OBBBA Piece-by-Piece: A Closer Look at Income Counting for Work Requirements Compliance

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On June 1, 2026, the Centers for Medicare & Medicaid Services (CMS) released a major Interim Final Rule (IFR) implementing key Medicaid eligibility and enrollment provisions enacted under the so-called One Big Beautiful Bill Act (OBBBA), also known as H.R. 1. The rule established the federal framework for new Medicaid work requirements, which states must implement for individuals enrolled in the Medicaid Expansion group or certain 1115 waiver demonstrations beginning January 1, 2027. Our "Piece-by-Piece" series takes a closer look at specific elements of the IFR so state advocates know the right questions to ask, even as we recognize that ultimately the best harm mitigation strategy for work requirements is repeal. This piece takes a closer look at what types of income count and income reporting rules under OBBBA's work requirements.

Background: Work Requirement Income Counting

As discussed in our previous publication, "Combining Hours and Income to Meet Work Requirements," applicable individuals, that is, those who are subject to work requirements, can demonstrate compliance if they have at least $580 of monthly household income. Applicable individuals can also combine qualifying activities to comply with the 80 hours required under OBBBA. State Medicaid agencies must develop calculations to convert between income into hours reported to determine compliance.[1]

What Income Counts?

The IFR for OBBBA's work requirements provision requires Modified Adjusted Gross Income (MAGI) methodologies for income counting.[2] While each individual subject to work requirements must demonstrate compliance (unless excluded or excepted), income from every household member of their tax household counts. For example, if a married couple who live together have only one working individual, but that individual makes more than $580, both would be deemed compliant. The $580 includes earned and most unearned income under MAGI Medicaid rules.[3] Since state Medicaid agencies already collect income information to determine financial eligibility, and existing Medicaid requirements and the IFR require that

states use reliable data sources before requesting more information, the $580 income deemed compliance option presents a helpful pathway to verify compliance with work requirements considering that most enrollees already work.[4] Applicable individuals who work non-traditional jobs, do not get paystubs or statements documenting their income or hours, or who work for employers who refuse to provide such documentation, are vulnerable to falling through the cracks of the income verification process. Applicable individuals unable to make these "proofs" readily available may self-attest to their compliance activities in 2027, depending on their state Medicaid agency's self-attestation policies. However, the IFR restricts self-attestation beginning in 2028, which will present additional obstacles for these individuals.

Unearned Income Examples

Certain unearned income, such as workers' compensation benefits, social security benefits for a child, child support, veterans' benefits, and more, are not counted under MAGI rules and, therefore, do not count towards the $580 threshold.

Seasonal Work and Fluctuating Income

Generally, Medicaid eligibility is determined based on an individual's monthly income. However, to prevent unnecessary churning, federal rules provide for how to count income for individuals with seasonal or fluctuating income, which is averaged over a longer period to level out those fluctuations. This approach is especially useful for individuals who are self-employed, work for certain parts of the year, or do temporary ("temp") work as their income may be above Medicaid income limits in one month, while under the limit in another. Avoiding churn benefits states and their Medicaid enrollees; states save money that would go towards the administrative costs of reenrollment while low-income individuals and families who rely on Medicaid avoid gaps in coverage and medical expenses.

The IFR gives states two options to calculate the average income for seasonal work or fluctuating income for work requirements compliance. States can opt into using a "reasonably predictable changes" (RPC) methodology in their Medicaid program where an individual's average income is calculated over a period of up to 12 months.[5] Otherwise, states without an RPC methodology must average out an individual's household income over the preceding six months of the review period.[6]

States should consider how each approach captures an applicable individual's income to accurately assess their Medicaid eligibility, especially since RPC methodologies may be used differently. Some states use RPC methodologies for either increases or decreases in income, while other states may use it for both.[7] However, their approach must be applied uniformly across their MAGI-based programs. The IFR leaves the door open for varying and potentially inequitable approaches across states because both options, whether an RPC methodology or

averaging income over the previous six months, captures income differently at a given time over each period. For example, a six-month budget period may not capture certain seasons of work, such as agricultural work, while an RPC methodology can capture such income over a full year, providing a more comprehensive picture of an individual's Medicaid eligibility. The availability of data on various types of seasonal or temporary work is another important factor for states to consider as they implement work requirements.

Where seasonal or fluctuating income does not meet the $580 threshold, applicable individuals can convert their income into work hours to combine with other qualifying activities. However, as noted earlier, the IFR does not go far enough to instruct states on how best to allocate the hours within the household. For those who own small businesses or are self-employed, applicable individuals often have fluctuating income or no income at a given time. Individuals who fall under these circumstances can still count their hours spent working towards the 80 hours required under the work requirements provision.

Advocate Tips

- These open questions about allocation of hours and restrictions on self-attestation put states and impacted individuals in a tough place to efficiently and accurately verify their eligibility. States can leverage self-attestation for individuals who do not have documented proofs of their income or hours, but starting in 2028, this will be restricted.
- The IFR instructs states to use "reasonable methods" to allocate hours among a household for work requirements compliance, but it does not provide details on what this means.
- While states have some options on how to calculate seasonal or fluctuating income, they need to weigh several factors to decide the best approach to effectively calculate income for self-employed and seasonal workers. It's critical for states to explore ways to fill this gap, such as incorporating other reliable data sources.
- Regardless of whether self-employed individuals are making any income, hours spent working still count towards the 80 hours of work requirements compliance.

[1] 91 Fed. Reg. 33359.
[2] 91 Fed. Reg. 33361.
[3] *Id.*
[4] 91 Fed. Reg. 33393.
[5] 91 Fed. Reg. 33362.
[6] *Id.*
[7] 42 C.F.R. § 435.603(h)(3).