



WEBINAR: HR 1 Update



CALHHS CONNECT:

How Federal Policy Changes are Impacting a Healthy California for All

THURSDAY, JULY 9, 2026



WEBINAR TOPIC:

One year since H.R. 1 adoption



- Latest on CalHHS mitigation efforts
- Updates on CalFresh and Medi-Cal including recent guidance
- California Rural Health Transformation (CalRHT)

SPEAKERS



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CMS Interim Final Rule: Impact on Medi-Cal Work and Community Engagement Requirements

July 8, 2026



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New Work and Community Engagement Requirements in Medi-Cal

- [H.R. 1](#) establishes Medicaid **work and community engagement requirements (WCER)** as a new condition of eligibility for members in the “New Adult Group.”
- **California must implement WCER by January 1, 2027**, meaning individuals in this group will need to demonstrate compliance with or meet an exclusion or exception from WCER to be determined eligible for Medi-Cal.
- **CMS issued an interim final rule** on June 1 that establishes the operational framework for WCER. The rule is final effective July 31.

Individuals in the New Adult Group are:

- (1) Ages 19–64;
- (2) Not pregnant;
- (3) Not enrolled in or entitled to Medicare Part A or B;
- (4) Not otherwise eligible for another mandatory Medi-Cal eligibility group; and
- (5) Have income that is less than 138% of the federal poverty level which is \$22,025 for an individual (\$45,540 for a family of four).

Key Guidance Under Interim Final Rule

Defines Qualifying Activities: Provides more granular definitions for each qualifying compliance activity in more detail (e.g., defines community service, adds in-kind and unpaid to work definition, explains how half-time education will be calculated).

States Must Screen for Exclusion First: Before applying work requirements, states must check whether someone qualifies for an exclusion, such as being medically frail or a parent of a child under age 14. Only individuals who do not meet an exclusion are subject to WCER.

- **Medical Frailty:** Departs from statutory definition and narrows medical frailty exclusion by requiring that qualifying conditions “significantly impair” an individual’s ability to work.
- **Short-Term Hardship Exceptions:** Establishes a lookback period (one month in California) for these exceptions and provides more granular definitions.
- **Self-Attestation:** Allows states to accept self-attestation in 2027, but limits use in 2028 and beyond.
- **Noticing and Outreach:** Specifies when and under what circumstances states must conduct noticing and outreach to members.
- **Good Faith Waivers:** Clarifies that CMS may approve good faith waivers for up to six months at a time and projects approving these requests in only two states.

Clarifications on Qualifying Compliance Activities (1/2)

Work

- » Clarifies that **in-kind and unpaid work are counted** alongside traditional paid employment. This could include a property manager who receives free rent in exchange for building duties or an unpaid internship.

Work Program

- » Includes **supervised job search or job search training** if it constitutes less than half of the required 80 hours. Job search activities conducted to comply with unemployment insurance requirements also count.

Half-Time Educational Program

- » Includes **high school** and **state-approved high school equivalency** programs.
- » Clarifies that enrollment status **continues through normal vacation and recess** (e.g., summer break).
- » **Defers to the institution** on whether a student is enrolled full-time, half-time, or less than half-time.
- » Establishes a **credit hour conversion** standard for individuals enrolled less than half-time (e.g., 1 credit = 3 hours).

Key Clarifications on Qualifying Compliance Activities (2/2)

Community Service

- » Defines community service as unpaid work **performed under a structured program** for the direct benefit of the community, **supervised by a public agency or nonprofit** (nonpartisan).
- » Requires the agency or organization to **oversee the work, track activities, dates, and hours**, and provide a point of contact to verify participation.

Seasonal Workers

- » **Reasonably Predictable Option:** Use reasonably predictable increases or decreases in future income across 12 months. For example, a seasonal worker who earns \$1,500 per month from April through September, and nothing for the other six months of the calendar year, has a calculated monthly income of \$750 ($\$1,500 \times 6 = \$9,000$; $\$9,000$ divided by 12 months = \$750).

Required Process for Evaluating if an Individual is Required to Demonstrate WCER

Step 1. Before applying WCER, states must check whether someone qualifies for an exclusion, such as being medically frail, an American Indian/Alaska Native, parent of a child under age 14, or compliant with Temporary Assistance for Needy Families (TANF).

- Only individuals who do not meet the specified excluded status are subject to WCER.

Step 2. Individuals who are subject to WCER may be excepted under:

- *Mandatory Exceptions:* For example, under age 19 or incarcerated in the last three months); OR
- *Short-Term Hardship Exceptions*

Step 3. If an individual does not meet a mandatory or short-term hardship exception, they must demonstrate compliance with a qualifying activity (e.g., work, community engagement, work program, or half-time educational program).

Medical Frailty Exclusion

The Interim Final Rule departs from the statute and narrows the definition of medical frailty by requiring that a qualifying condition also “significantly impairs” a person’s ability to work.

- The rule confirms that states must use medical codes and other reliable data to identify medically frail individuals; however, **medical codes and claims do not convey information about ability to work.**
- California will need to establish new standards linking the severity of a condition to an individual’s ability to work; **further guidance from CMS is needed** to build out processes to do so.
- With the narrowing of the definition, **eligible individuals may lose coverage** if they cannot readily access a provider or obtain the required documentation.

NOTE:

- *Medical Frailty Self-Attestation:*
 - Allowable in 2027.
 - In 2028 and beyond, allowable once per enrollment period, with documentation required thereafter if data are unavailable.
- *Verification Period:* At state discretion, medical frailty can be reverified for up to 12 months at a time.

Short-Term Hardship Exception

California will offer all short-term hardship exceptions.



Inpatient (and Similar) Care



Medical Travel



Declared Emergency



High Unemployment

- **Individuals must request** the inpatient (and similar) care and medical travel exceptions.
- **California must automate** the declared emergency and high unemployment exceptions and grant them to individuals based on residence.
- **The rule requires a lookback period for these exceptions**, which could lead to gaps in coverage.
 - *For example*, an individual hospitalized in July who applies for Medi-Cal and requests a short-term hardship exception will need to demonstrate that they met an exception or complied with WCER in June to be eligible for coverage in July.

Verification Standards

Verifying	In 2027	In 2028 and Beyond
Specified Excluded Individual	If data are unavailable, may require documentation or accept other information (e.g., self-attestation).	<ul style="list-style-type: none"> If available data are not enough, require documentation (when reasonably available). If documentation is not available, accept other information to verify eligibility. State cannot deny or terminate coverage solely due to lack of documents. <p><i>For Medical Frailty Only:</i> Self-attestation allowed once per enrollment period; after that, require documentation if data are unavailable.</p>
Applicable Individual Exceptions	If application or renewal form indicates the person qualifies for an exception (including a specified exclusion), may accept self-attestation . This option does not apply to all specified excluded individuals (e.g., medically frail, inmates, veterans with a disability rated as total).	
Applicable Individual Compliance	If data are unavailable, may require documentation or accept other information (e.g., self-attestation).	<ul style="list-style-type: none"> If available data are not enough, require documentation (when reasonably available). If documentation is not available, accept other information to verify eligibility. Do not deny or terminate coverage solely due to lack of documents.

Noticing and Outreach

The Interim Final Rule notes that states must conduct multiple-modality,* targeted outreach to all individuals eligible for and enrolled in the New Adult Group and provides specific guidance on content to include.

- **Initial Outreach.** Four months prior to the WCER implementation date (8/31/2026).
- **Outreach Upon Enrollment.** For individuals enrolled after the initial outreach is sent, but before the state implements WCER.
- **Periodic Outreach.** On an ongoing basis following enrollment, tied to certain events (e.g., to provide 10-days' advance notice upon the loss of specified excluded status for a member).
- **Ad Hoc Outreach.** On an ad hoc or routine basis.

*Via mail (or e-mail if elected by the individual) and one other modality.

Good Faith Waivers

The Interim Final Rule outlines how states may seek approval for a good faith waiver to temporarily delay implementation for up to six months at a time through December 31, 2028.

CMS will consider the following when reviewing waiver requests:

- **Progress the state has made** toward implementing work reporting requirements;
- **Key barriers or challenges**, including funding, design, development, procurement, or system readiness;
- The state's **implementation plan**, including timeline and milestones; and
- Any **exigent circumstances** (e.g., administrative or external emergencies) affecting implementation.

The rule anticipates that ten states will submit waiver requests and that CMS will only approve two.



Budget Act of 2026

Key HR 1 Updates

Key H.R. 1 State Budget Impacts (1/3)

- **Work and Community Engagement Requirement** (effective January 1, 2027)
 - Estimated reduction of **\$357.6 million (\$90.3 million General Fund)** in 2026–27 and **\$9.6 billion (\$2.4 billion General Fund)** by 2029–30
 - Projected disenrollment: **43,000** in 2026–27 and up to **1.1 million** by 2029–30.
 - ***This estimate is prior to the release of the CMS Interim Final Rule on June 1, 2026. DHCS is still assessing the impacts of the rule.***
- **Reduced Retroactive Medi-Cal Timeframes** (effective January 1, 2027)
 - Reduction of **\$34.6 million (\$14.7 million General Fund)** in 2026–27 and **\$75.5 million (\$32.1 million General Fund)** in 2029–30 and ongoing.

Key H.R. 1 State Budget Impacts (2/3)

- **Six-Month Redeterminations** (effectuated six months from March 1, 2027)
 - No budget year impacts since projected disenrollments will occur in 2026-27 due to renewal timelines.
 - Estimated reduction of **\$747.3 million (\$186.4 million General Fund)** in 2027-28 and **\$2.5 billion (\$633 million General Fund)** by 2029-30.
 - Projected disenrollments in 2029-30 are estimated to be approximately **278,600 individuals**.

Key H.R. 1 State Budget Impacts (3/3)

- **Federal Medical Assistance Percentage (FMAP) for Emergency Services** (effective October 1, 2026)
 - Net savings of **\$51.5 million (\$669 million General Fund cost)** annually beginning in 2026-27.
- **Restrictions on Immigrant Eligibility** (effective October 1, 2026)
 - The Budget Act of 2026 transitions the impacted Medi-Cal members as a result of federal eligibility changes from HR 1 to restricted scope Medi-Cal, effective July 1, 2027.
 - Estimated costs of **\$668.1 million General Fund** in 2026-27 and savings of **\$294 million General Fund** in 2029-30 and ongoing.
 - If the state were to otherwise continue to provide full-scope fee-for service Medi-Cal to this population, the annual cost is estimated to be an additional **\$1.3 billion General Fund**.

CalFresh Updates



Budget and Caseload Projection Updates



Noncitizen Eligibility Changes (effective 04/01)



Work and Community Engagement Requirement Changes
(effective 06/01)



JENNIFER TROIA

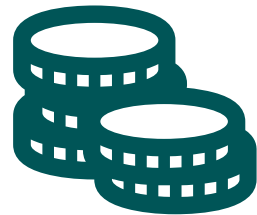
Director,
Department of
Social Services

CalFresh State Budget & Caseload Updates



5 million individuals in FY 2026–27

reflects a 6.6 percent decrease from FY 25–26



\$16.2 billion TF (\$1.9 billion GF)

for CalFresh and Nutrition programs

\$460.0 million

one-time TF (\$223.0 million GF) in additional county administrative resources

Noncitizen Eligibility Changes



Starting April 1, 2026, CalFresh eligibility limited to:

- U.S. citizens and noncitizen U.S. nationals
- Lawful Permanent Residents (LPR)
- Cuban or Haitian Entrants
- Individuals who reside in the U.S. in accordance with a Compact of Free Association (COFA) agreement.

Current CalFresh households' eligibility will be re-evaluated at their next recertification.

CalFresh Work and Community Engagement Requirement Changes

Starting June 1, 2026, certain people who are "Able Bodied Adults Without Dependents" or ABAWDs may be subject to the CalFresh time limit and may have to meet work and community engagement requirements to get or keep their CalFresh benefits beyond 3 months (per 36-month period).

The ABAWD time limit applies to those who:

- Are between the ages of 18 and 64 years old;
- Do not have a dependent child under 14 years old;
- Are considered physically and mentally able to work at least 20 hours per week; and
- Are not exempt from the rule;
- Are not living in an area with a waiver of the rule.

Current CalFresh households will be screened for an exemption or informed about the time limit and what they must do to keep their benefits at their next recertification.

What is the work and community engagement requirement?

To maintain eligibility, people with ABAWD status must work or participate in qualifying activities for at least 20 hours per week (or 80 hours averaged monthly). This can include:

- Paid employment
- Self-employment
- Participation in job training or educational programs
- Community service
- Workfare



Who is *exempt*

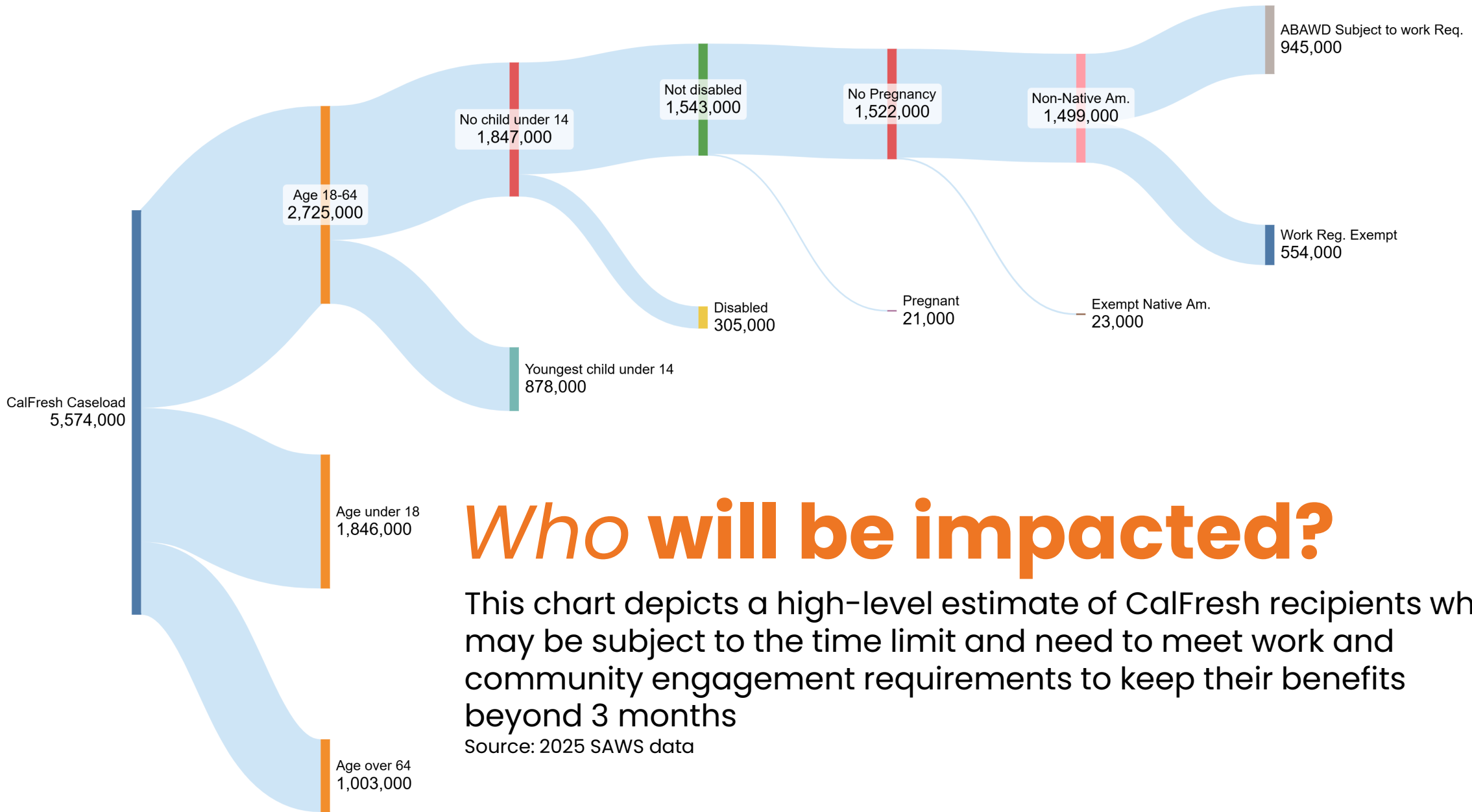
Recipients are excused from the work & community engagement requirement if:

- Younger than age 18, or over age 64.
- A parent or responsible for a dependent child under age 14
- Excused from the general CalFresh work requirements*
- Unable to work at least 20 hours per week or a total of 80 hours or more per month because of a physical or mental health issue.
- Unable to work because you are struggling with drug or alcohol addiction, are a victim of domestic violence, or are experiencing chronic homelessness. These conditions

must be linked to a physical or mental health issue that keeps you from working 20 hours a week.

- Pregnant (any stage of pregnancy).
- Identify as an Indian, Urban Indian or California Indian under the Indian Health Care Improvement Act (IHCIA).
- Participating in an Office of Refugee Resettlement (ORR) training program for at least half-time.
- Living in an area where the ABAWD work requirement is waived

*More info: <https://www.cdss.ca.gov/inforesources/calfresh/abawd>



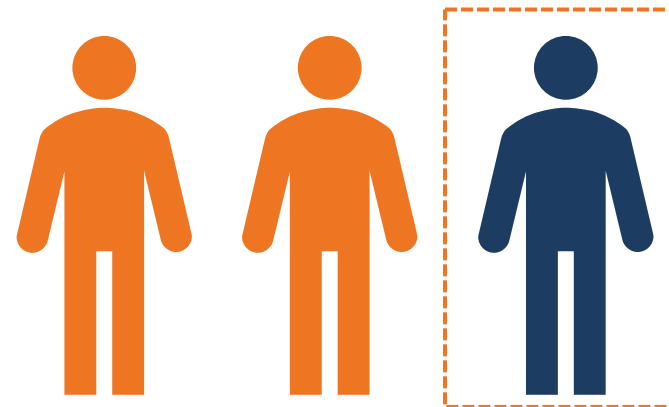
Who will be impacted?

This chart depicts a high-level estimate of CalFresh recipients who may be subject to the time limit and need to meet work and community engagement requirements to keep their benefits beyond 3 months

Source: 2025 SAWS data

More about people with ABAWD status in CA

- Shifts in time limit rules under H.R. 1 disproportionately impact recipients who are men and aged 55-64.
- Roughly 60,000 live in a household where an adult is newly subject to the time limit because the youngest child in the household is age 14-17.
- Under H.R. 1, a significant number of recipients that are experiencing homelessness, former foster youth, or a veteran lost an exemption; we will need to determine if they are eligible for an exemption under other existing criteria



≈ 1 in 3

working age adults on CalFresh could potentially be subject to the CalFresh Work and Community Engagement requirement without further information

Cross-Agency Administrative Data Matching

CDSS is using available health and human services administrative data to streamline the process of verifying exemptions.

GOALS:

- Ensure that eligible people maintain their CalFresh benefits, while reducing administrative burden for both CalFresh recipients and county workers.
- Improve accuracy by ensuring verified exemptions are correctly applied within the system.
- Automation will be in place to apply exemptions verified using administrative data beginning by this Fall

Where to find information

cdss.ca.gov/inforesources/calfresh/abawd



CalFresh Work and Community Engagement Requirements

Welcome to the CalFresh Work and Community Engagement Requirements webpage. This page provides information about the CalFresh Work and Community Engagement Requirements including the general CalFresh work requirements and the Able-Bodied Adults Without Dependents (ABAWD) rules.

STARTING JUNE 1, 2026

Starting June 1, 2026, the federal government's rules on CalFresh work and community engagement requirements are changing in California. This means that some CalFresh recipients will have to meet certain work requirements to keep their CalFresh benefits. Keep reading to learn about these changes and how they will affect CalFresh recipients.

Find out if you may be required to meet the CalFresh work and community engagement requirements to keep your CalFresh benefits, or whether you may be excused from these new requirements by using the [CalFresh Work and Community Engagement Requirements: Pre-Screening Tool](#).

For outreach and training materials, visit the [Resources](#) Webpage.



Thank you for joining

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