

Work Reporting Requirements: State Considerations When Defining Medical Frailty

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Introduction

[H.R.1](#) establishes work reporting requirements as a new condition of Medicaid eligibility for expansion adults and individuals eligible for expansion-like coverage through a section 1115 waiver. The law provides that certain individuals, including those who are medically frail or otherwise have special medical needs, should be exempt from (i.e., not subject to) the new eligibility condition. Per the statute, medically frail or individuals who otherwise have special medical needs include those: (1) with a substance-use disorder (SUD); (2) with a disabling mental disorder; (3) with a physical, intellectual or developmental disability that significantly impairs their ability to perform one or more activities of daily living; (4) with a serious or complex medical condition; or (5) who are blind or disabled (as defined in section 1614 of the Social Security Act). H.R.1 explicitly requires an *ex parte* data verification process for identifying exemptions from Medicaid work reporting requirements including by using “payments or encounter data.”

The concept of medical frailty is not new.¹ Under the Affordable Care Act, states are required to offer Alternative Benefit Plans to Medicaid expansion adults.² The Centers for Medicare & Medicaid Services (CMS) clarified in regulations at [42 CFR 440.315\(f\)](#) and implementing [guidance](#) that if a state does not offer expansion enrollees the same standard Medicaid benefit package provided to other Medicaid populations (e.g., parents/caretaker relatives³), then individuals who qualify as medically frail must be given the option to choose between the standard Medicaid benefit package and the Alternative Benefit Plan. In the Alternative Benefit Plan final rule, CMS provides a definition of medically frail that closely aligns with the H.R.1 definition. Notably, this definition provides states with significant flexibility to define medical frailty within minimum federal standards. Specifically, the regulation identifies five classes of individuals who must automatically be deemed medically frail but notes that this serves “as a minimum standard for identifying individuals who are medically frail and states have the flexibility to expand this

¹ The Deficit Reduction Act of 2005 (P.L. 109-171) added §1937 to the Social Security Act, authorizing states to offer Medicaid benchmark or benchmark equivalent coverage which are known as Alternative Benefit Plans. In that same amendment, [§1937\(a\)\(2\)\(B\)\(vi\)](#) specifically exempts “medically frail and special medical needs individuals” from mandatory enrollment in those alternative benefit plans.

² Patient Protection and Affordable Care Act, Pub. L. 111-148, § 2001(a)(2)(A) (2010) (amending the Social Security Act to require that newly eligible adults under § 1902(a)(10)(A)(i)(VIII) receive coverage under § 1937 “benchmark or benchmark-equivalent coverage”).

³ The terms used in this document are those from the statutory language of H.R.1.

definition."⁴ **In other words, CMS defers to states in defining medical frailty beyond the statutory and regulatory definitions.** A dozen states currently identify individuals who are medically frail for their expansion adults and have developed state-specific policy and operational processes to identify and verify someone as medically frail.⁵

States are grappling with how they should define medical frailty for the purposes of the work reporting requirements exemption. It is an open question whether CMS will provide more granular definitions in the forthcoming interim final rule that must be released by June 2026. In the meantime, CMS has communicated publicly that it will generally rely on existing federal guidance and regulations for definitions, where possible.⁶ In light of CMS' public statements and tight implementation timeframes, states could reasonably assume that they will have flexibility to define medical frailty as they determine appropriate, within minimum federal standards.

Based on a review of publicly-available policy guidance, information from states' existing definitions of medical frailty, and research on clinical conditions, this toolkit provides a description of the factors such as increased risk of unemployment for reasons beyond an individual's control, such as stigma and discriminatory hiring practices, that states may want to consider as they define the term for purposes of each of the key sub populations identified in H.R.1. It also provides examples of potential state definitions⁷ and examples of the types of claims data diagnosis⁸ and utilization codes that can be used by states to assess and verify medical frailty, as required by H.R.1. Leveraging claims and encounter data is one tool in what should be a multi-prong approach that states take to identify medically frail individuals. For example, states can identify medically frail individuals who are assigned to a state program where eligibility aligns with medical frailty (e.g., a behavioral health managed care plan), information provided by managed care plans through utilization data review and/or case manager interview, and/or information provided by the enrollee.

⁴ [78 Fed. Reg. 42160](#) at 42230.

⁵ M. Musumeci et al., "[Key State Policy Choices About Medical Frailty Determinations for Medicaid Expansion Adults](#)," Kaiser Family Foundation, (June 2019).

⁶ As communicated by Caprice Knapp on September 11, 2025. See Kaiser Family Foundation, "[How Will States Implement Medicaid Work Requirements?](#)" (September 11, 2025).

⁷ These definitions were developed by a Manatt Health team based on clinical conditions and a review of diagnoses and service utilization criteria that state Medicaid agencies have previously leveraged when developing eligibility criteria for medical frailty. It is important to note that states will need to modify and test these definitions for client-facing materials to be sure they are clear, accessible, user-friendly, and written in compliance with state accessibility and plain language standards.

⁸ While diagnosis codes can be helpful in identifying exempt individuals, they are not required.

Considerations When Developing State-Specific Medically Frail Definitions

- 1. An Individual With SUD.** Individuals with a SUD are exempt from work reporting requirements on the basis of medical frailty. Relevant considerations include:
 - These individuals are at increased risk of unemployment, underemployment and disengagement from community—that is, they are highly unlikely to be able to meet or maintain work reporting requirements.⁹
 - When in recovery, individuals with SUD rely on seamless access to treatment to achieve and maintain remission. Loss of or inability to get health insurance is associated with decreased use of healthcare services, including substance-use treatment services.¹⁰
 - Longer periods of SUD remission are associated with higher levels of employment.¹¹ Conversely, people navigating relapse are at increased risk of job loss and unemployment.¹²
 - Interruption in access to SUD treatment due to coverage loss or other reasons can have irreversible health consequences.¹³ For example, interruption in medication treatment for opioid-use disorder (OUD) significantly increases the risk of fatal overdose.¹⁴

⁹ KFF, [“Implications of Medicaid Work and Reporting Requirements for Adults with Mental Health or Substance Use Disorders,”](#) (June 23, 2025).

¹⁰ M. Olfson et al., [“Healthcare Coverage and Service Access for Low-Income Adults with Substance Use Disorders,”](#) *Journal of Substance Abuse Treatment*, (June 2022).

¹¹ A. Laudet, [“Rate and Predictors of Employment Among Formerly Polysubstance Dependent Urban Individuals in Recovery,”](#) *Journal of Addictive Diseases*, (August 10, 2012); R. El Haddad et al., [“The Association of Substance Use with Attaining Employment Among Unemployed Job Seeking Adults: Prospective Findings from the French CONSTANCES Cohort,”](#) *Journal of Substance Abuse Treatment*, (2022).

¹² C. Nolte-Troha et al., [“Unemployment and Substance Use: An Updated Review of Studies from North America and Europe,”](#) *Healthcare*, (April 20, 2023).

¹³ H. Saunders et al., [“Implications of Medicaid Work and Reporting Requirements for Adults with Mental Health or Substance Use Disorders,”](#) Kaiser Family Foundation, (June 23, 2025).

¹⁴ N. Krawczyk et al., [“Opioid Agonist Treatment and Fatal Overdose Risk in a State-Wide US Population Receiving Opioid Use Disorder Services,”](#) *Addiction*, (February 24, 2020); E. Olivia et al., [“Associations Between Stopping Prescriptions for Opioids, Length of Opioid Treatment, and Overdose or Suicide Deaths in US Veterans: Observational Evaluation,”](#) *BMJ*, (March 4, 2020).

Medically Frail: Individuals With a SUD Example Definitions and Codes	
Example State Definition	Examples of Diagnoses and Utilization Codes for Claims Data Verification
An individual with a SUD is someone who has a behavioral health condition characterized by uncontrolled use of one or more substances despite harmful consequences and impairment.	<ul style="list-style-type: none"> • SUD diagnosis (e.g., OUD diagnosis) • SUD treatment claims (e.g., Medication Assisted Treatment) • Pharmacy claims for Food and Drug Administration-approved medications for OUD or alcohol-use disorder • Participation in a drug/alcohol treatment program

- 2. An Individual With a Disabling Mental Disorder.** Individuals with disabling mental disorders are exempt from work reporting requirements on the basis of medical frailty. Relevant considerations include:
- They are less likely to be able to gain employment: one study found that 14% to 33% of individuals with mental illness ages 18 through 65 were employed, which is substantially lower than the general population.¹⁵
 - They face challenges beyond their control—employer discrimination and stigma, fragmented and poorly coordinated services, limited access to evidence-based vocational programs—in obtaining vocational training and accommodations.¹⁶ Based on their diagnosis and other life circumstances, they may also be challenged in providing information that will be needed to demonstrate compliance or exemption. For example, some individuals with a disabling mental disorder may also be unhoused which increases the challenge of compliance; individuals who are homeless or experience housing instability are not exempt from work reporting requirements.

¹⁵ L. de Winter et al., “[Who Benefits From Individual Placement and Support? A Meta Analysis](#),” *Epidemiology and Psychiatric Sciences*, (July 11, 2022).

¹⁶ J. Cook, “[Employment Barriers for Persons With Psychiatric Disabilities: Update of a Report for the President’s Commission](#),” *Psychiatric Services*, (October 2006).

- They can have difficulty maintaining employment because of severe and persistent mental illness, but also due to newly-occurring disorders or disorders that are classified as mild but present with episodic exacerbations,¹⁷ such as anxiety and depression.¹⁸
- They experience higher rates of physical comorbidities such as hypertension, diabetes, and respiratory diseases.¹⁹
- Loss of coverage and access to treatment can further exacerbate these conditions, further isolating them from employment and other activities, such as volunteering/community service and enrollment in an education or work training program.²⁰

Medically Frail: Individuals With Disabling Mental Disorders	
Example Definition and Codes	
Example State Definition	Examples of the Diagnosis and Utilization Codes for Claims Data Verification
An individual with a disabling mental disorder is someone who has a significant mental illness, including both persistent and episodic, that impacts an individual’s ability to function in daily life activities.	<ul style="list-style-type: none"> • Psychotic disorder, schizophrenia, schizoaffective disorder, major depression, bipolar disorder, delusional disorder, obsessive-compulsive disorder, or other significant mental health diagnosis²¹ • Claims for intensive mental health treatment outside of typical outpatient therapy (e.g., psychiatric rehabilitation program, intensive outpatient treatment, partial hospitalization, clubhouse services or day treatment)

¹⁷ H. Saunders, [“Implications of Medicaid Work and Reporting Requirements for Adults with Mental Health or Substance Use Disorders,”](#) Kaiser Family Foundation, (June 23, 2025).

¹⁸ R. Mojtabai et al., [“Long-Term Effects of Mental Disorders on Employment in the National Comorbidity Survey Ten-Year Follow-Up,”](#) Social Psychiatry and Psychiatric Epidemiology, (July 27, 2015).

¹⁹ Harvard Medical School, [National Comorbidity Survey.](#)

²⁰ J. Catherine Maclean et al., [“Losing Insurance and Psychiatric Hospitalizations,”](#) Finance and Economics Discussion Series Board of Governors of the Federal Reserve System, (2022).

²¹ While diagnoses can be helpful in identifying disabling mental disorder exemptions, they are not required.

3. An Individual With a Physical, Intellectual, or Developmental Disability That Significantly Impairs Their Ability to Perform one or More Activities of Daily Living is exempt from work reporting requirements based on medical frailty. Relevant considerations include:

- While many individuals with physical, intellectual, or developmental disabilities that significantly impair their ability to perform activities of daily living have meaningful employment, the overall rate of employment in the disabled population is around one third of the rate in the employed population.²²
- Individuals with disabilities are also much more likely to face challenges such as stigma and hiring discrimination, limiting access to employment. A majority of employers report they do not recruit or hire people with disabilities, making it difficult for individuals with disabilities to find and maintain work.²³
- While many individuals who have physical, intellectual, or developmental disabilities may be able to work, they may require a much more moderate schedule than the statutorily required 80 hours per month.

Medically Frail: Individuals With a Physical, Intellectual, or Developmental Disability That Significantly Impairs Their Ability to Perform One or More Activities of Daily Living	
Example Definition and Codes	
Example State Definition	Examples of Diagnosis and Utilization Codes for Claims Data Verification
An individual with a physical, intellectual, or developmental disability that significantly impairs their ability to perform one or more activities of daily living.	<ul style="list-style-type: none"> • Physical disability diagnosis codes (e.g., impaired mobility, missing limbs, blindness, deafness, dialysis, traumatic brain injury)²⁴ • Intellectual and developmental disability diagnosis codes • Advanced illness codes • Service utilization codes that reference limitation of activities due to disability

²² Bureau of Labor Statistics, [Press Release: Persons with a Disability: Labor Force Characteristics 2024](#).

²³ J. Gasper et al., [“Survey of Employer Policies on the Employment of People with Disabilities,”](#) Westat, (June 2020).

²⁴ While diagnoses may be helpful in identifying exemptions, they are not required.

Example State Definition	Examples of Diagnosis and Utilization Codes for Claims Data Verification
	<ul style="list-style-type: none"> • Service utilization codes such as home health aides • Durable medical equipment utilization (e.g., wheelchair, Hoyer lift, oxygen)

4. An Individual With a Serious or Complex Medical Condition. Individuals with a serious or complex medical condition or multiple conditions (including serious acute and chronic conditions) are exempt from work reporting requirements on the basis of medical frailty. Relevant considerations include:

- They have lower rates of paid employment and, when they are employed, miss a higher number of days due to injury or illness.²⁵
- Among those who are employed, those who work in low-wage jobs report that their working conditions, including unpredictable hours and schedules, make it hard for them to manage their illnesses.²⁶
- Loss of health coverage and access to medical care makes it hard for these individuals to manage their health conditions as well, which may further exacerbate their illnesses and make it harder for them to return to the workforce or other community engagement activities.²⁷ Their serious or complex medical condition may also make it harder for them to respond to requests for information related to mandatory work reporting requirements.

²⁵ B. Ward, "[Multiple Chronic Conditions and Labor Force Outcomes: A Population Study of U.S. Adults](#)," American Journal of Industrial Medicine, (June 23, 2015).

²⁶ P. Schlesinger et al., "[692-P: Work or Wellness? Examining Challenges of Low Wage Workers with Type 2 Diabetes](#)," Diabetes, (June 14, 2024).

²⁷ Institute of Medicine US Committee on the Consequences of Uninsurance, "[Care Without Coverage: Too Little, Too Late](#)," National Academies Press, (2002).

Medically Frail: Individuals With a Serious or Complex Medical Condition	
Example Definition and Codes	
Example State Definition	Examples of Diagnosis and Utilization Codes for Claims Data Verification
An individual with a serious or complex medical condition is someone with an illness, impairment, injury, or physical or mental condition that significantly impairs health.	<ul style="list-style-type: none"> • Cancer, stroke, human immunodeficiency virus/acquired immunodeficiency syndrome, Hepatitis C, spinal cord injuries, congenital malformation, Hepatitis, Sickle Cell disease, Crohn’s Disease, cystic fibrosis, Amyotrophic Lateral Sclerosis, Hodgkins Disease, Muscular Dystrophy, Parkinson’s Disease, congestive heart failure, renal failure, organ transplant codes²⁸ • Service utilization codes indicating physical and behavioral health co-morbidities. • Service utilization codes indicating extensive hospital stays.

5. An Individual Who is Blind or Disabled (as Defined in Section 1614)

H.R.1 references Section 1614 of the Social Security Act which is the federal definition of Aged, Blind or Disabled.²⁹ If an individual is receiving Supplemental Security Income (SSI) then they are categorically eligible for Medicaid, are not eligible for the expansion eligibility group, and therefore are not subject to work reporting requirements. Individuals who are non-expansion adults and enrolled in the non-modified adjusted gross income Blind or Disabled Medicaid Eligibility Group are not subject to work reporting requirements. However, there may be a small number of individuals who meet the criteria for Blind or Disabled under Section 1614 of the Act but have not been found eligible for the Blind or Disabled category or SSI. This could be because their income or resources make them ineligible for SSI or because of the lengthy delays with

²⁸ While diagnoses may be helpful in identifying individuals with serious or complex medical condition, they are not required.

²⁹ Social Security Act § 1614.

processing SSI eligibility applications. As such, states should develop definitions for this medical frailty category that align with the federal definitions.

Medically Frail: Individuals Who is Blind or Disabled (as Defined in Section 1614)	
Example Definition and Codes	
Example State Definition	Examples of the Diagnosis and Utilization Codes for Claims Data Verification
<ul style="list-style-type: none"> • "Blind" is defined as individuals with a central visual acuity of 20/200 or less in the better eye with correcting lenses, or with a visual field of 20 degrees or less. • "Disabled" is defined as adults unable to engage in any substantial gainful activity due to a medically determinable physical or mental impairment expected to last at least 12 months or result in death. 	<ul style="list-style-type: none"> • Physical disability diagnosis codes (e.g., impaired mobility, missing limbs, blindness, deafness, dialysis) • Codes that reference limitation of activities due to disability • Durable medical equipment utilization (e.g., wheelchair, Hoyer lift, oxygen)



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