicaid Expansion group will not have to show they've completed 80 hours of work or other qualifying activities or earned a certain amount of income in order to keep their Medicaid coverage.

As a first step, states must check if an individual in the Medicaid Expansion group or a similar coverage group is excluded from work requirements based on certain circumstances (**exclusions**) in the month they apply for or renew Medicaid. Next, if the state determines that no exclusion applies to the individual, then the state must consider whether the individual complied with the work requirements or met certain criteria (**exceptions**) in previous months. If an individual met an exception in a given month, they are considered to have met the work requirements without demonstrating income or hours of certain activities (often described as "**deemed compliant**"). The following table breaks down these categories and definitions.

Note: Some states may use the term "**exemption**" to describe exclusions and/or exceptions. However, OBBBA and the IFR do not use "exemption" to describe an individual who is not subject to the work requirements (exclusion) or is deemed compliant (exception). The

[1] Work requirements will only apply to individuals enrolled in Medicaid Expansion in the 41 states (including DC) that have expanded Medicaid, as well as individuals enrolled in similar coverage expansion programs in Georgia, Hawaii, Massachusetts, New York, Oregon, Tennessee, Utah, and Wisconsin (and possibly additional states in the future).

law does use the term in reference to a "good-faith exemption," which states can request to delay implementing work requirements (although we anticipate very few states will be granted this exemption). The term is also used in SNAP work requirement rules.[2]

Term	Exclusion	Exception/Deemed Compliance
Top Line	Individuals who meet an exclusion listed in OBBBA during the month they apply for or renew their Medicaid are referred to as "specified excluded individuals" and are not subject to work requirements. Thus, they are not "applicable individuals" and complying with work requirements is not a condition of their Medicaid eligibility.	If an individual is determined to be an "applicable individual" (not excluded), they are subject to work requirements and compliance is a condition of their Medicaid eligibility. States have flexibility to determine the number of months individuals must demonstrate compliance at both application and renewal. However, in any month in which an individual meets 1 of the exceptions below, they are "deemed" to have complied for that month, and they do not have to prove compliance through activity hours or income.
Explanation	Under OBBBA, individuals who meet an exclusion in the month they apply for or renew their Medicaid are referred to as "specified excluded individuals." Excluded individuals are not subject to work requirements (they are not "applicable individuals") and the state will not evaluate whether the individual complied with work requirements to determine their Medicaid eligibility.	If an individual is subject to work requirements (they did not meet an exclusion in the month of their application or renewal), work requirement compliance **is** a condition of their Medicaid eligibility. The state will then determine whether the individual complied (through income or hours) or met an exception in previous months. States can choose the number of months individuals must show compliance with work requirements, and this can be different at application and renewal. You'll often hear these

[2] Under OBBBA, an individual is excluded if they are "a member of a household that receives SNAP benefits and is not exempt from a work requirement. Unlike in OBBBA, which does not use the word "exemption" to describe an individual who does not have to prove compliance with work requirements, the word "exemption" **is** explicitly used in SNAP regulations defining work requirement programs and exemptions under that program. 7 C.F.R. § 273.7.

Term	Exclusion	Exception/Deemed Compliance
	Individuals are **excluded** if, in their application or renewal month, they are: • **Former foster care children;** • **American Indians and Alaskan Natives;** • **Parents, guardians, caretaker relatives, or family caregivers of a dependent child 13 and under or a disabled individual;** • **Veterans with a disability rated as total;** • **Individuals who are medically frail or otherwise have special medical needs;** • **Individuals who are compliant with TANF work requirements or in a household that receives SNAP but are not exempt from SNAP work requirements**[3]; • **Participants in a drug or alcohol rehabilitation or treatment program;** • **Inmates of a public institution; or** • **Individuals who are pregnant or entitled to postpartum coverage**.	months referred to as the "lookback period." See the Timing section below for more details. If an individual met an exception for any part of a month being evaluated, they are "deemed compliant" with work requirements and the state does not need to verify compliance through hours or income. OBBBA established **mandatory exceptions** and **optional short-term hardship exceptions** to work requirements. **Mandatory exceptions** apply to individuals who were: • **Under 19 years old;** • **Entitled to or enrolled in Medicare Part A or enrolled in Medicare Part B;** • **In a mandatory Medicaid eligibility group (including individuals receiving SSI);** • **A Specified Excluded Individual (see Exclusion column); or** • **Incarcerated in a public institution in the prior 3 months**.

[3] The exclusion for individuals in a household that receive SNAP but are not exempt from the SNAP work requirements is a tricky one! This applies to individuals who are subject to the SNAP work requirements, but it likely also applies to individuals in other circumstances, which can get quite complicated. The Center on Budget and Policy Priorities wrote a report providing examples of individuals who might be excluded from Medicaid work requirements through this provision.

Term	Exclusion	Exception/Deemed Compliance
	This means no lookback period applies to this population. (See the Timing section for more information about lookback periods.)	For **optional short-term hardship exceptions**, states must choose to implement all or none. These are: • **An individual receiving inpatient (or similar) care (the individual must make a request to the state for this exception to apply);** • **An individual or their dependent traveling for medical care (the individual must make a request to the state for this exception to apply);** • **Living in a county with an emergency or disaster declared by the President (this exception does not require a request from the individual to the state or from the state to CMS); and** • **Living in a county with high unemployment (this exception requires a state request to CMS, which effectively makes this optional even if the state elects the broader short-term hardship exception option).**
Advocacy Tip	If an individual meets an exclusion, compliance with work requirements is not a Medicaid eligibility condition and they should not be evaluated for compliance. If you work with someone who meets 1 of the exclusions but is still asked to demonstrate work requirement compliance, the person should notify their caseworker. If they are denied Medicaid for noncompliance, the person should appeal. If they **appeal** a decision, the individual may want to	If someone is subject to work requirements but demonstrates they met an exception during a month being reviewed, they should not be asked to prove that they complied with work requirements through activity hours or income for that month. If they receive a request to demonstrate work activity after showing they met an exception, the person should notify their caseworker. If they are denied an exception or are still asked

Term	Exclusion	Exception/Deemed Compliance
	consult with a lawyer.	for documentation, the individual may want to consult with a lawyer.
Timing	Individuals are **evaluated for exclusions in the month of application or renewal.** Starting January 1, 2027, OBBBA requires Medicaid Expansion enrollees to renew their Medicaid every 6 months (rather than every 12 months as is currently required). At each renewal, states must first verify if an individual is excluded and if not, then verify if the individual complied with work requirements via a qualifying activity or an exception. States have the option to conduct verifications of compliance with work requirements more frequently than every 6 months, but once an individual is determined excluded, states cannot evaluate their compliance with work requirements until their next renewal period. That is, even if the state elects to verify work requirements for applicable individuals more frequently than every 6 months, they cannot evaluate if an excluded individual satisfied the work requirements in between 6 month renewals.	Individuals are **evaluated for exceptions in their lookback period.** **Application:** 1 to 3 months (depending on state selection) immediately before the application month. **Renewal**: 1 or more months since the last renewal (unless the state selects to check compliance with work requirements more frequently than every 6 months). At renewal, individuals do not have to demonstrate compliance with work requirements or an exception in the month(s) immediately preceding renewal, they only have to show compliance or meet an exception for the required number of months at any point during the period being reviewed.