Special Needs Alliance:

Public Policy News You Can Use

July 6, 2026

25 States File Lawsuit Against HHS Over Medicaid Work Requirements

Democratic attorneys general and governors from 25 states and the District of Columbia filed a lawsuit Monday against the Trump administration, challenging an interim final rule (IFR) issued by the Centers for Medicare and Medicaid Services (CMS) that implements new Medicaid community engagement requirements. In the lawsuit, states argue that CMS's guidance, particularly its narrower definition of medical frailty, goes beyond what the underlying statute requires. Under the IFR, a qualifying condition must "significantly impair" a person's ability to meet the community engagement requirement, a standard the states say was introduced without adequate warning or clarity despite months of prior communication with CMS during implementation planning.

The lawsuit contends that the added documentation and verification burdens could cause eligible people including cancer patients, individuals with disabilities, and those with serious health conditions to lose coverage unintentionally. New York Attorney General Letitia James and other officials emphasized concerns about paperwork barriers affecting vulnerable residents while legal experts working with states said CMS's approach exceeded the statute's language. The Trump administration has defended the work requirements as a measure to reduce misuse of the program and direct resources toward those who need them most. The case adds to ongoing debate over how the 2025 Medicaid policy reforms will be implemented as states work toward the January 1, 2027 implementation deadline.

Recent Primary Election Losses Signal Potential Health Committee Leadership Changes

A series of congressional primary defeats has begun reshaping the outlook for committee leadership in the next Congress, with several incumbent lawmakers losing renomination bids ahead of the 2026 general election. Among the highest-profile losses are Senators Bill Cassidy (R-LA) and John Cornyn (R-TX), along with Representatives Diana DeGette (D-CO), Thomas Massie (R-KY), Adriano Espaillat (D-NY), Dan Goldman (D-NY), Al Green (D-TX), Julie Johnson (D-TX), and Dan Crenshaw (R-TX). While the contests were shaped by a range of

national, state, and district political dynamics, the results are expected to alter the makeup of Congress and will reshape committee leadership in the upcoming session.

For health policy, the most significant implications involve the congressional committees with jurisdiction over the Department of Health and Human Services (HHS) and federal health programs. Senator Cassidy's primary loss means the Senate Health, Education, Labor and Pension (HELP) Committee will have a new Republican chairman next Congress, and the Senate Finance Committee, which oversees Medicare, Medicaid, and CHIP funding, will have an open seat.

Ranking Democrat on the House Energy and Commerce Committee Representative DeGette's primary loss removes a senior health policymaker who would have been well positioned to lead the committee if Democrats regain the House. Her departure leaves an opening on a key committee responsible for Medicare, Medicaid, Food and Drug Administration (FDA), National Institutes of Health (NIH), and broader public health oversight. Although several other incumbents also lost their primaries, the defeats of Senator Cassidy and Representative DeGette are expected to have the most direct implications for congressional health committee leadership in the next Congress.

CY2027 Home Health Prospective Payment System Proposed Rule

The Centers for Medicare and Medicaid Services (CMS) released a proposed rule on July 1, 2026, on the Home Health (HH) Prospective Payment System (PPS). The HH PPS increasing their payment rate by 2.4% for calendar year (CY) 2027. This payment increase, totaling about $420 million in additional spending, combines a 2.1% base rate update with a slight fixed-dollar loss (FDL) related increase. Beyond the rate update, CMS also wants to tighten Medicare's fraud and enrollment rules across home health, hospice, and medical equipment suppliers, including making it easier to retroactively revoke a provider's Medicare enrollment and expanding the grounds for denying enrollment. CMS included three requests for information (RFIs) seeking public input on building a home-health-specific wage index, on future measure concepts for HH quality reporting program, and on how to promote community-based palliative care services with existing Medicare benefits. Comments on the proposed rule must be submitted by August 31, 2026.

What's on Tap

Early last week, Speaker Mike Johnson (R-LA-04) adjourned the House after infighting over the SAVE America Act continued, which remains dead on the Senate floor. The Safeguard American Voter Eligibility (SAVE) America Act (H.R.7296), an voting reform bill that President Trump has called his top legislative priority, has stalled almost all legislative activity on Capitol Hill since the bill is effectively dead-on arrival in the Senate. With the House floor essentially blockaded, House Republican leadership has outlined a new reconciliation package that includes certain aspects of the SAVE America Act in addition to $67 billion in supplemental defense funding. Despite general support for a third reconciliation package

amongst House Republicans, Senate Majority Leader John Thune (R-SD) has indicated that there is little interest in such a package from the perspective of Senate Republicans.

Stalemate over another reconciliation package and the SAVE America Act have greatly delayed the fiscal year 2027 appropriations process in both chambers. The House was unable to make progress last week on the annual defense appropriations package, and most of the other appropriations bills have been similarly stalled despite initial progress in the lower chamber. The Senate, on the other hand, has made even less progress on appropriations, with leadership on both sides of the aisle unable to come to an agreement on top-line funding figures.

Both chambers of Congress are out of session this week following the Independence Day holiday. The House and Senate will both return to work next week; however, the House only has two more weeks of session and the Senate has four weeks of session before the August recess. Given the limited progress and shortening runway in this Congress, lawmakers will almost certainly need to enact a continuing resolution (CR) ahead of the end of the fiscal year on September 30th. While a CR is far more manageable to advance than the full appropriations package, fractures throughout the Republican conference will seriously complicate the process and potentially position the federal government for yet another shutdown.

The Department of Health and Human Services (HHS) Office of the Inspector General (OIG) has continued its increased oversight of state Medicaid Fraud Control Units (MFCUs) as part of a broader crackdown on Medicaid waste, fraud, and abuse. After starting 2026 with brief, one-page recertification approvals for the first 21 states, OIG shifted to more detailed reviews in late April, subsequently denying recertification to Hawaii and New York. As a result, roughly $60 million in annual federal funding for New York's MFCU were put at risk and Hawaii's governor launched a new, state-funded fraud strike force. On July 1, OIG conditionally recertified eight states (Colorado, Florida, Idaho, Minnesota, Nebraska, Oklahoma, South Dakota, and Wisconsin) and recertified Indiana without conditions. OIG stated that common MFCU concerns included understaffing and low fraud referral rates from state Program Integrity Units and managed care organizations.

Upcoming Events

Senate

- Out of session

House

- Out of session