Special Needs Alliance:

Public Policy News You Can Use

October 7, 2025

Arizona Medicaid Attendant Care and Habitation Services Cuts Go into Effect

On Wednesday October 1st, Arizona's Division of Developmental Disabilities (DDD) and the Arizona Health Care Cost Containment System (AHCCCS) changed its policies on attendant care and habilitation services for individuals under 18 years old. In April, the state was facing a $122 million shortfall on disability services that would cause the state to be unable to pay for services for almost 60,000 Arizonians until July. As required by the legislative funding, children under 10 years old will not be assessed for or receive attendant care. Additionally, habilitation therapies will now include age-based restrictions. Moving forward, families must cover the costs of attendant care and habitation services. While parents and disability advocates worry about the increased caregiver burdens, AHCCCS affirms the updated assessment tools comply with state law and federal guidance from the Centers for Medicare and Medicaid Services (CMS).

Association of Developmental Disabilities Providers Holds Annual Meeting

On September 30th, the Association of Developmental Disabilities Providers (ADDP), an organization focused on community-based care for people with developmental disabilities and brain injuries in Massachusetts, held their annual meeting. At the meeting, providers discussed concerns that Medicaid cuts could lead to reductions in funding for home- and community-based services (HCBS), growing waitlists, and limited independence for individuals with developmental disabilities (IDD). Additionally, some state officials joined the discussion, recertifying their commitment to partner with IDD community members. ADDP President and Chief Executive Officer Stephanie Costa emphasized the importance of proactive advocacy to protect the gains achieved and ensure people with IDD including autism and brain injuries have the supports they need to thrive.

MACPAC Holds Public Meeting to Discuss HCBS, the Justice-involved, Work Requirements and More

The Medicaid and CHIP Payment and Access Commission (MACPAC) convened in September for the inaugural public meeting of their 2025-2026 meeting cycle. The meeting began by

examining provisions of the 2025 Budget Reconciliation Act affecting Medicaid and the Children's Health Insurance Program (CHIP), including new work and community engagement requirements followed by an expert panel on implementation challenges and federal guidance needs. The Commission also discussed strategies to strengthen the home- and community-based services (HCBS) workforce; Medicaid's role in behavioral health; and eligibility pathways for children and youth with special health care needs. Staff also presented a draft chapter for the March 2026 Report to Congress on health care access for children in foster care and discussed Medicaid's role for justice-involved youth and states' progress in sunsetting their Medicare-Medicaid Plans.

Healthsperien covered six sessions and a detailed summary of the meeting can be found here.

CMS Announces New Interpretation of Emergency Medicaid Rules for Noncitizens

On September 30, CMS issued a State Medicaid Director Letter (SMDL) announcing an updated interpretation of section 1903(v) of the Social Security Act. CMS revised its interpretation to clarify that federal matching funds for emergency Medicaid care for noncitizens ineligible for full Medicaid benefits is limited to actual services rendered to treat an emergency medical condition and does not extend to managed care payments such as risk-based capitation, administrative costs, or other prospective payments. Under the new interpretation, states may not contract with MCOs to provide care for this population, may not include this population in actuarial calculations of capitation rates, and in-lieu-of services tied to managed care are disallowed. States may either provide emergency services on a fee-for-service basis, claiming federal matching funds only for verified emergency services or contract with prepaid plans (PIHP, PAHP) on a non-risk basis. States must revise contracts and reporting systems accordingly. While CMS expects compliance, it will allow a transitional implementation period no sooner than the first rating period beginning at least one year after issuance. For example, January 1, 2027 for states that have a rating period that operates on the calendar year. CMS cites legal authority at 42 CFR § 438.3(a) to require that managed care plan contracts be submitted in the form and manner established by CMS.

Shutdown Will Enter Sixth Day as Layoffs Loom for Federal Workers

The government shutdown will now stretch into its sixth day after both Democrat and Republican funding packages failed in the Senate Friday afternoon. President Trump has continued to threaten a new round of federal employee layoffs if Democrats refuse to support the Republican's continuing resolution, and Office of Management and Budget (OMB) Director Russ Vought backed the warning. In fact, the administration has already instructed agencies to prepare "reduction in force" (RIF) plans that could strip some workers' protections and limit their ability to appeal terminations. Unions have sued, arguing the threat of mass firings during a shutdown violates long-standing law and civil service norms.

Democrats have remained steadfast, insisting on written GOP proposals to extend the enhanced ACA advanced premium tax credits (APTCs) before any funding deal. Republican leadership is pressing for a "clean" continuing resolution, and have repeatedly stated that the APTC negotiation can continue after the government opens. Sen. Patty Murray (D-WA) dismissed GOP assurances as "empty promises," and bipartisan talks around a one-year extension of tax credits have not yielded legislative text. Without renewal of the enhanced ACA marketplace subsidies, consumers face steep premium increases. Advocates point to a Virginia couple whose monthly premium could jump by $1,295 in 2026 without the APTCs.

Healthsperien published a summary of health policy implications of the current government shutdown, including telehealth coverage changes and other programmatic impacts.

Trump Administration Announces Pfizer Drug Pricing Agreement and 'TrumpRx' Website

Last week, President Donald Trump announced the White House's first formal drug pricing agreement with a major pharmaceutical company. Specifically, Pfizer voluntarily committed to sell its existing drugs to Medicaid patients at the lowest price offered in developed nations and extend competitive pricing to new drugs across Medicare, Medicaid, and commercial payers. The drugmaker also pledged to invest $70 billion in U.S. drug manufacturing facilities.

Separately, the White House unveiled plans to launch "TrumpRx," a direct-to-consumer (DTC) website where consumers can buy select drugs at pre-negotiated and discounted rates. Specific details on the scope of drug offerings and benefits for insured Americans have not yet been released.

These announcements follow President Trump's declaration of 100% import tariffs on branded drugs for drugmakers that do not invest in U.S. manufacturing facilities and the White House's May Executive Order, Delivering Most-Favored-Nation Prescription Drug Pricing to American Patients.

What's on Tap

As the shutdown enters its sixth day, Congressional leadership appears no closer to a resolution. Last week, both Republicans and Democrats held steadfast on their respective positions. Democrats have staked out a position around support for an agreement that includes an extension of the Affordable Care Act's (ACA) advanced premium tax credits (APTCs). However, Republicans want to pass a "clean" bill; instead claiming they will negotiate on APTCs after the government is funded.

Although the House was originally scheduled to be in session all week, Speaker Mike Johnson (R-LA) subsequently announced the House would recess for a district work period. Speaker Johnson claims the House has done its business while they wait for Democrats to agree to a "clean" funding bill. The recess delays the swearing in of Representative-elect Adelita Grijalva

(D-AZ) who would further narrow House Republican's margins and likely be the 218th signature to advance a discharge petition related to the Jeffery Epstein files.

Additionally, President Trump proposed using the shutdown to initiate mass layoffs. If President Trump were to initiate a reduction in force, this would be the first time a president used a federal shutdown to prompt mass layoffs. While some believe the proposal is a tactic to pressure Democrats to agree to a "clean" resolution, one union representing federal employees has already sued the administration in response.

While Congress continues to negotiate, the President has upped the pressure on Democrats. The White House website recently released a government shutdown clock. The website also includes economic impacts of the shutdown by state and a long list of letters of support. Additionally, many furloughed employees were instructed to use accusatory language in their out-of-office email messages. Notably, some furloughed Department of Education employees found that their automatic out-of-office emails had been changed without their knowledge. Experts worry that the White House's use of federal agencies to promote partisan messaging is a violation of the HATCH Act, a law that prohibits federal employees from engaging in certain political activities.

Throughout the course of the shutdown, President Trump has remained committed to initiatives aimed at lowering the cost of pharmaceuticals. Last week, he announced a partnership with Pfizer that would voluntarily offer Most Favored Nation (MFN) prices in certain instances and increase investments in domestic manufacturing. Separately, the White House announced plans to launch TrumpRx, a direct-to-consumer website where Americans could purchase pharmaceutical products at pre-negotiated rates. Further, the Department of Health and Human Services (HHS) Centers for Medicare and Medicaid Services (CMS) appears to be exploring mandatory payment models, one of which may include global benchmarking.

Upcoming Events

Senate

- In Session: October 6th – 10th

House

- Out of Session

Congressional bandwidth is expected to be largely taken up by government funding negotiations this week