



The ABA Therapy Spending Surge Highlights Medicaid's Moral Hazard

BY: ALEXANDER CICCONE
Policy and Government Affairs Manager

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Key Takeaways

- Autism treatment is now one of the fastest-growing categories of Medicaid spending, far outpacing the increase in autism diagnoses over the same timeframe.
- Federal audits have uncovered approximately \$198 million in improper payments for autism therapy across just four states.
- Medicaid is already one of the federal government's largest sources of improper payments.

Because of their growing size and complexity, federal health care programs are increasingly vulnerable to improper and fraudulent payments. Officials have recently zeroed in on the explosive growth of Medicaid and Children's Health Insurance Program (CHIP) spending on applied behavior analysis (ABA) therapy for children with autism, which quintupled between 2021 and 2025.¹ Federal audits have exposed systemic failures that allow providers to bill Medicaid for services that fail to meet basic program standards or lack supporting documentation. Yet this scandal isn't merely about unscrupulous providers abusing the health care system. At its core, the ABA therapy spending crisis illustrates how Medicaid's open-ended federal matching structure creates a moral hazard that weakens states' incentives to prudently safeguard taxpayer dollars.

The Explosive Growth of Government-Funded ABA Therapy

Medicaid is a joint federal and state health insurance program for adults and children with disabilities and limited financial means. Created by Congress in 1997 as a complement to Medicaid, CHIP provides health insurance to children in families who struggle to afford private plans but whose incomes are too high to qualify for Medicaid. More than 65 million people are enrolled in Medicaid, while enrollment in CHIP stands at roughly 7.2 million.² Both programs help finance ABA therapy, an individualized treatment commonly used to help children with autism develop social skills and manage challenging behaviors. Because states administer their Medicaid programs under federal guidelines, coverage for ABA therapy varies by state.

According to the Centers for Medicare and Medicaid Services (CMS), Medicaid and CHIP spending on ABA therapy jumped from \$2 billion in 2021 to over \$10 billion by 2025. Spending per child also increased dramatically over the same period, rising from a median of \$8,903 to \$21,203.³ Autism treatment is now one of the fastest-growing categories of Medicaid spending.⁴ However, this rapid growth far outpaced the 67% increase in autism diagnoses over the same timeframe. This disparity raises important questions about the factors driving these increased expenditures.

Data at the state level reveal staggering increases in outlays. In Minnesota, Medicaid spending on autism therapy skyrocketed from under \$700,000 in 2018 to over \$342 million by 2024.⁵ In North Carolina, outlays grew⁶ from \$1.9 million in 2020 to over \$505 million in 2025, while, in Indiana, spending increased from \$21 million in 2017 to \$611 million in 2023.⁷ The Hoosier state offers an especially striking example: in 2023, the state paid a single autism therapy provider \$29 million for therapy services covering just 84 patients, which amounts to about \$340,000 per child.⁸ For context, that number is higher than what Indiana's Medicaid program typically spends in a year treating a newly diagnosed lung-cancer patient or caring for a nursing-home resident.

Officials Begin to Respond

These numbers were too much for Washington to ignore. Investigators from the Department of Health and Human Services Office of Inspector General (HHS OIG) conducted audits in four states—Indiana, Colorado, Maine, and Wisconsin—and found roughly \$198 million in improper payments. These payment errors are government disbursements made to ineligible recipients, in the wrong amount, or without proper documentation. What makes these findings particu-

¹ [CMS Launches New State Toolkit to Protect Children with Autism, Strengthen Oversight of Applied Behavior Analysis Services | CMS](#)

² See <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights>.

³ [Medicaid Urges States to Increase Autism Therapy Oversight - The New York Times](#)

⁴ See <https://www.healthaffairs.org/content/forefront/business-autism-treatment-private-equity-implications-state-medicaid-programs>.

⁵ [The Autism Therapy Gold Rush | Cato at Liberty Blog](#)

⁶ [NC moves to rein in soaring autism therapy costs - North Carolina Health News](#)

⁷ [The \\$10 billion babysitter: How Medicaid turned autism therapy into a free-for-all](#)

⁸ [The Boom in Autism Therapy Is Medicaid's Fastest-Growing Jackpot - WSJ](#)

larly troubling is that none of these four states had performed statewide post-payment reviews of these Medicaid fee-for-service claims. HHS OIG later recommended roughly \$123 million in federal-share refunds across these audited states.⁹

Colorado's example illustrates the pervasive nature of the problem. The state's fee-for-service ABA therapy payments grew from \$60.1 million in 2019 to more than \$230 million by 2024. Yet, federal auditors found that every single one of the 100 monthly patient records they sampled contained potentially improper payments. In fact, HHS OIG later determined that the state made at least \$77.8 million in improper fee-for-service Medicaid ABA therapy payments in 2022 and 2023 alone. The audit revealed that providers were charging Medicaid for services delivered by staff without proper credentials and, in some cases, even billing naps and group recreation as one-on-one therapy. Worse yet, Colorado did not require background checks for staff working in ABA clinics.¹⁰

But the ABA therapy spending crisis goes far beyond lax oversight and billing errors caused by negligence. Earlier this year in Minnesota, the Department of Justice (DOJ) filed criminal charges in what it alleges was a \$46 million Medicaid fraud scheme that involved falsified diagnoses and billing for services that were never delivered.¹¹ This comes on the heels of another high profile case in the state, in which a defendant pled guilty to wire fraud in connection with a \$14 million conspiracy to defraud a Medicaid-funded program for autism-related services.¹²

These criminal investigations underscore the need for sustained oversight of publicly-funded ABA therapy programs. Indeed, Dan Brillman, deputy administrator at CMS and director of the Center for Medicaid and CHIP Services, has noted that "all the states, it doesn't matter who they are, all have the same problem."¹³ As of October 2026, additional federal audits remain ongoing.¹⁴

Earlier this summer, CMS released a toolkit that offers states practical advice on verifying provider qualifications and ensuring tax dollars only fund clinically appropriate care.¹⁵ Part of the problem is that billing for ABA therapy runs in 15 minute increments with no meaningful caps, which creates a financial incentive for providers to maximize hours and minimize breaks for children. As such, the manual urges states to set limits on the amount of therapy providers can bill for before giving children breaks. It also recommends implementing a prior authorization process for intensive treatment. These are just a couple of the recommendations issued in the report. Importantly, the toolkit doesn't establish any new federal requirements or endorse any particular approach to ABA therapy.

As part of a broader effort to combat fraud, CMS is also developing the Comprehensive Regulations to Uncover Suspicious Healthcare (CRUSH) rule, which seeks to leverage artificial intelligence to stop improper or fraudulent payments in real time.¹⁶ But the agency has done more than issue guidance. Earlier this year, CMS announced it was deferring more than \$259 million in matching Medicaid funds to Minnesota over program integrity concerns.¹⁷

⁹ See <https://oig.hhs.gov/documents/audit/10123/A-09-22-02002.pdf>; <https://oig.hhs.gov/documents/audit/11493/A-09-24-02004.pdf>; <https://oig.hhs.gov/documents/audit/11447/A-01-24-00006.pdf>; <https://oig.hhs.gov/documents/audit/11447/A-01-24-00006.pdf>; <https://oig.hhs.gov/documents/audit/10497/A-06-23-01002.pdf>.

¹⁰ See <https://oig.hhs.gov/documents/audit/11493/A-09-24-02004.pdf>

¹¹ [2 Minnesota Autism Therapy Providers Charged in \\$46 Million Medicaid Fraud Case - The New York Times](#)

¹² [District of Minnesota | Six Additional Defendants Charged, One Defendant Pleads Guilty in Ongoing Fraud Schemes | United States Department of Justice](#)

¹³ See <https://www.nytimes.com/2026/08/04/health/autism-therapy-medicare.html>.

¹⁴ See <https://oig.hhs.gov/reports/work-plan/browse-work-plan-projects/srs-a-25-029/>.

¹⁵ [CMS Launches New State Toolkit to Protect Children with Autism, Strengthen Oversight of Applied Behavior Analysis Services | CMS](#)

¹⁶ [Trump Administration Prioritizes Affordability by Announcing Major Crackdown on Health Care Fraud | CMS](#)

¹⁷ See <https://www.cms.gov/newsroom/press-releases/trump-administration-prioritizes-affordability-announcing-major-crackdown-health-care-fraud>.

The Need to Reform Medicaid's Financing Structure

These are all important initial steps, but beefed-up enforcement and enhanced oversight can only go so far. On a fundamental level, Medicaid's financing structure leaves the program vulnerable to fraud and improper payments. As an open-ended entitlement, state spending automatically triggers matching federal funds. Yet, because states are not bearing the full cost of their Medicaid programs, they have weaker incentives to aggressively police fraud and verify eligibility. It's no coincidence that Medicaid ranks among the top five government programs for improper payments. In fiscal year 2025 alone, the federal government reckons improper payments in Medicaid totaled just over \$37 billion, which is more than a \$6 billion increase from the previous year.¹⁸ If Congress wants to tackle the root of the problem, it should consider reforming Medicaid into a block grant, which would give states a fixed amount of money instead of an open-ended federal match.

CMS Administrator Mehmet Oz illustrated the stakes perfectly when he affirmed that “every dollar lost to fraud or waste is a dollar that cannot reach a child who genuinely needs it.” But taxpayers also suffer from waste, fraud, and abuse in federal health programs. After a year in which scandals involving the widespread misuse of taxpayer dollars have routinely made headlines across the country, runaway ABA therapy spending adds insult to injury and further erodes the public's trust in government. CMS deserves credit for rolling out its toolkit, but lasting change will require Congress to reform Medicaid's financing architecture, which incentivizes states to shift costs to federal taxpayers. If states were instead given a fixed lump-sum payment under a block grant system, they would have had a strong incentive to crack down sooner on ABA therapy billing abuse before it spiraled out of control.

¹⁸ [Fiscal Year 2025 Improper Payments Fact Sheet | CMS](#)



*2026 National Taxpayers Union
122 C Street NW, Suite 700,
Washington, DC 20001
ntu@ntu.org*