

FAQs: Medicaid Cuts & Community-Based Services



How do community-based services help people with I/DD?

- Community-based services help people with intellectual and developmental disabilities (I/DD) live full and independent lives in their communities. These person-centered supports may assist with activities of daily living, meal preparation, medication management and employment support, among many other crucial and life-saving services.

How does Medicaid fund community-based I/DD services?

- Community-based services are almost exclusively funded through Medicaid. Medicaid operates as a partnership between states and the federal government to fund certain health care services. States determine the scope and payment for services to be provided for beneficiaries and the federal government provides matching funds at a predetermined rate. This combined funding is then used to reimburse community providers for the services they deliver.
- Unlike other types of health care services, states are not required to provide community-based services. This means that community-based services may only be offered when there is Medicaid funding available after all mandatory services have been funded. When funding is cut, community-based services for people with I/DD can be reduced or terminated. Unfortunately, these programs are already unable to serve everyone in need, creating long waiting lists for services.

How does the budget resolution impact Medicaid funding?

- The U.S. House of Representatives passed a budget framework in February 2025 calling for cuts of at least \$880 billion to the Energy & Commerce Committee budget, which is the part of the federal budget that includes Medicaid. According to the nonpartisan Congressional Budget Office, the Energy & Commerce Committee only oversees a combined \$381 billion on programs outside of Medicaid, meaning that even if the Committee terminated every single other program it oversees, \$745 billion of the \$880 billion in cuts would need to come from Medicaid.

How does reducing federal Medicaid funding harm I/DD services?

- Even when Medicaid funding reductions don't specifically target community-based I/DD services, the resulting pressure on state budgets creates an elevated risk of cuts to services for people with I/DD. Whenever federal Medicaid funding is reduced, states must find new sources of funding to balance the shortfall and avoid service reductions.

- If new funding cannot be found, optional services like community-based services for people with I/DD are likely to be reduced, leading to longer waiting lists and higher rates of unnecessary hospitalization and institutionalization.

How does preserving federal Medicaid funding combat waste, fraud or abuse?

- State and federal agencies are charged with identifying, prosecuting and recouping improper payments. As with any system, private or public, there are bad actors who commit fraudulent acts and abuse the system. Ensuring states have sufficient funding for Medicaid-funded services means states will not need to divert crucial state dollars from oversight, program integrity, and recoupment activities.
- Cutting Medicaid will not ensure better coordination or oversight of its services; it will only reduce access for people who need it and lead to unnecessary spending on emergency services to meet unmet needs.

How are provider taxes critical to Medicaid funding?

- Provider taxes are vetted through statute and regulation, available only in limited circumstances, and serve as a crucial source of Medicaid funding for states. Every state, with the exception of Alaska, utilizes at least one provider tax.
- In 2018, the most recent year for which data is available, provider taxes accounted for an average of 17% of the state share of the cost of Medicaid. Reducing or prohibiting the use of provider taxes would have a significant impact on Medicaid funding. Even if provider taxes do not specifically impact community-based services, the reduction in federal funding runs the risk that states will face budget shortfalls that could impact the delivery of community-based services.

How do work reporting requirements harm people with disabilities?

- Work reporting requirements are extremely burdensome for beneficiaries to navigate and for states to administer. Requiring people with disabilities who are working to document and verify that they are working will harm those who do not successfully navigate these bureaucratic processes by causing them to lose coverage for the very supports that enable them to continue working.
- Although some people with disabilities may be exempt from Medicaid work requirements, screening processes may not identify them correctly, and many will not be able to successfully navigate an exemption process. Moreover, work requirements waste millions of dollars on expensive tracking systems and overhead costs. Investments in the Medicaid system should go toward coverage of health care for beneficiaries, not toward expensive administrative overhead.