

From Care to Cash: Correcting Misaligned Incentives in Home Health

Background

Through a variety of federal waiver programs, state Medicaid systems provide long-term at-home care to individuals to help prevent them from entering a nursing home or care facility.¹ All 50 states have some form of a home care model, but federal waivers give states broad authority to oversee their models, which can lead to insufficient guardrails to prevent waste, fraud, and abuse. Home health businesses present a heightened risk of fraud as they generally do not require a physical office, making the barriers to entry minimal. The Department of Justice (DOJ) and various state district attorney offices have made a number of indictments regarding fraudulent home healthcare claims, reflecting the increased scrutiny and enforcement efforts necessary to combat widespread abuse.²

Some states have implemented especially egregious home health policies as a result of inadequate federal oversight. New York's state Medicaid program is particularly susceptible to fraud due to its Consumer Directed Personal Assistance Program (CDPAP) which allows individuals eligible for home health care through Medicaid to choose their caregiver, which can include friends or family members.³ Individuals who may have little to no healthcare experience are able provide health services, including administering shots, and are able to earn over \$50,000 per year through the program assuming a 40-hour work week.⁴ As of 2023, over 250,000 people are enrolled into New York's program with approximately 400,000 total caregivers, although enrollment and spending are growing rapidly.⁵ New York has 171.4 home health aides per resident over the age of 65, which is 24 percent higher than the next highest state, California.⁶ For reference, the national average number of home health aides per residents over 65 is 67.7, but even this number is skewed by a few extreme outliers.

¹ Medicaid.gov, "Home & Community-Based Services 1915(c)," accessed April 15, 2026, <https://www.medicaid.gov/medicaid/home-community-based-services/home-community-based-services-authorities/home-community-based-services-1915c>.

² Colin May, "Home Is Not Where the Help Is: Fraud in Home Health Care," *ACFE Insights Blog*, March 2025, <https://www.acfe.com/acfe-insights-blog/blog-detail?s=fraud-in-home-health-care>.

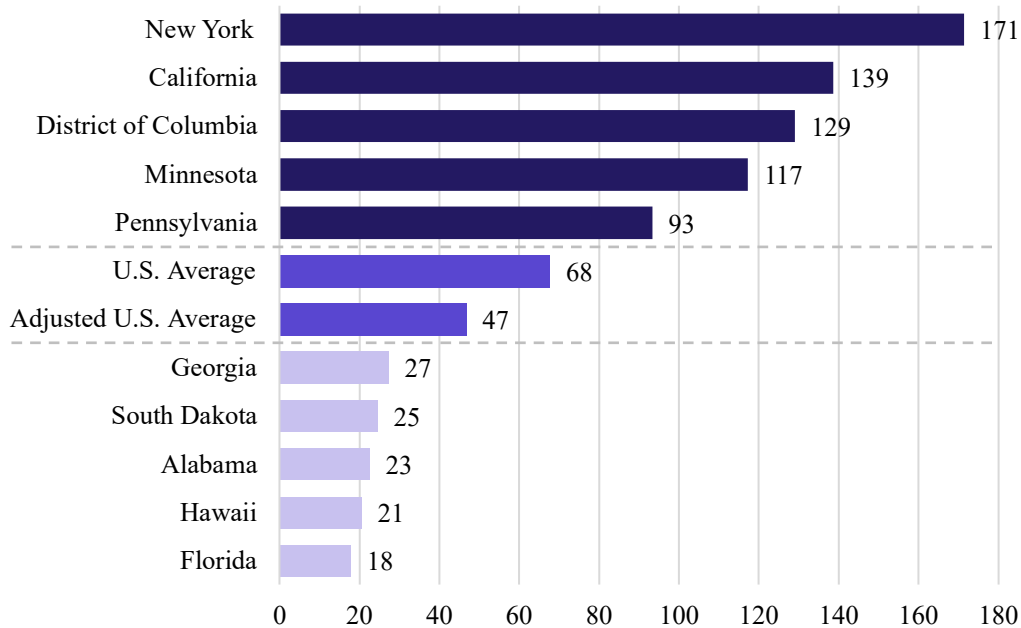
³ New York State Department of Health, "Consumer Directed Personal Assistance Program (CDPAP)," accessed April 15, 2026, https://www.health.ny.gov/health_care/medicaid/program/longterm/cdpap/.

⁴ Home page, Advanced Home Care Services, Inc., accessed April 15, 2026, <https://cdpap.org/>; Vaughn Golden, Carl Campanile, and Emily Crane, "How NY's \$6 billion CDPAP Medicaid program has been abused, overused for years," *New York Post*, February 14, 2024, <https://nypost.com/2024/02/14/us-news/how-nys-6-billion-cdpap-medicaid-program-has-been-abused-overused-for-years/>; New York State Department of Health, "1/1/2026 CDPAP Rates," revised April 2026, https://www.health.ny.gov/facilities/long_term_care/reimbursement/cdpap/2026_rate_sch.htm.

⁵ Isabel Vincent, "Notoriously fraudulent NY health program lost \$1.2 billion to scammers and middlemen: 'Minnesota multiplied by 10'," *New York Post*, January 8, 2026, <https://nypost.com/2026/01/08/us-news/nys-fraudulent-cdpap-program-lost-1-2-billion-to-scammers-and-mismanagement/>.

⁶ Bill Hammond, "New York's Home Health Workforce Jumps by Another 10 Percent," *Empire Center* (blog), April 3, 2025, <https://www.empirecenter.org/publications/health-workforce-jumps-by-another-10-percent/>.

Figure 1: Number of Home Health Aides per 1,000 Residents Aged 65 and Over, 2024



Source: Bureau of Labor Statistics⁷

Spending on the program has risen dramatically, ballooning from approximately \$2.5 billion in 2019 to \$9.1 billion in 2023.⁸ More recent analysis estimates that spending in 2025 is approximately \$12 billion with continued spending growth despite attempts by the governor to reform what she has called “one of the most abused programs in the history of New York.”⁹ New York’s Medicaid spending per resident is already the highest in the country at \$4,942 as of 2024, nearly \$1,000 more than the next highest state.¹⁰ We estimate that if New York’s per resident Medicaid spending was the same as the U.S. average, they would have spent nearly \$43 billion less in 2024.¹¹ While it is a state program, it is a matter of federal concern as the federal government bears 57 percent of the cost.¹²

⁷ Bureau of Labor Statistics, “May 2024 State Occupational Employment and Wage Estimates,” last modified July 23, 2025, <https://www.bls.gov/oes/2024/may/oesrcrst.htm>. The BLS category is titled “home health and personal care aides.” The top five bars are the five highest values in the U.S., and the bottom five bars are the five lowest values. The adjusted U.S. average excludes the five highest states.

⁸ Isabel Vincent, “Notoriously fraudulent NY health program.”

⁹ Robert F. Kennedy, Jr. (@SecKennedy), “Costs in the NY State Medicaid CDPAP program rose from \$2.5B in 2019 to a projected \$12B in 2025, with future projections on a steep upward trajectory. New York has filed a state plan amendment related to substantial changes to this program...,” X, April 5, 2025, <https://x.com/SecKennedy/status/1908585974583754976>; *Joint Legislative Public Hearing on 2026 Executive Budget Proposal: Topic Health/Medicaid, Before the Senate Committee on Finance and the Assembly Committee on Ways and Means*, New York State Assembly (2026) (statement of Bill Hammond, Senior Fellow, Empire Center for Public Policy), <https://www.empirecenter.org/publications/testimony-of-bill-hammond-on-the-health-and-medicare-budget-for-fy-2027/>; Isabel Vincent, “Notoriously fraudulent NY health program.”

¹⁰ Bill Hammond, “Ideas for Cleaning Up New York Medicaid,” *Empire Center* (blog), March 18, 2026, <https://www.empirecenter.org/publications/ideas-for-cleaning-up-new-york-medicare/>.

¹¹ “QuickFacts: New York,” United States Census Bureau, accessed April 15, 2026, <https://www.census.gov/quickfacts/fact/table/NY/PST045224>; JEC Calculations. Medicaid programs have a number of structural differences across states. The comparison is meant to serve as a benchmark and does not adjust for differences in benefit design, population health status, cost or living, or financial structure. The intention of the calculation is to show the sheer volume of spending in New York even relative to other high spending states.

¹² USAFacts, “How much does Medicaid cost in New York?” accessed April 16, 2026, <https://usafacts.org/answers/how-much-does-medicare-cost-in-the-us/state/new-york/>.

Activities of Daily Living (ADLs)

Eligibility for an individual to qualify for home health services varies by state. In New York, in order for an individual to be eligible for CDPAP services, which are a subset of overall home health services, they must either need limited physical assistance and be incapable of more than two Activities of Daily Living (ADL) or have dementia or Alzheimer's and be incapable of at least one Activity of Daily Living.¹³ ADLs are self-care tasks that individuals do daily in order to live independently. Healthcare providers use them to assess a person's functional status, especially in older adults, people with disabilities, or patients recovering from illness or surgery.

These activities include bathing, personal hygiene and grooming, continence, eating, dressing, and general mobility. In addition to ADLs are Instrumental Activities of Daily Living (IADLs) which are more complex, cognitive-focused skills. Unlike basic ADLs (bathing, dressing, eating, etc.), IADLs require higher-level thinking and include activities such as managing money, shopping, using phones and other technology, and preparing meals. To determine eligibility for home health services, many states including New York use a points system that incorporates IADLs in addition to ADLs.¹⁴ Because IADLs are much harder to verify than ADLs and can be easily overstated or intentionally misrepresented, there is a high risk of fraud.

Fraud reform

In order to combat fraud and ensure program stability, reforms to home health services are necessary. In this regard, Joint Economic Committee Chairman David Schweikert recently introduced the *Combating Deceptive Practices in Assistance Programs Act*.¹⁵ The bill would tighten requirements for an individual to be eligible for home health services in Medicaid by requiring states to prove that individuals are unable to perform three or more ADLs. This requirement increases federal guardrails of home health services in Medicaid while also tightening eligibility, reducing the risk that individuals who do not need assistance are receiving funding. Requiring that individuals prove they are unable to perform specifically ADLs also helps offset fraud associated with misinterpreting or overstating an individual's ability to perform IADLs. Given that national debt recently reached \$39 trillion,¹⁶ it is necessary to wring out waste, fraud, and abuse within government health programs like Medicaid to ensure long-term program sustainability. While an official CBO score is pending, given that annual spending on home health programs eclipse \$12 billion in New York alone, JEC economists estimate that this and adjacent reforms to home health are likely to produce savings in the tens of billions of dollars over the next ten years.

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¹³ New York State Department of Health, "CDPAP."

¹⁴ New York State Department of Health, Office of Health Insurance Programs, *MRT Waiver Extension Request* (March 5, 2021), 88, <https://www.medicaid.gov/medicaid/section-1115-demonstrations/downloads/ny-medicaid-rdsgn-team-pa8.pdf>.

¹⁵ Combating Deceptive Practices in Assistance Programs Act of 2026, H.R. 7713, 119th Cong. (2026).

¹⁶ U.S. Congress Joint Economic Committee, "Debt Dashboard," accessed April 15, 2026, <https://www.jec.senate.gov/public/index.cfm/republicans/debt-dashboard>.