Behavioral Health Business

CMS Finalizes Medicaid Work Requirements: Top Takeaways for Behavioral Health Providers

By **Ashleigh Hollowell** | June 2, 2026

The Centers for Medicare & Medicaid Services (CMS) released guidance yesterday clarifying Medicaid work requirements and eligibility criteria that behavioral health and addiction treatment providers have been waiting for since the implementation of the One Big Beautiful Bill last July.

Medicaid is the largest payer of both mental health and substance use disorder care in the U.S., and as such, providers have awaited to see how revised work requirements and eligibility rules may impact continuity of care. To qualify, individuals must meet an 80-hour-per-month work requirement through employment, education work programs, community service or a combination of these options. The final rule also clarifies that individuals who are actively in drug or alcohol treatment, rehabilitation or recovery are exempt from this.

Still, industry professionals are concerned about lingering uncertainties around exemption documentation, how states could differ in interpreting the rule and the potential for patient confusion around renewal and administrative burdens of compliance.

"You could really have some varying definitions of SUD and disabling mental disorder depending on where you live and that is what we didn't want to see happen," Maeghan Gilmore, the vice president of government affairs at the Association for Behavioral Health and Wellness, told Behavioral Health Business.

Another tension circulating across the industry is the possible loss of coverage for vulnerable patients, particularly those engaged in SUD care. If the nuances of verification are not clarified, even eligible patients could fall through the cracks due to administrative hiccups.

"We're still evaluating, but we are grateful to see the exemption for people in active addiction treatment," James Button, CEO of Citizen Advocates, told BHB. "Honestly, the verification system is where this rule will be judged. An exemption only works if the people it covers can actually access it. This is likely where providers will want to focus their energy in the coming months."

Citizen Advocates is an addiction treatment provider with eight clinic locations across the state of New York. It oversees 124 treatment programs.

Previous estimates from the Congressional Budget Office (CBO) found that, following the passage of the One Big Beautiful, by the year 2034, the number of uninsured Americans could increase by 5.1 million. The final rule has also drawn criticism over this from advocacy groups like the Legal Action Center, which issued a statement of concern specifically centered around Medicaid patients with SUDs.

“The biggest impact of this rule will not be increased employment — it will be increased coverage losses among people who remain fully eligible for Medicaid but cannot navigate a maze of paperwork and reporting requirements,” Teresa Miller, LAC’s national director of health initiatives, said in a press release. “When people lose access to care, their health deteriorates, making it harder — not easier — to find and keep a job. … By inserting new layers of red tape and restricting exemptions beyond what the law authorizes, CMS is ensuring that even more people will fall through the cracks.”

CMS has said states are responsible for verification, outreach, notices and reporting, but it leaves room for specific state implementation choices and the exact workflow providers will need to adhere to as part of this process.

There may also be state-by-state variance in how “medical frailty” is determined or assessed in patients with an SUD, but the new guidance allows states to use screening tools to determine whether a patient meets this definition. States may also allow some patients to self-attest this, Gilmore explained, which ABHW was under the impression would have likely been excluded from CMS’ final rule.

“While I don’t know that anything is perfect, some of these things I think are a step forward that we’re trying to build off of to try to make this work the best that it can, and ensure that people with mental health and substance use disorders don’t lose this really vital coverage that they need to access their treatment and services that they need,” Gilmore said.

For SUD providers, the remaining uncertainties will likely be impacted by state implementations, but providers are also still waiting for more clarity around how specific 42 CFR Part 2 patient data privacy protections will come into play with verification. Several groups had advocated for the inclusion of these specifics in the final rule, but CMS did not incorporate much, according to Gilmore.

“We had really asked for them to include clarification that SUD patient data used to verify exemption status must remain compliant with 42 CFR Part 2,” Gilmore said. “There’s so much confusion still around what data and information can be shared in SUD, including mental health, that we wanted that to be clear in here. I think referencing it is a really good first step.”

The Medicaid work requirement framework takes effect now, but states and providers have until January 1, 2027, to adhere to full implementation. The interim final rule issued by CMS will also have a final comment period for additional feedback, which the agency could use to revise the rule later or also keep as is.

In the meantime, providers should keep a close watch on state-specifics, engage with CMS as needed and collaborate with their state partners, Gilmore recommended.