



Alliance for the Betterment of
Citizens with Disabilities

Empowering People: Providers Shaping Policies

Assembly Health Committee

A Cut to One is a Cut to All

Federal Medicaid Cuts Possible Impact on the System and its Stakeholders

May 6, 2025

Good day, Chairperson Murphy and members of the Assembly Health Committee. On behalf of ABCD, thank you for the opportunity to testify regarding the impact federal Medicaid cuts will have on the health care and human services system for individuals with intellectual and developmental disabilities and delays.

Medicaid is public health insurance for 1.85M New Jerseyans who are low-income adults, older adults, people with disabilities, pregnant people and children.

Medicaid provides comprehensive mandated and optional health coverage. Unlike private health insurance and Medicare, Medicaid also provides comprehensive long-term care to individuals who meet the level of care for services in an institutional setting like a nursing home or ICF/IDD. Services and supports for individuals who are eligible for institutional care are now permitted in the community. This optional program called home and community-based services (HCBS) provides, day habilitation, assistance with daily living, supportive employment, habilitative services, etc. These services are a lifeline into the community for over 100,000 people,¹ including almost 30,000 individuals with I/DD.

Wage, Fraud and Abuse

Independent sources state that there is not enough wage, fraud, and abuse left in the system to get anywhere near the \$880B target.² In addition, you can't cut your way to reduce waste, fraud, and abuse. If this is the goal, investment in improved data analytics and boots on the ground are what is called for.

Possible Impact of Federal Medicaid Cuts

The impact depends on whether the federal government chooses to change eligibility requirements or decrease funding.

Eligibility Requirements.

¹ In addition to the I/DD population, as an alternative to institutionalization, HCBS provides services and supports to the elderly, people with mental illness and children

² The state and federal governments are currently required to prevent, detect and recoup waste fraud and abuse in the Medicaid system.

- Work requirements. According to KFF, 64% of individuals enrolled in Medicaid are employed, 7% are in school, 8% are retired, 10% have a serious illness or disability, which precludes them from working and 12% are either not working because they can't find a job or due to care giving in the home. Work requirements would particularly impact members with mental illness, substance abuse issues, certain disabilities, those caring for young children and elderly relatives and who cannot find work. The results of several state pilots which put in place work requirements not only failed but cut many working adults off the program because proof of work was too onerous, time consuming, and confusing. In addition, requiring people with disabilities who are working to document and verify that they are working will lead to those who do not successfully navigate these bureaucratic processes losing Medicaid coverage, including access to the very employment supports necessary to continue working. They will also likely have negative consequences for DSPs many of whom work part time or with inconsistent schedules. If DSP are unable to meet reporting requirements, they will lose their health care and further endanger the sustainability of our community-based supports for people with I/DD. According to NJDMAHS this could impact up to 700,000 individuals.³
- Increased frequency of eligibility verification. Currently, NJ verifies eligibility on an annual basis, which has been very challenging for the state and counties. If frequency was increased to every 6 months or quarterly, some entitled individuals would no doubt lose eligibility due to their failure to complete more frequent paperwork.

Decreased Funding.

- Reduction in federal matching funds. \$14B of NJ's current Medicaid \$24B budget is paid for by the federal government.
 - Elimination of the 50% floor would translate into a reduction to NJ of approximately \$2.2B from the federal government.
 - Elimination of the 90% federal share for Medicaid expansion (500,000 people, 1,000 of which have I/DD) would translate into a reduction to NJ of approximately \$2.3B from the federal government.
 - Elimination of both the 50% floor and the 90% Medicaid expansion would translate into a reduction to NJ of approximately \$5.2B from the federal government.
 - Setting a per capita cap would have an unknown impact on NJ, though NJ Medicaid Director Woods anticipates it would be significant - billions of dollars.⁴
- Restrictions on existing health care funding streams
 - Reducing or forbidding provider taxes from 6% to hospitals, HMOs, counties and nursing homes would reduce revenue by an average of 17% of state share of the cost of Medicaid, that helps fund NJ's share of Medicaid payments which are matched by the federal government.⁵
 - Direct payments require MCOs to provide incentives for higher quality care in hospitals, teaching hospitals and safety net hospitals.

³ *Modeling Impact to NJ Medicaid of Congressional Budget Proposals*. February 2025. NJDHS.

⁴ *Ibid.*

⁵ Burns, Hinton, Williams and Rudowitz, *5 Key Facts About Medicaid and Provider Taxes*, March 2025

The loss of federal dollars will impact:

- Reimbursements. To make savings, some or all rates could be decreased. Since Medicaid rates are well below commercial insurance and Medicare rates, Medicaid providers may choose to decrease or discontinue serving the Medicaid population. This would negatively impact access to rehabilitation services for infants and toddlers eligible for early intervention and to health care and home and community-based care to adults with I/DD.
- Optional benefits. In addition to services mandated by law, the federal government allows states to provide optional services such as rehabilitation therapy, prescription drugs, dental care, and home and community-based services. To make savings some optional services may be reduced or eliminated. Since physical, occupational and speech language therapies are optional benefits, this would have a negative impact on infants and toddlers eligible for early intervention. Home and community-based services may also be reduced or eliminated, which would have a negative impact on the ability of adults with I/DD to live in the community.
- Eligibility.

The reality of a reduction of our federal match is that governors will take the heat if they get billions less in funding, knocking a hole in their state budgets and forcing their administrations to reduce provider payment rates, reduce or eliminate optional benefits, and cut eligibility, in that order. Past Commissioner of NJDHS, Drew Altman, now of the Kaiser Family Foundation has written the following:

There is an unwritten handbook state human services and Medicaid officials use for cutting Medicaid if they have to. First, make the case for the state funding to replace any shortfalls. Then cut payments to providers (which are often already low). Then selectively reduce benefits if you can. Then last on the list, cut people from the program.⁶

Final thoughts.

- The I/DD population is complex and diverse and can be found in every corner of the Medicaid program.
- A cut to one is a cut to all.

⁶ Altman, Drew. *Why Most States will not Replace Federal Medicaid Cuts*. KFF. March 21, 2025