

OLMSTEAD IMPLEMENTATION

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Summary

The Supreme Court’s 1999 *Olmstead v. L.C.* decision concluded that unnecessary institutionalization of people with disabilities was a form of discrimination prohibited by the “Americans with Disabilities Act” (ADA). The ADA’s [integration mandate \(https://ecfr.io/Title-28/Section-35.130\)](https://ecfr.io/Title-28/Section-35.130) requires public entities such as state and local governments to administer services, programs, and activities for people with disabilities in the most integrated setting appropriate. The decision and its progeny continue to shape the landscape of disability rights and community integration.

While federal enforcement of the ADA has slowed, the government has continued to enforce *Olmstead*. Private litigants have also continued to make important gains in expanding community services and housing through *Olmstead* enforcement. With federal Medicaid cuts looming, states will need to take steps to ensure that loss of Medicaid coverage does not result in needless institutionalization of people with disabilities. States should also avoid the impulse to cut community services in response to anticipated budget shortfalls, as these cuts may achieve short-term savings but lead to preventable institutionalization and greater costs in the long run.

The *Olmstead* Decision

In 1999, the Supreme Court issued a landmark decision in *Olmstead v. L.C.* (<https://supreme.justia.com/cases/federal/us/527/581/>) concluding that unnecessary institutionalization of people with disabilities is a form of discrimination prohibited by the “Americans with Disabilities Act” (ADA). The ADA requires that state and local governments administer their services to people with disabilities in the most integrated setting appropriate to their needs. The *Olmstead* case was brought by two women with mental health

and intellectual disabilities who were confined in a Georgia state psychiatric hospital long after they had been found ready for discharge. The women sought community-based services, which Georgia argued it did not have to provide. The Court based its conclusion that needless segregation is a form of discrimination on two rationales: first, institutionalizing people who could be served in the community “perpetuates unwarranted assumptions that persons so isolated are incapable or unworthy of participating in community life.” Second, confinement in an institution severely diminishes everyday activities, including “family relations, social contacts, work options, economic independence, educational advancement, and cultural enrichment.”

The Court noted that the ADA provides a defense where providing services in an integrated setting “would fundamentally alter the nature of the service, program, or activity.” Providing community services would be a fundamental alteration if it would be so costly as to prevent the state from serving other people with disabilities. A state would also have a defense if it could demonstrate that it had a “comprehensive and effectively working plan” to transition people out of segregated settings including a waiting list that moved at a “reasonable pace not controlled by the state’s endeavors to keep its institutions fully populated.”

Olmstead applies not only to state-run institutions but also to how states administer, plan, and fund their service systems. For example, a state may violate *Olmstead* by administering its service system in a way that makes only institutional settings available to many people with disabilities (e.g., [Disability Advocates, Inc. v. Paterson; https://tr.ee/JDP06K](https://tr.ee/JDP06K)). (New York violated the ADA’s integration mandate by administering its system of services in a manner that made adult homes the only living option available to thousands of people with mental illness who could have been served in supported housing). This is important because over time, states have increasingly relied on private service providers—both institutional and community service providers—in administering their service systems. People with disabilities have been segregated not just in state

psychiatric hospitals, nursing homes, and institutions for people with intellectual and developmental disabilities, but also in other settings known by a variety of names such as adult homes, residential care facilities, boarding homes, or assisted living facilities. These settings share similar characteristics, including that they serve primarily or exclusively people with disabilities and typically restrict many aspects of residents' autonomy and choice.

In many cases—particularly in mental health systems—people with disabilities experience repeated preventable institutionalization and/or incarceration as they cycle between the streets, psychiatric hospitals, emergency rooms, and jails due to insufficient community services. These repeated episodes of preventable institutionalization may violate the ADA's integration mandate; there is nothing about the integration mandate that limits it to lengthy periods of institutionalization.

Implementation

The *Olmstead* decision has had a significant effect on disability service systems, leading to greater focus on development of community-based services and housing. It has been a critically important tool to expand opportunities for people with disabilities to live, work, and receive services in their own homes and communities.

Olmstead litigation has resulted in large numbers of people receiving the community services and housing they need to successfully transition out of institutions or to prevent their admission. One class action settlement involving adult home residents with serious mental illness in New York [recently ended](https://tr.ee/qahqkT) (<https://tr.ee/qahqkT>) with more than 1,200 people having transitioned out of adult homes, primarily to supported housing. A [consent decree](https://tr.ee/l12jyG) (<https://tr.ee/l12jyG>) involving people with serious mental illness in mental health institutions in Illinois has to date resulted in more than 4,000 people moving from these institutions, primarily to supported housing. These are just two examples of the impact that *Olmstead* litigation has had. Apart from litigation, voluntary efforts to implement *Olmstead* have also shifted how service systems operate and have

expanded community-based services and housing for people with disabilities.

While the federal government's enforcement of the ADA has slowed significantly during the current administration, the government has continued to embrace *Olmstead* enforcement and implementation. On December 18, 2025, the Justice Department [entered an Olmstead settlement agreement](https://tr.ee/lq2x99) (<https://tr.ee/lq2x99>) with South Carolina that obligates the state to expand supportive housing, assertive community treatment, peer support, and crisis services to enable people with serious mental illness to transition out of or be diverted from "community residential care facilities." At a [June 2025 convening](https://www.youtube.com/watch?v=KHMOPnNOVYc) (<https://www.youtube.com/watch?v=KHMOPnNOVYc>) to commemorate the 35th anniversary of the ADA and the anniversary of the *Olmstead* decision, Robert F. Kennedy, Jr., the Secretary of the Department of Health and Human Services, spoke about his commitment to advancing rights under the ADA and *Olmstead*, noting the history of children with disabilities being "warehoused," "marginalized," "vilified," and "regarded as disposable." The director of HHS' Office for Civil Rights stated that ADA affirmed "that every individual has dignity and inherent value and should be given the opportunity to live fully and freely in the community if they so choose," and [announced](https://www.hhs.gov/press-room/ocr-nc-dhhs-agreement-olmstead.html) (<https://www.hhs.gov/press-room/ocr-nc-dhhs-agreement-olmstead.html>) a resolution of an individual *Olmstead* matter where North Carolina agreed to provide services that would enable a young woman with physical disabilities who had been stuck in a hospital for a lengthy period to move into her own apartment.

Private litigants continue to enforce *Olmstead* as well. For example, following a trial in *Steward v. Abbott*, a case brought by people with intellectual and developmental disabilities ("IDD") challenging their unnecessary institutionalization in Texas nursing homes, and a federal judge recently [found](https://www.courtlistener.com/docket/4400366/717/steward-v-abbott/) (<https://www.courtlistener.com/docket/4400366/717/steward-v-abbott/>) that Texas was violating the ADA, Section 504 of the "Rehabilitation Act" and the "Medicaid Act." The court found, among other things, that these nursing homes were segregated institutions that deny people privacy, choice, freedom of movement, access to the community, and community integration, and that most

of the people in the target group could transition to the community, including those with significant medical, nursing and behavioral needs. The court also found that community living offers more opportunities, results in improved health and functioning, and is preferred by people with IDD, that most people with IDD had not made an informed choice to enter or stay in the nursing homes, and that Texas failed to offer a meaningful choice about whether to live in the community. The court rejected Texas's arguments that providing the relief sought would fundamentally alter its service system and that it had an effective plan to transition people out of institutions. Texas has asked the court to reconsider its rulings.

Another trial resulted in a [decision \(https://tr.ee/Blee9d\)](https://tr.ee/Blee9d) from a federal judge in Brown v. District of Columbia, finding that the District violated the integration mandate of the ADA and Section 504 by unnecessarily segregating a class of people with physical disabilities in nursing homes. The court issued a permanent injunction requiring the District to take a number of steps to enable people in the class to transition to the community. The District asked the court to alter its judgment, arguing that it was based on legal errors, and the court issued a [new decision \(https://tr.ee/UgtjML\)](https://tr.ee/UgtjML) rejecting the District's arguments and reaffirming its prior conclusions.

IMPACT OF NEW MEDICAID POLICY CHANGES

Draconian Medicaid cuts that were recently made by Congress in the so-called "[One Big Beautiful Bill Act](https://www.congress.gov/bill/119th-congress/house-bill/1/text)" (<https://www.congress.gov/bill/119th-congress/house-bill/1/text>) are expected to result in millions of people losing Medicaid coverage, in many cases due to the difficulties of navigating the bureaucratic complexities of demonstrating their compliance with or exemption from new Medicaid work requirements or repeatedly proving their eligibility in more frequent eligibility redeterminations.

It is important to understand that Olmstead applies to a state's administration of its service system whether or not individuals are on the Medicaid rolls. To the extent that a state is administering services to people with disabilities, even with state-only dollars, it must

provide those services in the most integrated setting appropriate unless doing so would fundamentally alter its service system. A state may have to provide community services with state-only dollars if needed to avoid institutionalization of people with disabilities. Typically, it is less costly to serve people with disabilities in community settings like supported housing rather than in hospitals, nursing homes, adult homes, intermediate care facilities, or other institutions, so it would generally not be a fundamental alteration to provide with state-only dollars the community services that the state already provides through the Medicaid program.

The loss of federal Medicaid reimbursement for millions of people, many of whom will end up receiving care paid for by states, together with other changes in the "One Big Beautiful Bill Act," such as limitations on provider taxes, are widely anticipated to cause serious state budget shortfalls. In the past, [states have consistently cut community services for people with disabilities in the face of budgetary pressures \(https://tr.ee/TQJq0y\)](https://tr.ee/TQJq0y). States would be well advised to consider their potential Olmstead liability and longer-term costs before making cuts to community services that are likely to lead to unnecessary institutionalization at greater cost to the state.

Conclusion

Olmstead implementation and enforcement remain important drivers of community services and housing. With federal Medicaid cuts on the horizon, it is particularly important for states to ensure that they are taking steps to comply with Olmstead and prevent the needless institutionalization of people with disabilities that could result from loss of Medicaid coverage or reductions in community services.

For More Information

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