

OASIS · AT A GLANCE

What \$1 trillion in Medicaid cuts means for your family

Home and community based services are optional under federal Medicaid law. Nursing facilities are not. When federal money contracts, states cut the optional column first, and they have done it before within living memory.

BY JIM PALASTY · 12 MIN READ · MEDICAID POLICY

911

BILLION IN FEDERAL CUTS

CBO's estimate for the enacted law, over ten years.

How it works

THREE STEPS

STEP 1

Federal share contracts

CBO scores roughly \$911 billion less federal Medicaid over ten years.



STEP 2

States face a hole

Michigan's own analysis found up to a \$2 billion annual budget gap.



STEP 3

Optional services absorb it

HCBS is optional. Institutional care is mandatory. Guess which gets trimmed.

What is optional under federal Medicaid law

HCBS waivers	Optional. 1915(c) authority, state capped
Community living supports	Optional. Waiver or 1915(i)
Personal care	Optional as a state plan benefit
Prescription drugs	Optional. Every state covers it anyway
Case management	Optional. Targeted case management
Rehabilitative services	Optional. Much of behavioral health
Dental for adults	Optional. First to go, historically
Nursing facility care	Mandatory. Always funded
Inpatient hospital	Mandatory
Physician services	Mandatory

WHAT OPTIONAL MEANS AT HOME

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Ray is 34, has Level 3 autism, and lives with his mother in Genesee County on 25 hours a week of community living supports. Those 25 hours are the entire reason he is not in a facility. They are also, in the language of federal Medicaid law, optional. His mother learned that word from a state budget document, not from anyone who ever sat across from her at a planning meeting.

NOBODY TELLS YOU YOUR KID'S LIFE IS IN THE OPTIONAL COLUMN.

What matters, at a glance

Mandatory

Nursing facility care. Inpatient hospital.
Physician services. Federal law requires states to cover them.

Optional

HCBS waivers. Community living supports.
Personal care. Prescription drugs. All discretionary at the state's choice.

The bias built into the law

An institution bed is a federal entitlement. A support worker in your kitchen is a favor the state may withdraw. That asymmetry is not an accident of drafting. It is the load bearing wall of the whole system.

Michigan's own numbers

Executive Directive 2025-3 ordered MDHHS to model the damage. The May 2025 findings: more than 700,000 Michiganders at risk of losing coverage, roughly \$1.1 billion a year in lost federal match, \$2.3 billion less to hospitals, and \$75 to \$155 million a year in new paperwork costs.

Coverage loss

CBO's estimate of additional uninsured people under the enacted package.
Coverage loss and service loss are different problems that arrive together.

The precedent

This has run before. When federal support receded after the last recession, states reached for the optional column, and waiting lists grew.

BRING THESE · CHECK AS YOU GO

- | | |
|---|--|
| ☐ Current service plan with authorized hours | ☐ Every denial or reduction notice you have ever received |
| ☐ Medicaid eligibility and redetermination dates | ☐ A log of unfilled shifts and missed services |
| ☐ Physician letters on functional limitations | ☐ Documentation of what happens without supports |
| ☐ Names and dates for every verbal promise | ☐ Digital backups of all of it, stored off site |

YOUR MOVE

What to do before the cuts reach your service plan

- 1 Get your current IPOS or service plan in writing.
- 2 Ask which authorities fund each service on it.
- 3 Ask your CMH what its contingency plan is.
- 4 Take that question to your PIHP regional office.
- 5 Put the same question to MDHHS in writing.
- 6 Give the written answer, or the silence, to your legislator.

Documentation is not paranoia. It is the only asset in this system that appreciates when the budget contracts.

RESOURCES NAMED IN THIS POST

kff.org/medicaid · <https://www.kff.org/medicaid/>
michigan.gov/whitmer · <https://www.michigan.gov/whitmer>
michigan.gov/mdhhs · <https://www.michigan.gov/mdhhs/assistance-programs/benefit-updates>
medicaid.gov · <https://www.medicaid.gov/medicaid/home-community-based-services/home-community-based-services-authorities>

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ABOUT THE AUTHOR



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