Strip Clubs, Sex Changes, Rental Aid: What One Lawmaker Found in Medicaid Spending Shocked Him

By Fred Lucas
November 02, 2025

Oregon state Rep. Dwayne Yunker began asking questions when he discovered the state was using tax dollars to bring developmentally disabled clients to a strip club this past summer.

Yunker—a Republican lawmaker in a very blue state with a Democrat super majority in the legislature—has exposed this and other controversial Medicaid spending in the state that has little or nothing to do with medical or health issues.

On Monday, he will be in Washington meeting with members of Congress and Trump administration officials about looking into how his state—and likely others—are spending Medicaid dollars. Medicaid is a joint federal-state program intended to cover health care coverage for the poor or disabled.

The Oregon Department of Human Services informed the lawmaker in mid-August that denying the strip club outing could jeopardize federal Medicaid funding, Yunker told The Daily Signal.

Specifically, the state agency referred to a federal law that requires state Medicaid programs to help disabled people integrate into the community. "The adult day care [program] has taken developmentally disabled clients to strip clubs and bars," Yunker said. "They say they are integrating them with the community. But we are not talking about taking them to a park or the museum."

Yunker supports the Trump administration's reforms to Medicaid in the One Big Beautiful Bill Act that include work requirements to receive benefits. In an Aug. 18 letter to Dr. Mehmet Oz, administrator for the federal Centers for Medicare & Medicaid Services, the Oregon lawmaker noted the strip club was only one issue of many with the Oregon Medicaid program. He noted in the letter that $2.3 million in Medicaid funds were paid in the last year to an organization that housed a Venezuelan gang member charged with kidnapping, torture, and attempted murder. Further, Medicaid reimbursements have paid for "sex change" operations on minors.

The specific matter on the strip club appears to be resolved, Caprice Knapp, principal deputy director of the Centers for Medicaid & CHIP Services, told Yunker in a Sept. 19 letter.

Knapp said in the letter that “nothing in this or any other Medicaid regulation sanctions or requires taxpayer funding to be used for activities like those you uncovered in Oregon.” In September, Centers for Medicare & Medicaid Services staff discussed the matter in a call with the Oregon Health Authority and the Oregon Department of Human Services, Knapp said in the letter. “On that call, they were able to confirm that this voluntary activity in the community was not part of an individual’s person-centered service plan and the provider did not bill Medicaid for this activity,” Knapp’s letter continued. “These state agencies also understand that the HCBS [Medicaid home- and community-based services] regulation was inappropriately characterized as requiring the activities you highlighted. Based on this discussion, my staff is comfortable that this issue has been resolved.” The Oregon Department of Human Services did not respond to phone and email inquiries for this story. Yunker said such problems aren’t limited to his state.

“Oregon, California, and Washington are almost the same, each state is trying to one up the other with how much of other people’s money they can spend,” he said. “What you’re seeing in New York City has been happening out west for a long time. They just don’t always call it socialism.”

What happened in Oregon “isn’t just a one-off scandal,” said Tony Woodlief, senior executive vice president with the State Policy Network, a network of conservative and libertarian state-based think tanks. “The real problem is that Americans are too often misled about what federal law actually requires,” Woodlief told The Daily Signal. “State bureaucrats sometimes hide behind Washington as an excuse to push their own agendas past elected leaders. Other times, federal ideologues issue unauthorized directives that twist the law to advance policies no one voted for. Either way, unelected bureaucrats—not the people—end up in charge.”

Woodlief said this problem isn’t limited to Medicaid programs in states and added, “Thank goodness for champions like Rep. Yunker who are willing to ask the hard questions and hold the system accountable.”

Oregon announced two years ago that it was allowing illegal immigrants to access Medicaid benefits, saying, "As of July 1, 2023, people of all ages who meet income and other criteria qualify for full OHP [Oregon Medicaid] benefits and other services and supports, no matter their immigration status."

The part of the funding paying for illegal immigrants comes from state Medicaid dollars, not federal Medicaid dollars. The state also notes online that Medicaid dollars can go for temporary rental assistance as well as nutrition assistance.

In August, Oregon Gov. Tina Kotek, a Democrat, denounced Republicans' federal Medicaid reforms, saying they will make Americans and Oregonians "sicker, hungrier, and less prosperous." "I am going to work with Oregon lawmakers and community partners to do all that we can to stand up for Oregonians and get through this needless, callous hardship," Kotek said. In his letter to Oz, Yunker wrote, "The real hardship is what my constituents endure under Oregon's broken Medicaid program." "We've barely scratched the surface of the broken Medicaid system," he said.