

## Recommendation 1

# Simplify Work Requirements to Protect Coverage

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The Department of Human Services (DHS) has an enormous task ahead of it in implementing Medicaid work requirements (HR1 calls them “Community Engagement” rules), required under HR1. Starting January 1, 2027, everyone receiving Medicaid in the expansion category must be either complying or exempt from new work rules or they will lose their Medicaid. To effectuate these rules, DHS must make a series of policy decisions and set up new systems. HR1 requires states to use data sources available to it to determine compliance and apply exemptions and we urge DHS to update its systems to make the process as smooth as possible and take the burden off caseworkers and recipients, to capitalize on self-reporting opportunities, and to take additional steps to ensure a smooth implementation period.

Below are specific policy, process, and systems recommendations that will mitigate the burdens of HR1, reduce procedural terminations, and help Pennsylvanians retain access to critical Medicaid benefits.

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## 1. Minimize verification frequency and lookback periods

To reduce paperwork burdens on applicants/recipients and the County Assistance Offices (CAOs) and reduce churn, limit the compliance lookback periods at application and renewal, put in place mechanisms to document compliance/exemptions in future compliance periods, and sequence the order in which compliance and exemptions are reviewed. Specifically:

- Sequence the review of whether someone is compliant or exempt to minimize caseworker and applicant/recipient burden:
  - FIRST - Screen for income at or above \$580 in a month.
  - SECOND - If compliance is not met through income, review for exemptions.
  - LAST - Review for other compliance (based on work, school or volunteering) only if no exemptions are met.
- At application: Require demonstration of compliance with the work requirement for one month only. Under Centers for Medicare & Medicaid Services (CMS) guidance, this is the month prior to the month in which application is made.<sup>1</sup> This is the same month for retroactive Medicaid, if needed.
- At renewal: Require only one month of work requirement compliance between renewals. Normally, this must be any single month during the six-month eligibility period preceding the renewal.<sup>2</sup>
- At the first renewal following January 1, 2027: CMS guidance permits individuals whose eligibility was determined/renewed in 2026 to maintain their standard 12-month renewal schedule.<sup>3</sup> DHS should take this option to ensure renewals are evenly distributed across the year. These recipients should have a 12-month look back period for compliance because it will have been 12 months since their most recent redetermination.<sup>4</sup>
- Do not take up the option to check compliance between renewals.
- Establish systems to document work requirement compliance/exemptions for future renewal cycles during application processing, renewals, and reported changes. For example, information provided at application may establish work requirement compliance in both the month prior to application (the compliance month) and the month in which the person applied. Since Medicaid will usually be opened in the month of application and that month is also part of the next renewal compliance period, the system should note the future compliance. Similarly, a report between renewals of the birth of a couple's first child should result in notation in the system of an exemption for both parents for the next (and future) renewals.
- Assign an exemption length to each exemption type to minimize the frequency of verification at renewal. For the medically frail exemption, identify specific conditions or diagnoses for which a permanent exemption will be granted.

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<sup>1</sup> CMS, CMCS Informational Bulletin, 12/8/25, p. 7, available at <https://www.medicaid.gov/federal-policy-guidance/downloads/cib12082025.pdf>.

<sup>2</sup> Ibid.

<sup>3</sup> CMS, SMD #26-001, Implementation of "Eligibility Redeterminations," Section 71107 of the "Working Families Tax Cut" Legislation (Public Law 119-21), 3/6/2026, p. 10, available at <https://www.medicaid.gov/federal-policy-guidance/downloads/smd26001.pdf>.

<sup>4</sup> 42 U.S.C. § 1396a(xx)(1)(B)(i).

## 2. Use ex parte processes to determine compliance and exemptions

HR1 requires states to use ex parte information — available, reliable data sources — to determine whether Medicaid applicants or recipients are complying with or exempt from the work requirement. States may only seek information from the individual if available data sources do not verify compliance or exemption.<sup>5</sup> The effort DHS puts into creating robust systems for ex parte determinations of compliance and exemptions will pay off in less paperwork for applicants and DHS caseworkers and fewer people erroneously losing coverage.

Pennsylvania has long had in place an ex parte process to verify *income* at renewal, but not work or related activities, and historically its ex parte process has been able to renew comparatively few cases. DHS also has a system in place to review Medicaid *applications* for “real time eligibility.” This system is akin to ex parte renewals, but, because it is for initial eligibility, it includes additional eligibility factors to be reviewed

HR1’s work requirement will require DHS to reenvision its ex parte and real-time eligibility processes to enable as many Medicaid applicants and recipients as possible to be found eligible without the need for time-intensive caseworker review. Caseworkers already must conduct manual ex parte reviews for anyone who is not renewed automatically and now have the added strain from SNAP work requirements and pressure to increase accuracy in SNAP determinations. The work requirement, along with the greatly increased workload from renewing Medicaid twice as often for hundreds of thousands of recipients, will add to that strain. Automating as many Medicaid eligibility determinations as possible is a key to keeping CAO workloads manageable.

In using ex parte data, DHS should implement a “waterfall” approach to determine whether someone meets or is exempt from work requirements. This approach means starting with the broadest and easiest sources of verification, while also accounting for the expense of those sources, and only moving to other data sources if initial sources fail.

## 3. Apply exemptions broadly and inclusively

Exemptions from work requirements will play a key role in preventing coverage loss, even for people who are working and complying. Overall, exemptions should be easier for DHS to administer than compliance because many exemptions will be long-term or even permanent and therefore will not require biannual verification. For that reason, DHS should invest resources now to set up a streamlined, understandable exemptions process.

When a person is found exempt, they should be notified in writing of the basis for the exemption and its length.<sup>6</sup> Additionally, COMPASS and a designated section of the case record should contain

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<sup>5</sup> 42 U.S.C. § 1396a(xx)(5).

<sup>6</sup> DHS should also notify SNAP recipients when exemptions have been applied.

exemption details so recipients may obtain more specific information about the exemption basis. For example, a person who is informed that they have a medical exemption should be able to view Compass or call the CAO to learn that the medical exemption is due to undergoing cancer treatment. This information is particularly helpful for recipients with multiple conditions, some of which may provide an exemption and others of which may not.

### **Screen for exemptions early**

Exemption screening should happen well in advance of the initial launch of new requirements for current Medicaid recipients to reduce the initial burden that will accompany the start of the work requirement review.

Exemption screening should begin for young adults in MAGI categories when they are within six months of turning 19. This allows for sufficient warning about new requirements they will face and gives time to provide information to establish an exemption or eligibility for a different Medicaid category.

### **Document all eligible exemptions and prioritize longer-term coverage**

Prioritize applying exemptions that are permanent and long-term. This will reduce the frequency with which compliance must be checked for such individuals, freeing up staff resources for more complex cases or verifications.

Allow the system to document multiple exemptions so that if the primary (longest) exemption lapses, a person can be toggled to a new exemption. This approach does not mean a CAO should try to verify every possible exemption. Once the CAO has sufficient information to establish an exemption, they should not expend resources obtaining information for other exemptions. However, if that information is already in hand, they should apply it to the case.

### **Use self-reporting to verify exemptions**

Crucially, HR1 allows self-reporting for all exemptions, including medical frailty.<sup>7</sup> Therefore, when ex parte information is insufficient, DHS should accept self-reported information to verify exemptions.

### **Coordinate SNAP and Medicaid data to apply exemptions**

DHS should coordinate Medicaid work requirements with SNAP work requirements, as information in the SNAP file may establish an exemption from Medicaid work requirement.

DHS must exempt any individual who is in a household receiving SNAP and who is not exempt from SNAP work requirements, as discussed in more detail below. Thus, all non-exempt SNAP recipients

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<sup>7</sup> In discussing applying exceptions, HR1 explicitly provides that states “may elect to not require an individual to verify information resulting in such deeming” for exceptions including those for “specified excluded individual[s]” such as people considered medically frail, parents, and caretaker relatives. 42 U.S.C. § 1396a(xx)(3)(A).

will be exempt from Medicaid work requirements. But many exempt SNAP recipients will likewise be exempt from the Medicaid work requirements. For example, caregivers of individuals with disabilities, veterans with 100% disability ratings,<sup>8</sup> and participants in substance use treatment programs are exempt under both programs. Individuals in school or training at least half-time are exempt under SNAP rules, but compliant under Medicaid rules. DHS must use this information from its SNAP files in determining Medicaid eligibility before seeking verification from the household.

DHS should also align its definitions of exemptions across SNAP and Medicaid to the extent possible. DHS already has a good definition of “unfit for work,” the SNAP exemption for people with medical conditions: SNAP recipients are exempt if a medical provider verifies that they have a physical or mental condition that reduces their ability to work. While the “medically frail” exemption to Medicaid work requirements does not have a fitness for work element, ideally these two definitions can be aligned. At the same time, such alignment should not come at the cost of making the SNAP or Medicaid exemption harder to attain. Once DHS starts determining Medicaid recipients to be “medically frail,” it should exempt those individuals from the SNAP work requirements as “unfit for work,” and vice versa.

### **Maximize each exemption category**

While certain exemptions are relatively straightforward, others require clearer definitions, standardized verification processes, and flexible system design to ensure eligible individuals are not inappropriately subject to work requirements. Importantly, the exemptions discussed here are not exhaustive.<sup>9</sup> Instead, they include those where additional guidance, clarification, or operational detail is necessary to support effective implementation.

Below are recommendations for implementing some of the specific exemptions from work requirements:

#### ***Medically Frail or Special Medical Needs Exemption***

The Medically Frail or Special Medical Needs exemption includes a non-exhaustive list of categories that must be exempted from work requirements. While some categories are self-explanatory, others warrant discussion. The meanings of terms like “medically frail,” “special medical needs,” “serious medical condition,” “complex medical condition,” and “disabling

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<sup>8</sup> Veterans with any degree of a disability rating are exempt from SNAP work requirements, but the disability must be rated at 100% for them to be exempt from the Medicaid requirement.

<sup>9</sup> In addition to the exemptions from work requirements identified here, DHS must exempt: American Indians/Alaskan Natives, veterans with a disability rated as total (100%), participants in a drug or alcohol treatment program. 42 U.S.C. § 1396a(xx)(9)(A)(ii)(II), (IV), and (VII). As with all exemptions, DHS should start by using ex parte information (e.g., from its own eligibility files, claims data and the Veteran’s Administration) to identify people who are exempt under these categories.

mental disorder” will need to be defined. In addition, since the list is not exclusive, further categories may be added.

We understand DHS is awaiting guidance from CMS on the scope of the medically frail / special medical needs exemption. To the extent ultimately permitted, DHS should adopt its own definitions and standards. These should account for conditions and treatments that may interfere with capacity to work and other conditions, such as HIV, where a gap in or loss of regular treatment could have an adverse health outcome. Importantly, **HR1’s medically frail exemption does not include an inability to work element and should not be limited in that way.**<sup>10</sup>

DHS should quickly convene stakeholders, including those with medical and clinical expertise and people with disabilities, to fill in any gaps in the definition. Pennsylvania’s medically frail/special medical needs exemption process should:

- **Use ex parte verification first**, including:
  - **Treatment/procedure and diagnosis Information found in the PA Patient & Provider Network (P3N).** This data may be preferable to Medicaid MCO encounter data for two reasons, as DHS acknowledges: it is more current, and it captures health records from outside Medicaid — allowing gaps to be filled for periods when an applicant or recipient was not enrolled in Medicaid.
  - **MCO claims/encounter and diagnosis data.** HR1 urges use of such encounter data to facilitate ex parte review.<sup>11</sup>
- **Develop a list of diagnoses (ICD-10, DSM-5) and procedure (CPT, HCPCS, NDC) codes** that alone or in combination automatically qualify someone for the medically frail exemption. This work should be done in conjunction with MCOs, medical providers, and Medicaid recipients. The list must not be exclusive.
  - For “serious or complex medical needs”: identify both long- and short-term conditions as qualifying.
  - For “substance use disorder”: include all substance use disorder diagnosis codes to establish eligibility for the exemption. Do not require participation in a substance use treatment program as HR1 identifies that as a separate exemption.
  - For “disabling mental disorder”: Work with behavioral health providers and recipients to identify diagnoses appropriate for this exemption.
- **Account for recovery times** in determining the length of exemptions.

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<sup>10</sup> Medical frailty is not a new concept in Medicaid. It has been around since the Deficit Reduction Act (DRA) of 2005 in relation to benchmark plans, later called alternative benefit plans (ABPs). Medical frailty became a mandatory basis, unrelated to capacity to work, for an exemption from ABP participation under the ACA. See Deficit Reduction Act of 2005, Pub. L. 109-171 § 6044, 120 Stat. 4 (2005); 42 U.S.C. § 1396u-7(a)(2)(B)(vi).

<sup>11</sup> 42 U.S.C. § 1396a(xx)(5).

- Exempt people receiving short- or long-term disability benefits or workers' compensation.
- **Build flexibility into the eligibility system.** The system must be able to store and update the diagnosis or procedure codes that confer an exemption, assign permanent exemptions to appropriate codes (e.g., ALS and other permanent conditions), and interface with MCO and HIO diagnosis and procedure data.
- **Align with the SNAP definition** provided doing so does not restrict access to exemptions for either SNAP or Medicaid.
- **Make the process of verifying medical frailty as simple and streamlined as possible.** This could mean only a few targeted questions on an application/renewal. Straightforward, easy to implement verification will save significant CAO resources and mitigate churn.
- **For people who cannot be exempted using ex parte or sufficient self-reported information,** exempt them if a medical provider verifies that they have a qualifying physical or mental condition under the medical frailty definition.

#### ***Parent, Guardian, or Caretaker Relative of a Child Under Age 14 Exemption***

- This exemption applies regardless of whether the child is claimed on taxes as a dependent.
- Apply this exemption regardless of whether childcare is available.
- Parent
  - Define "parent" to include biological, adoptive and stepparents.
  - Use household composition information in the case record to automatically identify parents of children under age 14.
  - Exempt both parents in two parent households.
  - Exempt parents who are not in the Medicaid household of their child under 14. A question should be added to the application/renewal to identify such non-household member parents.
- Guardian or Caretaker Relative
  - Adopt broad definitions to include any relative by blood, adoption or marriage, including grandparents, siblings and other adult family members, **as well as non-relatives with a significant relationship** to the child. Non-relatives must include adults with both formal and informal relationships with the child.

#### ***Parent of an Individual with a Disability Exemption***

- This exemption applies to the parent of an individual with a disability of any age, whether a minor or an adult child.
- The parent does not need to be in the same tax household, Medicaid household or home as the individual with a disability.

### ***Family Caregiver or Guardian of an Individual with a Disability Exemption***

- Capture a broad range of people with significant relationships, including formal and informal, with the person with a disability.
- For “family caregiver” HR1 mandates use of the RAISE Family Caregivers Act definition. That definition covers both family and non-family caregivers when caring for a person with a disability as well as when they care for someone with a “chronic or other health condition” or “functional limitation.”<sup>12</sup>
- Provide this exemption even if the person cared for does not identify as having a disability (many people who receive care, especially older adults, do not view themselves as having a disability).
- The person receiving care need not be a dependent of or related to the person receiving the exemption, nor do they have to be in the same tax household, Medicaid household or home.
- The exemption should apply regardless of whether caregiving is paid or unpaid, and no minimum number of weekly or monthly caregiving hours should be required.
- More than one person may receive an exemption from work requirements for the same person receiving care.
- Work with other commonwealth agencies and DHS offices to identify caregivers and apply this exemption ex parte. For example, caregivers may be identified through the Department for Aging’s Caregiver Support program, or Tempus Unlimited and PPL which provide payroll management for participant directed caregivers under contract with Community HealthChoices plans, the Office of Long-Term Living and the Office of Developmental Programs.

### ***Pregnant or in Medicaid Postpartum Period Exemption***

- Use P3N information and managed care plan data on pregnancy billing codes to immediately flag new exemptions for pregnancy (ensuring privacy protections).
- Document due date and ensure the eligibility system notes the full 12 months postpartum period, regardless of pregnancy outcome (including miscarriage or pregnancy loss).

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<sup>12</sup> Family caregiver means “an adult family member or other individual who has a significant relationship with, and who provides a broad range of assistance to, an individual with a chronic or other health condition, disability, or functional limitation.” 115 P.L. 119; 132 Stat. 23; 2018 Enacted H.R. 3759; 115 Enacted H.R. 3759.

### **Certain Individuals in SNAP Households Exemption**

DHS must exempt any individual who is in a household receiving SNAP and who isn't exempt from a SNAP work requirement.<sup>13</sup> This exemption from Medicaid work requirements captures an array of individuals on SNAP, including:

- People who are **compliant with the SNAP work requirement**.
- People with an **exception to the SNAP work requirement as opposed to an exemption** from SNAP work requirements.
  - What are commonly called exemptions from the SNAP work requirement, by statute, include two different categories of people not subject to work requirements under the Food and Nutrition Act (FNA): “exemptions” and “exceptions.”<sup>14</sup> The FNA list of “exemptions” from the work requirement is limited to state discretionary exemptions and certain exemptions sought by the states of Alaska and Hawaii.<sup>15</sup> In contrast, SNAP work requirement “exceptions” are mandatory, more common, and substantially align with Medicaid work requirement exemptions; they include parents and others caring for a child under 14, people physically or mentally unfit to work and others.<sup>16</sup> DHS should take Congress at its word that it intended to honor exceptions to SNAP work requirements by similarly excluding them from Medicaid work requirements and that Congress only intended to exclude from the Medicaid exemption those with state discretionary SNAP work exemptions. This would protect everyone with a SNAP exception (as described by statute) and greatly reduce the workload burden on CAOs.
- **Members of SNAP households who are not receiving SNAP for themselves** and are therefore neither exempt nor compliant (including ineligible immigrants under 21, ineligible students, and people in SNAP households who have exhausted the time limit).
- People who have **not yet been screened for an exemption** (including people who turn 18 between certification periods).

DHS will need systems to exempt individuals in SNAP households from the Medicaid work requirements if they are not exempt from the SNAP work requirement. This system should also exempt individuals who are complying with the SNAP work requirement through unpaid work, participation in education or training, through community service, or a combination of

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<sup>13</sup> HR1 provides that an individual who “is a member of a household that receives supplemental nutrition assistance program benefits under the Food and Nutrition Act of 2008 and is not exempt from a work requirement under such Act” is mandatorily exempt from Medicaid work requirements. 42 U.S.C. § 1396a(xx)(9)(A)(ii)(VI)(bb).

<sup>14</sup> Exemptions: 7 U.S.C. § 2015(o)(3). Exceptions: 7 U.S.C. § 2015(o)(6) and (o)(7).

<sup>15</sup> 7 U.S.C. § 2015(o)(6) and (o)(7).

<sup>16</sup> 7 U.S.C. § 2015(o)(3).

activities: all these people should be exempt from work requirements because they receive SNAP and are not exempt from the SNAP work requirement.

### ***Former Inmate of a Public Institution Exemption***

This exemption applies to someone who was an inmate of a public institution during a month in which an exemption may be found or any point in the three months prior to such a month.

- At application: Exempt anyone who was incarcerated in any of the four months prior to application (the month prior to application, plus the previous three months).
- At renewal: Exempt anyone who was incarcerated during any month since they were last found eligible, plus the previous three months.<sup>17</sup>
- Define “inmate” broadly to include anyone who was arrested and held at a jail, prison, juvenile center, or other carceral setting for any length of time, pre-or post-arraignment. Even brief detention has significant collateral consequences for employment and compliance with the work requirements, including missed shifts, reductions in hours, and even job loss.

### ***Former Foster Youth under 26 Exemption***

- Create clear guidance for the public and foster youth caseworkers on the existence of this exemption since federal rules have changed by removing exemptions for SNAP work rules.
- Ensure out-of-state former foster youth (ages 18 through 25) who now live in Pennsylvania receive Medicaid for former foster youth (PC 40 category) and an exemption for the months following their transition out of that category.

### ***Compliant with TANF Work Requirement Exemption***

The exemption for individuals compliant with TANF work requirements will be used infrequently. No TANF recipients in Pennsylvania should be subject to work requirements as they receive Medicaid under a non-expansion category. However, DHS will need to have a mechanism to apply the exemption in the two circumstances where it is required: when someone who just moved off of TANF is not eligible for transitional Medicaid, and when someone was on TANF in another state the month before applying for Medicaid in Pennsylvania.

### ***Hardship Exemptions***

DHS should take all available hardship exemptions. To ensure everyone who could qualify is reviewed, modify application and renewal language to provide that by signing the app/renewal,

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<sup>17</sup> For example, a person who was an inmate in May 2027 applies for Medicaid in June and has a renewal in December. The May incarceration makes the individual exempt at application. That May incarceration also provides for a mandatory exemption at the December renewal because the May incarceration was within three months of July and August – months where they can be deemed compliant with the work requirements.

an individual is requesting to be considered for all possible exemptions from work requirements, including those related to receiving treatment in a facility or traveling to receive medical services to treat a serious or complex medical condition.

### Acute Services Hardship Exemption

DHS should take up the exemption for people who received “inpatient hospital services, nursing facility services, services in an intermediate care facility for individuals with intellectual disabilities, inpatient psychiatric hospital services, or such other services of similar acuity (including outpatient care relating to the above-listed services).”

- Solicit stakeholder feedback to identify services and settings to present to CMS as “Other such services of similar acuity.” Minimally, this exemption should include services received in a personal care home or assisted living facility and the following services: skilled nursing, home health aide services, or occupational, speech or physical therapy.
- Designate the required length of stay for this exemption as at least one day during a compliance period.
- Confer a medical frailty exemption for these recipients to ensure the longest possible exemption is applied.
- Verify ex parte, including with P3N and MCO data. Allow self-reporting for individuals who have not been verified ex parte.

### Medical Travel Hardship Exemption

This exemption applies when an Individual or dependent had to travel outside their community for an extended period for medical care to treat a serious or complex medical condition when that care is not available in their community.

- Confer a medical frailty exemption in any situation where the recipient is traveling for their own treatment as the statute aligns the definition of “serious or complex medical condition” and medical frailty.
- Work with stakeholders, including Medicaid recipients and parents of Medicaid recipients, to define terms like, “community,” and “extended period of time.”

### Presidentially Declared Disaster Hardship Exemption

The exemption for presidentially declared disasters is automatic and applies to all in the impacted counties. The eligibility system must be able to apply this exemption globally to all residents of an impacted county.

### High Unemployment Rate Hardship Exemption

The exemption for residents of counties whose unemployment rate is 1.5 times the national average or above 8% is applied automatically.

- Apply this exemption immediately and retroactively as soon as DHS submits the requisite request for the exemption to CMS. HR1 does not require states to wait for CMS to approve this exemption request to implement it.
- Update eligibility system to apply this exemption globally to all residents of an impacted county.
- Verify ex parte in collaboration with the Department of Labor & Industry (L&I) to timely track unemployment rates and compare them with national unemployment rates released near the beginning of each month by the Bureau of Labor Statistics.

## 4. Streamline compliance reporting for those who are not exempt

### Compliance Based on Income

Individuals with monthly income of \$580 or more from any source, including unearned and in-kind, are compliant with the work requirement. DHS's first cut in determining compliance should be to use external data sources to verify income amount. DHS already has access to multiple sources of income verification.<sup>18</sup> If any of these sources verify income of \$580 or more, the individual is compliant with the community engagement requirement and should not be asked for further information.

If none of these sources verifies income of \$580 or more but the applicant/recipient reports earned income, DHS should use Consent-Based Verification (CBV) to obtain wage or gig economy income directly from the income source.<sup>19</sup> DHS is already piloting a CBV system. At the same time, DHS should acknowledge that, while CBV holds promise for many workers, it will not work for those who do not have access to or do not know how to use web-based payroll systems. In addition, many people will be suspicious of requests to grant permission to their private information.

Longer term, a better approach to gaining wage information is for the Commonwealth to require employers to report monthly, or even weekly, wage data to the PA Department of Labor & Industry (L&I) so DHS may rely on that timely data. Employers already share quarterly wage information with L&I and most payroll processors share up-to-date payroll information with the commercial Equifax product, The Work Number. Requiring employers (through their payroll processors) to report that

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<sup>18</sup> For a list of available sources of income verification, see PA DHS, Medical Assistance Eligibility Handbook § 378.6, available at [http://services.dpw.state.pa.us/oimpolicymanuals/ma/index.htm#t=378\\_Verification%2F378\\_6\\_Automated\\_Sources.htm](http://services.dpw.state.pa.us/oimpolicymanuals/ma/index.htm#t=378_Verification%2F378_6_Automated_Sources.htm).

<sup>19</sup> With CBV, the Medicaid applicant or recipient logs into their own app-based income verification system (such as through their employer's payroll processor or a gig-economy-based system like Uber or DoorDash) and consents to provision of their pay information to PA DHS for purposes of verifying eligibility.

same information to L&I (and hence DHS) more frequently will mean better, more accurate data for DHS while saving the state from paying Equifax exorbitant prices for this information.<sup>20</sup>

However, until Pennsylvania can collect information from employers directly, at the bottom of its income verification “waterfall” – just above asking applicants or recipients for paystubs – should be paying Equifax’s The Work Number for its wage information. DHS accessed The Work Number in the past, but chose not to renew its contract with Equifax in mid-2025, citing costs. With HR1’s mandate that states maximize ex parte sources,<sup>21</sup> DHS must use this previously accessed resource, reconnecting with the Work Number, even if it will be used only when other ex parte sources fail.

## Other Compliance Pathways

If the applicant or recipient has income below \$580 per month and is not exempt from work requirements, DHS must review for compliance with work requirements through participation in countable activities, alone or in combination, for at least 80 hours a month, or in an educational institution at least half-time. DHS should use additional data sources to identify compliance through these activities. DHS will also need a mechanism to count and combine hours participating in work, education, work programs, and community service.

### Work Hours

For people who work but have income of less than \$580 per month and are not eligible for exemptions, pathways to verify work hours will be needed. DHS should use the same ex parte resources available to verify income to review for hours worked. If those do not provide sufficient information, pay stubs, a letter from an employer, or other documentation may be used. DHS will need to make clear that unpaid work counts toward the work requirement (and need not be performed for a nonprofit organization). In such situations, a letter from the person for whom unpaid work is being performed should suffice for compliance.

### Enrollment in Educational Program

To identify individuals participating in Commonwealth-funded career training programs, DHS should connect with L&I, and mine its own DHS-funded programs through SNAP and its child support program. In addition, the National Student Clearinghouse will verify enrollment in almost 300 Pennsylvania colleges, universities, and schools.<sup>22</sup>

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<sup>20</sup> For background on Equifax and its Work Number/ TALX wage verification product, see, e.g., LPE Project, Luke Farrell, The Means-Testing Industrial Complex, 01/28/2026, *available at* <https://lpeproject.org/blog/the-means-testing-industrial-complex>; Matt Stoller, How Equifax Became a Private IRS, 01/23/2023, *available at* <https://www.thebignewsletter.com/p/how-equifax-became-a-private-irs>.

<sup>21</sup> 42 U.S.C. § 1396a(xx)(5).

<sup>22</sup> See National Student Clearinghouse, Business Verifications, *available at* <https://www.studentclearinghouse.org/solutions/business-verifications/>.

### **Community Service**<sup>23</sup>

Most people subject to the work requirement will keep their Medicaid by having income at or above \$580 per month or through being found exempt. However, some people will need to use community service, likely in combination with other activities, to keep their Medicaid. DHS should facilitate community service opportunities through its PA Navigate site and keep compliance paperwork to a minimum.

DHS should create an easy-to-use online system to verify community service. The system created for verifying community service for SNAP recipients is paper-based and cumbersome. An online platform would be far easier for volunteer sites, Medicaid recipients, and DHS caseworkers.

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<sup>23</sup> DHS should recognize that 80 hours a month of sustained work activities is an unrealistic goal for most people whose income is under \$580 a month (who would be exempt if their income were higher). Almost everyone with income that low is facing severe barriers to employment, such as homelessness, health issues, or caregiving responsibilities. Well-meaning organizations that want to help people keep their Medicaid should be encouraged to put their energy into helping people to establish exemptions, more than helping people to comply by volunteering.