



## Fact Sheet: Litigation Challenging Section 504 Regulations

### Section 504 Rulemaking

On May 9, 2024, the U.S. Department of Health and Human Services (HHS) issued a final rule regarding [Discrimination on the Basis of Disability in Health and Human Service Programs or Activities](#). The final rule updated the regulations governing section 504 of the Rehabilitation Act of 1973 (Section 504), which prohibits discrimination on the basis of disability by recipients of federal financial assistance.

The final rule added new provisions clarifying existing requirements under Section 504 prohibiting recipients of financial assistance from HHS from discriminating on the basis of disability in their programs and activities, including in health care, child welfare, and other human services. It also added new language to clarify recipients' obligation to provide services in the most integrated setting—known as the integration mandate.

ANCOR submitted comments during the notice and comment period supporting HHS's goals to update the regulations governing Section 504 as they had not been substantially updated since the 1970s and did not adequately account for changes in technology, service delivery, or the passage of the Americans with Disabilities Act (ADA).

### Entities Impacted by the Final Rule

Any entity that receives funding from HHS is covered by this regulation, including “an entire corporation, partnership, or other private organization . . . which is principally engaged in the business of providing education, health care, housing, social services, or parks and recreation.”

### Integration Mandate and Community Providers

The final rule requires recipients of HHS funding to “administer a program or activity in the most integrated setting appropriate to the needs of a qualified person with a disability.” A recipient may not administer a “program or activity in a manner that results in unnecessary segregation of persons with disabilities.” The final rule was meant to modernize the regulations and ensure consistency with Title II of the Americans with Disabilities Act (ADA), the Supreme Court's *Olmstead v. L.C.* decision, and other relevant case law.

The regulations were updated to create affirmative duties for recipients to administer programs and activities in the most integrated setting, including adding:

- A definition of segregated setting;
- Specific examples of actions that would result in unnecessary segregation, or serious risk of such segregation, of persons with disabilities;
- Articulation that an entity's failure to provide community-based services that result in institutionalization or serious risk of institutionalization would constitute discrimination under Section 504; and
- An affirmative defense for entities that can demonstrate that an action would fundamentally alter the nature of its program or activity

## Litigation Challenging the Integration Mandate of Section 504 Regulations

On January 23, 2026, nine states filed an amended [complaint](#) in the case of *Texas v. Kennedy* in the federal district court for the Northern District of Texas. The nine states—Texas, Alaska, Florida, Indiana, Kansas, Louisiana, Missouri, Montana, and South Dakota—argue that application of the final rule exposes them to loss of federal funding. This litigation is the continuation of the case that was originally filed in September 2024, when a group of 17 states sued the United States government and asked the court to invalidate Section 504. In 2025, those 17 states asked the court to stay their case, citing the Trump Administration’s statement that it intended to initiate rulemaking to update Section 504.

The 2026 amended complaint by a smaller group of states represents a renewed attack on Section 504 and is focused more specifically on the integration provisions of the final rule. The nine states argue that the integration mandate included in the 2024 final rule is unlawful and unconstitutional.

The complaint alleges that the integration mandate creates a new affirmative requirement that obligates recipients of federal financial assistance to provide services in community settings that exceeds the scope of the ADA and threatens to upend states’ Medicaid programs. The states argue that the integration mandate creates a broad requirement to provide unlimited community-based services in every setting to eliminate institutionalization or the serious risk of institutionalization, no matter the cost to states. The states also argue that the standard allowing plaintiffs to bring claims of discrimination where they are “at risk of” institutionalization broadens the requirement too far and is in conflict with a case decided in the 5<sup>th</sup> Circuit.

The states ask the court to block the rule and the updated 504 regulations in their entirety.

## Impact of Invalidating the Integration Mandate of the Section 504 Regulations

While the litigation seeks to overturn the regulations promulgated under Section 504, there could be broader implications for *Olmstead* enforcement. As the 2024 final rule states, courts have consistently interpreted the integration requirement under Section 504 as consistent with the integration mandate of the ADA as established through the Supreme Court’s *Olmstead* decision. If the integration mandate in Section 504 is invalidated, it will open the door to a weakening of the nondiscrimination provisions of the ADA and could limit the federal government’s *Olmstead* enforcement of state actions. As states face budget cuts and impending reductions of federal Medicaid funding, the federal government’s *Olmstead* enforcement remains an important tool in helping to prevent reductions to community-based services.

**If you live in Texas, Alaska, Florida, Indiana, Kansas, Louisiana, Missouri, Montana, or South Dakota, you can help protect Section 504 and *Olmstead* enforcement by [contacting your state’s Attorney General](#) and asking them to drop the case.**