Special Needs Alliance:

Public Policy News You Can Use

April 6, 2026

Idaho Governor Signs Bill Cutting $22M from Medicaid Disability Services

Last month, Idaho became the first state to cut millions of dollars from Medicaid disability services. House Bill 863 reduces provider reimbursement rates for residential habilitation services by $21.8 million next fiscal year. Combined with Medicaid rate cuts last year, residential habilitation service providers will experience a 10% reimbursement rate reduction. Earlier this year, Governor Brad Little (R) provided the legislature with a menu of options to reduce the Idaho state Medicaid budget by over $20 million without unenrolling the expansion population. He solutions ranged from removing Medicaid dental coverage for adults, home- and community-based services (HCBS), pharmacy benefits for non-expansion eligible adults, and more. Many lawmakers supported reducing reimbursement rates for residential habilitation providers because members of the state legislature indicated the alternative was to repeal Medicaid expansion.

As states contend with the Medicaid cuts from the One Big Beautiful Bill (H.R.1), more states will continue considering limiting the eligible population, reducing services, and reducing payment rates. In Idaho, advocates successfully communicated that cutting funding for adult dental services and HCBS would increase state spending on services in the future. Across the country advocates for individuals with disabilities and other vulnerable populations are continuing to share the value of high-cost services that states are considering cutting. These tensions will continue to escalate as states across the union enter negotiations for next year's fiscal budget.

Navigating Flight Travel with Family Members with a Disability During the Shutdown

Since mid-February, Congress has been unable to negotiate funding for the Department of Homeland Security (DHS) for the current fiscal year, leaving Transportation Security Administration (TSA) officers unpaid for over a month. Late last month, TSA officer absentee rates reached record highs. Combined with the deployment of Immigration and Customs Enforcement (ICE) officers' to 14 major airports, wait times to go through airport security are

the highest in TSA history. To mitigate travel-related challenges, individuals with non-apparent disabilities can participate in the Hidden Disabilities Sunflower Program through their airline to indicate to staff that they have a disability and may need extra support. Individuals with mobility aids can contact TSA Cares for a modified security screening process; however, it is unclear if the program is affected by the shutdown. Further, the article highlights helpful tips for families to proactively prepare including packing a bag with toys and playing games like *I Spy*. Although President Trump issued an Executive Order diverting funds to TSA officers' paychecks, the funding only covers one pay period and is reportedly generating more confusion among officers. Nevertheless, the TSA wait times will continue reaching record highs as Congress continues negotiating DHS appropriations.

MACPAC Releases Issue Brief Updating Chapter on Mandatory and Optional Enrollees and Services in Medicaid

The Medicaid and Children's Health Insurance Program (CHIP) Payment Advisory Commission (MACPAC) released an issue brief on Mandatory and Optional Enrollees and Services in Medicaid as an update to the June 2017 Report to Congress chapter by the same name. MACPAC recognized that the program grew substantially since its original focus on cash welfare recipients, now covering around 103 million low-income individuals in Fiscal Year (FY) 2023 including children, parents, pregnant women, elderly individuals, people with disabilities, and adults without dependent children. Mandatory eligibility groups include low-income children, pregnant women, Supplemental Security Income (SSI) recipients, and certain Medicare enrollees while other groups are covered at the states' discretion. Mandatory benefits include inpatient and outpatient hospital care, physician services, and Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) for children. A wide range of optional services including dental, prescription drug, and home- and community-based services (HCBS) vary by state.

In FY 2023, 61.5% of Medicaid enrollees were eligible on a mandatory basis, and 61.2% of total Medicaid spending went toward mandatory services. Children represented more than half of mandatory enrollees, while the new group of adults without dependent children comprised two-thirds of optional enrollees. Over time, services previously provided in an institutional setting have shifted toward HCBS. In fact, FY 2013 was the first year that Medicaid spending on HCBS overtook institutional care spending. In addition to the updated chapter, MACPAC released a Report to the Congress on March 12, 2026, which includes four chapters on Medicaid Payment Policies to Support the HCBS Workforce, Behavioral Health in Medicaid and CHIP, Medicaid for Justice-Involved Youth Transitions to the Community, and Access to Care for Medicaid-Enrolled Youth in Foster Care.

U.S. Department of Treasury Issues Advisory on Fraud Schemes Targeting Medicare and Medicaid

On March 30, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued an advisory aimed at combating fraud in Medicare and Medicaid. The

advisory warns financial institutions that fraudsters, organized crime groups, and transnational criminal organizations (TCOs) are using sophisticated methods to submit false or fraudulent reimbursement claims for nonexistent or unnecessary medical services. The advisory also highlights that proceeds from these schemes are often laundered through U.S. and international financial systems, posing significant risks to both the health care system and the broader financial system. Reporting of health care-related suspicious activity had increased by about 20 percent in 2025 compared with 2024, but the Treasury notes this likely represents only a fraction of actual fraudulent activity.

Alongside the fraud advisory, FinCEN also unveiled a proposed rule establishing a financial reward program for whistleblowers who provide them with actionable information. Whistleblowers could receive 10 to 30 percent of monetary penalties collected in successful enforcement actions. The program framework also includes protections for whistleblowers and eligibility criteria for submitting tips directly to FinCEN. These actions reflect a broader administration effort to target fraud, waste, and abuse in government benefit programs.

President's FY 2027 Budget Proposes Significant Restructuring and Reductions at HHS

On Friday, April 3, the Administration released the President's FY 2027 Budget, outlining its policy and funding priorities for the coming fiscal year. The President's budget is a proposal and messaging document. It does not carry the force of law, and Congress ultimately determines funding levels and programmatic changes through the appropriations process. Within that framework, the Administration proposes a major restructuring of the U.S. Department of Health and Human Services (HHS), requesting $111.1 billion in discretionary funding, a $15.8 billion or 12.5 percent decrease from FY 2026 levels. The proposal is anchored in a broader Make America Healthy Again (MAHA) agenda, which emphasizes nutrition, chronic disease prevention, and food and drug safety. Central to this effort is the creation of a new Administration for a Healthy America (AHA), which would consolidate multiple existing HHS agencies and programs to streamline operations and refocus federal health investments. The budget pairs targeted investments in preventive health, telehealth, and food safety with sweeping eliminations and reductions across legacy programs.

At the same time, the budget proposes substantial program eliminations and reductions that would significantly reshape the National Institutes of Health (NIH). The proposed reductions represent a $5 billion cut, bringing total NIH funding to approximately $41 billion and signaling a significant shift in federal biomedical research priorities. The budget proposes eliminating several NIH institutes and centers, including the National Institute on Minority Health and Health Disparities, the Fogarty International Center, and the National Center for Complementary and Integrative Health. These changes are framed as efforts to eliminate duplicative or non-core research activities and redirect resources toward higher-priority scientific investments. Additional cuts target emergency preparedness programs and behavioral health funding streams, which would be consolidated into a new block grant structure.

Within the Department of Education, President Trump proposed a $489 million increase for Individuals with Disabilities Education Act (IDEA) programs, raising the budget to $16 billion dollars for the over eight million children with disabilities. The proposal includes reductions in paperwork for the state and teachers so that funding and teachers' focus can be on students with disabilities. Notably, the budget proposal focuses heavily on expectant parents whose children are expected to be born with developmental disabilities. The President's budget provides a $50 million increase to IDEA Grants for Infants and Families for expectant parents to be educated on their child's possible needs, support young children with developmental delays, and provide states with flexibility to enroll expectant parents who are likely to have a child with a disability.

Additionally, President Trump's budget proposes to reduce the Office for Career, Technical, and Adult Education (OCTAE) by $1.5 billion. OCTAE provides meaningful education, literacy, career, and technical education in partnership with community colleges. Individuals with disabilities who receive OCTAE and similar services have higher rates of secondary school completion and more portable, employable skills. President Trump claims the OCTAE inappropriately incentivized illegal immigration and wanted to delegate adult workforce education to states.

Overall, the proposal reflects a significant reorientation of federal health policy, prioritizing efficiency, consolidation, enforcement, and prevention-focused investments while reducing or eliminating programs viewed as duplicative or misaligned with Administration priorities, pending congressional consideration and action.

What's on Tap

Over the past several weeks, discussion among Republican members of Congress seeking to pass a slew of conservative priorities on a second or third reconciliation package before the end of the 119th Congress has grown. President Trump set a June 1 goal for Republicans to pass a reconciliation bill that funds Immigration and Customs Enforcement (ICE) and Border Patrol, illustrating a lack of interest in continuing negotiations with Democrats to end the partial government shutdown. Senate Budget Committee Chair Lindsey Graham (R-SC) said last week that he is planning two more reconciliation bills: a "quick" one to fund the Department of Homeland Security and one in the fall targeting fraud and advancing voting reforms in line with the SAVE Act. Further complicating matters for congressional appropriators is the request from the White House for $350 billion via reconciliation to fund the ongoing war in Iran. Some Republicans have talked about reviving cost-sharing reductions from last year's failed Affordable Care Act (ACA) enhanced premium tax credits negotiations to help fund these substantial defense spending requests from the Trump Administration.

While Congress remains in recess this week, the Centers for Medicare and Medicaid Services (CMS) has continued its efforts to address fraudulent activity in the nation's healthcare programs, taking particular aim at alleged fraud in home- and community-based services

(HCBS) under Medicaid and bad actors operating in the hospice Medicare benefit. In partnership with the Department of Justice and local authorities, CMS arrested eight people in connection with hospice fraud schemes totaling $50 million operating in and around Los Angeles, California. The arrests followed weeks of heightened rhetoric between CMS Administrator Oz and California Governor Gavin Newsom who is being blamed for hospice fraud in Los Angeles County. Vice President Vance, who Trump appointed to lead the White House anti-fraud task force, also stated that his group has suspended more than 200 hospice providers in California. The Trump Administration has also taken specific aim at Medicaid HCBS programs, largely in blue states, calling the fraud "massive and pervasive". President Trump went as far as to say that if the fraud were stopped, it would allow for the US budget to be balanced – an assertion not supported by evidence.

Upcoming Events

Senate

- Out of Session

House

- Out of Session