

STATE CONDEMNS FEDERAL DEFERRAL OF IHSS FUNDS, WARNS OF IMMEDIATE HARM TO HUNDREDS OF THOUSANDS OF VULNERABLE CALIFORNIANS

SACRAMENTO — The federal Centers for Medicare & Medicaid Services (CMS) has taken the extraordinary step of deferring \$1.1 billion in federal funding tied to California’s In-Home Supportive Services (IHSS) program.

This action sends a troubling message about the value CMS places on the essential work IHSS caregivers perform every day and creates significant fiscal strain for California, as the State continues ensuring uninterrupted care for more than 900,000 older adults, people with disabilities, and children who rely on IHSS to live safely at home.

[IHSS](#) is a federally approved Home and Community-Based Services (HCBS) program and a cornerstone of California’s long-standing efforts to keep people safe at home and out of costly institutional settings, an approach CMS has consistently encouraged for decades. California has built one of the nation’s strongest HCBS systems, expanding access to in-home services in direct alignment with federal policy and the Americans with Disabilities Act’s mandate to support individuals in the most integrated setting appropriate.

“CMS has used what once was a routine payment reconciliation process with states to undermine exactly what federal HCBS policy has long sought to achieve: helping more people remain safely at home, rather than enter institutions for long-term care,” said **State Medicaid Director Tyler Sadwith**.

CMS asked why IHSS expenditures have grown in recent years. California immediately explained there are three main factors that have driven increases in IHSS program costs:

- Growth in the number of individuals served in IHSS caseload.
- Increases in the statewide average IHSS cost per hour, primarily in the form of increased wages to support caregivers who help elderly adults, people with disabilities, and children with dressing, bathing, toileting, and other aspects of daily living.
- Increases in the average number of IHSS hours per case due to the increased needs of individuals receiving care under the program.

The IHSS caseload for individuals eligible for federal financial participation Medi-Cal increased from 613,764 in State Fiscal Year (SFY) 2022-23 to 720,988 in SFY 2024-25, a 17.5 percent increase. The average cost per hour went from \$19.00 to \$21.03 in the same period, representing an increase of 10.7 percent driven by statewide minimum wage increases and county-negotiated wage rates. Wage increases are a tool to recruit and retain qualified workers in a field experiencing a provider shortage. Finally, the average hours per case modestly increased over the same period due to the higher acuity needs of individuals receiving services in the program.

“The growth in IHSS expenditures over the last several years reflects intentional policy choices to expand access to IHSS,” Sadwith added. “It is the direct and foreseeable result of expanding eligibility, increasing hourly reimbursement rates, increasing utilization consistent with demographic change, and substituting home-based

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care for institutional placement—outcomes that CMS has repeatedly endorsed and promoted through federal approvals of California’s IHSS and HCBS programs because they deliver care at a fraction of institutional costs.”

Despite these longstanding federal policy goals and federal approvals for IHSS program growth, CMS’ deferral notice states that CMS is deferring these funds simply because the growth rate in California’s IHSS program is greater than other states.

In addition, [CMS’ letter](#) cites program-integrity concerns, but provides no specifics as to what these concerns are other than “statistical outliers.” [Program integrity](#) is a core Medi-Cal function focused on ensuring public dollars are spent the right way through extensive oversight, fraud prevention, and enforcement efforts. California maintains strong, longstanding [IHSS oversight systems](#), including annual assessments, electronic timesheets, verification tools, and coordinated state-county review processes.

“IHSS caregivers help people get out of bed, prepare meals, bathe safely, and remain in their homes with dignity. We are grateful for the work they do every day,” Sadwith added. “CMS’ decision recklessly disregards the people who depend on IHSS and the individuals who care for them every day.”

In addition to the IHSS-related deferral, CMS also included roughly \$200 million associated with long-standing administrative and technical claiming items that the state has already been working through with CMS. These items are expected, unrelated to IHSS services or caregiver payments, and part of ongoing federal review processes. DHCS voluntarily implemented a 15 percent reduction in administrative claims beginning in early 2025 as part of a comprehensive review to ensure federal funds are not used for state-only programs. These administrative claims are related to program administration and agency operation costs, not health care. DHCS has submitted comprehensive documentation to CMS demonstrating compliance with claiming processes and updated our reduction to account for this review. DHCS continues to work with CMS to provide support for these updated adjustments.

California calls on CMS to immediately restore IHSS funds and will take every step necessary to protect IHSS members and the caregivers who support them.

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