Statement for the Record
Senate Budget Committee
Committee Hearing: "Medicaid: The Reality"
August 4, 2026

On behalf of the National Health Law Program (NHeLP), we submit this statement for the record for the Senate Budget Committee hearing entitled "Medicaid: The Reality."

NHeLP is a public interest law firm working to protect and advance the health rights of low income and underserved individuals. Founded in 1969, NHeLP advocates, litigates, and educates at the federal and state levels. Consistent with its mission, NHeLP works to ensure that all people in the United States have access to affordable, quality health care, including comprehensive behavioral health services.

Medicaid is one of the most important sources of health care coverage in the United States, providing health insurance and access to care for millions of children, older adults, people with disabilities, pregnant people, working families, and people with low incomes. For many people, Medicaid is the difference between getting needed care and going without it. The program covers preventive care, clinician visits, hospital services, prescription drugs, behavioral health services, long-term services and supports, and much more. Medicaid also plays a critical role in supporting rural health systems, community health centers, and the broader health care safety net.

Despite its tremendous success and importance, critics have continued to attack Medicaid, citing individual instances of so-called fraud, waste, and abuse as way to undermine the entire program. The current Administration has been at the forefront of this line of attack, deferring necessary Medicaid funding to Minnesota and California under the guise of combating fraud. In total, CMS has deferred $2.76 billion of Medicaid funding to these two states but has provided little substantive details to support its actions.[1] These types of destabilizing deferrals put the care of millions of individuals at risk and do nothing to help states combat actual fraud that may be occurring in Medicaid. The administration's actions in Minnesota have

already disrupted a network of care providers, causing harm to people with disabilities who rely on Medicaid services from these providers.[2] Rather than punish states, the administration should work collaboratively with and provide support to Medicaid Fraud Control Units (MFCUs), which are an existing effective tool to root out bad actors in Medicaid.[3]

The Administration has also asserted that increases in Medicaid spending, particularly spending on Home and Community-Based Services (HCBS) for people with disabilities who live in the community, is evidence of fraud in the program.[4] This contention is meritless. On the contrary, the rise in spending on HCBS reflects a dedicated bipartisan national effort to serve people with disabilities in integrated and less-costly community settings rather than in segregated institutions. First enacted during the beginning of President Ronald Reagan's administration, HCBS are designed to allow millions of people to live independently, avoid unnecessary and costly institutionalization, and remain connected to their families and communities. Most people with disabilities and older adults who need care do not have an alternative insurance option to access community-based supports, since Medicare has a very limited home care and skilled nursing facility benefit, most private health insurance options do not cover long-term care, and private long-term care insurance is prohibitively expensive with high denial rates. Thus, Medicaid plays an especially critical role in this landscape as the nation's largest, and often sole, payer of Long-Term Services and Supports (LTSS) for low-income older adults and people with disabilities.

Traditionally, HCBS and the larger policy goal of helping people move from institutional to community-based settings have received broad, bi-partisan support.[5] As a result, states have spent decades rebalancing their Medicaid LTSS programs to serve more people with HCBS. As of 2023, 9.7 million people rely on Medicaid for LTSS, with approximately 8.4 million of those individuals receiving support outside of an institutional setting.[6]

The effort to shift Medicaid spending away from institutions and towards community-based care has led to successful outcomes for people with disabilities. Individuals who move from institutional placements to community settings have exhibited decreases in depressive symptoms and overall increases in quality of life.[7] People who transition to the community from institutions have shown "statistically significant improvements in adaptive behavior skills."[8] Moreover, people with disabilities and older adults have made clear that they prefer to receive care through HCBS rather than in institutions.[9]

In addition, HCBS is more cost-effective than institutional care. In 2023, the 1.5 million people in institutional settings, or approximately 15% of the population receiving long term services and supports (LTSS), were associated with 36% of total LTSS costs.[10] Individuals served in institutions had average cost of service of $54,462 per user, compared to just $17,298 per user for people who received HCBS.[11] In short, expenditures on HCBS do not reflect rampant fraud, but rather are a cost-effective way to provide services to people with disabilities and include them in the mainstream of American life.

HCBS is also essential to ensure that states comply with their legal obligations under the Americans with Disabilities Act (ADA). In 1999, the United States Supreme Court issued its landmark decision in *Olmstead v. L.C.*, holding that the unjustified institutionalization of people with disabilities violated the ADA and that states must offer services in "the most integrated setting appropriate to the needs of qualified individuals with disabilities."[12] The Court recognized that institutional placement "perpetuates unwarranted assumptions that persons so isolated are incapable or unworthy of participating in community life" and

"severely diminishes the everyday life activities of individuals" with disabilities.[13] Recently, the Department of Justice has attempted to undermine the *Olmstead* decision and its widely accepted meaning.[14] The DOJ's new view is an erroneous legal analysis that supports a regressive policy, and should be soundly rejected by members of this committee.

The reality of Medicaid is that it is a vital lifeline for millions of individuals living in the U.S., providing coverage for essential care. However, the drastic harm caused by Medicaid cuts contained in H.R. 1., also known as the One Big Beautiful Bill Act (OBBBA), will weaken this lifeline. The Congressional Budget Office estimates that OBBBA will cut more than $900 billion in Medicaid funding, with an estimated 7.5 million people losing Medicaid coverage.[15] Cutting eligibility for numerous legal immigrant populations will do nothing but increase the uninsured population and drive-up costs for hospitals and other emergency providers.[16] Draconian work requirements, set to go into effect nationwide on January 1, 2027, will be incredibility costly and complex for states to implement, and will lead to millions of individuals losing Medicaid coverage even though they are working and meet the statutory requirements.[17] CMS's regulatory actions related to the work requirements could lead to even more Medicaid recipients losing coverage.[18] Limitations on retroactive coverage and requiring semi-annual eligibility determinations will increase bureaucratic inefficiencies, leading to numerous erroneous terminations and coverage denials.[19] This additional red tape will cause individuals to exit and then reenroll in Medicaid, a wasteful and unnecessary process known as "churn."[20]

OBBBA will be a primary driver of wasteful spending in the years to come. It has and will continue to weaken the Medicaid program, jeopardizing coverage and ultimately the health of Medicaid recipients. We believe the committee would be best served by focusing its efforts on undoing the harms caused by OBBBA, expanding access to Medicaid across the country, and strengthening the vital services that it provides.

Thank you for your consideration of our statement for the record. If you have questions, please contact Steven Schmidt (schmidt@healthlaw.org).

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[1] *See* Andy Schneider, *Weaponizing Fraud Against Medicaid in California and Minnesota: Another Quarter, Another Round of Deferrals*, Geo. U. Ctr. for Children & Families (July 29, 2026), https://ccf.georgetown.edu/2026/07/29/weaponizing-fraud-against-medicaid-in-california-and-minnesota-another-quarter-another-round-of-deferrals/.

[2] *See* Jessie Van Berkel, *Care Left in Limbo as Minnesota Reviews Appeals from Medicaid Providers*, Minnesota Star Tribune (July 28, 2026), https://www.startribune.com/care-left-in-limbo-as-minnesota-reviews-appeals-from-medicaid-providers/601855507; Alyssa Chen, *In Rush to Meet Federal Deadline, Minnesota Cuts Funding to 60% of Providers in 13 Medicaid Programs*, Minnesota Reformer (June 4, 2026), https://minnesotareformer.com/2026/06/04/in-rush-to-meet-federal-deadline-minnesota-cuts-funding-to-60-of-providers-in-13-medicaid-programs/.

[3] *See* HHS, Off. of Inspector Gen., *Medicaid Fraud Control Units Annual Report: Fiscal Year 2025* (Mar. 2026), https://oig.hhs.gov/documents/evaluation/11553/OEI-09-26-00140.pdf (noting that through state-federal cooperation, the MFCUs "reported recovering almost $2 billion, with a return on investment of $4.64 for every $1 spent in FY 2025").

[4] *See* Julia Métraux, *California Does Medicaid Home Care Well. They're Being Punished For It.,* Mother Jones (July 29, 2026),

https://www.motherjones.com/politics/2026/07/california-does-medicaid-home-care-well-theyre-being-punished-for-it/.

[5] *See* Jane Tavares et al., *Unfounded Fraud Allegations Threaten Vital Medicaid Home And Community-Based Services*, Health Affairs Forefront (Mar. 16, 2026), https://www.healthaffairs.org/content/forefront/unfounded-fraud-allegations-threaten-vital-medicaid-home-and-community-based-services.

[6] *See* Alexandra Carpenter et al., Mathematica, *Trends in Users and Expenditures for Home and Community-Based Services as a Share of Total Medicaid Long-Term Services and Supports Users and Expenditures, 2023* (Oct. 17, 2025), https://www.medicaid.gov/medicaid/long-term-services-supports/downloads/ltss-rebalancing-brief-2023.pdf [hereinafter "Carpenter et al., *Trends in Users and Expenditures*"].

[7] *See* Eric D. Hargan, *Report to the President and Congress The Money Follows the Person (MFP) Rebalancing Demonstration*, U.S. Dep't of Health & Hum. Servs. Office of the Sec'y (June 2017), https://www.medicaid.gov/medicaid/long-term-services-supports/downloads/mfp-rtc.pdf.

[8] Sheryl Larson et al., *Behavioral Outcomes of Moving from Institutional to Community Living for People with Intellectual and Developmental Disabilities: U.S. Studies from 1977 to 2010***,** Research and Practice for Persons with Severe Disabilities (Dec. 2012), https://journals.sagepub.com/doi/10.2511/027494813805327287**.**

[9] *See* Hannah Maniates, *Why Did They Do It That Way? Home and Community-based Services*, Nat'l Ass'n of Medicaid Dirs. (Apr. 16, 2024), https://medicaiddirectors.org/resource/why-did-they-do-it-that-way-home-and-community-based-services/.

[10] Carpenter et al., *Trends in Users and Expenditures*, *supra* note 6.

[11] *Id.*

[12] 527 U.S. 581, 591 (1999).

[13] *Id.* at 600-01.

[14] *See* Dep't of Justice, Office of Legal Counsel, *Application of the Rehabilitation Act and Americans with Disabilities Act to State Institutionalization of Patients with Severe Mental Illness or Disabilities* (June 18, 2026), https://www.justice.gov/olc/media/1446701/dl.

[15] *See* Ctr. on Budget & Pol'y Priorities, *By the Numbers: Harmful Republican Megabill Will Take Health Coverage Away From Millions of People and Raise Families' Costs* (Aug. 27, 2025), https://www.cbpp.org/research/health/by-the-numbers-harmful-republican-megabill-will-take-health-coverage-away-from.

[16] *See* Drishti Pillai et al.,*1.4 Million Lawfully Present Immigrants Are Expected to Lose Health Coverage Due to the 2025 Tax and Budget Law*, KFF (Sept. 25, 2025), https://www.kff.org/immigrant-health/1-4-million-lawfully-present-immigrants-are-expected-to-lose-health-coverage-due-to-the-2025-tax-and-budget-law/.

[17]*See* Farah Erzouki, *States Need More Time to Prepare for Medicaid Work Requirement*, Ctr. on Budget & Pol'y Priorities (Apr. 27, 2026), https://www.cbpp.org/research/health/states-need-more-time-to-prepare-for-medicaid-work-requirement; Matthew Buettgens et al., *Projected Reductions in Medicaid Expansion Enrollment Under OBBBA's Work Requirements and Six-Month Redeterminations,* Urban Inst. (Mar. 2026), https://www.urban.org/research/publication/projected-reductions-medicaid-expansion-enrollment-under-obbbas-work.

[18] *See* Trica Brooks et al., *New Federal Medicaid Work Reporting Requirements Rule Threatens Coverage for Vulnerable Americans: An Explainer of the Interim Final Rule*, Geo. U. Ctr. for Children & Families (July 16, 2026), https://ccf.georgetown.edu/2026/07/16/new-federal-medicaid-work-reporting-requirements-rule-threatens-coverage-for-vulnerable-americans-an-explainer-of-the-interim-final-rule/.

[19] *See* Jennifer M. Haley et al., *More Frequent Medicaid Redeterminations Would Reduce Health Insurance Coverage and Increase Administrative Costs*, Urban Inst. (May 21, 2025), https://www.urban.org/urban-wire/more-frequent-medicaid-redeterminations-would-reduce-health-insurance-coverage-and.

[20] *See* Sarah Sugar et al., *Medicaid Churning and Continuity of Care: Evidence and Policy Considerations Before and After the COVID-19 Pandemic* 4, U.S. Dep't of Health & Hum. Servs. Asst. Sec'y for Plan. & Evaluation (Apr. 12, 2021), https://aspe.hhs.gov/sites/default/files/documents/5f6e4d78d867b6691df12d1512787470/medicaid-churning-ib.pdf.