U.S. Government Accountability Office

Disability Employment: Providers Cited Challenges with State Coordination of Federal Funds

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Q&A Report to Congressional Requesters
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Why This Matters

An estimated 2 million adults in the United States have intellectual or developmental disabilities (I/DD). Examples of I/DD include Down syndrome, cerebral palsy, and autism spectrum disorder—conditions that may result in difficulties with learning, problem solving, and acquiring and using everyday life skills. Although many adults with I/DD want to and can work, they are less likely to be employed than those without disabilities.

Employment service providers offer support to individuals with I/DD to help them achieve and maintain employment. However, in light of concerns that such providers often struggle to secure stable, adequate funding, we were asked to examine how the federal government supports individuals with I/DD in employment and the degree to which separate federally funded programs lead to inefficiencies for service providers and disjointed services for individuals with I/DD. In this report, we provide information about how state Vocational Rehabilitation (VR) and Medicaid home- and community-based services (HCBS) programs in selected states compensated service providers and coordinated to support individuals with I/DD in employment, challenges that some employment service providers experienced in providing services across these different programs, and related federal guidance that is available to state agencies.

Key Takeaways

- Individuals with I/DD in our selected states—Georgia, Pennsylvania, and Washington—primarily received employment services, such as individualized support to carry out job duties, through programs administered by state VR and I/DD agencies.
- Our selected states generally compensated employment service providers based on units of services rendered such as billed time or when supported individuals achieved particular milestones such as job placement.
- The VR and I/DD agencies within our selected states have established procedures for funding employment services and collaborating with service providers to jointly serve individuals with I/DD. Employment service providers that we interviewed in these states identified challenges in using funds from the VR and Medicaid HCBS programs in combination to support their clients.

What are the primary federal programs that fund employment services for individuals with I/DD?

The VR program and Medicaid HCBS are the primary federal programs that fund employment services for individuals with I/DD, according to officials from the Departments of Education, Health and Human Services (HHS), and Labor.[1]

VR Program

The VR program is a joint federal-state employment program for people with disabilities overseen at the federal level by Education's Rehabilitation Services Administration (RSA) and administered at the state level by VR agencies.[2] State VR programs provide services for eligible individuals with disabilities to prepare for and engage in competitive integrated employment (CIE).[3] In CIE, individuals earn at least minimum wage in a workplace setting where people with disabilities work alongside people without disabilities and generally have similar opportunities for advancement as other employees. If a state VR program cannot serve all eligible individuals, priority must be given to serving those with the "most significant" disabilities.[4] RSA officials told us that individuals with I/DD typically fall into this priority category.

Medicaid HCBS

Medicaid is a joint federal-state health care financing program overseen at the federal level by HHS's Centers for Medicare & Medicaid Services (CMS) and administered at the state level by Medicaid agencies.[5] Medicaid HCBS are services provided to beneficiaries in their home, workplace, or other community settings rather than in institutional settings, such as nursing homes. We have a large body of prior work on Medicaid HCBS.[6]

Medicaid coverage for most HCBS is optional either as a state plan benefit or through an HCBS waiver.[7] Using an HCBS waiver, states have flexibility beyond the traditional state plan to design specialized HCBS programs within broad federal guidelines. Under an HCBS waiver, states can, among other things,

- tailor services to meet the needs of a particular target group (e.g., individuals with I/DD), and
- cap the number of individuals served and establish waitlists for services.

Additionally, each state is required to designate a single state agency to administer its Medicaid program, and states may designate other state and local agencies to administer and oversee components of their programs, including HCBS.[8] In this report, we use the term "state I/DD agency" to refer to the agency that operates a state's Medicaid HCBS programs for individuals with I/DD.

Federal Funding of Employment Services for Individuals with I/DD

Estimates for the VR program and Medicaid HCBS provide some information on the scope of federal funding aimed at supporting individuals with I/DD in employment:

- VR grants to states totaled $3.7 billion in fiscal year 2023. According to RSA, individuals with I/DD accounted for about 22 percent of all VR cases nationally that year. However, the percentage of VR funds spent on this population may not equal 22 percent, as costs for serving different populations may vary.

- A federally funded study reported that about $1.5 billion was spent on employment services for individuals with I/DD in fiscal year 2023.[9] Medicaid HCBS provided most of the funding for those expenditures. The reported estimate excludes VR grants to states.

What employment services can individuals with I/DD receive through VR and Medicaid HCBS?

Individuals with I/DD can receive a variety of employment services through a state's VR or Medicaid HCBS programs. Through VR, services for individuals with I/DD often include supported employment services. Through Medicaid HCBS, individuals with I/DD can receive supported employment services and prevocational services.

Supported Employment Services

The VR program and Medicaid HCBS define supported employment services differently. However, in general, supported employment services are provided to individuals who need intensive or ongoing assistance to achieve CIE. Examples of supported employment services that can help an individual with I/DD achieve their employment goal include:

- **Job discovery.** Exploring a job seeker's strengths and capabilities for the purpose of generating employment options.
- **Job development.** Matching a job seeker's skills with an employer's needs.
- **Job coaching.** Assisting an employee learn their job duties until they are self-sufficient.

VR. The VR program is authorized to provide a variety of services such as career counseling as well as job search and job placement assistance to meet an individual's employment goal. RSA officials told us that supported employment services are the most common services needed by individuals with I/DD through the VR program.[10] According to RSA guidance, supported employment services are ongoing services needed to support and maintain an individual with a most significant disability in CIE or in a setting where an individual is working toward CIE on a short-term basis. RSA officials told us that supported employment services are provided to individuals after they have begun working and that these individuals usually receive other VR services to obtain a job. They also said that supported employment services are generally available for up to 24 months after an individual is placed in a job.

Medicaid HCBS. A state Medicaid HCBS program can cover supported employment services for eligible individuals with I/DD.[11] Supported employment is defined in CMS guidance as assistance to help a person obtain or maintain paid employment or self-employment and can be provided in individual or group settings.[12] CMS officials told us that supported employment services must be provided in home- and community-based settings as defined in regulation, which requires that settings do not isolate individuals from the broader community.

Prevocational Services

CMS defines prevocational services, a type of day service, as time-limited services to provide learning and work experiences to acquire general skills (i.e., not job-specific skills) that may help a person obtain CIE.[13] Skills-based learning that is related to employment may include teaching an individual about attendance, task completion, and problem solving.

A state Medicaid HCBS program can cover prevocational services for eligible individuals with I/DD. Also, according to CMS guidance, participation in prevocational services is not a prerequisite for supported employment. RSA officials told us that some VR services may be similar to prevocational services under Medicaid HCBS but that VR services must be provided to support an individual's specific employment goal.[14]

How do employment services available to individuals with I/DD differ across selected states?

In general, there was not considerable variation in the types of employment services available to individuals with I/DD under the VR program; however, target populations and employment services covered through the Medicaid HCBS waiver programs varied across the selected states of Georgia, Pennsylvania, and Washington.

RSA officials and representatives from two national organizations told us that the structure of VR programs and the menu of employment services provided are generally consistent from state to state.[15] In contrast, we found that the employment services available to individuals with I/DD differed across the selected states based on the structure of their Medicaid HCBS programs, which varied by target populations, levels of need, and in other ways.

- **Target populations.** Officials for the three selected states said that their Medicaid HCBS programs covered a target group of individuals with I/DD across a person's lifespan. A state can also establish additional criteria within these target groups (e.g., by diagnosis) to further target the population to be covered in its Medicaid HCBS programs. For example, officials from Pennsylvania and Washington said that they used waiver criteria to further target individuals with autism in their Medicaid HCBS programs.
- **Levels of need.** According to I/DD agency officials, each of the selected states had more than one type of Medicaid HCBS program with a defined set of services to meet varying levels of need.[16] For example, Washington officials told us that their Basic Plus program—which largely supported individuals with I/DD who live independently or with family but need additional services—served the greatest number of individuals with I/DD in employment. By contrast, in Pennsylvania, officials said that their Consolidated program—which generally supported individuals who have a high level of need, such as for residential care—had the greatest number of individuals with I/DD in employment services among their Medicaid HCBS programs.
- **Service type.** Officials said that all selected states covered supported employment services for eligible individuals with I/DD in their Medicaid HCBS programs. However, only Georgia and Pennsylvania covered prevocational services, according to officials. Washington officials told us that they had not covered prevocational services in their Medicaid HCBS programs since 2019. Officials said there were two catalysts for restructuring the employment services in Washington's Medicaid HCBS programs: (1) Washington's Working Age Adult policy, which prioritizes supported employment services for eligible individuals with I/DD, and (2) the CMS HCBS Settings Rule.[17]
- **Waitlists.** Officials from all selected states said that their Medicaid HCBS programs had annual spending or enrollment caps, which limited the number of individuals with I/DD the programs could serve. If there were no immediate openings in their Medicaid HCBS programs, state officials from Georgia and Pennsylvania said that individuals with I/DD who were found eligible for services were typically put on a waitlist. States can take different approaches to managing their waitlists.[18] For example, Georgia officials said that individuals with I/DD on their waitlist (called a planning list) were prioritized based on an annual needs assessment, not on the length of time on the list. Georgia officials also said that some individuals with I/DD can receive supported employment services through other state funds while on the planning list, thereby bridging gaps in services.

How have selected states compensated service providers for supporting individuals with I/DD in employment?

State VR and I/DD agencies in our selected states generally compensated employment service providers when supported individuals achieved established, individualized employment milestones ("milestone" model) or based on units of services rendered such as billed time ("fee-for-service" model).[19] Employment service providers—which include private nonprofits and for-profit organizations—may receive compensation for services through a state VR agency, a state I/DD agency, or both.

Milestone model. VR agencies in the selected states generally compensated service providers for supporting individuals with I/DD through a milestone model. Under this model, the VR agency compensates a service provider an established lump sum when a supported individual achieves a particular employment milestone. For instance, Washington's VR agency pays providers a lump sum for supporting an individual for specific phases of employment services regardless of the time it took to complete a needed service. As of July 2025, the agency paid service providers up to $4,332 for an individual's job development services, of which $2,216 was payable only after job placement.[20] The agency also paid up to $5,726 per individual for on-site job coaching beyond short-term acclimation services, of which $4,321 was payable only after a supported individual became stable in the job.

Officials from Georgia's VR agency explained that a key advantage of its milestone-based approach is that it encourages providers to move to the next milestone and, ultimately, to help get individuals into stable employment.

Fee-for-service model. I/DD agencies in our selected states mainly compensated employment service providers through Medicaid HCBS for individuals according to billed time. For example, in January 2026, Washington paid providers $27.20 per quarter hour for job coaching within spending limits established by the applicable HCBS waiver. These limits include individualized caps based on a person's support needs. As another example, in 2025, Pennsylvania paid providers $19.34 per quarter hour for job development services within limits established by the applicable waiver.

What challenges do the models used to compensate employment service providers present?

The milestone and fee-for-service models for compensating employment service providers present different challenges, according to stakeholders we interviewed and guidance from the Department of Labor's Office of Disability Employment Policy (ODEP).

Milestone model challenges include issues related to reimbursements for services, as well as billing system limitations, according to stakeholders we interviewed.

- **Risk that reimbursement does not cover full cost of service.** Under the milestone model, providers risk not getting reimbursed for some of the services they provide. If a client does not achieve established milestones (e.g., demonstrating stability on the job) as of a set time frame, the provider will not be fully reimbursed for its costs of providing services, according to employment service providers. Because individuals' service needs are variable and difficult to predict, employment service providers we interviewed highlighted this risk. Moreover, missing milestones may be outside a service provider's control. For example, one provider cited their experience of supporting an individual whose workplace went out of business before he could demonstrate stability on the job. According to I/DD officials in Pennsylvania, employment service providers found milestone payments too risky compared with fee-for-service compensation. Another provider we

interviewed said they prefer the fee-for-service approach because it more reliably reimbursed for the services they provide.

- **Systems limitations.** One researcher on supported employment explained that a Medicaid billing system is ill-equipped to handle milestone- or outcome-based compensation because the system was designed to reimburse for units of service, such as time increments commonly used in health care, as opposed to the accomplishment of a milestone.

Fee-for-service model challenges are chiefly that it does not incentivize service providers to help individuals use fewer or no services over time. Instead, the more services a provider renders, the more compensation they receive. However, according to a Washington provider we interviewed as well as ODEP guidance for state agencies, a fundamental expectation in supported employment is that on-the-job supports will fade over time.

How have VR and I/DD agencies in selected states jointly served individuals with I/DD in employment?

The state VR and I/DD agencies in our selected states collaborate with each other and employment service providers to jointly provide supported employment services to individuals with I/DD. States and service providers use the strategies of sequencing and braiding VR and Medicaid HCBS funds to maximize and streamline the use of federal funds across systems to help individuals with I/DD obtain supported employment services to reach CIE. (See fig. 1.)

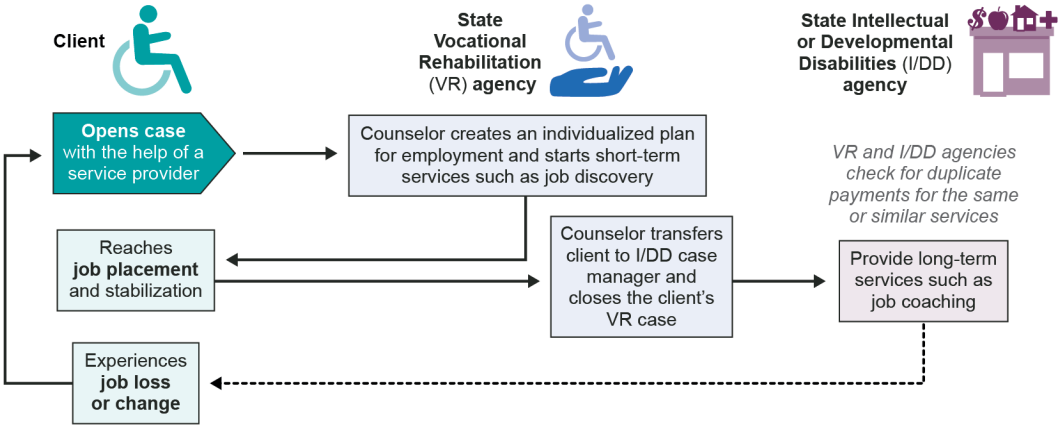
Figure 1: Sequencing and Braiding Support Funding Employment Services for Individuals with Intellectual or Developmental Disabilities

Source: GAO analysis of 2022 joint federal guidance; GAO (icons). | GAO-26-107741

Sequencing funding streams. In each of our selected states, state VR and I/DD agencies established processes to sequence the provision of employment services without overlap. Across our three selected states, state agency officials confirmed that typically, the state VR agency first reimburses service providers for short-term employment services (e.g., job discovery, job placement) leading up to job stabilization, which is accomplished with the support of a VR counselor. After the individual has reached job stabilization at 90 days of employment, the individual's VR case is closed, and the service provider, VR agency staff, and I/DD agency staff may work together to transfer the individual to the state I/DD agency.

The I/DD agency then reimburses service providers for longer-term employment services (e.g., job coaching), which are supported by an I/DD case manager or support coordinator, through Medicaid HCBS funds for eligible individuals. If an individual's employment circumstances change (e.g., they lose or change jobs), they may start the process again. (See fig. 2 for a hypothetical example of sequencing of employment services based on practices reported by our selected states.)

Figure 2: Sequencing: A Hypothetical Case of an Individual Receiving Separate Employment Services Sequentially



Source: GAO analysis of state agency documents and interviews; GAO (icons). | GAO-26-107741

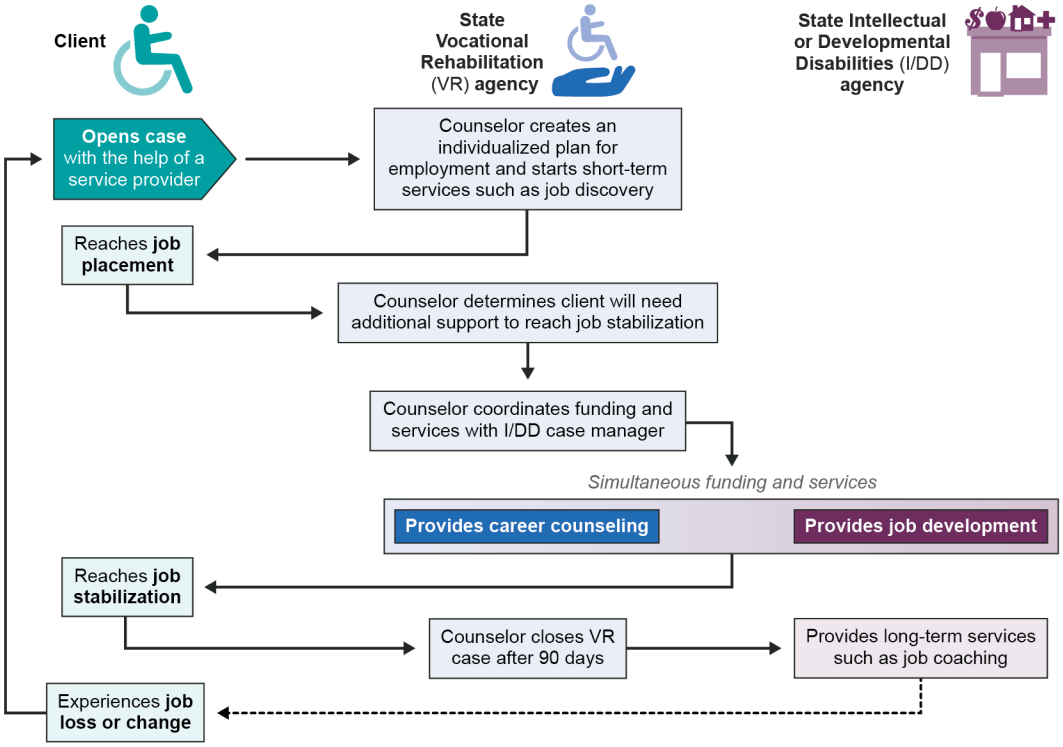
Agency officials in Georgia and Pennsylvania told us they sequenced VR and Medicaid HCBS funds to align with how they interpreted federal requirements. For example, Medicaid, considered the payer of last resort, generally pays for covered care and services only if there are no other sources of funding (e.g., another federal program) available.[21] However, an individual may start receiving services such as job coaching through VR and then receive the service through Medicaid HCBS after VR funds are no longer available for the case, assuming the eligibility and other requirements for both programs are met.

Georgia officials told us their sequencing process was smooth because their state VR and I/DD agencies communicated effectively. While they acknowledged that service delays sometimes happen, VR and I/DD agencies in Georgia can help individuals avoid disruption associated with transitioning between employment providers as they move into long-term supports by helping them identify dual service providers (i.e., those that provide services through both VR and Medicaid HCBS).

Braiding funding streams. Braiding occurs when service providers access multiple funding streams separately and simultaneously to provide specific employment services to the same individual. For example, Georgia officials described a scenario in which federal funds were braided for an individual who required long-term employment services from the I/DD agency to maintain their hourly wage employment while simultaneously exploring starting their own small business through the VR agency.

In Washington's Intensive Job Placement program, some individuals who needed additional support to reach job stabilization received VR services simultaneously with Medicaid HCBS-funded services. Importantly, the services offered simultaneously were distinct from each other (e.g., career counseling through the VR agency and job coaching through the I/DD agency). Only after the individual reached job stabilization did the VR counselor typically close that individual's case. (See fig. 3 for a hypothetical example of how an individual could receive VR and Medicaid HCBS-funded services under this program.)

Figure 3: Braiding: A Hypothetical Case of an Individual Receiving Separate Employment Services Simultaneously



Source: GAO analysis of state agency documents and interviews; GAO (icons). | GAO-26-107741

Agency officials from the selected states had various reasons for braiding less often than sequencing for employment services. For example, Pennsylvania agency officials told us they had been hesitant to braid funds due to federal rules on service provider compensation.

State agency collaboration on case coordination. State officials in our selected state VR and I/DD agencies told us they coordinated with each other and employment service providers to help deliver services, with much of the coordination based on established memorandums of understanding (MOU) or jointly issued guidance. In their MOUs or guidance, all the selected states identified that VR and I/DD staff could coordinate case information to ensure that individuals were eligible and received proper services. Officials in Georgia said that specialist VR staff dedicated to cases referred from the I/DD agency could prevent individuals from falling through the cracks by improving service delivery and collaboration across entities. Further, officials told us that Georgia's VR and I/DD agencies could see when a case closes in the VR system to ensure that when the I/DD agency services begin, they do not overlap with the VR agency services.

What challenges have service providers reported facing with individuals' transition between VR and I/DD agencies?

Service providers we interviewed in selected states reported challenges with transitioning individuals fluidly between state VR and I/DD agencies without service gaps or reimbursement delays. These state agencies have taken ongoing steps to address coordination challenges.

Service gaps due to reported administrative burden or confusion. Six of 12 providers that we interviewed across all three states reported service gaps stemming from administrative burden or confusion in the coordination between the VR and I/DD agencies. In Washington, one service provider told us that state administrative requirements related to the payer of last resort rule forced them to expend resources proving an individual's rejection from VR for the individual to

receive Medicaid HCBS-funded services, slowing down service delivery. In Pennsylvania, one service provider said that I/DD support coordinators may have been confused about the process to transfer an individual from VR to the I/DD agency. Specifically, they said support coordinators waited on VR for an individual's closure letter to begin Medicaid HCBS-funded job coaching, even though these individuals were automatically eligible after reaching 90 days of job stability, causing unnecessary gaps in services for these individuals.

Service gaps due to staffing shortages. In some cases, providers said delays with moving individuals with I/DD into VR services were the result of limited VR capacity stemming from staffing shortages. For example, according to a Washington employment service provider association, funding authorizations for service providers' job placement contracts, which should take a week or less, could instead take 6 to 9 months to process due to VR staffing shortages. In another case, a service provider was left to wait for the VR agency to coordinate with the I/DD agency, delaying the placement process for individuals who were job ready.

Reimbursement delays due to interagency coordination challenges. Service providers also reported challenges with reimbursement related to interagency coordination of state VR and I/DD agencies. These challenges complicated their ability to fluidly sequence funds and services. Specifically, four of 12 providers reported experiencing delays in receiving reimbursement payments for individuals transitioning from the VR to I/DD agency. One service provider in Georgia told us that they continued to provide services to individuals without reimbursement during the 3-month transition process from VR. The provider said the delay in reimbursement was due to both agencies' delays in fulfilling their requirements for VR closure letters and for prior authorization from the I/DD agency for each individual. Service providers told us they are not reimbursed for services provided during the time the individual is in between agencies after VR case closure.

Impact of Challenges on Individuals

Reimbursement gaps for service providers and service gaps for individuals can hinder employment outcomes, according to service providers in all three states. A Washington provider said that some families give up on the process of securing employment services because of the back-and-forth between VR and I/DD agencies and the high volume of administrative tasks that are required of them to secure federal funding. A Georgia provider cited a case in which a woman had to restart with VR after losing her job but said she experienced months of delays in reopening her case because of agency miscommunications.

State Efforts to Address Coordination Challenges

The selected states have taken steps to improve the transition between VR and I/DD agencies, according to state agency officials. For example, for cases in which enrolling in VR services is delayed due to VR agency staffing shortages, Pennsylvania's officials told us that VR and I/DD agencies jointly issued guidance stating that if VR has not made an eligibility determination within 120 days of a referral, an individual may move forward with Medicaid HCBS-funded employment services through the I/DD agency and bypass VR services.

The VR and I/DD agencies within our selected states have also taken ongoing steps to enhance coordination and improve service delivery. For example, officials from Georgia's VR and I/DD agencies said that in the last few years they have met weekly to track cases transitioning between the two agencies as well

as monthly to troubleshoot stalled cases and address broader trends in their coordinated service delivery.

What federal guidance exists on using different funding streams to provide employment services to individuals with I/DD?

Federal agencies have provided joint and separate guidance on using different funding streams to provide employment services to individuals with I/DD. The guidance we examined promotes the use and coordination of different funding streams and related interagency agreements to increase CIE for individuals with disabilities. The VR and I/DD agencies in our selected states were generally familiar with the federal guidance.

Joint agency letter. A letter issued jointly in 2022 by ODEP, RSA, and CMS, among other federal agencies, encouraged state and local governments to use blending, braiding, and sequencing as allowable to increase CIE for individuals with I/DD.[22] The joint letter also encouraged state agencies to develop interagency agreements to avoid confusion about responsibilities and resulting delays in the provision of services. Officials from Georgia and Pennsylvania said they found the guidance from the joint letter useful, while officials from Washington said they had not yet implemented it.

ODEP guidance and technical assistance. ODEP and its technical assistance centers have issued a series of guidance and technical assistance resources on interagency agreements and blending, braiding, and sequencing. For instance, ODEP identified examples of effective interagency agreements that state VR and I/DD agencies developed, which they shared via a webinar in June 2025. ODEP officials told us that for providers to braid funding and services with confidence, state agencies should articulate where braiding is allowed, such as through an MOU. Officials in Georgia noted interest in braiding funds for a self-employment program after attending various webinars from ODEP.

Since 2023, the National Expansion of Employment Opportunities Network (NEON), an ODEP-funded initiative, has facilitated in-depth technical assistance through subject matter experts to a limited number of state applicants each year. This technical assistance has covered a variety of topics including interagency collaboration and MOUs, according to ODEP officials. For example, a NEON subject matter expert working with a state on agency collaboration may draw from service providers in that state to discuss any challenges they face with braiding and sequencing.

RSA support. RSA officials told us the agency has supported grantees in using different funding streams through technical assistance centers. For instance, the technical assistance centers provided examples of interagency agreements and partnerships for state VR and I/DD agencies. Interagency agreements can facilitate braiding and sequencing by clarifying roles and processes.

CMS training and technical assistance. CMS offers a training series on HCBS, which included a January 2020 webinar to support states on expanding integrated community-based employment. The webinar discussed interagency collaboration across state Medicaid, I/DD, and VR agencies, as well as service providers among other key partners, and highlighted the sequencing of supports and services to facilitate a smooth transition between funding streams. CMS officials said CMS also provides technical assistance to states as needed.

Agency Comments

We provided a draft of this report to the Departments of Education, Health and Human Services (HHS), and Labor for review and comment. HHS provided technical comments, which we incorporated as appropriate. The Departments of Education and Labor did not have any comments.

How GAO Did This Study

To describe how states use federal funds to support individuals with I/DD in employment, we focused on the largest sources of federal funding for employment services for individuals with I/DD as identified by agency officials and stakeholders: the VR program and Medicaid HCBS. We examined how these programs worked in three states—Georgia, Pennsylvania, and Washington. We selected these states for variation in (1) whether VR agencies spent their full federal grant or returned some funds to the federal government in fiscal year 2024, (2) the capacity of Medicaid HCBS to serve individuals with I/DD in employment relative to the state's population,[23] and (3) geography. In each selected state, we reviewed state VR documents and relevant Medicaid HCBS waivers, interviewed officials from the state VR and I/DD agencies, and corroborated applicable findings with the state Medicaid agencies. The information we gathered is not generalizable to all states.

To describe challenges employment service providers face in using funds from these programs to support individuals with I/DD in employment, we interviewed 12 service providers—four in Georgia, five in Pennsylvania, and three in Washington—and conducted site visits in Georgia and Pennsylvania. We identified service providers through state provider associations and selected those to interview based on the depth of their experience in supporting individuals with I/DD in employment. In addition, we interviewed representatives from national stakeholder organizations, such as professional associations for those serving individuals with I/DD and employment advocates for people with disabilities. The views from these interviews are not generalizable.

To describe federal guidance on using different funding streams to support individuals with I/DD in employment, we reviewed guidance documents issued by ODEP, RSA, and CMS and interviewed agency officials about the guidance and related technical assistance. We also reviewed relevant federal laws and regulations.

We conducted this performance audit from August 2024 to September 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

List of Addressees

The Honorable Robert Garcia
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Raja Krishnamoorthi
House of Representatives

The Honorable Jamie Raskin
House of Representatives

We are sending copies of this report to the appropriate congressional committees, the Secretary of Education, the Secretary of Health and Human Services, the Secretary of Labor, and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

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Endnotes

[1]We previously identified 45 federal programs across nine agencies that support employment for people with disabilities. GAO, *Employment for People with Disabilities: Little Is Known about the Effectiveness of Fragmented and Overlapping Programs*, GAO-12-677 (Washington, D.C.: June 2012). We recommended that the Office of Management and Budget consider establishing governmentwide goals for the employment of people with disabilities as well as work with relevant agencies to determine whether consolidation of overlapping programs might result in more effective and efficient delivery of services. GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP (Washington, D.C.: February 2012). This continues to be a High Risk issue. GAO, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, GAO-25-107743 (Washington, D.C.: February 2025).

[2]The VR program provides states with allotments of funds, which are determined according to a formula that considers each state's population, average per capita income, the base amount of VR funds from 1978, and other factors. States are required to contribute by generally matching 21.3 percent of the total VR program expenditures (federal plus nonfederal); the federal government's share of the total expenditures is generally 78.7 percent.

[3]State VR programs, in collaboration with local educational agencies, are to provide or arrange for the provision of pre-employment transition services to students with disabilities. We excluded pre-employment transition services from this study.

[4]RSA officials stated that some disability levels are defined in statute and regulation (e.g., individual with a significant disability). However, state VR programs have some discretion in developing a definition for an individual with a most significant disability. According to officials, a most significant disability relates to the number of barriers to employment for an individual.

[5]The federal government and states share in the financing of Medicaid expenditures, with the federal government matching most state expenditures for services on the basis of a statutory formula, known as the federal medical assistance percentage. The federal share of Medicaid expenditures typically ranges from 50 to 83 percent.

[6]For past GAO work examining Medicaid HCBS, see *Medicaid: Characteristics of and Expenditures for Adults with Intellectual or Developmental Disabilities*, GAO-23-105457 (Washington, D.C.: April 2023); *Medicaid Home-and Community-Based Services: Selected States' Program Structures and Challenges Providing Services*, GAO-18-628 (Washington, D.C.: August 2018); and *Medicaid: CMS Should Take Additional Steps to Improve Assessments of Individuals' Needs for Home- and Community-Based Services*, GAO-18-103 (Washington, D.C.: December 2017).

[7]Two options states can use to provide HCBS are the HCBS state plan option and the HCBS waiver, under sections 1915(i) and 1915(c) of the Social Security Act, respectively. For the purposes of this report, references to an HCBS waiver, program, or service refer to HCBS offered under section 1915(c). Section 1915(c) authorizes the Secretary of Health and Human Services to

waive certain Medicaid requirements, allowing states to target services to specific groups and limit the number of beneficiaries served.

[8]For example, Georgia and Washington have delegated the day-to-day operations of their Medicaid HCBS programs for individuals with I/DD to state disability agencies. Pennsylvania's Office of Developmental Programs, an office within the state's Medicaid agency, operates its HCBS programs for individuals with I/DD.

[9]See J. Winsor, J. Shepard, A. Zalewska, D. Domin, A. Migliore, R. Wedeking, and A. White, *State Data: The national report on employment services and outcomes through 2023* (University of Massachusetts Boston, Institute for Community Inclusion, 2026).

[10]State VR agencies also administer the State Supported Employment (SE) Services Program to provide supported employment services for individuals with the most significant disabilities. RSA officials stated that the SE program is a supplement to the VR program and is smaller in scope and funding.

[11]CMS officials told us that states primarily use section 1915(c) HCBS waivers to cover employment services for individuals with I/DD. Officials also said that states can cover employment services for this population under other Medicaid authorities, including state plan HCBS authorized under section 1915(i), demonstrations authorized under section 1115, and self-directed personal assistance services authorized under section 1915(j) when used to authorize self-direction of supported employment offered in the underlying 1915(c) waiver.

[12]According to CMS officials and CMS guidance, state Medicaid HCBS programs have flexibility to modify the core service definition for supported employment and customize their own service definitions as long as the definitions comply with statutory criteria.

[13]Day services are services other than supported employment typically provided outside a person's home during the workday. While CMS guidance describes prevocational services as time limited, no specific time limit is given for these services.

[14]RSA officials clarified that pre-employment transition services under the VR program are like prevocational services in that they are designed to help an individual identify career interests and explore employment opportunities.

[15]The VR program is authorized to provide a variety of services to meet a client's employment goal. A VR client has an individualized plan for employment that identifies the services needed to achieve their employment outcome. Similarly, an individual with I/DD covered by a Medicaid HCBS waiver has a person-centered service plan that identifies the services and supports to meet their needs.

[16]We previously reported that many states have established a Medicaid HCBS program that offers a comprehensive array of services and a program that offers more limited services—referred to as comprehensive and support programs, respectively. A comprehensive program is designed for individuals who require residential services or are at greater risk for placement in an intermediate care facility whereas a support program is designed for individuals who live independently in their own home or a family home. See GAO, *Medicaid: Characteristics of and Expenditures for Adults with Intellectual or Developmental Disabilities*, GAO-23-105457 (Washington, D.C.: April 2023).

[17]The CMS HCBS Settings Final Rule established requirements for the qualities of settings, such as an integrated setting, that are eligible for reimbursement for Medicaid HCBS provided under sections 1915(c), 1915(i), and 1915(k) authorities. 79 Fed. Reg. 2,948 (Jan. 16, 2014). An integrated setting means that the setting supports access to the greater community, including opportunities to work in CIE, to the same degree of access as individuals not receiving Medicaid HCBS.

[18]CMS requires a state that maintains a waitlist for their Medicaid HCBS program to have policies that govern the selection of individuals for entrance to the program when capacity becomes available.

[19]State VR and I/DD agencies in two of our selected states said they conduct rate studies to determine the reimbursement amounts for employment service providers. According to federal guidance, rate studies may consider factors including but not limited to service type and location.

[20]These amounts exclude bonuses for certain documented job placements. As examples, Washington's VR agency pays a service provider $722 if their job placement provides health care coverage, $375 if a job is in a rural area, and $375 if a placed worker resides in a rural area.

[21]See 42 U.S.C. § 1396a(a)(25).

[22]Blending occurs when dollars from multiple federal funding streams are combined to create a single pot of shared funds for one or more specific employment service purposes. According to the joint letter, states typically need explicit authorization to allow it. For the purposes of our report, we did not address blending because according to Education officials, the VR program is not permitted to blend its funds with any other program.

[23]Specifically, we considered the maximum number of individuals who could be served by approved Medicaid HCBS waivers as of December 2024 relative to each state's population as reported by the U.S Census Bureau.