HEALTHCARE REGULATORY ROUND-UP #91

# Washington Update

March 27, 2025

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# Introductions

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# Day 66

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“I’m going to let him go wild on health. I’m going to let him go wild on the food. I’m going to let him go wild on the medicines.”

*Donald J. Trump describing Robert F. Kennedy’s role in his Administration*
*October 27, 2024 – Madison Square Garden*

# Today's Agenda

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1. Full-Year Continuing Appropriations and Extensions Act, 2025
2. Status of FFY2026 Budget Reconciliation and Appropriations
3. The Death of DEI
4. Future of Health Equity
5. Changes to ACA Insurance Marketplace
6. Hospital Price Transparency Executive Order
7. DOGE – Who's on First?
8. ICE Man Cometh
9. CMS Alert: Protecting Children from Chemical and Surgical Mutilation
10. EMTALA and Pregnancy-Related Emergencies
11. Discontinuation of CMS Innovation Center Models
12. Tariffs – Impact on Healthcare Providers
13. In the Congressional Hopper
14. MedPAC and MACPAC Recommendations
15. State COVID-19 Grants
16. Now What?

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# 1. Full-Year Continuing Appropriations and Extensions Act, 2025

Image Source: Shutterstock

# CAEA, 2025

- Maintains discretionary spending at FFY2024 levels, except increases defense spending by ~$6B and reduces domestic spending by ~$13B (including $890M in HRSA grants for healthcare facilities and equipment)
- What's in:  6-month extensions (through 9/30/2025)
  - Temporary changes to low volume hospital payment adjustment
  - Medicare Dependent Hospital program
  - Add-on payments for ambulance services
  - Work geographic practice cost index (GPCI) floor (calculation of MPFS payments)
  - Acute hospital care at home waivers
  - $8B reduction in Medicaid disproportionate share payments
- What's out
  - Reversal of 2.83% cut in MPFS conversion factor
    - Includes hospital services reimbursed under MPFS, e.g., mammography, therapies
  - Advanced APM incentive payments for 2025

# Medicare Coverage for Telehealth

- Since 2021, Medicare covers *tele-behavioral health services* furnished to beneficiary at home on permanent basis
  - May be billed by physicians, practitioners, and RHCs/FQHCs (billed as RHC/FQHC visit)
  - Effective 10/1/2025 (1/1/2026 for RHCs/FQHCs) -
    - For new patients, must have face-to-face visit within 6 months of initiating telehealth services, and
    - Must have face-to-face visit once every 12 months following initiation of tele-behavioral health services (with certain exceptions)
- Effective 10/1/2025, *medical telehealth services* covered only if beneficiary physically present at a facility in rural area at time of service
- Effective 10/1/2025, PTs, OTs, and speech language pathologists can no longer bill Medicare for telehealth services

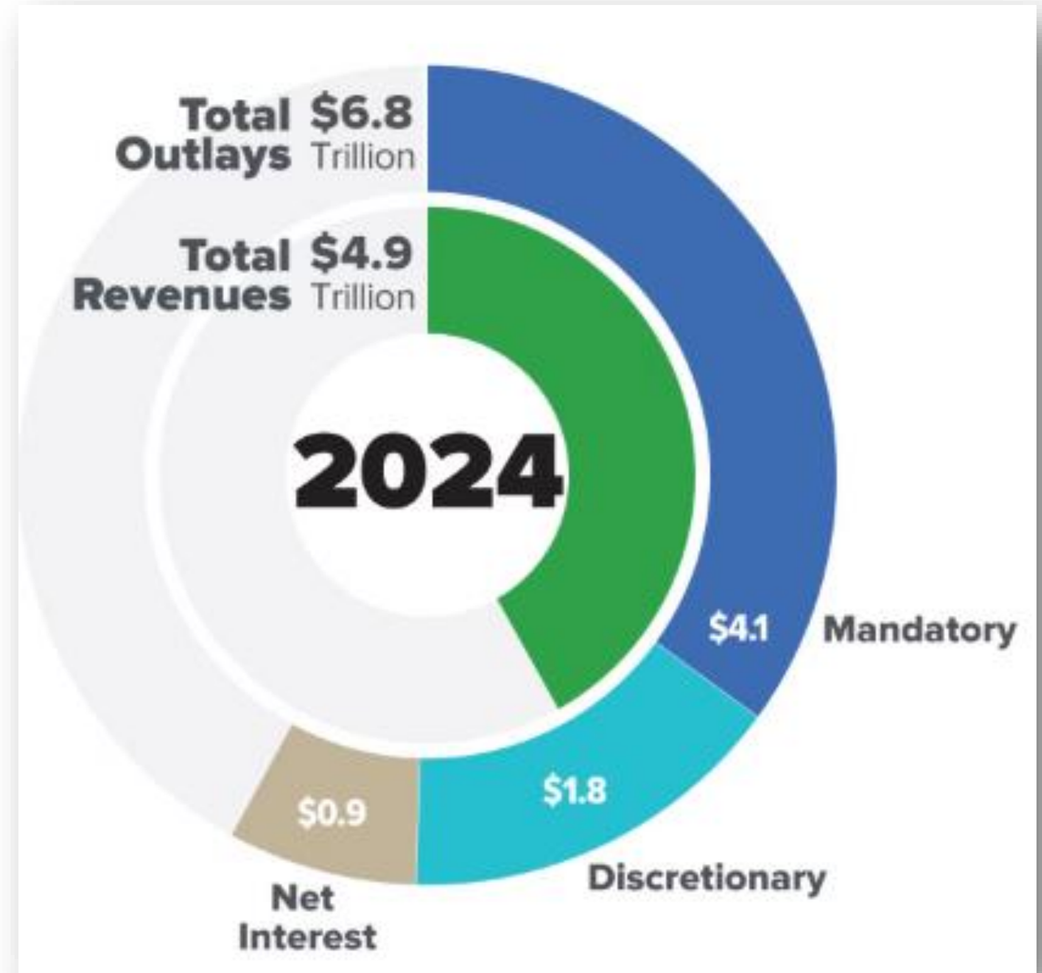
# Medicare Telehealth Coverage

- Through 12/31/2025, RHCs/FQHCs can be distant site providers for medical telehealth services, billing under HCPCS G2025 (~$97)
- Through 9/30/2025, those medical telehealth services CMS previously identified as covered when using audio-only platform will be covered (except CPT 99441-99443)
- On a permanent basis, any telehealth service will be covered when furnished audio-only if:
  - Beneficiary is at home when service provided, **and**
  - Practitioner is capable of audio-video connection, **and**
  - Beneficiary cannot or does not want to connect by video

# 2. Status of FFY2026 Budget Reconciliation and Appropriations

# Budget Reconciliation vs. Appropriations

- Mandatory spending, taxes, and debt limit addressed through budget reconciliation
  - Covers multiple fiscal years
  - Simple majority in both chambers
- Discretionary spending addressed through appropriations
  - Covers single (or partial) fiscal year
  - Requires 60 votes in the Senate




https://www.cbo.gov/publication/61181

# House Budget Resolution

- $4.5T in tax cuts
- Instructions to several committees that equal at least $1.5 trillion in cuts to mandatory spending
  - $880B cuts to Energy & Commerce, $230B cuts to Agriculture
  - Committees must submit legislation to House Budget Committee by March 27
- Mandate to find another $500 billion in spending reductions without specific committee instructions
- Any shortfall results in corresponding reduction in tax cuts (e.g., if only $1.7B in cuts, tax cuts reduced to $4.2T); any excess results in corresponding increase in tax cuts (e.g., if $2.3B in cuts, tax cuts increased to $4.8T)

# March 5 CBO Report: Spending Under E&C Jurisdiction

- Excludes Medicare spending because under jurisdiction of multiple committees
- 93% of $8.8T under E&C's jurisdiction is Medicaid funding; other spending totals $135B (accounting for offsetting revenue)
- E&C chair maintains $880B goal can be achieved without cutting Medicaid benefits
  - Reduce/eliminate provider taxes
  - Reduce 90% match for expansion population

**Outlays From Accounts Indicated to Be Under the Jurisdiction of the House Committee on Energy and Commerce**

By Fiscal Year, Billions of Dollars

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2025-2029 | 2025-2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Medicaid | 656 | 695 | 738 | 767 | 803 | 837 | 871 | 910 | 948 | 986 | 3,658 | 8,209 |
| CHIP | 21 | 21 | 22 | 22 | 23 | 23 | 23 | 16 | 15 | 15 | 108 | 201 |
| **Other Listed Programs** | | | | | | | | | | | | |
| Risk Adjustment Program | 12 | 15 | 16 | 15 | 15 | 15 | 16 | 17 | 18 | 18 | 73 | 158 |
| Universal Service Fund | 9 | 9 | 8 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 43 | 87 |
| CHIPS | 3 | 4 | 5 | 6 | 6 | 5 | 3 | 2 | 1 | 0 | 24 | 36 |
| Offsetting Receipts[a] | -2 | -4 | -3 | -3 | -3 | -3 | -3 | -2 | -2 | -2 | -15 | -27 |
| Interest Earnings[a] | -3 | -3 | -3 | -3 | -3 | -3 | -3 | -4 | -4 | -4 | -15 | -32 |
| Other | 25 | 21 | 19 | 20 | 18 | 14 | 12 | 10 | 10 | 10 | 103 | 159 |
| Subtotal, Other | 44 | 42 | 43 | 43 | 41 | 37 | 33 | 33 | 32 | 32 | 213 | 381 |
| **Total Outlays** | **720** | **759** | **802** | **832** | **867** | **897** | **928** | **959** | **995** | **1,033** | **3,979** | **8,791** |

Data source: Congressional Budget Office: *The Budget and Economic Outlook: 2025 to 2035* (January 2025), https://www.cbo.gov/publication/60870.

Components may not sum to totals because of rounding.

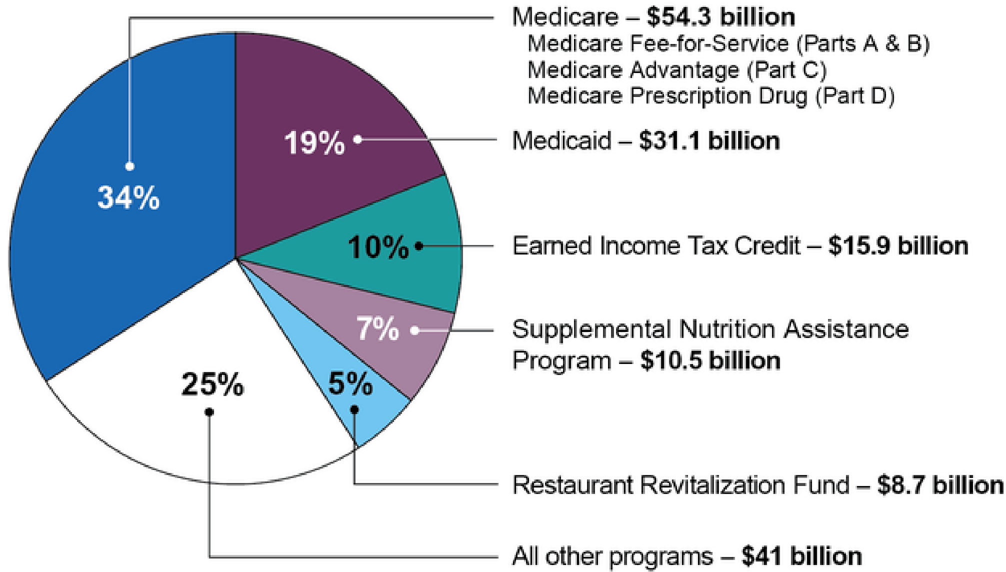
Outlays are for all programs except Medicare, which is under the jurisdiction of more than one Committee.

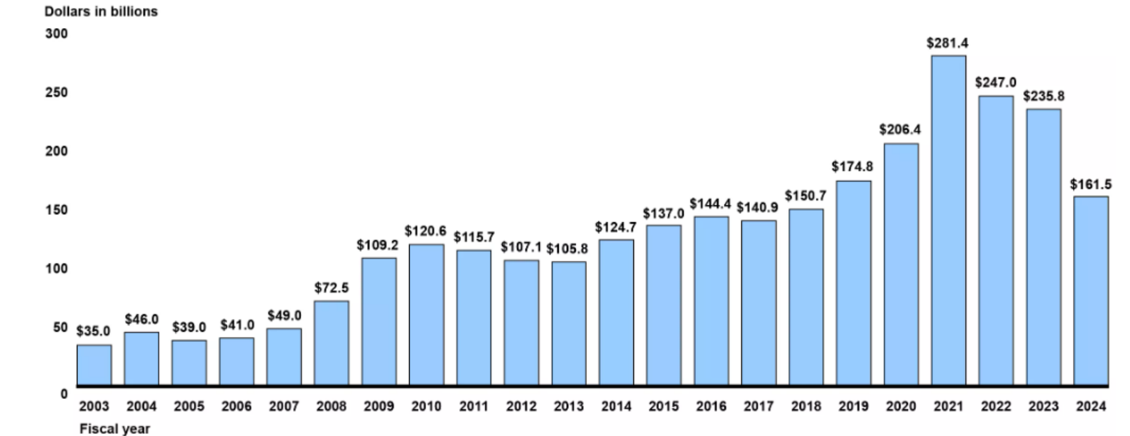
CHIP = Children's Health Insurance Program; CHIPS = Creating Helpful Incentives to Produce Semiconductors.

a. Offsetting receipts and interest earnings are classified in the budget as direct spending.

https://www.cbo.gov/system/files/2025-03/61235-Boyle-Pallone.pdf

# March 11 GAO Report:
# 2024 Improper Payments by Federal Agencies

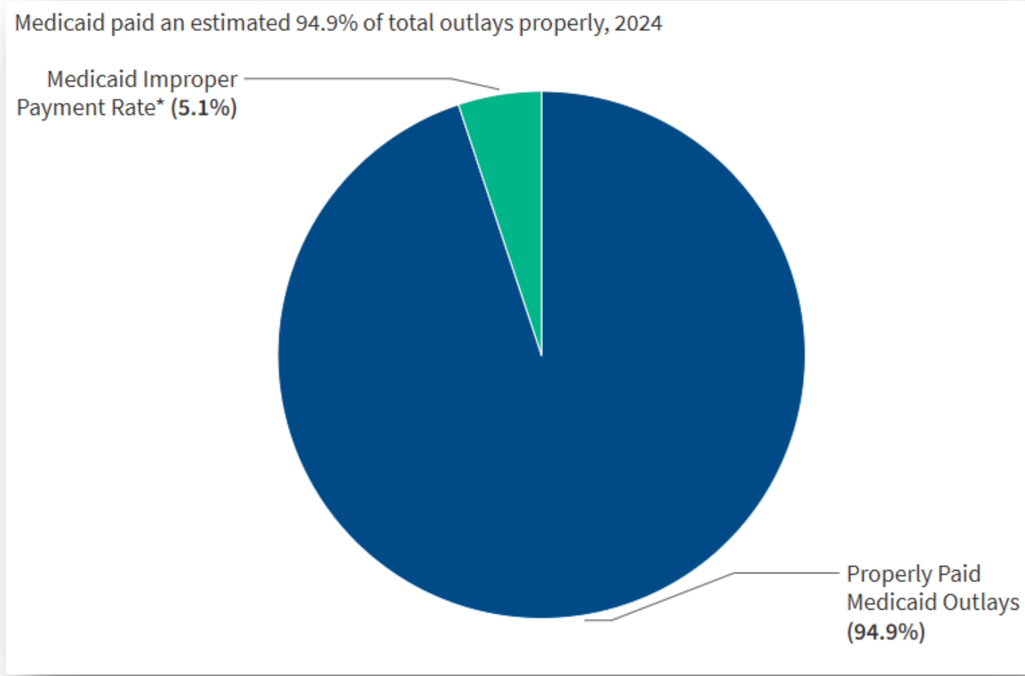


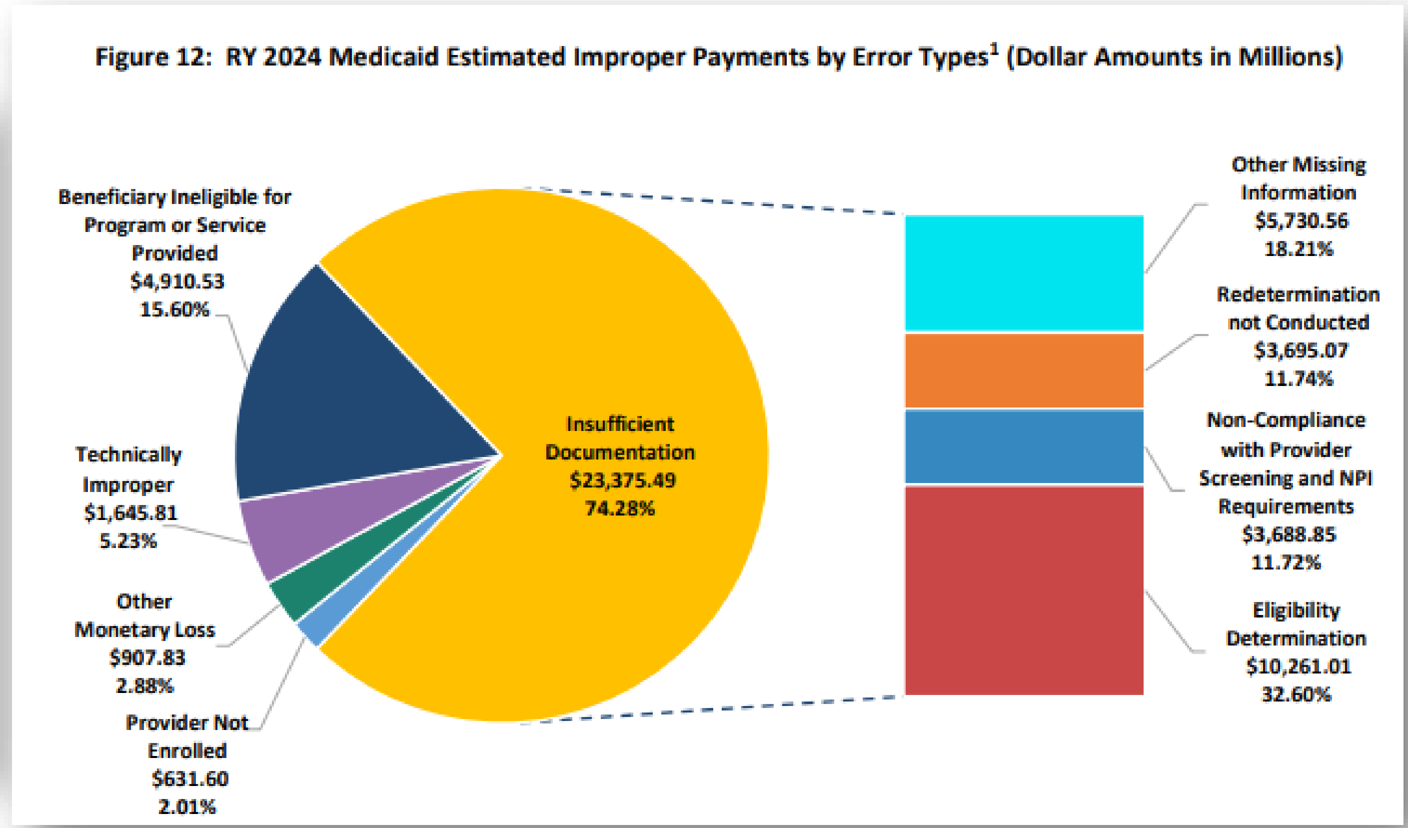




~$2.8T in federal improper payments since FY 2003. Annual amounts not adjusted for inflation.

https://www.gao.gov/products/gao-25-107753

# FY 2024 Medicaid Improper Payment Rate



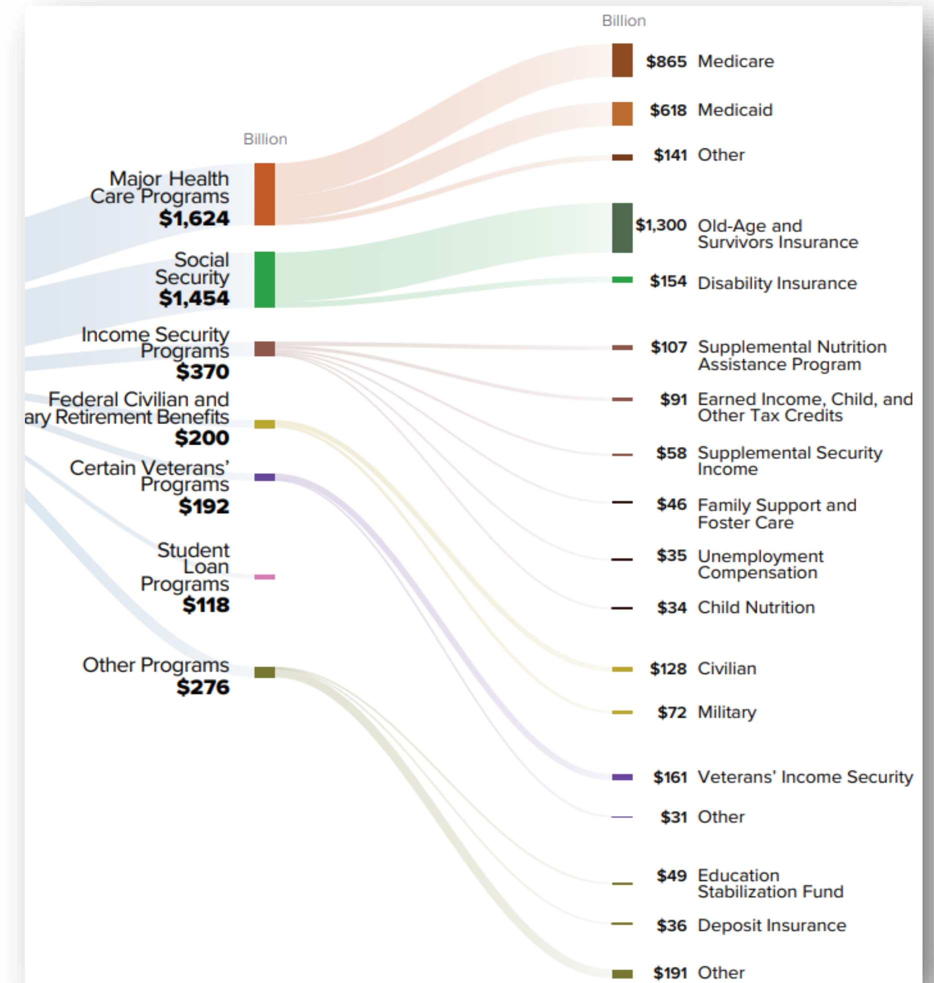




https://www.hhs.gov/sites/default/files/fy-2024-hhs-agency-financial-report.pdf

# What About Medicare?

- Social Security benefits off the table
- Medicare benefits off the table, but not payments to providers
  - Site neutral payment reforms ($146B)
  - Reduce 340B drug payments ($15.4B to $73.5B)
  - Reduce/eliminate bad debt coverage ($16.7B to $54.1B)
  - Consolidate/reduce GME payments ($94B to $103B)
  - Reform UCC payments ($229B)
  - Wage index geographic integrity ($10B)
  - Eliminate hospital dual classification ($10B)
  - Reform Medicare physician payments ($10B)

**FY2023 Mandatory Spending**




https://www.hfma.org/wp-content/uploads/2025/01/senate-finance-committee_budget-cuts-menu.pdf

https://www.cbo.gov/system/files/2025-03/61182-Mandatory.pdf

# Big, Beautiful Bill?

## How It Started…

## How It's Going…

- Senate previously passed budget resolution not including tax cuts; House leaders now pressuring Senate to adopt House resolution (with different committee instructions?)
- GOP members of House Ways and Means Committee discussing additional tax cuts
- Some senators advocating for 'current policy baseline' resulting in $0 price tag on extending 2017 tax cuts; decision now in hands of Senate parliamentarian
- Include DOGE cuts as part of offset?
- Address debt ceiling (CBO: will reach by August)?
- Congressional leaders promise resolution by April 11 (prior to start of 2-week Easter holiday)

# 3. The Death of DEI

# Stopping Unlawful DEI-Related Workplace Discrimination

- **January 21**
  - Executive Order 14173, "Ending Illegal Discrimination and Restoring Merit-Based Opportunities"
    - Instructs federal agencies to terminate discriminatory policies and programs and requires federal contractors and grant recipients to certify they do not operate DEI programs that violate anti-discrimination law
      - Certification = basis for False Claims Act liability
      - Department of Labor Office of Federal Contract Compliance Programs (OFCCP) previously advised that Medicare participating providers not considered covered federal contracts for purposes of OFCCP jurisdiction and compliance
    - On March 14, 4th Circuit stayed nationwide preliminary injunction on EO's certification, termination, and enforcement provisions pending appeal
- **February 5**
  - Attorney General memo directing Office of Civil Rights to investigate, eliminate, and penalize illegal DEI activities in private sector
    - Does not prohibit educational, cultural, or historical observances that promote awareness without engaging in exclusion/discrimination
  - Office of Personnel Management memo requiring agencies to end diversity requirements for hiring panels and candidate pools and discriminatory employee resource groups

# March 19 EEOC/DOJ Technical Assistance Guides

- “Under Title VII, DEI initiatives, policies, programs, or practices may be unlawful if they involve an employer…taking an employment action motivated – in whole or in part – by an employee’s or applicant’s race, sex, or another protected characteristic”
- Disparate treatment
  - Hiring, firing, promotions, demotions
  - Compensation and fringe benefits
  - Access to or exclusion from training (including leadership development programs)
    - Cannot separate employees into protected groups when administering training
  - Access to mentoring, sponsorship, workplace networks/networking, and internships
  - Participation in employee resource groups
  - Job duties and/or work assignments

https://www.eeoc.gov/wysk/what-you-should-know-about-dei-related-discrimination-work

# March 19 EEOC/DOJ Technical Assistance Guides

- “Employment decisions based on the discriminatory preferences of clients, customers, or co-workers are just as unlawful as decisions based on an employer’s own discriminatory preferences”
- “Depending on the facts, an employee may be able to plausibly allege or prove that a diversity or other DEI-related training created a hostile work environment by pleading or showing that the training was discriminatory in content, application, or context.”
- “No general business interests in diversity and equity (including perceived operational benefits or customer/client preference) have ever been found by the Supreme Court or the EEOC to be sufficient to allow race-motivated actions”
  - Research showing diverse workforce improves patient outcomes?

# 4. The Future of Health Equity

# CMS Framework for Health Equity

- "CMS recognizes that addressing health and health care disparities and achieving health equity should underpin efforts to focus attention and drive action on our nation's top health priorities."
- The Framework "brings focus to CMS's work supporting health care organizations, health care professionals and partners … in activities to achieve health equity."

https://www.cms.gov/About-CMS/Agency-Information/OMH/equity-initiatives/framework-for-health-equity

# Reversing Course?

- February 19 executive order disbanding CMS Health Equity Advisory Committee
  - CMS Office of Minority Health continues to operate, with ‘health equity’ references on website
  - CMS Framework priorities remain, but now “Framework for Healthy Communities”
- March 4 rescission of Center for Medicaid and CHIP Services’ guidance on coverage for certain services and supports that purport to address health-related social needs.
- March 2025 removal of Hospital Commitment to Health Equity measure from Medicare Beneficiary Quality Improvement Project (MBQIP)
- February/March 2025 cancellation of dozens of NIH grants funding health equity research
  - Termination letters inform researchers their project “no longer effectuates agency priorities,” that “so-called diversity, equity and inclusion (DEI) studies are often used to support unlawful discrimination on the basis of race,” and that research based on “amorphous equity objectives” are “antithetical to the scientific inquiry, do nothing to expand our knowledge of living systems, provide low returns on investment, and ultimately do not enhance health, lengthen life, or reduce illness”

List of terminated grants available at https://taggs.hhs.gov/Content/Data/HHS_Grants_Terminated.pdf.
Termination letter quoted in https://rollcall.com/2025/03/24/trump-cancels-nih-grants-on-equity-research/

# The Gang's All Here

**Department of Health and Human Services**

**AGENCY:** HHS-CMS | **RIN:** 0938-AV45 | **Status:** Pending Review | Request EO Meeting
**TITLE:** Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals; the Long-Term Care Hospital Prospective Payment System; and FY 2026 Rates (CMS-1833)
**STAGE:** Proposed Rule | **SECTION 3(f)(1) SIGNIFICANT:** Yes
**RECEIVED DATE:** 02/14/2025 | **LEGAL DEADLINE:** Statutory

**AGENCY:** HHS-CMS | **RIN:** 0938-AV49 | **Status:** Pending Review | Request EO Meeting
**TITLE:** FY 2026 Hospice Wage Index, Payment Rate Update, and Quality Reporting Requirements (CMS-1835)
**STAGE:** Proposed Rule | **SECTION 3(f)(1) SIGNIFICANT:** Yes
**RECEIVED DATE:** 02/20/2025 | **LEGAL DEADLINE:** Statutory

**AGENCY:** HHS-CMS | **RIN:** 0938-AV40 | **Status:** Pending Review | Request EO Meeting
**TITLE:** Contract Year 2026 Policy and Technical Changes to the Medicare Advantage, Medicare Prescription Drug Benefit, and Medicare Cost Plan Programs, and PACE (CMS-4208)
**STAGE:** Final Rule | **SECTION 3(f)(1) SIGNIFICANT:** Yes
**RECEIVED DATE:** 03/06/2025 | **LEGAL DEADLINE:** Statutory

**AGENCY:** HHS-CMS | **RIN:** 0938-AV46 | **Status:** Pending Review | Request EO Meeting
**TITLE:** FY 2026 Inpatient Psychiatric Facilities Prospective Payment System Rate and Quality Reporting Updates (CMS-1831)
**STAGE:** Proposed Rule | **SECTION 3(f)(1) SIGNIFICANT:** No
**RECEIVED DATE:** 03/07/2025 | **LEGAL DEADLINE:** Statutory

**AGENCY:** HHS-CMS | **RIN:** 0938-AV47 | **Status:** Pending Review | Request EO Meeting
**TITLE:** FY 2026 Skilled Nursing Facility (SNFs) Prospective Payment System and Consolidated Billing and Updates to the Value-Based Purchasing and Quality Reporting Programs (CMS-1827)
**STAGE:** Proposed Rule | **SECTION 3(f)(1) SIGNIFICANT:** Yes
**RECEIVED DATE:** 03/07/2025 | **LEGAL DEADLINE:** Statutory

**AGENCY:** HHS-CMS | **RIN:** 0938-AV48 | **Status:** Pending Review | Request EO Meeting
**TITLE:** FY 2026 Inpatient Rehabilitation Facility (IRF) Prospective Payment System Rate Update and Quality Reporting Program (CMS-1829)
**STAGE:** Proposed Rule | **SECTION 3(f)(1) SIGNIFICANT:** Yes
**RECEIVED DATE:** 03/07/2025 | **LEGAL DEADLINE:** Statutory

**AGENCY:** HHS-CMS | **RIN:** 0938-ZB91 | **Status:** Pending Review | Request EO Meeting
**TITLE:** Announcement of Calendar Year 2026 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies (the "CY 2026 Rate Announcement")
**STAGE:** Final Rule | **SECTION 3(f)(1) SIGNIFICANT:** Yes
**RECEIVED DATE:** 03/13/2025 | **LEGAL DEADLINE:** Statutory

https://www.reginfo.gov/public/jsp/EO/eoDashboard.myjsp

# 5. Changes to the ACA Insurance Marketplace

# ACA Navigator Program Funding

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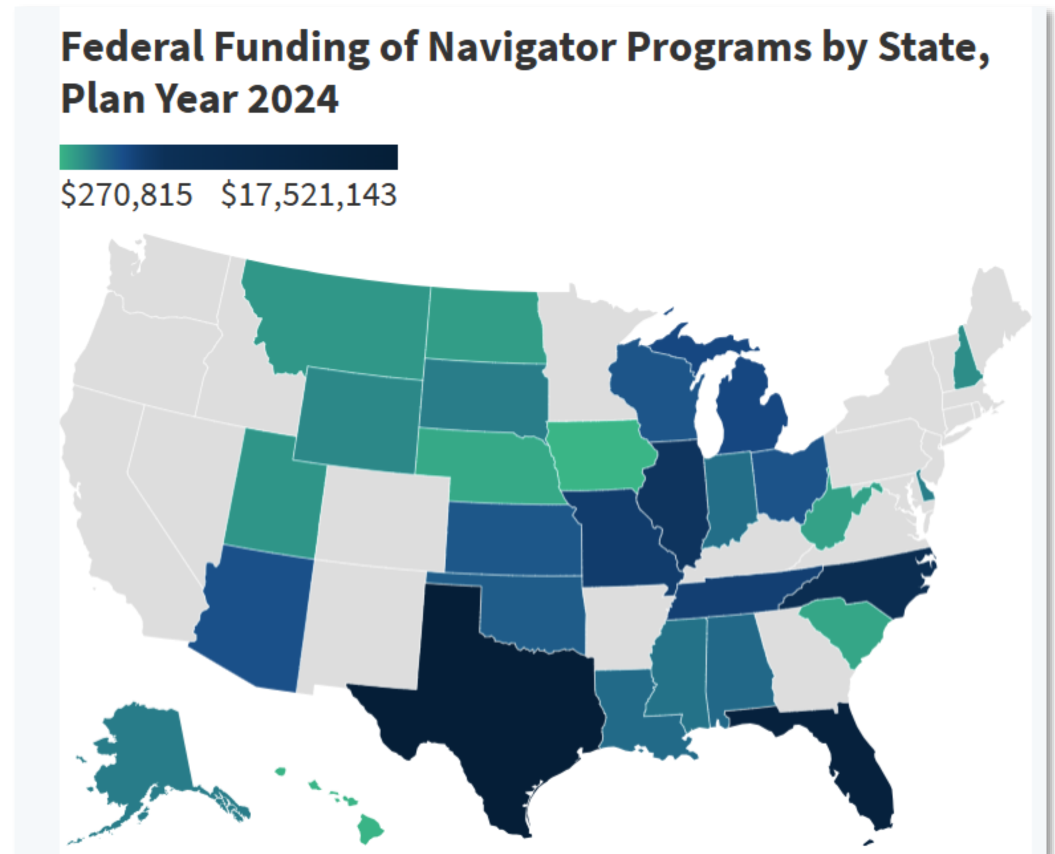
- February 14 announcement – annual grant funding reduced from $100M to $10M
  - Same level of funding in first Trump administration
  - Will save $360M over next 4 years,  thus reducing premiums
- Cites decreased Navigator effectiveness
  - Only enrolled 92K consumers in 2024 plan year ($1,061 per enrollment); only provided post-enrollment assistance to 86K consumers (vs. 205K in 2019)
  - Also enrolled 292K in Medicaid




https://www.cms.gov/newsroom/press-releases/cms-announcement-federal-navigator-program-funding

https://www.kff.org/quick-take/a-90-cut-to-the-aca-navigator-program/

# Marketplace Integrity and Affordability Proposed Rule

- Released on March 10; comments due April 11
- Multiple provisions intended to stabilize risk pool, lower premiums, and reduce improper enrollments
  - Reduce length of annual Open Enrollment Period by 1 month
  - Strengthen income verification processes and modify eligibility redetermination procedures
  - Eliminate Special Enrollment Period for individuals below 150% FPL
  - Remove Deferred Action for Childhood Arrivals (DACA) recipients from definition of "lawfully present" for Marketplace and Basic Health Program (BHP) coverage;
  - Define by regulation standards for agent and broker termination
  - Revise premium adjustment percentage methodology
  - Limit access to advance payments of premium tax credits
- Prohibit issuers from providing coverage of sex-trait modifications as essential health benefit (to align benefits with standard employer coverage)

https://www.federalregister.gov/documents/2025/03/19/2025-04083/patient-protection-and-affordable-care-act-marketplace-integrity-and-affordability

# Enhanced Premium Tax Credits

- For 2021-2025, eligibility expanded to individuals earning more than 400% FPL; no apparent interest in extending or making permanent
- Per Congressional Budget Office:
  - Unless extended through 2026, number of people without insurance will rise by 2.2 million I
  - Without permanent extension, will rise by 3.7 million in 2027, and by 3.8 million, on average, in each year over the 2026-2034 period
- For 2025, CMS projects 27 million uninsured (7.6% of the population)

# 6. Hospital Price Transparency Executive Order

# February 25 Executive Order

- "Making America Healthy Again by Empowering Patients with Clear, Accurate, and Actionable Healthcare Pricing Information"
- Directs Secretaries of Treasury, Labor, and HHS to take action within 90 days to:
  - Require disclosure of actual prices, not estimates, for all items and services
  - Issue updated guidance/proposed regulations to ensure pricing information is standardized and comparable across hospitals and insurers, including prescription drug prices
  - Issue guidance/proposed regulations updating enforcement policies intended to ensure compliance with requirements to make prices transparent

# Pricing Transparency

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FACT SHEET: PRESIDENT DONALD J. TRUMP ANNOUNCES ACTIONS TO MAKE HEALTHCARE PRICES TRANSPARENT

February 25, 2025

**LOWERING COSTS FOR AMERICAN FAMILIES:** When healthcare prices are hidden, large corporate entities like hospitals and insurance companies benefit at the expense of American patients. Price transparency will lower healthcare prices and help patients and employers get the best deal on healthcare.

**DELIVERING ON PROMISES TO PUT AMERICAN PATIENTS FIRST:** President Trump is delivering on his promise to once again put American patients first by holding the healthcare industrial complex accountable for delivering transparent prices.

https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-announces-actions-to-make-healthcare-prices-transparent/

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# 7. DOGE – Who's On First?

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## Agency Efficiency Leaderboard

Tracking progress across federal agencies

Most Savings | Least Savings

1. HHS (Department of Health and Human Services)
2. ED (Department of Education)
3. GSA (General Services Administration)
4. EPA (Environmental Protection Agency)
5. DOL (Department of Labor)
6. SSA (Social Security Administration)
7. OPM (Office of Personnel Mgmt)
8. DOI (Department of the Interior)
9. USDA (Department of Agriculture)
10. DHS (Department of Homeland Security)

Show All Agencies

https://doge.gov/savings

8. The ICE Man Cometh

# ICE Enforcement at “Sensitive” Locations

- Rescinded Biden-era policy that protected sensitive locations – including healthcare facilities – from immigration enforcement
- Still required to have judicial order to search “private” areas, but not lobbies, waiting areas, and parking lots
- Update policies/provide staff training regarding access to patient areas absent judicial order
  - Clearly designate non-public areas of facility
- Expect Form I-9 forms to confirm employees legally authorized to work in U.S.
  - Requires Notice of Inspection but could be provided when ICE presents at facility

https://www.dhs.gov/news/2025/01/21/statement-dhs-spokesperson-directives-expanding-law-enforcement-and-ending-abuse

# 9. CMS Alert: Protecting Children from Chemical and Surgical Mutilation

# March 5 Quality and Safety Special Alert Memo

- CMS Center for Clinical Standards and Quality (CCSQ) released memo to hospitals related to President Trump's executive order, "Protecting Children from Chemical and Surgical Mutilation"
  - Challenges research on medical interventions for gender dysphoria in children; asserts U.S. now an outlier in treatment of this condition
  - No immediate regulatory action, but likely to be forthcoming
- Section of EO regarding prohibition on federal grantees providing such services subject to preliminary injunction
  - On March 6, HRSA sent letter stating agency would review its policies, grants, and programs in light of concerns identified in CCSQ memo and may take steps to update its policies consistent with EO

https://www.cms.gov/files/document/QSSAM-25-02-Hospitals.pdf

# 10. EMTALA and Pregnancy-Related Emergencies

# Litigation Update

- In 2022, Biden Administration sued State of Idaho, arguing EMTALA trumps state law prohibiting abortion except when necessary to save mother’s life
  - District court issued preliminary injunction in administration’s favor
  - Supreme Court dismissed appeal in 2024, leaving preliminary injunction in place
- On March 5, Department of Justice and State of Idaho agreed to dismiss lawsuit
  - No explanation offered in parties’ motion to dismiss
- St. Luke’s Health System also has sued the State of Idaho, claiming EMTALA requires health exception in state’s abortion law
- Five other states have abortion laws with no health exception
  - Arkansas, Mississippi, Oklahoma, Texas, South Dakota

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# New MAHA-Based Strategy

- March 12 announcement from CMS Innovation Center
  - Discontinuing 4 innovation models by end of 2025: Primary Care First, Making Care Primary, End-Stage Renal Disease Treatment Choices, and Maryland Total Cost of Care
  - Scaling back the Integrated Care for Kids model in Medicaid/CHIP
  - Scrapping two drug pricing models announced in 2023 but not implemented.
  - "Based on an analysis of published evaluation reports and financial forecasting, CMS estimates a savings of almost $750,000,000 by ending the selected models early."
  - Other active models will continue to move forward (including TEAM)
  - Innovation Center "plans to announce a new strategy based on guiding principles to make Americans healthier by preventing disease through evidence-based practices, empowering people with information to make better decisions, and driving choice and competition."
- Medicare Shared Savings Program
  - Project 2025 calls for axing the program
  - Not part of CMS Innovation Center's portfolio
  - CMS recently announced 2026 application cycle

https://www.cms.gov/newsroom/fact-sheets/cms-innovation-center-announces-model-portfolio-changes-better-protect-taxpayers-and-help-americans

# 12. Tariffs – Impact on Healthcare Providers

# Black Book Market Research Survey

- 69% of respondents estimate ***pharmaceutical costs*** will rise by at least 10%
- 90% of healthcare supply chain professionals expect major ***disruptions in procurement processes and contract negotiations*** with suppliers due to increased costs/pricing volatility
- 81% of medical equipment manufacturers predict ***longer lead times and supply shortages*** stemming from increased production costs and import restriction
- 94% of healthcare administrators anticipate ***reducing procurement volumes/delaying equipment upgrades*** to mitigate financial strain.
- 48% of payer executives believe that ***insurance premiums will rise*** within the next 12 months as a direct consequence of increased supply chain expenses.
- 27% of respondents report that they are ***actively seeking domestic or alternative international suppliers*** to offset higher costs from Mexico, Canada, and China.
- 92% of pharmaceutical manufacturers caution that switching suppliers could result in ***regulatory delays and supply inconsistencies***, particularly for critical medications
- 39% of healthcare IT executives foresee ***increased costs for software licensing, cloud computing, and managed services*** due to higher prices for imported technology components and IT infrastructure.
- 91% of provider IT leaders anticipate ***delays in planned digital transformation projects*** as budgets shift to cover increased operational costs.

# Impact on Construction Projects

- AIA standard contract terms do not explicitly address responsibility for increased costs and delays resulting from tariffs
  - E.g., provision relating to payment of taxes does not explicitly reference tariffs
- New terms to address potential tariff impacts
  - Escalation clauses to account for increases in costs of materials
  - Responsibility for delays due to material availability

# 13. In the Congressional Hopper

# Bills Introduced in 119th Congress

- Preserving Seniors’ Access to Physicians Act
  - Introduced by Rep. Greg Murphy (R – North Carolina), co-chair of Doctors Caucus
  - Would increase physician FFS payments by ~ 6.6%
- Health Care PRICE Transparency Act
  - Introduced by Rep. Warren Davidson (R – Ohio)
  - Expands on current requirements for hospital and payer transparency
    - May provide platform to expand requirements to other provider types
    - May be used to advance transparency EO
- Rural Health Care Access Act
  - Introduced by Rep. Mark Green (R – Tennessee)
  - Reinstate necessary provider designation for critical access hospitals

# 14. MedPAC and MACPAC Recommendations

# MedPAC March 2025 Report To Congress

- IPPS and OPPS recommendations
  - Base rate increase at amount reflected in current law plus 1% (CMS current forecast projected to increase IPPS and OPPS base rates by over 2%+)
  - Redistribute DSH and UCC through Medicare Safety Net Index pool and increase pool funding by $4 billion
    - Better target funds toward hospitals that provide greatest level of care for low-income beneficiaries and are facing significant financial challenges
- Medicare Physician Fee Schedule
  - Replace current MACRA formula (0.75% increase for clinicians in APMs, 0.25% for others) with a single update equal to projected increase in the Medicare Economic Index minus 1 percentage point (approximately 1.3% increase)
  - New safety net add-on payments for services provided to low-income FFS beneficiaries
  - Two policies estimated to increase average payments by 5.7% for primary care and 2.5% for other clinicians
- Other base rate recommendations
  - Skilled nursing facility services: reduce by 3%
  - Home care services: reduce by 7%
  - Inpatient rehab: reduce by 7%

# What Drives Higher MA Payments?

## Favorable Selection

- Each beneficiary (MA + FFS) has risk score based on demographics and diagnoses (HCCs) to predict spending in upcoming year
- Some beneficiaries will have higher spending, others lower
- Favorable selection = beneficiaries with lower-than-expected spending select MA over FFS
  - MA plan features (e.g., prior authorization, restrictive networks)
  - Beneficiary preferences (e.g., beneficiaries who seeks less care and more supplemental benefits select MA)

## Coding Intensity

- Incentives + infrastructure for MA plans to code more diagnoses
  - Diagnoses drive risk scores, risk scores drive payments to MA plans
  - Coding intensity driven by chart reviews and health risk assessments
- MedPAC projects MA enrollees' risk scores are 16% higher than if enrolled in FFS
  - MA plans receive upward payment adjustments based on coding intensity for 85% of enrollees
  - Even with 5.9% coding intensity risk adjustment and phase-in of V28 risk-adjustment model

# MedPAC MA Recommendations

- Reduce plan payments by excluding diagnoses collected from risk assessments
- Star ratings program is administratively burdensome, adds to program costs, and does not meaningfully improve quality
- Cliff effect of dividing counties into quartiles, caps on benchmarks and inclusion of spending data for FFS beneficiaries with Part A only
- Beneficiary challenges and care disruptions from provider network changes
- Lack of information on supplemental benefit utilization

# MACPAC March 2025 Report to Congress

- Recommendations relating to:
  - Improving usability and transparency of managed Medicaid external quality review process
  - Improving timely access to home- and community-based services
  - Streamlining Section 1915 authorities for home- and community-based services to reduce burden on states and federal government

**DID NOT ADDRESS Medicaid funding under the new Administration**

# 15. State COVID-19 Grants

# March 24 Cancellation of $12.4B in State Grants

- Dollars appropriated in COVID-19 relief legislation to support state health agencies pandemic response re-purposed for other priorities
  - $11.4B in CDC grants earmarked for COVID-19 response set to expire in 2026 or 2027; funds directed to testing and surveillance of other infectious diseases, vaccinations, updating equipment and information systems
  - $1B in SAMHSA grants not specifically tied to COVID-19 set to expire in September 2025; funds directed to provision of services
- State agencies directed to immediately discontinue all activities and not incur any additional costs
- HHS spokesman: *"The Covid-19 pandemic is over, and HHS will no longer waste billions of taxpayer dollars responding to a nonexistent pandemic that Americans moved on from years ago."*

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# Risk Management and Compliance

- Nature and scope of organizational risk changing daily
  - Assign responsibility for tracking and evaluating impact of developments
- New areas requiring compliance oversight
  - Updates to policies and procedures
  - Board and management education
- Future direction of civil and criminal enforcement activity
  - Does de-emphasis on white collar crime extend to fraud and abuse in federal healthcare programs?
- Managing revenue reductions

## There's a lot going on in DC right now.
## What do the policy changes mean for the healthcare industry?

**Sign up for PYA's DC Update newsletter/hub for regular updates regarding policy changes and actionable insights to help with navigating these turbulent waters.**

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## Our Next Healthcare Regulatory Roundup Webinar:

**April 16, 2025; 11 am – 12 pm ET**

# Final and Proposed Rules

*Please leave a comment regarding topics for future HCRR webinars!*

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