



Federal and State Legislative & Regulatory Update

January 16, 2025

Andrew B. Wheeler, Vice President of Federal Finance

Rob Monsees, Division Vice President of Advocacy and Senior Political Advisor

Agenda

- 119th Congressional Update
 - House and Senate Outlook
 - Likely Congressional Priorities
 - White House Administration Outlook
 - Key Legislative Priorities
- 103rd General Assembly Update
 - House and Senate Outlook
 - Key Legislative Priorities
- What can you do to influence federal and state actions?

Federal Legislative Update

119th Congress Senate



- Republicans will obtain a slim majority
 - 52 Republicans
 - 45 Democrats
 - 2 Independents (Sanders (Vt.) and King (Maine))
 - 1 Vacant - J.D. Vance (Ohio)

Federal Legislative Update

119th Congress House of Representatives

- Republicans will retain a slim majority
 - 218 Republicans
 - 215 Democrats
 - 2 Vacant
 - Matt Gaetz resignation — Florida (District 1)
 - Waltz to serve as National Security Advisor (expected to resign Jan. 20) — Florida (District 6)
 - Florida special election April 2025



Funding the Federal Government

- Funding the government (appropriations and / or continuing resolution)
 - ~~December 20, 2024~~ **March 14, 2025** – DOD, commerce, labor and HHS deadline
 - H.R. 10545 – American Relief Act, 2025
 - House – 366 yea, 34 nay, 1 present and 29 not voting; Representative Burlison voted nay, Luetkemeyer did not vote, and Alford, Bush, Cleaver, Graves, Smith and Wagner voted yea
 - Senate – 85 yea, 11 nay, 4 not voting; Senators Hawley and Schmitt voted nay
 - Healthcare related legislation
 - Extension of the Medicare low-volume payment adjustments, the Medicare Dependent Hospital program, certain telehealth flexibilities and hospital care at home through March 31
 - Delayed the implementation of Medicaid DSH funding reductions through March 31

Expected Obstacles for New Administration and Congress

- Debt ceiling expected to be reached in 2025
 - Spending subject to budgetary offsets / debt concerns
- Appropriation package reconciliation will likely target Medicare Advantage, provider payments and site-neutrality
- Slim Republican margins will likely be a hurdle

Expected Republican Health Agenda

- Alternatives to Marketplace products
- Focus on Marketplace cost – subsidies and APTCs
- Medicare Advantage budget reconciliation reforms
- Artificial Intelligence
- Renewed interest in antitrust review (PBM / insurance companies, health system mergers and acquisitions and insurance companies as health providers)
- Private equity in healthcare scrutiny
- Not-for-profit status – transparency and reporting of value for the tax-exempt status

Expected White House Actions

- Executive Orders
 - Expand access to short-term non-ACA compliant policies
 - Focus on reducing 'administrative red tape'
- Establish the Department of Government Efficiency (DOGE)

Spending Reform Options — House Budget Committee

- Savings — \$5.3 - \$5.7T over a 10-year period (approximately 8.4% reduction if spending remains flat)
- Site neutrality — \$146B
- Bad debt — \$42B
- Sequester extension — \$62B
- Limit Medicaid provider taxes — \$175B
- Medicaid work requirements — \$120B
- Lower FMAP floor — \$387B
- Appropriate cost sharing reductions — \$55B

Shot Across the Bow

- Senator Grassley (R-IA)
- Letter to CMS Administrator
 - Calls into question Medicaid spending increases due to state-directed payment systems
 - Asking for additional oversight and transparency
 - Emphasized concerns about using commercial rates as Medicaid payment basis
 - Requested a response from CMS on January 2, 2025

United States Senate

WASHINGTON, DC 20510

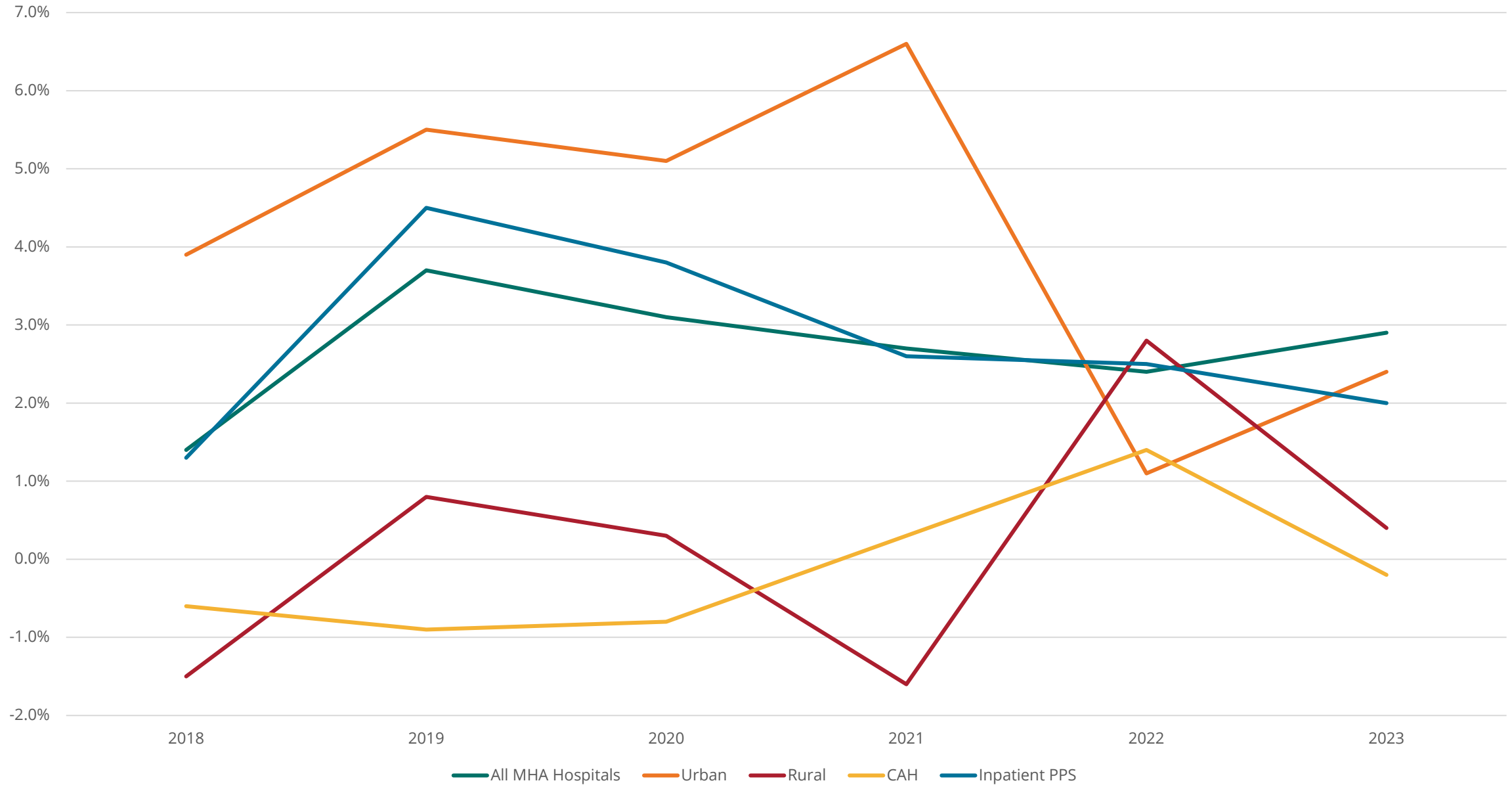
December 5, 2024

The Honorable Chiquita Brooks-LaSure
Administrator
Centers for Medicare & Medicaid Services
U.S. Department of Health & Human Services
200 Independence Avenue S.W.
Washington, D.C. 20201

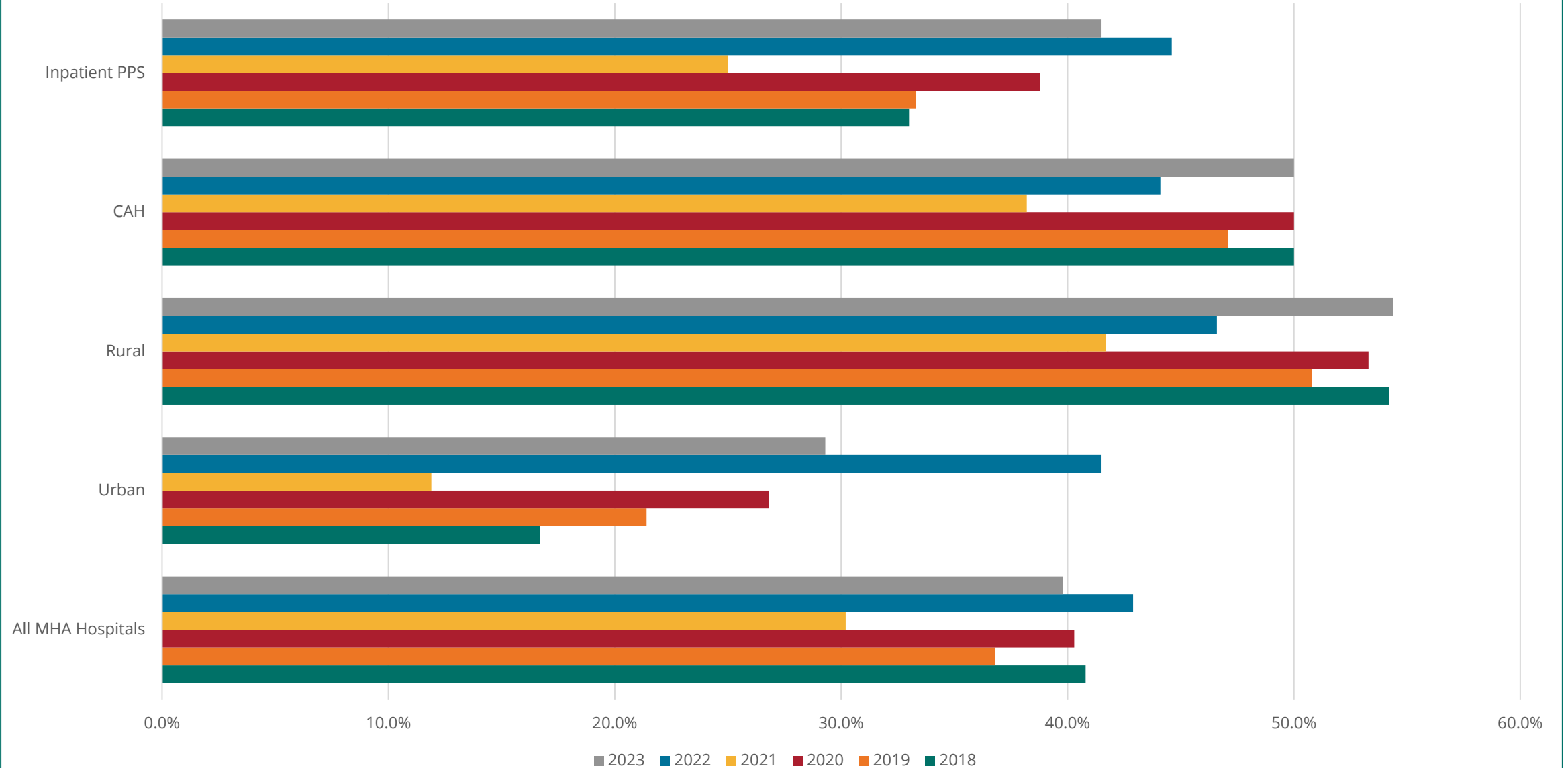
Dear Administrator Brooks-LaSure,

I am writing to better understand the Centers for Medicare and Medicaid Services (CMS) effort to manage Medicaid state-directed payment arrangements. In the Congressional Budget Office's (CBO) June 2024 budget outlook, it listed growth in Medicaid state-directed payments as a key driver of the growing federal deficit. Moreover, spending on these arrangements is expected to continue to grow and take up a larger percentage of Medicaid outlays. At the same time, independent evaluations have found that state-directed payments lack transparency and oversight. Your agency recently estimated that state-directed payments could cost up to \$91.0 billion in fiscal year (FY) 2025¹ (a separate analysis found this figure could be \$110.2 billion annually²), which is an increase from \$25.7 billion in FY 2020.³ This 354 percent increase in payments over five years and uncertainty of growth merits further scrutiny.

In recent years, the Government Accountability Office (GAO) and the Medicaid and CHIP Payment and Access Commission (MACPAC) have provided Congress with some insight into state-directed payment arrangements, but their reporting has limits. A December 2023 GAO report found that state-directed payments have weak fiscal guardrails, make no consideration of payment outcomes when CMS renews a state's annual state-directed payment, and there are gaps in the transparency of important financing information, evaluation plans, and evaluation results.⁴ MACPAC found in 2022 that "[l]ess than half of directed payment approval documents included information about projected spending amounts"⁵ Separately, a 2023 MACPAC report found that state officials could not produce state-directed payment evaluations due to data collection lags



Percent Operating with Negative Margins



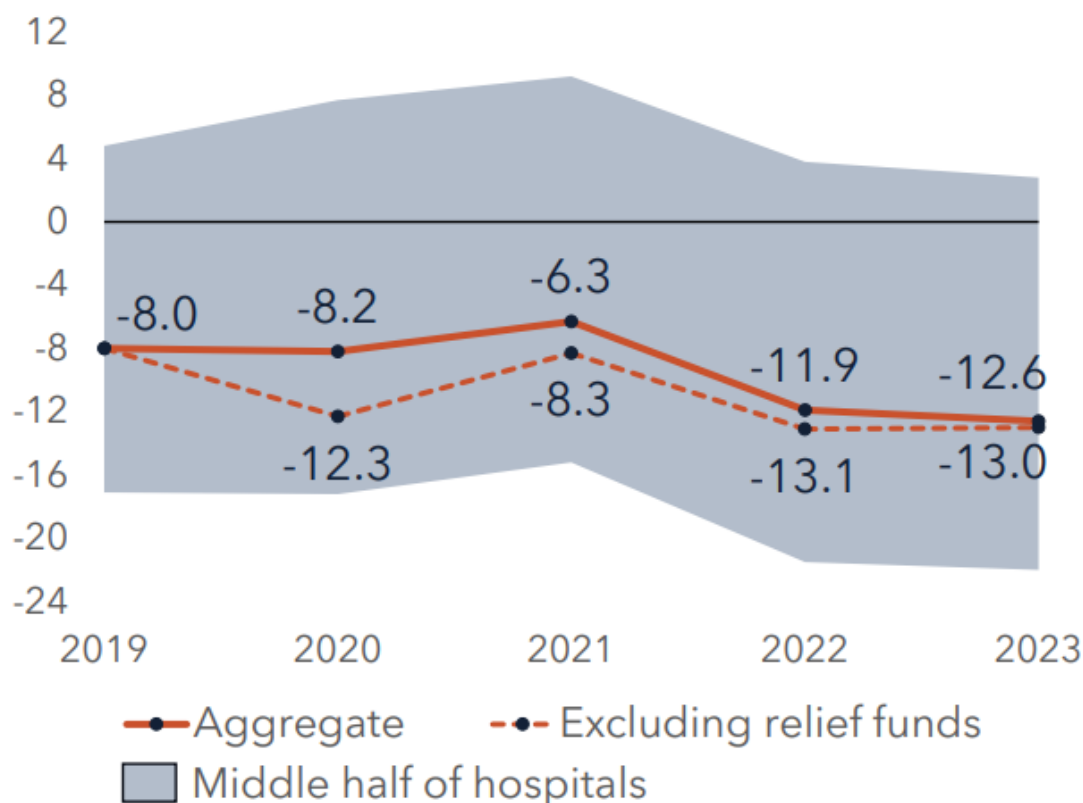
Fiscal State of Missouri Hospitals

	Average Operating Margin					
	2018	2019	2020	2021	2022	2023
All MHA Hospitals	1.4%	3.7%	3.1%	2.7%	2.4%	2.9%
Urban IPPS and CAH	3.9%	5.5%	5.1%	6.6%	1.1%	2.4%
Rural IPPS and CAH	-1.5%	0.8%	0.3%	-1.6%	2.8%	0.4%
CAH	-0.6%	-0.9%	-0.8%	0.3%	1.4%	-0.2%
Inpatient PPS	1.3%	4.5%	3.8%	2.6%	2.5%	2.0%

	Percent of Hospitals Operating With Positive Margins (%)						Percent of Hospitals Operating With Negative Margins (%)					
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023
All MHA Hospitals	59.2	63.2	59.7	69.8	57.1	60.2	40.8	36.8	40.3	30.2	42.9	39.8
Urban IPPS and CAH	83.3	78.6	73.2	88.1	58.5	70.7	16.7	21.4	26.8	11.9	41.5	29.3
Rural IPPS and CAH	45.8	49.2	46.7	58.3	53.4	45.6	54.2	50.8	53.3	41.7	46.6	54.4
CAH	50.0	52.9	50.0	61.8	55.9	50.0	50.0	47.1	50.0	38.2	44.1	50.0
Inpatient PPS	67.0	66.7	61.2	75.0	55.4	58.5	33.0	33.3	38.8	25.0	44.6	41.5

Payments and costs: Hospitals' aggregate FFS Medicare margin remained low in 2023

FFS Medicare margin (in percent)



- Stable FFS Medicare margin exclusive of relief funds reflects offsetting pressures from 2022 to 2023
- Varied across hospitals:
 - For profit: 0.1%
 - Nonprofit: -14.3%
 - Urban: -13.2%
 - Rural nonmicropolitan: -3.9%

Note: FFS (fee-for-service). Data are for hospitals paid under the inpatient prospective payment systems that had a complete cost report with a midpoint in the fiscal year and had nonoutlier data as of our analysis. Results differ from those published last year because of newer data and methodological updates, such as limiting the set of included services paid under the inpatient or outpatient prospective payment systems.

Source: MedPAC analysis of hospital cost reports.

2025 Federal Advocacy Issues (Short List)

- Medicare Advantage reform
- Extensions (expires March 31)
 - Telehealth flexibilities
 - Hospital at home
 - Enhanced Medicare low-volume payments
 - Medicare Dependent Hospital program
 - Prevent Medicaid DSH funding reductions
- Investment in health care workforce
- Protect tax exempt status
- Prevent site neutrality payment policies
- Continue Marketplace subsidies
- 340B (rebate model – pay and chase)
- Prevent Medicaid funding reductions
- Medicare reimbursement rates / updates

State Legislative Update – 103rd General Assembly

What can you do to influence federal and state action?

- Tell your stories
 - Care provided that helped a patient
 - Have patients tell their stories
 - Unreimbursed care provided to patients
 - Community efforts to improve health
 - Problems with current laws and regulations
- Invite lawmakers into your facilities
- Write comment letters (regulations)
 - Medicare payment and policy proposals
 - Transition to Medicaid DRG system
- Participate in HIDI Fiscal Optics
- Get involved

Questions and Comments



Andrew B. Wheeler

Vice President of Federal Finance

573-893-3700, x1336

AWheeler@mhanet.com



Rob Monsees

Division Vice President of Advocacy
and Senior Political Advisor

573-893-3700, x1348

RMonsees@mhanet.com