

Budget Reconciliation and Disability Services

The FY 25 budget reconciliation bill contains language that will have an impact on people with disabilities and disability services. Rather than make cuts to Medicaid, Congress should focus on opportunities that sustain and strengthen Medicaid-funded services for people with disabilities.

Federal Funding Reductions

The proposals contained in the budget reconciliation bill to limit federal funding and curtail states' abilities to finance their Medicaid programs will harm people with disabilities and community-based disability services.

Even if not targeted specifically at reducing funding for disability services, reductions in federal Medicaid funding will have a devastating impact on access to services for people with disabilities.

- Because community-based services are not federally mandated, they are especially vulnerable to Medicaid funding reductions. Historically, when states face Medicaid funding shortfalls, non-mandatory services like home and community-based services (HCBS) are among the first to be scaled back, restricting access to essential supports for people with disabilities.
- If community-based services are cut or reduced, people with disabilities will remain on waiting lists without access to the support they need to live in their homes and communities. Service reductions will only grow these years-long waiting lists, putting community supports for people with disabilities out of reach for thousands of families.
- To keep the promise of community living for people with I/DD a reality, we must support and invest in the Medicaid program.

Administrative Burdens

Language included in this legislation that will increase administrative burdens for people with disabilities will jeopardize access to community-based services. The implementation of work requirements for Medicaid eligibility will be 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 people with disabilities are intended to be exempted from the work requirements contained in this bill, they may unintentionally get caught up in screening processes that do not identify them correctly, or they may not be able to successfully navigate an exemption process and lose coverage as a result.
- When people with disabilities inappropriately lose coverage, providers are left with impossible choices to discharge people from life-sustaining services or continue offering support without reimbursement or funding. Providers often fill in the gaps to ensure people with I/DD continue to receive the support and coverage they need—shifting much of the paperwork and administrative burden to staff at provider agencies. Such additional costs to providers are not reimbursable and will exacerbate already extremely tight operating budgets.
- Work requirements are also likely to have negative consequences for low-income workers, including direct support professionals (DSPs) who are the backbone of long-term services and supports for people with I/DD. Approximately one-third of DSPs work part time or with inconsistent schedules—two job features that are generally incompatible with work requirements.
- If direct support professionals are unable to meet burdensome requirements, they will lose the health care that enables them to engage in the workforce and further endanger the sustainability of community-based supports for people with I/DD.

Limits on State Financing

The language in this bill would limit states' ability to utilize provider taxes, whether reducing the tax rate or preventing states from initiating new provider taxes—cutting off a valuable source of Medicaid financing for states.

- State taxes on providers are vetted through federal statute and regulation, allowed only under specific conditions, and serve as a crucial source of Medicaid funding for states. Prohibiting states from increasing current provider taxes or implementing new ones will curtail the flexibility states currently have to finance their Medicaid programs, preventing states from critical financing mechanisms that will allow them to maintain services in the face of rising costs of care.
- States have often implemented or increased provider taxes to support Medicaid provider payments during economic downturns and when budget constraints have limited their states' use of state general revenue. The reduction in available Medicaid funding means that states will face budget shortfalls that will squeeze state budgets, likely leading to cuts and reduced access to optional services, like community-based services for people with disabilities.

This bill will also reduce the Federal Medical Assistance Percentage (FMAP) for states using non-federal funds for health care coverage for undocumented immigrants.

- Reducing the FMAP as a penalty to states for coverage of undocumented immigrants, even if only reducing the FMAP for coverage of the expansion population, could have harmful effects on Medicaid services for everyone in those states. While the FMAP reduction may not specifically target funding for I/DD services, the resulting pressure on state budgets creates an elevated risk of further limits and cuts to services for people with I/DD.

Summary

Our communities are at their best when all people, including people with disabilities, have the opportunity to develop skills, achieve greater independence, and successfully reach their goals. Sufficient Medicaid funding and a robust community provider network are foundational to building a stronger America for everyone. The cuts to Medicaid funding and increased administrative burdens included in the House's budget reconciliation bill undermine our communities and harm people with disabilities.