



# Federal Cuts, State Choices, and the Future of Aging and Disability Care

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## Protecting Home and Community Based Services for Older Adults, People with Disabilities and Family Caregivers

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State lawmakers across the country are making high-stakes budget decisions that will determine whether older adults, people with disabilities, family caregivers, and care workers can access and afford the care they need. These decisions come amid severe fiscal strain following more than \$1 trillion in federal cuts signed into law in the summer of 2025 to Medicaid, Medicare, the Affordable Care Act (ACA), SNAP, and other services families rely on to pay to pay for tax giveaways for the wealthiest and big corporations along with a blank check to ICE to violently target immigrants and making communities less safe. The consequences are cascading through state budgets, forcing difficult choices about health care, education, housing, and other core services.

Nowhere are the stakes clearer than in Medicaid.

Medicaid is critical across the lifespan and, as the only insurance that meaningfully covers aging and disability care, these cuts imperil coverage and access to care for older adults and people with disabilities in their homes and communities, [where most people want to receive it](#), and endanger support for family caregivers and care workers. As state legislators consider budgets, communities and policymakers have the opportunity to come together to protect care programs by investing in progressive revenue solutions that fund care, rather than eliminating life-saving, essential care that allows people to live, age, and work with dignity.



## Medicaid Cuts Threaten Care Across the Lifespan

Medicaid, a federal-state partnership, [covers nearly 80 million people nationwide – including two in five children and more than 40 percent of births](#). It finances [nearly three-quarters of home and community based services](#) (HCBS) which [enable 8.4 million older adults and people with disabilities](#) to live and age in their own homes and communities. More than [600,000 people remain on Medicaid waiting lists for HCBS](#). For the vast majority of people, Medicaid is the only meaningful coverage for aging and disability care. Medicare's long-term benefit is limited and private insurance is often unaffordable or inaccessible.

Under federal law, HCBS Medicaid HCBS is optional for states to provide. When states face budget shortfalls, they cannot cap mandatory Medicaid services – so they cut optional ones. Historically, [when faced with cuts to Medicaid, every state cut HCBS](#) programs older adults and disabled people rely on. [With older adults and disabled people accounting for more than half of Medicaid spending](#), HCBS are often first on the chopping block.

## Caregivers and Care Workers Are Directly Affected

Medicaid also sustains the care workforce and supports family caregivers. HCBS programs provide the majority of funding for direct care workers, [37 percent of whom also rely on Medicaid for their own health coverage](#). [Three in ten child care workers rely on Medicaid for health coverage](#). At least [13 percent of family caregivers depend on Medicaid](#) for coverage. Family caregivers, [whose unpaid care totals more than \\$1 trillion](#), are also often able to use HCBS programs to receive compensation for the care they provide for their loved ones. Moreover, at least [13% of family caregivers](#) access their own health coverage through Medicaid. This year, the majority in Congress allowed tax subsidies for health insurance through the Affordable Care Act (ACA) to end, increasing health care costs for millions – [including older adults, people with disabilities, family caregivers, and care workers already stretched thin because of the lack of public investment in care](#). As a result, care is becoming less affordable precisely when families need more support.

## States are Already Making Budget Cuts at the Expense of Care Recipients and Caregivers



Unlike the federal government, states are generally required to maintain balanced budgets. On average, Medicaid accounts for roughly [one-third of state budgets](#) and federal dollars make-up [two-thirds of state's Medicaid budget](#). Over [half of states are projected to see federal spending reductions exceeding 13 percent over the next decade](#).

Federal cuts combined with new administrative costs have created significant fiscal strain. This [includes costs for states to implement harsh, ineffective, costly work requirements](#) that create barriers to care for caregivers and care recipients who are more likely to work unstable or part-time hours because of care needs.

The impacts are well underway. Across the country, hospitals are being forced to close their doors and some states are already eliminating vital Medicaid programs. Over [750 providers are likely to experience financial risk or closures](#) with [rural hospitals particularly vulnerable](#).

Older adults, disabled people, family caregivers, and care workers are paying the price. Even before the federal legislation passed, [nearly a third of state Medicaid programs](#) reported they were adopting new strategies to manage the costs of HCBS this year. Since H.R. 1 passed in July, at least nine states have already proposed eliminating or reducing funding for home and community-based services:

- In [Idaho](#), the Governor [proposed funding reductions to Medicaid HCBS programs](#).
- [Colorado](#) recently [announced potential cuts](#) to programs that support people with disabilities with services such as cleaning and cooking, as well as outings that promote engagement in community-based settings.
- [Washington state](#) proposed higher eligibility standards for long-term care that could [take away support](#) for employment, assistive technology, and skilled nursing services for people with disabilities, and [is considering eliminating speech, physical, and occupational therapy services](#).
- [California](#) proposed several cuts to In-Home Supportive Services, the state's largest HCBS program, including shifting certain program costs to localities and immediately terminating access to benefits if someone loses Medicaid coverage.
- The governors of [Utah](#) and [Missouri](#) respectively also proposed cuts to home and community-based services.
- [In Maryland](#), cuts were proposed to the Developmental Disabilities Administration, which helps administer Medicaid HCBS waivers including services for people with disabilities and their families to receive caregiver support, transportation, and respite care.



- In Nebraska, [the Governor's original budget proposal](#) included capping paid weekly hours for live-in family caregivers and in [North Carolina](#) the governor initially proposed reducing reimbursement rates for service providers that utilize Medicaid.

However, people with disabilities, older adults, care workers, and family caregivers continue to push back to reject cuts to HCBS. In Colorado, [the Governor proposed caps to family caregiver hours and tried to cut the rates that family caregivers are paid by Medicaid, but paused cuts temporarily because of powerful testimony from impacted families](#). In [Nebraska](#), advocates successfully stopped the state from cutting the Aged and Disabled Waiver which supports independent living. In North Carolina, the legislature's refusal to [pursue stopgap funding in response to a Medicaid budget shortage resulted in an decrease in provider rates, which the Governor eventually rolled back after outcry](#). Without action, states will face similar pressures year after year as [federal changes take effect](#).

States also face ongoing federal threats to care under the current administration, unfairly targeting immigrant communities and taking away essential care that support older adults, people with disabilities, family caregivers, and care workers to live, age, and work with dignity. In February, the Center for Medicare and Medicaid Services (CMS) withheld more than \$250 billion in Medicaid funds to [Minnesota](#), including home- and community-based services, and directed the state to freeze [new Medicaid provider enrollments](#). These threats compound the ongoing budget crisis and even further raise the stakes of the fight for care.

## **Some States are Choosing a Different Path – Strategies for Prioritizing Public Dollars for Care**

Despite challenges, several states are advancing solutions to preserve public dollars for care by shifting general funds, ending tax loopholes designed to benefit wealthy corporations, and raise new revenue. In 2025 New Mexico established a [Medicaid Trust Fund](#) in 2025 as a safeguard against federal cuts and approved [a \\$50 million transfer to the state's rural health care fund](#), provided funding to help people afford health insurance through the state's ACA marketplace, broadened eligibility for state-subsidized health care, and increased authority for state officials to protect residents' health care coverage if future federal action were to reduce access to Medicaid or the state's health care exchange.

In response to declining federal funding, [Michigan's](#) Governor Gretchen Whitmer proposed new and increased taxes on gaming, nicotine products, and digital advertising, that if approved would help close the [state's \\$1.8 billion budget](#) deficit created by H.R. 1 and



protect care for people who rely on Medicaid across the state. Other states are considering more progressive revenue options. For example, [Washington state](#) lawmakers proposed a tax on annual earnings above \$1 million projected to raise \$3.5 billion annually. In [several states](#), the rapid data center growth paired with unlimited state tax incentives are raising revenue concerns. Lawmakers are weighing reforms to [curb subsidies, close loopholes to rein in the development of data centers and raise revenue](#) by requiring corporations pay their fair share.

The scale of federal cuts makes it difficult to keep communities out of harm's way, such as in Colorado, where lawmakers passed several bills ending [tax breaks and loopholes for corporations](#), but ultimately [reversed plans to increase reimbursement rates](#) for health care providers who see patients on Medicaid. However, these measures demonstrate that budget gaps are not inevitable excuses for cutting care – they are policy choices.

## **Families are Struggling to Afford Care and Need More Investment, Not Less.**

The federal budget bill delivered substantial benefits to the wealthiest households and large corporations while shifting costs to states and families. Meanwhile, care costs continue to soar: in 2023, the median costs reached [\\$68,640 for full-time annual home health aide services and \\$288,288 for round-the-clock home health aide services](#). Family caregivers already spend [more than a quarter of their income on caregiving expenses](#), even as [direct care workers remain underpaid](#). [Nursing home care is more expensive than home care](#), further skyrocketing costs of care for families struggling to make ends meet.

Federal and state budgets were already insufficient to meet growing caring needs. Deepening cuts will only intensify the affordability crisis.

State policymakers face a defining choice. They can reduce life-sustaining care to close budget gaps – or they champion new, [progressive revenue](#) solutions and protect the care that allows people to live, age, and work with dignity.

Families do not need less care. They need leaders willing to invest in it.