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

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

Leela Berman, Kathy Mendes, Tory Cross, and Jaimie Worker

Note: this brief has been updated as of July 15, 2026 to include additional developments about proposed and enacted cuts and revenue measures.

Introduction

State lawmakers are finalizing budgets under severe fiscal strain – a direct consequences of H.R. 1, which cut more than $1 trillion from Medicaid, Medicare, the Affordable Care Act (ACA), SNAP, and other vital services to fund tax giveaways for the wealthiest while dramatically expanding funding for ICE and CBP, making our communities less safe. Nowhere are the consequences more severe than in Medicaid.

Additional threats to further cut Medicaid and undermine care by the current administration and the majority in Congress will only compound the squeeze on state budgets.

Medicaid Cuts Threaten Care Across the Lifespan, and People Giving and Receiving Care Bear the Cost

Medicaid covers nearly 80 million people nationwide. This includes two in five children and more than 40 percent of births. It also finances nearly three-quarters of home and community-based services (HCBS), helping 8.4 million older adults and people with disabilities live and age in their own homes and communities. But demand far outpaces supply: more than 600,000 people remain on Medicaid waiting lists for HCBS. For most, there is no backup – Medicare's home health benefit is limited and private insurance is often unaffordable or inaccessible.

HCBS is optional under federal law. This means that when states face shortfalls, they can't cut mandatory services, so they cut optional ones first. Older adults and disabled people account for more than half of Medicaid spending, making HCBS a perennial target. Historically, every state facing Medicaid cuts has cut HCBS.

Caregivers and care workers also bear the cost. HCBS programs provide the majority of funding for services delivered by 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, as do at least 13 percent of family caregivers. Family caregivers, whose unpaid labor exceeds $1 trillion annually, may also use HCBS programs to receive compensation for the care they provide.

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

Most states must balance their budgets. Medicaid accounts for roughly one-third of state spending, with federal dollars making up two-thirds of that – and states are expected to see state Medicaid funds reduced by $679 billion and state general funds reduced by $82 billion by 2034 due to H.R. 1.

These 2025 federal cuts combined with new administrative costs – including those needed to implement work reporting requirements – have created significant fiscal strain for states. These work requirements 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 already being felt: more than 1,000 providers are likely to experience financial risk or closures with rural hospitals particularly vulnerable. Some states are already eliminating vital Medicaid programs.

Even before the federal Medicaid cuts passed, nearly a third of state Medicaid programs were already adopting cost-management strategies. Since the cuts were signed into law, at least 18 states have proposed or enacted cuts to home and community-based services or are otherwise endangering access to aging and disability care.[1] This list may not be

[1] List determined with support from the HCBS Tracking Project at George Washington University, Human Services Research Institute (HSRI), LTSS Center @UMass Boston, and ATI Advisory.

exhaustive — as state policymakers are actively discussing and finalizing budgets now, and more cuts are expected.

How States Are Targeting Aging and Disability Care

Caregiver compensation and hours: States are restricting how family caregivers and care workers are paid, or limiting the hours they can work. Arizona has proposed cuts to the Parents as Paid Caregivers program, which supports family caregiving. Nebraska's governor proposed capping paid weekly hours for live-in family caregivers. Missouri proposed reducing pay rates for family caregivers and cutting self-directed care plans.

Waiver consolidations and eligibility restrictions: Several states are consolidating Medicaid waivers making it easier to limit service hours and decrease total enrollment. Indiana proposed a broad restructuring of Medicaid, including caps and limits to a waiver covering family support, behavioral services, and therapies; an estimated 100,000 people to lose coverage as a result. Iowa proposed consolidating waivers, and families have received unexplained notices of reduced care hours for loved ones. Utah proposed cuts to waivers help people access care. Policymakers in Wyoming rejected $11 million in state funds and the $16 million in matching federal funds needed for the Community Choices waiver which supports HCBS.

Other potential program and service cuts: Several states are considering changes to programs and services. California proposed several cuts to In-Home Supportive Services, the largest HCBS program in the country, including shifting certain program costs to localities, cutting temporary backup providers, and immediately terminating benefits for anyone who loses Medicaid coverage. Colorado announced potential caps on personal care and homemaker programs – which help people with disabilities with services like cleaning, cooking, and community-based outings – along with changes to its Developmental Disabilities waiver. Connecticut proposed cuts to the Community First Choice entitlement program, which helps disabled people and those who need care remain living at home. Massachusetts Governor Maura Healey proposed $100 million in cuts to personal care attendant services; a state work group has agreed to $32 million of those cuts and is still seeking an additional $68 million.

Enacted cuts: Colorado reversed planned reimbursement rate increases for Medicaid providers for health care providers and finalized rate reductions in the Community Connector program, which support people's access to community-based activities. In Maryland, cuts and consolidations were made to the Developmental Disabilities

Administration, which administers Medicaid HCBS waivers providing caregiver support, transportation, and respite care. In late March, Idaho Governor Brad Little signed a $22 million cut to Medicaid HCBS into law. Multiple states have already codified stricter-than-necessary work requirements, creating administrative barriers that allow older adults, people with disabilities, and family caregivers to fall through the cracks. Nebraska began implementing its Medicaid expansion work reporting requirements on May 1 ahead of the federal deadline – making it harder for people to access the care they need.

Additional federal actions further threaten Medicaid. In Minnesota, the federal administration continues to target Medicaid for cuts, especially HCBS. Utilizing anti-immigrant rhetoric and devaluing care older adults and people with disabilities rely on and family caregivers provide, the administration has withheld federal Medicaid dollars for states – including $1.3 billion in Medicaid payments for California, primarily funding for the state's In Home Supportive Services (IHSS) program. Similar attacks on Medicaid dollars have also taken place in Florida, Maine, Minnesota, and New York.

Despite ongoing threats on multiple fronts, people with disabilities, older adults, care workers, and family caregivers continue to push back against HCBS cuts. Cuts to provider rates in North Carolina implemented in October 2025 were successfully rolled back in 2026, and advocates in Washington state fought back against a proposal to eliminate Medicaid payments for speech, physical, and occupational therapy. In Colorado, the Governor proposed caps on family caregiver hours and tried to reduce pay for family caregivers, but paused the cuts after powerful testimony from impacted families. In Nebraska, advocates successfully stopped the state from cutting the Aged and Disabled Waiver, which supports independent living. These fights won't be one-offs—without action, states will face similar pressures year after year as federal changes take effect.

States are also taking action to mitigate these harms. In California, legislators introduced a slate of legislation to blunt the impact of H.R. 1, including bills that would minimize administrative burden, strengthen outreach requirements, cap costs, and prevent the state from unnecessarily imposing stricter work requirements for California's Medicaid expansion population than required by H.R.1. In Nebraska, lawmakers passed legislation that will preserve retroactive Medicaid eligibility. Still, such mitigation efforts do not negate the need for greater investment in care.

Some States Are Choosing a Different Path: Strategies for Prioritizing Public Dollars for Care

Despite these challenges, several states are advancing strategies to preserve and expand public funding for care by redirecting general funds, closing tax loopholes for wealthy corporations, and raising new revenue. In 2025, New Mexico established a Medicaid Trust Fund as a safeguard against federal cuts and approved a $50 million transfer to the state's rural health care fund. The state also broadened eligibility for state-subsidized health care, helped residents afford ACA marketplace coverage, and gave state officials greater authority to protect residents' coverage if future action reduces access to Medicaid or the state's exchange. New Mexico also enacted corporate tax reform this year closing a loophole that let corporations dodge state taxes by claiming their profits were earned offshore.

Even for states taking positive actions, the scale of federal cuts makes it difficult to protect older adults, people with disabilities, family caregivers, and care workers from harmful cuts. In Colorado, lawmakers passed several bills ending tax breaks and loopholes for corporations but also implemented some Medicaid cuts.

Other states have approved or are considering more progressive revenue options. In March, Washington state lawmakers passed a 9.9 percent tax on annual earnings above $1 million, projected to raise around $3 billion by 2029. Maine Governor Janet Mills approved a supplemental budget bill in April that included a 2 percent income tax surcharge on income over $1 million, projected to raise nearly $100 million in fiscal year 2027. Connecticut, Maryland, Massachusetts, Minnesota, Vermont, and Rhode Island each either recently raised taxes or are considering taxing high-income households to fund budget priorities. In several states, rapid data center growth paired with unlimited tax incentives is raising revenue concerns. Lawmakers are weighing reforms to curb subsidies, close loopholes to rein in the development of data centers and raise revenue for state budgets, supporting investment in state Medicaid programs, by ensuring corporations pay their fair share.

By protecting Medicaid's role in helping people live and age with dignity – and by prioritizing revenue measures that value care and other public goods, states show that budget gaps don't automatically lead to cuts to care. These are policy choices.

Families Are Struggling to Afford Care and Need More Investments, Not Less

The federal budget bill delivered substantial benefits to the wealthiest households and big corporations while shifting costs to states and families. Meanwhile, care costs continue to climb: in 2023, the median annual cost reached $68,640 for full-time home health aide

services and $288,288 for round-the-clock care. Family caregivers already spend more than a quarter of their income on caregiving expenses, even as direct care workers remain underpaid. Nursing home care costs even more than home care is more expensive than home care, further straining families struggling to make ends meet. This year, the majority in Congress allowed ACA tax subsidies to end, increasing health care costs for millions – including older adults, people with disabilities, family caregivers, and care workers already stretched thin by chronic underinvestments in care. As a result, care is becoming less affordable exactly when families need more support.

Federal and state budgets were already insufficient to meet growing care 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 champion progressive revenue solutions that protect people's ability to live, age, and work with dignity.

Families don't need less care. They need leaders willing to invest in it.