Making Medicaid Work Requirements Work for Home-Based Child Care Providers

Katie Hamm & Mario Cardona | July 13, 2026

The One Big Beautiful Bill Act (OBBBA), signed into law in July 2025, brought sweeping changes to Medicaid, including new "work requirements"[1] that will affect many child care providers, especially home-based providers. Home-based providers are the backbone of many communities' child care systems, caring for 11.5 million children aged 13 and under including 30% of infants. Despite their critical role, these providers are among the lowest-paid workers in the country, and many rely on federal social safety net programs to make ends meet. The child care sector has little margin for disruption, and this is especially true for home-based providers due to their low incomes. When home-based providers cannot maintain Medicaid coverage, many leave child care for work that offers employer-sponsored insurance, destabilizing an already fragile supply and narrowing the care available to families.

While the new work requirements will apply to many types of child care providers participating in Medicaid, they will particularly impact home-based providers due to their status as self-employed individuals who may lack formal timesheets or pay documentation (e.g., pay stubs, contracts, and tax documents) that are more likely to exist for center-based providers. Further complicating matters, individuals may be exempt from the new work requirements. In any case, some Medicaid-eligible individuals will soon likely be required to demonstrate compliance or exemption. Initial estimates indicate that millions of people will lose Medicaid because of procedural or paperwork issues despite meeting the work requirements.[2] States must now quickly establish efficient and effective approaches to help home-based providers and others demonstrate their eligibility for the benefits to which they are entitled under law.

Whether eligible providers keep their coverage will depend largely on implementation details: the documentation states accept, how they define qualifying work and hours, how frequently they recheck eligibility, and the support they make available. Home-based child care providers warrant particular attention in these decisions, both because their work is difficult to capture in conventional records and because of their pronounced role in the child care system.

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[1] OBBBA, also known as H.R. 1 creates a new "community engagement compliance" requirement that applies to some individuals as a condition of participating in Medicaid. The requirement states that an individual must meet one of the following criteria in a month: 1) for at least 80 hours is engaged in work, community service, education and/or a work program, 2) is enrolled in an educational program at least half-time, 3) has a monthly income that is not less than the minimum wage requirement multiplied by 80 hours, or 4) (for seasonal workers) had an average monthly income over the preceding 6 months that is not less than the minimum wage multiplied by 80 hours.

[2] When OBBBA passed, the Congressional Budget Office (CBO) estimated that work requirements would impact 20 million people, and approximately 5.3 million people would lose access to Medicaid by 2034 due to this new requirement. The Regulatory Impact Analysis in the IFC estimates that 3.3 million people will lose access to Medicaid by 2033, about half of which will be disenrolled for procedural issues.

The Federal government published an interim final rule with a comment period (IFC) on work requirements that will become effective on July 31, 2026.[3] The IFC provided more detailed information to states on implementation to comply with the new statute. At the same time, the IFC leaves it to states to determine how to go about implementation with some key elements open to interpretation. HHS is accepting public comments on the IFC until 11:59 p.m. ET on July 31, 2026. States must comply with work requirements no later than January 1, 2027,[4] and states are already making policy decisions that will determine home-based providers' experiences under these new rules and their continued access to Medicaid.

This brief provides additional information on new Medicaid work requirements and policy considerations that impact home-based child care providers related to documenting income, work hours, and administrative burden. In the sections below, we provide relevant background information on home-based child care for policymakers responsible for implementing Medicaid work requirements. We then examine specific considerations that apply to home-based child care providers to identify them as exempt from work requirements, as well as considerations for those who must establish compliance with new work requirements. Finally, we identify considerations for reducing the administrative burden during the implementation process to make enrolling in Medicaid and maintaining access easier for the home-based child care population.[5]

BACKGROUND

Home-based child care is an essential component of the early care and education ecosystem. Approximately 12.3 million children aged 13 and under, including roughly one in four young children under age five, receive at least five hours of care per week in a home-based child care setting. Home-based child care providers are more likely to provide care to infants and toddlers, children with parents working non-standard hours, and families in rural areas.

Some providers have a pre-existing relationship with the family and may be relatives or friends, while others do not have a relationship when they begin a care arrangement. Many parents prefer home-based child care because it offers an opportunity to build a close relationship between the family and provider, may allow for shared cultural practices and values, provides smaller groups and individualized attention, and keeps siblings in the same setting. Policies that support home-based child care providers also support parent choice and build the supply of child care.

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[3] *See* State Health & Value Strategies & Manatt Health, New CMS Interim Final Rule on Medicaid Work Reporting Requirements (June 9, 2026), https://shvs.org/wp-content/uploads/2026/06/SHVS_WRRs-IFR_06.09.2026.pdf.

[4] The statute requires states to implement work requirements by January 1, 2027 unless they receive a waiver from HHS. The law allows states to request a waiver until December 31, 2028. 42 U.S.C. § 1396a(xx)(11)(C). In the IFC, HHS indicates that extensions will be granted for six months with the possibility of additional extension and projects that two states will receive waivers. States also have the option of implementing work requirements sooner, and at least one state, Nebraska, has already implemented work requirements as of publication of this document.

[5] The information provided in this brief is not legal advice and its receipt does not create an attorney-client relationship. Given the pace of action, this brief could be outdated quickly; the information is now current as of 10:00 a.m. ET. on July 13, 2026.

Despite their importance to children and families, many home-based providers face poor working conditions. Home-based child care providers are typically self-employed small business owners with variable hours and income. They may be paid or unpaid. Home-based child care providers often work 10-12 hours per day providing an average of 56.5 hours of care per week, and average annual child care income for a licensed home-based child care provider is less than $30,000. As a result, many home-based child care providers are eligible for public benefit programs, including Medicaid and Supplemental Nutrition Assistance Program (SNAP): an estimated 43% of early educators rely on programs like Medicaid and SNAP.

In July, OBBBA became law, ushering in changes for Medicaid that will, among other things, require many participants to meet monthly "work reporting requirements."[6] These new work requirements generally apply to adults ages 19 to 64 who: (1) live in one of the 41 "Medicaid expansion" states and have incomes between the threshold for traditional Parent/Caretaker Relative Medicaid in their state and 138% of the federal poverty level or (2) are enrolled in Medicaid in states that have partially expanded Medicaid through a 1115 waiver that offers full health coverage.[7]

However, the law also exempts certain individuals from work requirements, including parents or caregivers to children under age 14.[8] Thus, states will need to set up processes to designate impacted individuals as either:

1. "specified excluded individuals" who are exempt and thus do not have to meet work requirements; or
2. "applicable individuals" who are not exempt and must demonstrate compliance with work requirements.

For applicable individuals, the state must have policies and procedures in place by the effective date of January 1, 2027, to show that they comply with one of the statutory "community engagement" provisions listed below.

The statute includes several ways for individuals to comply with work requirements:

- Work, community service, or participation in a work program for at least 80 hours per month;
- Enrollment in an education program at least half-time;

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[6] OBBBA also expanded existing work requirements under SNAP, which are not discussed in this brief. For a comparison of work requirements under each program, please reference the following report: *Work requirements: Comparison of Medicaid and Supplemental Nutrition Assistance Program (SNAP) after P.L. 119-21* (CRS Report No. R48755). Congressional Research Service. https://www.congress.gov/crs-product/R48755.

[7] The Centers for Medicare & Medicaid Services (CMS) is still analyzing which states with waivers and which populations within those states will be impacted by work requirements. CMS recently identified some states (Georgia, Hawaii, Massachusetts, New York, Oregon, Tennessee, Utah, and Wisconsin) that have certain waiver populations that may be subject to work reporting requirements.

[8] The full list of "specified excluded individuals" who are not subject to work requirements includes: American Indian and Alaska Natives; parents and caregivers to children under age 14 or disabled individuals; disabled veterans; medically frail individuals; individuals in substance abuse treatment programs; individuals already meeting work requirements for TANF or SNAP; and incarcerated or recently incarcerated individuals. In addition, adults who are not in Medicaid expansion coverage and pregnant and postpartum women are not subject to work reporting requirements.

- Monthly household income at least equal to the federal minimum wage multiplied by 80 hours (i.e., $580 per month); or
- For seasonal workers, average monthly household income over the previous 6 months at least equal to the federal minimum wage multiplied by 80 (i.e., $580/month over a six-month period).

The IFC clarifies how these categories should be applied by providing definitions, verification procedures, and instructions on how individuals can comply through a combination of community engagement activities. At the same time, the IFC leaves many unanswered questions for states to figure out.

The sections below describe considerations that policymakers in state and federal roles should contemplate to ensure home-based child care providers continue to access Medicaid either as specified excluded individuals or as applicable individuals who are complying with work requirements.

POLICY CONSIDERATIONS

Home-based providers are varied in their income, hours, and relationships to the children in their care. They may be either exempt from work requirements or required to establish compliance depending on their unique circumstances. In both cases, having policies and practices in place to reduce burden will be key to keeping this important population insured, and states face this task with unclear federal guidance.

The IFC's verification provisions give states instructions that are not fully consistent, and the resulting ambiguity complicates states' implementation planning. The rule directs states to establish exemption or compliance using existing data sources before requesting information from beneficiaries. At the same time, the rule acknowledges that existing data will not resolve every case and will, in some instances, require information from the individual.

Two tensions are likely to affect home-based providers in particular. First, where existing data cannot establish exemption or compliance, states must request documentation from the individual when it is "reasonably available," but the rule does not define "reasonably available" and leaves that determination to states. States must simultaneously ensure that the documentation they accept is "sufficient" to verify eligibility, and they may no longer rely on self-attestation beginning January 1, 2028. States are therefore expected to exercise discretion over what is reasonable to request while bearing the risk that the federal government later deems that documentation insufficient.

Second, the rule instructs states not to disenroll individuals for lack of sufficient documentation, yet it also sets out procedures, notices, and timelines for determining non-compliance and removing coverage. These two directives are difficult to reconcile. HHS estimates that procedural issues alone will lead approximately 7% of Medicaid enrollees, roughly 3.3 million people, to lose coverage *despite* being eligible.

States are also implementing work requirements against a backdrop of heightened federal attention to improper payments and fraud in public benefit programs, including recent HHS announcements of expanded Medicaid oversight and reviews of state audits for potential recapture of funds. In that environment, states may adopt risk-averse verification practices and hesitate to enroll or retain individuals whose documentation they believe the federal government could later find insufficient. For home-based providers, whose income and hours are difficult to document through conventional records, this dynamic increases the likelihood that eligible providers either have difficulty establishing exemption or will be treated as non-compliant.

1. Identifying Home-Based Child Care Providers Who Are Exempt as "Specified Excluded Individuals"

As noted above, home-based child care providers may be exempt from work requirements for a number of reasons (see footnote 8), including their status as a caregiver to a child under age 14. While the term "caregiver" is used differently in various contexts, for the purposes of Medicaid work requirements, many home-based care providers are likely to meet the regulatory definition of a "family caregiver." The IFC defines a "family caregiver" as an individual who offers "a broad range of assistance" to a child under age 14 and (1) is a relative[9] or (2) resides with the child or (3) is not a relative and does not live with the child, but provides care for at least 80 hours per month. In the preamble to the IFC, HHS notes that definition of a family caregiver is intentionally amended to include caregivers to children under 14, which is also consistent with OBBBA statute. Policymakers should pay particular attention to this change to ensure it is implemented with fidelity to include home-based child care providers who meet the definition described above.

Policymakers should consider:

- **Minimizing paperwork to establish hours and family relationships:** States will need to determine family relationships and potentially hours of care. Historically, self-attestation has been used to establish household composition and family relationships. For non-relative providers, establishing that care occurs for at least 80 hours per month may prove difficult as providers do not clock in and out of more informal child care arrangements. States should seek provider input on what information would minimize burden and provide sufficient documentation for the state. The IFC both acknowledges that family caregiving will often require information from individuals and at the same time prohibits states from using self-attestation after January 1, 2028.[10] This could put states in uncertain territory without further assurances from HHS. Clear forms that are designed with home-based child care providers in mind will help states align with HHS policies and facilitate home-based provider participation in Medicaid.

- **Accounting for variations in schedules when defining "regular" care:** The IFC requires that a family caregiver is "regularly caring" for the child. States will need to define and operationalize this term. In doing so, states should consider the varied hours of home-based child care. For example, if a family caregiver provides care while a child's mother is working a shift as a waitress, the care is regularly occurring while the parent is working. However, on paper, the care may occur at different days and times each week.

- **Expanding the definition of relatives:** Federal regulations define a "caretaker relative" for the purposes of the traditional Medicaid program as a dependent child's father, mother, grandfather,

[9] A relative is defined as the "child's father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, aunt, uncle, first cousin, nephew, niece, or the spouse of such parent or relative, even after the marriage is terminated by death or divorce." States also have the option of adding relatives beyond this list who are related by blood (including half-blood), adoption, or marriage, including former spouses of relatives that the state defines as relatives.

[10] From January 1, 2027 to December 31, 2027, states may accept documentation or require other information, including self-attestation. Beginning January 1, 2028, self-attestation is prohibited and states must require documentation if it is reasonably available and if it is not reasonably available have a process in place to accept other information that is sufficient to verify eligibility for exemption from work reporting requirements.

grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, aunt, first cousin, nephew, or niece. States have the option of expanding the definition, which would impact both traditional Medicaid eligibility as well as work reporting requirements for expansion adults. States can expand the definition of relatives to include the full range of family caregiving relationships, beyond those explicitly named in the federal regulation. States can include any individual related by blood (including half-blood), marriage, or adoption, as well as current or former spouses of relatives. Policymakers should first understand their state's existing definition of a caretaker relative and, if the state has not already, consider expanding it beyond the federal floor. This process should be informed by input from home-based child care providers and families using this type of care to better reflect how families provide care.

2. Establishing Compliance with Work Requirements for Applicable Individuals Who Are Not Exempt

States should prioritize categorizing home-based child care providers as specified excluded individuals where appropriate, as this will reduce the paperwork burden put on providers and preserve access to Medicaid by avoiding unnecessary documentation of income and/or work hours.

However, some home-based child care providers will not fall under the definition of a family caregiver (or other categories for exemption). For example, child care providers, such as family child care providers who operate child care programs from their homes and recruit families through advertising to the public.

Home-based child care providers have unique characteristics related to their income and work hours that need to be accounted for in documenting compliance with work requirements. Unlike many other workers, home-based child care providers generally do not receive a set wage or income that appears on a form. As self-employed sole proprietors, most providers do not draw a set salary. Their take-home pay is the portion of their income that exceeds operating expenses. Less formal methods for drawing income may mean that these providers do not appear in states' existing databases.

Policymakers should consider:

- **Identifying procedures for documenting unpaid work:** Of the 12.3 million children in the care of a home-based provider, about one-third are with an unpaid provider, and the proportion is nearly twice that for home-based providers caring for young children five and under. Many of these unpaid providers will be categorized as specified excluded individuals as discussed above (and the IFC indicates that states should first evaluate whether an individual qualifies as specified excluded and should not verify compliance with work requirements for these individuals). In cases in which a home-based child care provider is unpaid and also an applicable individual, the IFC explicitly allows unpaid work to count toward meeting work requirements. These individuals will need to document that they provide at least 80 hours of work (which can be in combination with other work activities described above). This may include those who are paid in-kind (e.g., work in exchange for room and board) or those who work by bartering (i.e., exchanging goods and services).

- **Identifying alternative verification processes for workers not in existing databases:** The IFC directs states to use existing data sources to verify compliance with work requirements before requesting additional information from individuals. HHS identifies several such sources, including

electronic data sources; information from federal, state, or local agencies; payroll data; and information in the state's eligibility system. Where a state cannot verify compliance through these sources, it may request information from the individual. Self-attestation remains permissible until January 1, 2028, after which states must require documentation "if reasonably available." Because the rule does not define that standard, states will need to determine what is reasonable to require of enrollees. That determination is an opportunity to account for the circumstances of home-based providers, to establish alternative pathways to verification, and to delineate clearly when a documentation request would impose an unreasonable burden.

- **Establishing acceptable forms of documentation for home-based providers:** States should seek input from home-based providers on the records that can reliably establish income or work hours, given that conventional wage and payroll documentation is often unavailable to self-employed providers. Appropriate documentation may include Schedule C tax filings that verify revenue; contracts with states or municipalities for child care or prekindergarten services; customer agreements, contracts, receipts, or invoices; and reports from client management software. Establishing and codifying these standards before the effective date, with provider input, can reduce the likelihood that providers who satisfy OBBBA's requirements are categorized as non-compliant because of their less formal work arrangements.

- **Addressing lags in income due to child care subsidy:** Income verification processes should account for the fact that it is common for providers to receive payment for services several weeks or months after rendering services due to lags in child care subsidy payments and late payments from families. This issue may be exacerbated by a new federal regulation removing requirements that states provide timely payments to child care providers.[11] Policymakers should establish policies to account for subsidy payment lags by allowing providers to establish their eligibility through documentation of expected or contracted income, not just received income.

- **Applying the seasonal workers definition to include child care providers with irregular hours:** How states interpret and apply the federal definition of seasonal workers may have implications for home-based providers who engage in care work episodically.[12] Some providers serve families working in industries with strong seasonal patterns, like tourism, education, or agriculture, and see their hours and income vary dramatically across the year. Policymakers should consider an inclusive application of seasonal work to account for child care providers, which will help ensure stable access to child care for families who work seasonally.

- **Defining what activities qualify as work:** States will need to determine both how to document unpaid hours and what counts as work. How states characterize "work" will be important for home-based providers who cannot verify eligibility based on income or earn too little to qualify under the income requirements because they make less than minimum wage. States should also consider that child care providers have hours when they are not providing care to children but are doing work related to their child care business for which they are uncompensated, such as purchasing supplies and equipment, cleaning, communicating with families, and planning

[11] Restoring Flexibility in the Child Care and Development Fund (CCDF), 91 Fed. Reg. 25796 (May 12, 2026).

[12] The IFC defines "seasonal worker" by cross-reference to section 45R(d)(5)(B) of the Internal Revenue Code, and includes "employment [that] pertains to or is of the kind exclusively performed at certain seasons or periods of the year and which, from its nature, may not be continuous or carried on throughout the year."

lessons and activities. Policymakers should solicit feedback from home-based providers to understand their work schedules and how work occurs during times when they are caring for children and time when they are not caring for children.

3. Reducing Administrative Burden

Regardless of which category home-based providers fall into, there are more global processes that states can put in place to minimize the administrative burden related to the Medicaid work reporting requirements. The time and paperwork required to demonstrate exemption or compliance may determine whether or not home-based providers can participate in Medicaid. Policymakers should consider:

- **Allowing self-attestation in 2027:** The IFC states that beginning in 2027, states may accept documentation or other information, including self-attestation, to demonstrate exemption from or compliance with work reporting requirements; however, in 2028, the state must require documentation "if reasonably available" and have a process to determine what is sufficient documentation. Policymakers should consider flexibility in 2027 as individuals learn about the new work reporting requirements and likely need time to understand the states' policies and procedures. This also provides states with some additional time to solicit feedback on what is reasonable, codify documentation requirements, and communicate with the public.
- **Declining to require additional compliance checks between redetermination periods:** OBBBA put in place a new requirement to redetermine eligibility every 6 months[13] for expansion adults and gives states the option of more frequent compliance checks. More frequent compliance checks increase the paperwork on home-based child care providers and other participants, increasing the risk of them losing health benefits and insurance if they miss a deadline. Policymakers should consider declining to institute compliance checks between 6-month redetermination periods, which often result in burdensome paperwork requirements, missed work time, and eligible individuals losing access to health insurance.
- **Offering virtual appointments when providers are available:** The IFC includes a prohibition on in-person interviews as part of the eligibility determination process. However, home-based providers may also have difficulty participating in virtual appointments or phone calls that are only offered during the typical workday. For example, a provider who is caring for children from 7 a.m. to 6 p.m. cannot easily step away for an appointment or a phone call with a caseworker. Policymakers should consider offering multiple options for appointments, including during hours outside of the typical workday.

[13] Under previous law, redetermination checks were required every 12 months.

- **Determining the length of the initial review period:** The IFC allows states to establish a review period for meeting work requirements, meaning they review monthly income or other paperwork from a particular period of time (e.g., between one and three months). Longer review periods exacerbate the paperwork burden for home-based providers, who already have additional burden stemming from a lack of formal documentation of their work hours and income. Policymakers should consider feedback from home-based child care providers and the unique nature of their schedules in establishing these review periods.
- **Supporting compliance with verification processes:** Given the complexity of work and income among home-based child care providers, indeed for all child care providers, individuals may need support to establish and/or demonstrate either status as a specifically excluded individual or compliance with work requirements. States, communities, membership organizations, labor unions, and allied partners can offer this support in multiple ways. For example, navigator programs, community organization partnerships, or state-funded outreach can offer support to targeted groups like home-based child care providers. Offering support that is available in multiple languages and across modalities (e.g., text, phone, virtual meetings) can help more home-based providers comply with work requirements and meet eligibility requirements. Support available during the day, on weekends, and in the evenings also helps providers access help with varied and on-demand schedules.

CONCLUSION

States are building their Medicaid verification and compliance systems now, and the choices they make will determine whether home-based child care providers can remain enrolled in Medicaid. The consequences will impact not only individual coverage, but access to child care and particularly home-based care, which provides a large share of services for infants and toddlers, children with disabilities, and families in rural communities.

Home-based providers, and advocates collaborating with them, have a vital role to play in this process. Engaging with state Medicaid administrators, providing public comment on proposed regulations, and elevating provider perspectives in policy discussions can help shape implementation so that it reflects the realities these providers face.

By recognizing how home-based providers actually earn and document income, accepting the records they can realistically produce, and accounting for the rhythms of self-employment, states can meet the statute's requirements without denying vital coverage to legally entitled individuals or weakening a workforce that families depend on. Thoughtful implementation during this period, grounded in an understanding of home-based child care, offers a path to protecting both provider coverage and families' access to care.

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