Behavioral Health Policy Trends for 2026: What It Means for Older Adults

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EXECUTIVE SUMMARY

Older Americans with mental health conditions face extraordinary policy turbulence characterized by substantial federal budget cuts, fundamental restructuring of key agencies, and widening state-by-state differences in behavioral health approaches. The landscape includes nearly $1 trillion in Medicaid reductions, the end of enhanced marketplace subsidies affecting millions of Americans, and a hollowed-out SAMHSA with half its former workforce. Simultaneously, critical debates unfold around mental health parity protections, administrative burden reduction, telehealth sustainability, and comprehensive health care reform. This report examines the major policy developments reshaping 2026 and offers practical guidance for older adult mental health advocacy organizations navigating these challenges.

KEY POLICY TRENDS FOR 2026

1. Dramatic Federal Budget Cuts

The Situation:
Enacted in July 2025, the One Big Beautiful Bill Act projects nearly $1 trillion in Medicaid spending reductions over ten years, primarily through new work and reporting mandates for adult beneficiaries. Federal authorities also withdrew $2 billion in mental health and substance use block grants in 2025. SAMHSA's staffing has declined by more than half. The administration's FY 2026 budget proposed eliminating 42 SAMHSA initiatives while consolidating three block grants into one new program with less total funding.

Labor-HHS appropriations for FY 2026 remain pending, potentially incorporated into broader legislation before the January 30, 2026 deadline when current CR stopgap funding expires. While another government shutdown appears unlikely, final outcomes remain uncertain.

2. Health Care Affordability as a Defining Political Issue

The Situation:
With enhanced ACA premium subsidies expiring at the end of 2025, millions of marketplace enrollees face premium increases—some doubling—in 2026. Health care affordability is emerging as a central issue in the 2026 midterm elections, with Democrats prioritizing subsidy extensions and Republicans proposing consumer-directed approaches through HSAs and FSAs. A bipartisan compromise remains uncertain, with proposals including income caps and anti-fraud measures under consideration.

3. Mental Health Parity Protections Weakening

The Situation:
Unlike other behavioral health policies showing mixed trajectories, mental health parity faces clear erosion. Previous coverage gains and enforcement achievements now appear vulnerable as regulatory oversight weakens and implementation pauses. The suspended enforcement of 2024 Mental Health Parity and Addiction Equity Act requirements threatens to resurrect restrictive prior authorization practices, elevated cost-sharing, and diminished coverage for mental health and addiction treatment. Geographic variation intensifies, with certain states maintaining strong consumer protections while others allow disparities to widen.

4. Prior Authorization Reform: Hope or Hype?

The Situation:
Both patients and providers deeply resent prior authorization processes. The administration launched voluntary industry collaboration to streamline and reduce authorization requirements. However,

healthcare industry voluntary initiatives historically underdeliver, exemplified by the forgotten "Voluntary Effort" that attempted to address Jimmy Carter's cost-containment agenda. Whether this approach produces meaningful patient relief remains uncertain.

5. Telehealth's Uncertain Future

The Situation:
When Congress reopened the federal government, the continuing resolution extended key Medicare telehealth provisions through January 30, 2026—measures originally implemented during the pandemic. These extensions eliminate in-person visit prerequisites for mental health telehealth and permit Medicare beneficiaries to receive services from any location, including home, without geographic restrictions.

Congressional discussions address making telehealth expansions permanent, but no final decisions have occurred. The temporary nature creates ongoing uncertainty for providers and patients relying on telehealth access.

6. Artificial Intelligence: Federal Leadership and State Preemption

The Situation:
The federal government is asserting greater control over AI policy development. HHS has released an AI strategic plan outlining how artificial intelligence will be deployed across department programs, including behavioral health initiatives. More significantly, a recent White House Executive Order establishes federal preemption of state AI laws, preventing states from enacting their own AI regulations that could conflict with federal standards. This shifts AI governance decisively toward federal authority, limiting state flexibility to address AI-related consumer protections, privacy concerns, or practice standards specific to their populations.

The preemption approach creates a single national framework but may prevent states from implementing stronger protections for vulnerable populations or addressing unique local concerns about AI deployment in healthcare settings. It also raises questions about enforcement capacity and whether federal oversight can adequately monitor AI applications across diverse healthcare contexts.

7. Harm Reduction Faces Restrictions

The Situation:
The July 2025 Executive Order on Ending Crime and Disorder limited federal harm reduction support, with SAMHSA clarifying federal funds cannot support safe consumption sites. The order promotes expanded civil commitment and law enforcement responses to homelessness involving serious mental illness or substance use disorders. HUD's November 2025 changes capped Continuum of Care permanent housing funding at 30% (from 90%), redirecting resources to transitional models and favoring communities enforcing laws against encampments and employing involuntary commitment.

8. Site-Neutral Payment Discussions

The Situation:
Legislative conversations may advance site-neutral payment approaches, which standardize reimbursement regardless of service location (hospital versus office). This addresses substantial cost variations when identical services occur in different settings, with hospital-based care typically commanding much higher rates.

9. State Policy Divergence Accelerates

The Situation:
As federal leadership contracts, states increasingly drive behavioral health policy. Progressive states advance integrated care models, harm reduction initiatives, mobile crisis systems, and social determinants-focused coordination. Conservative states implement stricter Medicaid work mandates, contract coverage, and emphasize law enforcement approaches to mental health and substance use. During 2025, 13 states considered mobile crisis legislation (6 passed), 8 states advanced naloxone access measures, and 34 states addressed kratom regulation.

10. Medicaid Work Requirements Begin

The Situation:
OBBBA establishes Medicaid work and reporting mandates for adult enrollees, launching December 31, 2026. While adults with substance use disorders or "disabling" mental disorders qualify for "medically frail" exemptions, the law doesn't define "disabling," leaving details to federal and state guidance. Prior state experiences show work requirements produce coverage losses even among exempt individuals due to administrative complexity and reporting challenges.

Conservative states may pursue maximum implementation stringency to reduce Medicaid enrollment and expenditures. Liberal states will seek implementation flexibility, hoping Democratic control returns in 2028 to reverse requirements. States possess considerable latitude to shape implementation reflecting their policy objectives.

WHAT ADVOCACY GROUPS SHOULD DO NOW

Immediate Strategic Actions:

1. **Mobilize Older Adult Constituencies for Federal Advocacy**

   o Organize letter-writing campaigns and congressional office visits emphasizing older adults' vulnerability to Medicare and Medicaid cuts

   o Leverage AARP, National Council on Aging, and Alzheimer's Association networks to amplify advocacy reach

   o Create storytelling campaigns featuring older adults with mental health conditions who depend on telehealth, Medicare coverage, and community services

   o Target swing-district representatives facing competitive 2026 midterm races where older voters are decisive

2. **Defend and Expand Medicare Telehealth Flexibilities**

   o Coalition-build with disability rights organizations, rural health advocates, and provider associations to push for permanent Medicare telehealth authorities

   o Document specific cases of older adults who would lose mental health access without telehealth extensions

   o Educate congressional offices that telehealth is not just a pandemic convenience but essential infrastructure for aging populations with mobility limitations, transportation barriers, and geographic isolation

   o Prepare for potential lapses by connecting older adults to community transportation resources and mobile crisis services

3. **Counter Mental Health Parity Erosion at State and Federal Levels**

   o File complaints with state insurance commissioners documenting parity violations affecting older adults

   o Support state legislative efforts to strengthen parity protections beyond federal minimums

   o Educate older adults and caregivers about parity rights and appeal processes for coverage denials

   o Partner with legal aid organizations to provide representation for older adults facing discriminatory coverage practices

4. **Address Medicaid Work Requirement Exemption Implementation**

   o   Educate older adults (particularly those aged 55-64 in Medicaid expansion states) about "disabling mental disorder" exemptions

   o   Develop user-friendly materials explaining exemption documentation requirements in multiple languages and accessible formats

   o   Train staff at Area Agencies on Aging, senior centers, and mental health centers to assist with exemption applications

   o   Monitor state implementation closely and challenge overly restrictive exemption interpretations

5. **Advocate for Age-Appropriate AI Safeguards in Federal Policy**

   o   Engage HHS during AI strategic plan public comment periods to ensure older adult protections

   o   Push for transparency requirements so older adults know when interacting with AI versus human clinicians

   o   Demand accessibility standards ensuring AI tools accommodate cognitive changes, sensory limitations, and varying digital literacy

   o   Advocate for bias testing specific to age-related algorithmic discrimination

   o   Insist on informed consent protocols appropriate for older adults, including those with mild cognitive impairment

6. **Build State-Level Coalitions Given Federal Policy Divergence**

   o   Map state behavioral health policy landscapes to identify expansion versus restriction states

   o   In progressive states, push for robust mobile crisis systems, harm reduction programs, and integrated care models serving older adults

   o   In conservative states, focus on defending existing services, documenting harms from policy restrictions, and building bipartisan coalitions around older adult issues

   o   Share best practices and model legislation across state advocacy organizations

7. **Counter Housing Insecurity and Homelessness Among Older Adults**

   o   Respond to HUD's Continuum of Care changes by documenting older adults' unique housing needs and vulnerability to homelessness

   o   Advocate for age-appropriate housing-first models recognizing that older adults with mental health conditions require different supports than younger populations

   o   Challenge civil commitment expansion as inappropriate and traumatic for older adults with mental health conditions

   o   Build coalitions with affordable housing advocates emphasizing connections between housing stability and mental health outcomes

8. **Strengthen Community-Based Services as Federal Programs Contract**

   o   Develop partnerships between Area Agencies on Aging and community mental health centers to create integrated service models

   o   Pursue local and state funding to backfill federal grant losses

- Engage philanthropic organizations to support pilot programs demonstrating effective older adult mental health interventions
- Document service gaps and unmet needs to support future federal funding restoration advocacy

Advocacy Messages Specific to Older Adults:

- "Older adults with depression, anxiety, and other mental health conditions depend on Medicare and Medicaid coverage. Federal budget cuts and coverage restrictions will force seniors to choose between mental health care and other necessities, leading to preventable crises and hospitalizations that cost far more."

- "Telehealth has been transformative for older adults who can no longer drive, live in rural areas, or have mobility limitations. Without permanent Medicare telehealth flexibilities, millions of seniors will lose access to mental health care they desperately need."

- "Mental health parity protects older adults from discriminatory insurance practices. Without strong enforcement, seniors face higher out-of-pocket costs and more restrictive prior authorization for mental health care compared to medical care—violating the principle that mental health is health."

- "Medicaid work requirements will harm older adults aged 55-64 who have 'disabling' mental health conditions. Even with exemptions, the administrative burden will cause coverage losses among eligible older adults due to confusing paperwork and reporting requirements."

- "As AI is integrated into healthcare for older adults, we must ensure transparency, accessibility, and human oversight. Older adults deserve to know when they're interacting with AI, and algorithms must be tested for age-based bias. AI should support—not replace—human connection in mental health care."

- "Reducing permanent supportive housing while expanding involuntary commitment harms older adults experiencing homelessness and mental illness. Older adults need stable, age-appropriate housing with supportive services—not coercive institutionalization or law enforcement responses."

- "SAMHSA's workforce has been cut by more than half. Federal mental health infrastructure supports services that older adults depend on, including crisis response, substance use treatment, and suicide prevention. Rebuilding SAMHSA capacity must be a national priority."

OPPORTUNITIES WITHIN ADVERSITY

Despite formidable challenges, 2026 presents opportunities for older adult mental health advocacy:

- **Bipartisan Older Adult Coalition Potential:** Mental health and healthcare access for older adults historically attracts bipartisan support. Even in polarized environments, older adult advocates can build coalitions across political divides, particularly in competitive districts where senior voters are decisive.

- **Integrated Care Model Advancement:** SAMHSA's merger with other related agencies and programs, while threatening behavioral health visibility, creates opportunities to demonstrate integrated care models specifically designed for older adults with co-occurring physical and mental health conditions.

- **Telehealth Documentation for Future Advocacy:** The temporary nature of Medicare telehealth extensions through January 30, 2026, creates urgency to document outcomes and build evidence for permanent authorization. Comprehensive data collection now strengthens future advocacy.

- **State Innovation Laboratories:** Federal policy divergence allows progressive states to develop and demonstrate innovative older adult mental health programs that can serve as models for eventual federal adoption when political conditions change.

- **Crisis System Integration for Older Adults:** State investments in mobile crisis response and 988 integration create opportunities to develop age-appropriate crisis interventions recognizing older adults' unique needs, capabilities, and vulnerabilities.

- **AI Ethics Leadership:** Federal AI policy development provides a critical window for older adult advocates to shape ethical standards, accessibility requirements, and bias testing protocols before systems are fully deployed—potentially establishing stronger protections than would be possible after implementation.

- **Community-Based Service Strengthening:** Federal funding contractions, while harmful, may catalyze stronger local partnerships between aging services networks and mental health systems, creating more integrated community-based care models with long-term sustainability.

- **Midterm Election Leverage:** Healthcare affordability as a defining 2026 midterm issue creates opportunities for older adult mental health advocates to elevate their concerns within broader healthcare debates, particularly regarding Medicare, Medicaid, and prescription drug costs.

CONCLUSION

Older Americans with mental health conditions enter 2026 facing a policy environment more hostile and uncertain than at any point in recent decades. Nearly $1 trillion in Medicaid cuts, Medicare telehealth uncertainty, mental health parity erosion, and SAMHSA decimation threaten the foundation of behavioral health care for aging populations. Simultaneously, debates over comprehensive healthcare reform, AI governance, and state policy divergence create both risks and opportunities.

Yet advocacy organizations representing older adults possess unique strengths: bipartisan appeal, established constituent networks, documented needs, and voting power. The 2026 midterm elections place healthcare affordability at center stage, creating leverage for older adult mental health advocates to demand action.

The organizations that succeed in 2026 will combine defensive strategies—protecting existing Medicare and Medicaid coverage, defending telehealth flexibilities, challenging parity violations—with proactive efforts to shape emerging policies around AI, integrated care, and state innovation. They will build unexpected coalitions, tell compelling stories, mobilize constituents for direct advocacy, and document both harms and opportunities with rigor.

The advocacy choices made in 2026 will determine whether a more equitable, accessible, evidence-based behavioral health system for older adults is illuminated—or whether this moment accelerates decline and disparity.

For older Americans with mental health conditions and the organizations that represent them, the time for action is now.