

How We Got to Now

Weekly Federal Check-In

NASDDDS, ADvancing States, NASHIA

Tuesday, May 6th, 2025



Overview of Federal Changes – What's Been Happening

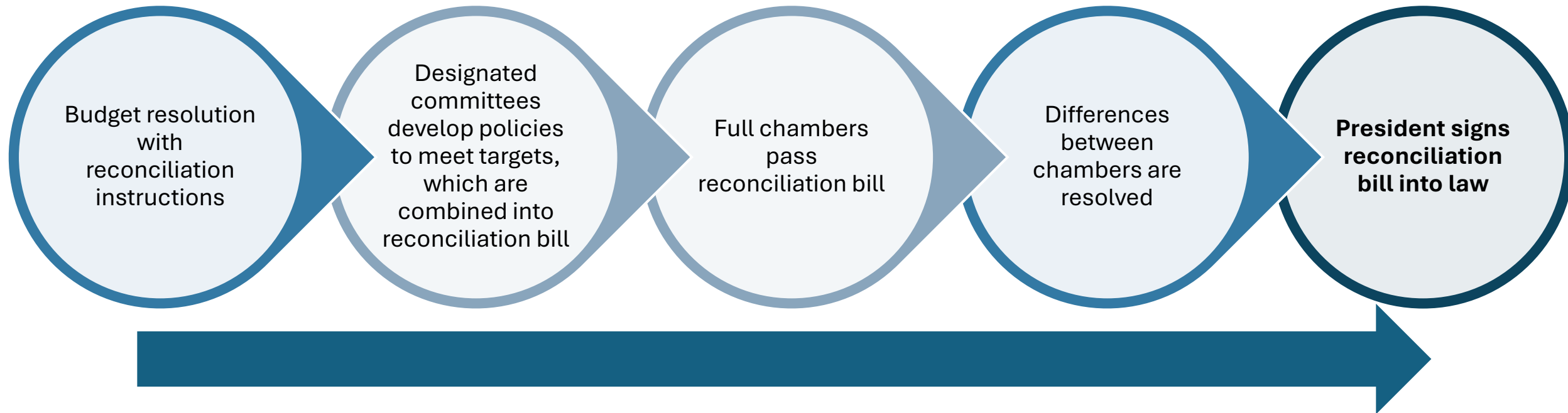
- Federal Spending
 - FY 2025 Budget Resolutions with reconciliation instructions
 - Continuing resolution
 - Executive Orders and/or Agency Directives/Issuances
 - DOGE initiatives
 - FY 2026 Federal budget
- Changes to Federal Agencies
 - Reorganizations
 - Reductions in Force
 - Key Personnel appointments
- Changes to the regulatory process
 - Executive orders
 - HHS rescinds the Richardson waiver
 - OPM Deregulation RFI

Federal Spending

Federal Spending: Congress

- Reconciliation:
 - House FY 2025 Budget Resolution calls for \$880 billion reduction from Energy and Commerce
 - Mark-up scheduled for May 12
 - Senate FY 2025 Budget Resolution calls for \$1.5 trillion in *increased* spending
 - Finance Committee has extensive tax jurisdiction in addition to mandatory spending programs
 - Potential Medicaid changes seem to have narrowed
 - Work requirements and provider tax changes are frontrunners
 - Changes to expansion FMAP also under discussion

Budget Reconciliation: Overview



Work Requirements

Under current federal regulations, states can only apply work or community engagement requirements to Medicaid under an 1115 demonstration waiver.

This proposal would create either mandatory national work/community engagement requirements or a state option to create work/community engagement requirements

- Under these proposals, Medicaid eligibility is contingent on the individual completing a set number of hours of work or other activities (e.g., education, community service) per month
- Past proposals have exempted certain populations from these requirements (e.g., pregnant people, people with disabilities)

Note: Work requirements would be unlikely to directly affect HCBS populations.

State Share: Provider Taxes

A provider tax must be broad-based (i.e., imposed on all providers in a specified class) and uniform (i.e., same tax for all providers in a class).

States cannot hold providers harmless for the tax cost (i.e., states cannot guarantee providers receive their money back).

- An indirect hold harmless guarantee exists if the tax produces revenue for the provider that exceeds 6% of net patient revenue.

The providers most often taxed are:

- Nursing facilities
- Hospitals
- Intermediate care facilities for individuals with intellectual disabilities (ICF/IID)

Key Term

Provider tax: A health care-related fee, assessment, or other mandatory payment for which at least 85% of the burden of the tax revenue falls on health care providers.

[SSA §1903\(w\)\(3\)\(A\)](#)

References:

[42 CFR § 433.68\(f\)\(3\)\(i\)\(A\)](#)

[Congressional Research Service: Medicaid Provider Taxes \(Dec 2024\)](#)

Provider Tax Restrictions

- Every state but Alaska has a provider tax of some kind.
- Congress has indicated that they may pursue restrictions on provider taxes. **The most likely change would lower the “hold harmless” 6% safe harbor threshold.**
- Lowering the threshold would lower the provider taxes that states can collect to fund their share of Medicaid expenses. States would have to decide whether to:
 - Spend the same amount on Medicaid using other state revenues, or
 - Cut Medicaid spending by the reduced provider tax revenue collected under the new threshold.
- If the state replaces the lost revenue, there would be no reduction in federal Medicaid funding. However, if the state does not replace the lost revenue, federal Medicaid spending would be reduced because the state is spending less of its own funds for the federal government to match.

Federal Spending: Congress

- Continuing Resolution approved in March funds government through end of FY25
 - CR also includes extension of MIPPA through end of fiscal year
- Release of ACL-appropriated funds have been slow, causing ripple effects throughout the aging and disabilities network
- Press release from HHS yesterday shared that:
 - \$1.1B in appropriated funds will be released to states over the next two weeks for OAA programs, State DD Councils, P&A agencies among others

Federal Spending: Executive

- Since January, there have been a significant number of Executive Orders with potential impact on funding that will impact our members' systems. These include:
 - [Ending Radical And Wasteful Government DEI Programs And Preferencing](#)
 - OMB issues [memo](#) on Jan 27, rescinds on Jan 29 after court ruling
 - [Implementing the President's "Department Of Government Efficiency" Cost Efficiency Initiative](#)
 - Termination of \$12 billion in public health grants on March 24
 - TRO issued April 5
- DOGE "Defend the Spend" initiative blocks healthcare grants on April 18th
 - Requires grantees to provide a justification for each transaction to draw down federal funds.

Federal Spending: Executive

- The [OMB response to HHS proposed budget \(aka passback\)](#) leaked prior to the May 2 release had more specifics:
 - Reflects previously announced HHS reorganization, with some changes
 - Details \$40B reduction in overall HHS spending
 - Proposes to zero out multiple programs, including
 - DD Councils
 - ADRCs
 - P&A agencies
 - Elder Justice/APS
 - SHIP
 - LTCO
 - Falls Prevention
 - Lifespan Respite
- President's FY26 Federal Budget overview released on May 2
 - Reflects \$33.3B reduction in overall HHS spending
 - Did not provide programmatic details on many areas

Support for Older Adults is **Essential**

- Long-Term Care Ombudsmen protect the rights of nursing home residents
- APS programs help support adults living in the community
- The State Health Insurance Program provides unbiased options counseling to Medicare beneficiaries
- ADRCs serve as a critical ‘front door’ to a state’s LTSS system
- Key parts of the Older Americans Act programs help millions of older adults live as long as they want in their homes and communities

Developmental Disabilities Councils – Essential **Partners** in Innovation

- DD Councils are truly incubators of innovation
 - Grants
 - Policy and advocacy acumen development
- The ability to both deeply understand the “within” but influence from the “outside” is a unique space that only DD Councils can fill
- Most important voices in policy discussions are those of people with disabilities and their families

Federal Agency Restructuring and Personnel Changes

Agency Reorganization

- [Fact Sheet: HHS' Transformation to Make America Healthy Again \(3/27/2025\)](#)
- Executive Order: [Improving Education Outcomes by Empowering Parents, States, and Communities](#)
- Changes noted in OMB passback including proposed dissolution of ACL with component parts moving to other parts of HHS
- Elimination of staff in CMS duals office that supports states in integrated care program design

Reductions in Force (aka layoffs)

- Implementing The President's "Department of Government Efficiency" Workforce Optimization Initiative
 - Firings of probationary employees began in February
 - On March 13 two courts ruled against the firings, issuing TROs and ordering the reinstatement of some employees
 - On April 8, SCOTUS blocked one court's order, indicating the plaintiffs had no standing
 - Hiring freeze extended through July
- Fork in the Road, deferred resignation; early retirement option offered to staff in HHS
 - February 26th [OPM memo](#) required Agency Reorganization Plans by March 13

Key Appointments

- HHS Secretary Robert F. Kennedy Jr.
 - Autism initiative
- CMS Administrator Mehmet Oz
 - CMCS Director Drew Snyder (former MS Medicaid Director)
- ACL Deputy Principal Administrator Mary Lazere
 - Served in first Trump Administration
- DOJ Assistant Attorney General, Civil Rights Division Harmeet Dhillon
 - New mission statement for disability rights section
- DOL Assistant Secretary for Disability Employment Policy Julie Hocker

Potential Regulatory Changes

Potential Regulatory Changes

- [Executive Order: Ensuring Lawful Governance and Implementing the President's "Department of Government Efficiency" Regulatory Initiative](#)
- [HHS Policy on Adhering to the Text of the Administrative Procedure Act](#)
- [Unleashing Prosperity Through Deregulation](#)
- [April 9 Executive Order Directing the Repeal of Unlawful Regulations](#)
- [OPM RFI on Deregulation](#) (**Comments due May 12, 2025**)

Judicial Branch

Where are the Courts Coming In?

- Many lawsuits have been filed in response to many of the Administration's actions
- As of April 16, at least 78 of those rulings have at least temporarily paused some of the administration's initiatives.
- The Supreme Court has opined on several cases, prompting some additional Executive Orders

Additional Resources & Info

NASDDDS Federal Information Hub

- NASDDDS Federal Policy Symposium June 11-13
 - Register at <https://web.cvent.com/event/ac43a29b-0e6d-481a-a8c5-2a5f82f5366c/summary>

Thank you!

