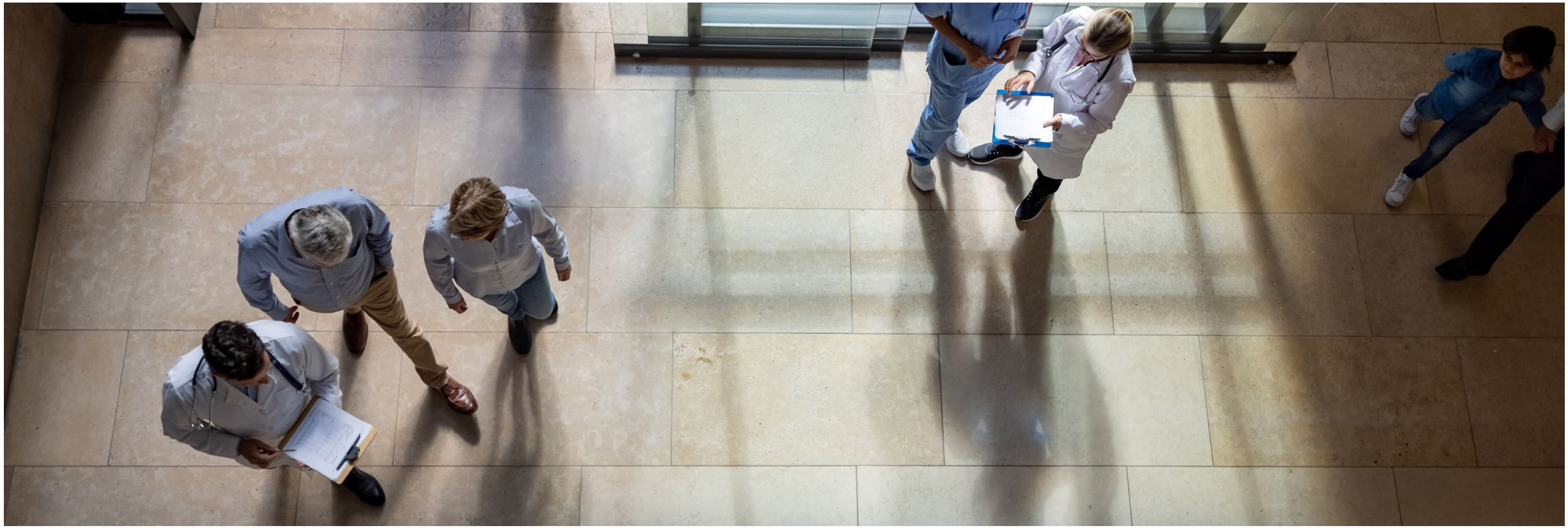

Federal Legislative/Policy Update
Outlook: 2025–2026

Chad Mulvany | April 17, 2025

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Agenda

1. A Challenging Environment
2. Washington Outlook: 2025–2026
3. How to Respond

A Challenging Environment

Providers Under Pressure

50% of provider executives rank margin improvement as one of their top priorities over the next three to five years.

2025 hospital op margins forecast between **1% and 2%**

8 hospitals closed in 2025
25 hospitals closed in 2024

78% of physicians employed in 2024

Medicare margin for "efficient hospitals" is **-2%**

41 hospital departments closed since July 1, 2024

774 nursing homes have closed since 2020

Source:

1) Mindsets Healthcare Executive Leadership Report," Forvis Mazars, 2024.
2) https://www.fitchratings.com/research/us-public-finance/fitch-revises-sector-outlook-for-us-nfp-hospitals-to-neutral-09-12-2024
3) www.medpac.gov/wp-content/uploads/2024/08/Tab-D-Hospital-payment-adequacy-January-2025-SEC.pdf
4) https://www.beckershospitalreview.com/finance/2-hospital-closures-in-2025.html
5) https://www.beckershospitalreview.com/finance/5-hospital-closures-in-2024.html#:~:text=Becker's%20has%20reported%20on%2025,This%20article%20was%20updated%20Dec.
6) https://www.beckershospitalreview.com/finance/10-hospitals-closing-departments-or-ending-services-5.html
7) https://www.physiciansadvocacyinstitute.org/PAI-Research/PAI-Avalere-Study-on-Physician-Employment-Practice-Ownership-Trends-2019-2023
8) https://www.ahcancal.org/News-and-Communications/Press-Releases/Pages/Report-Access-to-Nursing-Home-Care-is-Worsening-.aspx

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Washington Outlook: 2025–2026

Trump Administration

Trump ‘47 will be more effective in the first 100 days than Trump ‘45.

Senior leadership at CMS and HRSA include alums from first administration.

Increased Uncertainty

Early actions by the new administration suggest increased uncertainty and financial risk for providers.

HHS Works To Solve CHCs' On-Going Payment Issues Following OMB Freeze

Federal payments continue to elude
are consolidating or closing location
payments, following the White Hous
since-paused freeze on federal distr
Health Policy Thursday (Feb. 6) it is
Center to "help expedite resolution a

"We understand that some Paymen
experienced technical issues last we

Halt on Trump Administration's Cuts to NIH Research Payments Expanded Nationwide

A federal judge in Boston ordered a nationwide temporary pause on plans by the National Institutes of Health to substantially slash research overhead payments to universities, medical centers, and other grant recipients.

Judge Angel Kelley of the U.S. District Court for the District of Massachusetts issued the temporary restraining order late Monday night in response to a lawsuit filed that afternoon by associations representing the nation's medical, pharmacy, and public health schools, as well as Boston…

Source:
1) https://insidehealthpolicy.com/daily-news/hhs-works-solve-chcs-going-payment-issues-following-omb-freeze
2) https://www.statnews.com/2025/02/11/judge-orders-nationwide-halt-trump-nih-research-indirect-costs/

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2026 Medicare Payment Updates – Proposed

Medicare proposed market basket updates are once again inadequate.

Federal Fiscal Year 2026 Proposed Net Medicare Payment Updates

Payment System	Net Market Basket Update*
Inpatient PPS	2.4%
LTCH PPS	2.6%
Psych PPS	2.4%
Inpatient Rehab PPS	2.6%
Skilled Nursing PPS	2.8%

*For hospitals/facilities/providers meeting quality reporting and meaningful use requirement. Only includes market basket update and ACA mandated productivity adjustment. No other budget neutrality adjustments are included.

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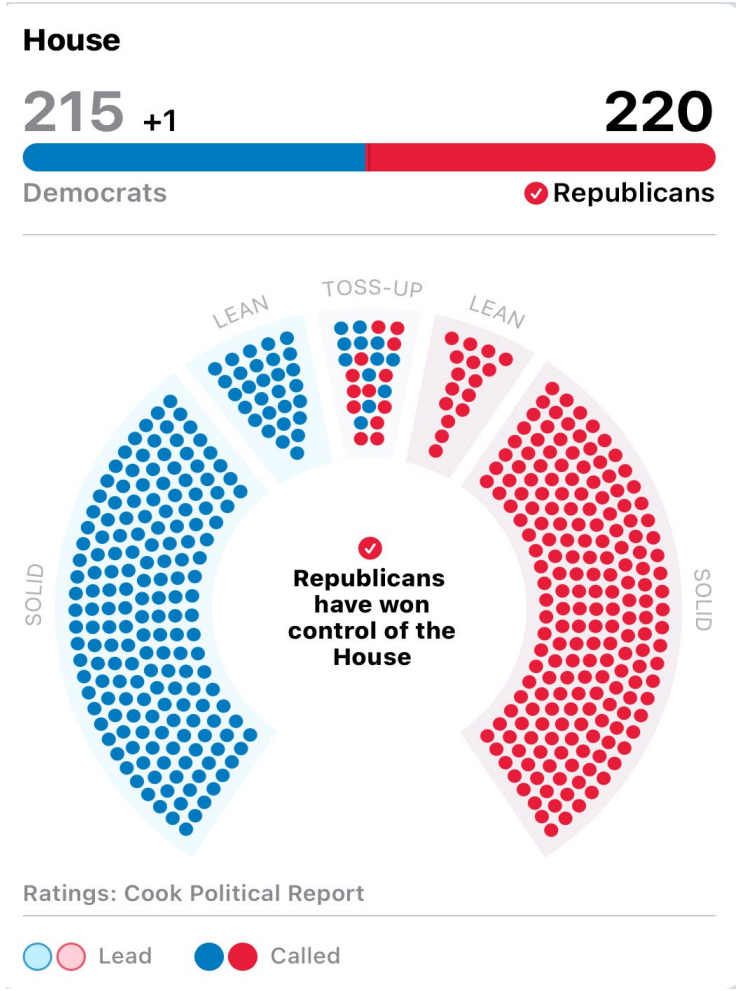
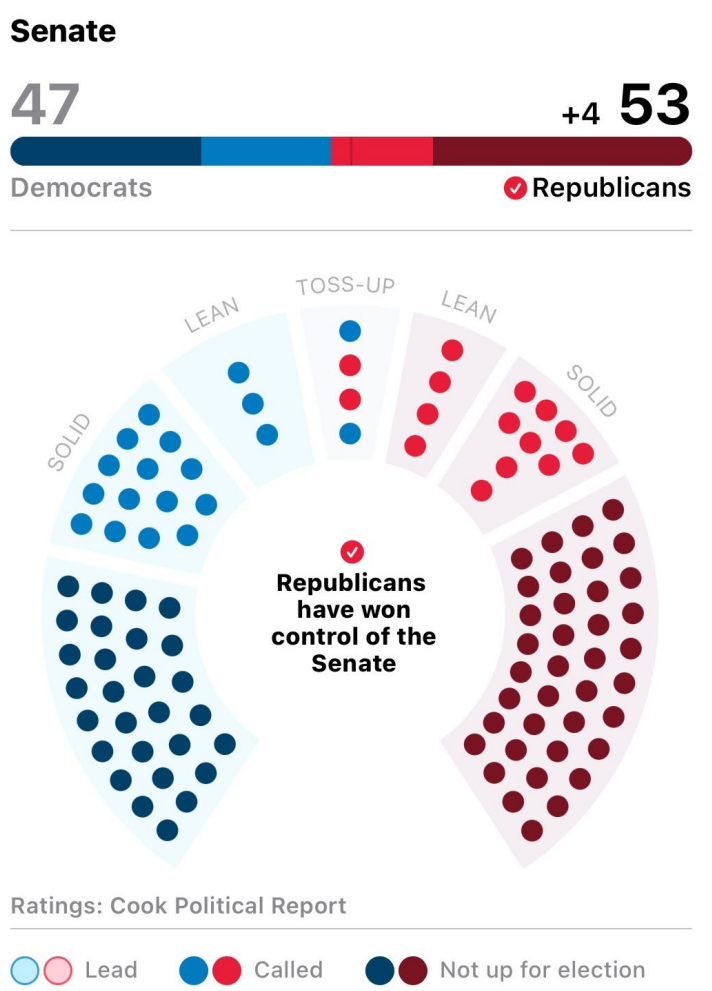
119th Congress

Republicans have narrow majorities in the House and Senate enabling legislation to be passed by “reconciliation.”





Source: Cook Political Report

2025 Federal Funding

Congress passed a continuing resolution (CR) funding the federal government for 2025. The legislation, passed in December, includes several healthcare "extenders."

"Extenders" Included in CR	
ACA Medicaid DSH Cuts	Sept 30, 2025
Telehealth Waivers	Sept 30, 2025
Community Health Center Funding	Sept 30, 2025
Medicare Low Volume Hospital	Sept 30, 2025
Medicare Dependent Hospital	Oct 1, 2025
Medicare Physician Fee Schedule Work Geographic Floor	Sept 30,2025

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Reconciliation Bill In Progress

- Congress is attempting to extend tax cuts and achieve other policy priorities.
- Any package passed will include cuts to Medicare and Medicaid as “pay-fors”

Senate GOP adopts budget blueprint for Trump agenda — but hurdles loom

Senate Republicans adopted a fiscal blueprint Saturday for President Donald Tru

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House GOP adopts budget framework, paving the way for Trump’s ‘big, beautiful bill’

The House finally approved a budget Thursday, uncorking the filibuster-skirting power Republicans need to build and enact President Donald Trump’s dream bill along party lines this year.

The final vote was 216-214, with two Republicans — Reps. Victoria Spartz of Indiana and Thomas Massie of Kentucky — joining all Democrats in voting “no.”

Now Republicans on both sides of the Capitol can begin the even-heavier lift of writing — and then whipping support for — the behemoth package of tax cuts, military spending, energy policy, border security investments and more.

Key Provisions of Senate Budget Amendment	
Tax Cuts	$4.5T
Debt Increase	$4.0 to 5.0T
Spending Cuts	$1.5 to 2.0T
Cuts from Energy and Commerce $880B	

Source:
1) https://www.npr.org/2025/02/21/g-s1-50100/senate-budget-resolution
2) House GOP adopts budget framework, paving the way for Trump’s ‘big, beautiful bill’ - POLITICO

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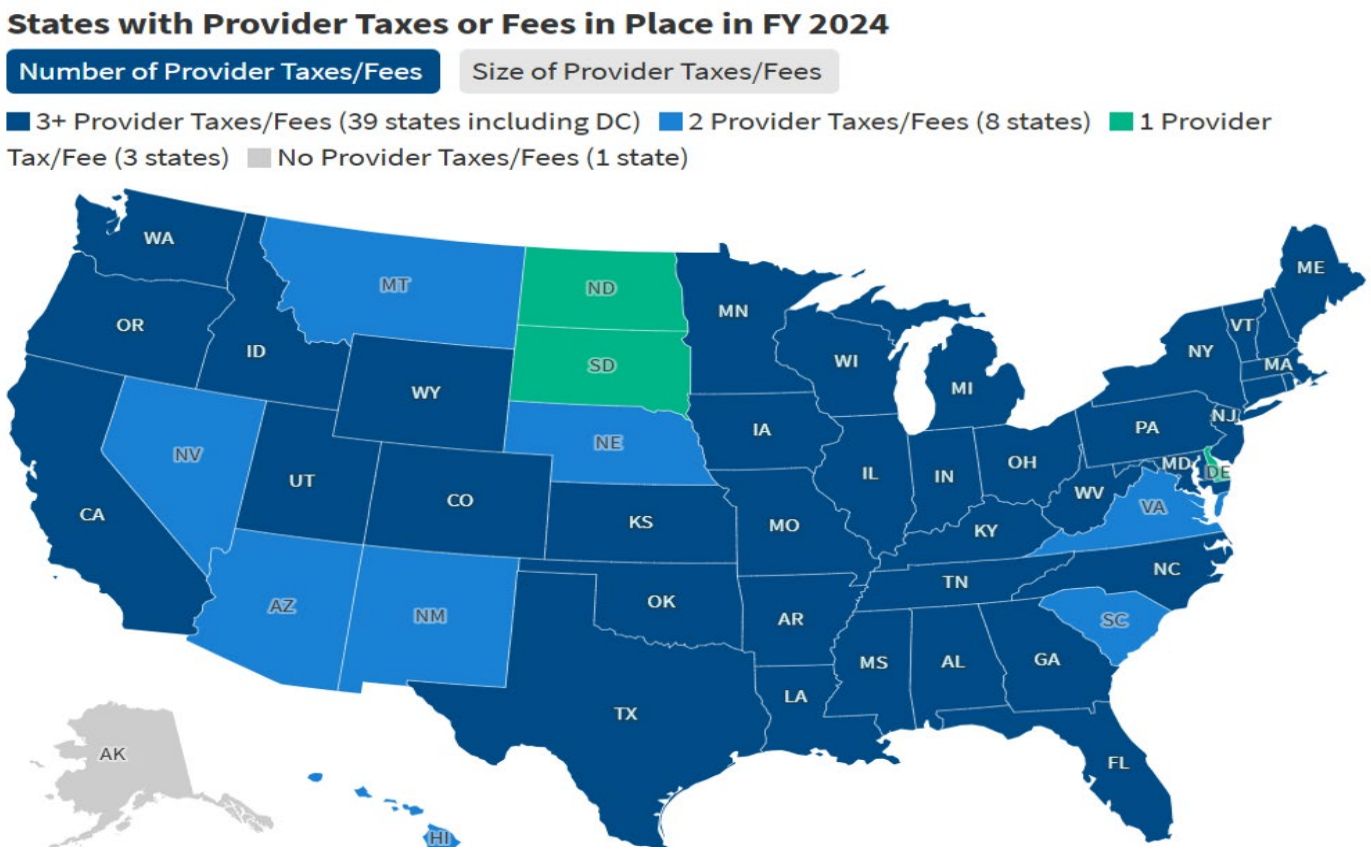
Medicaid at Risk

- Work requirements and provider tax limits are likely most politically viable.
- Extracting savings may be difficult politically.



Potential Policy Actions

Legislation:

- "Rationalize" ACA Match Rate
- Per Capita Caps
- **Limit Provider Taxes**
- Allow ACA DSH Cuts
- **Mandate Work Requirements for "Able-Bodied"**

Administrative Action:

- Allow Waiver Flexibility
- Supplemental Payment Scrutiny
- DHS "Public Charge" Requirements

Source: Medicaid Budget Survey 2024-2025 - Provider Rates and Taxes | KFF

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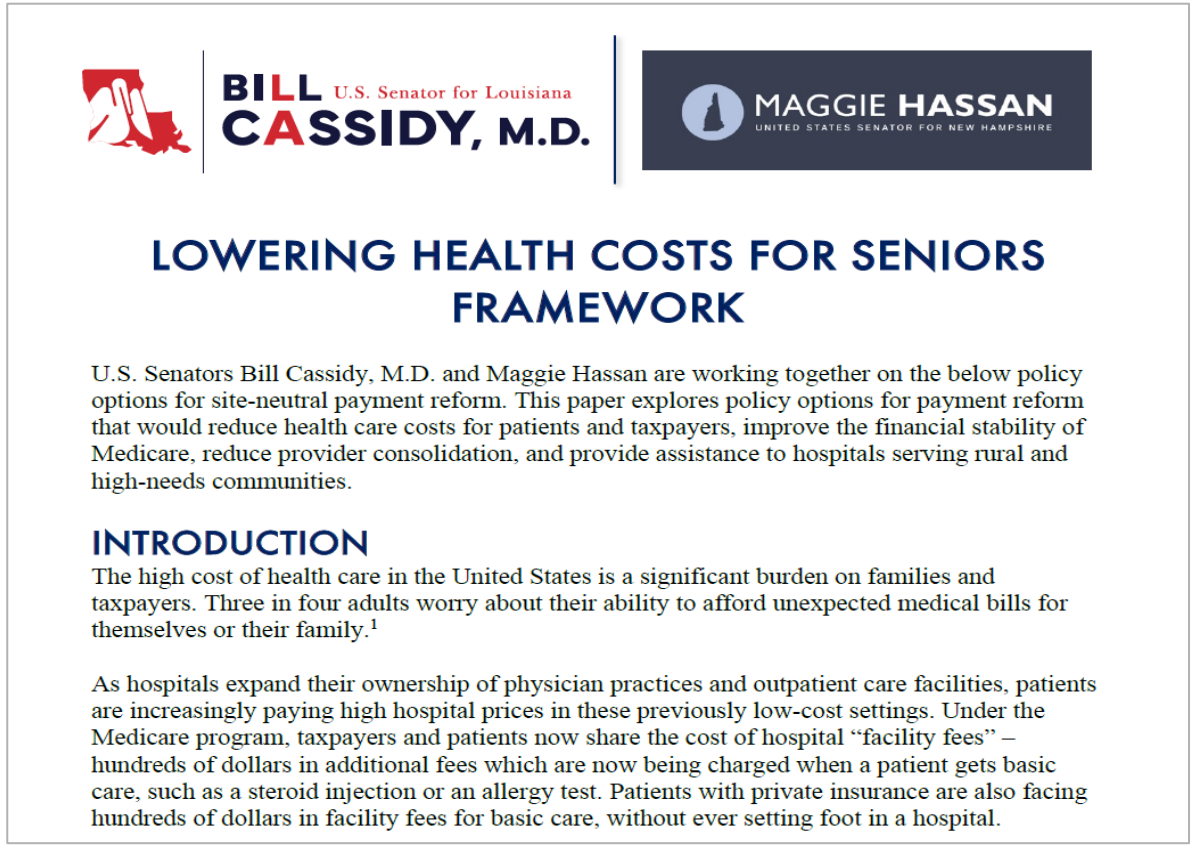
Site-Neutral Payments

Policies expanding site-neutral payments & encouraging care in lower cost settings are likely.



BILL CASSIDY, M.D. U.S. Senator for Louisiana

MAGGIE HASSAN UNITED STATES SENATOR FOR NEW HAMPSHIRE

LOWERING HEALTH COSTS FOR SENIORS FRAMEWORK

U.S. Senators Bill Cassidy, M.D. and Maggie Hassan are working together on the below policy options for site-neutral payment reform. This paper explores policy options for payment reform that would reduce health care costs for patients and taxpayers, improve the financial stability of Medicare, reduce provider consolidation, and provide assistance to hospitals serving rural and high-needs communities.

INTRODUCTION

The high cost of health care in the United States is a significant burden on families and taxpayers. Three in four adults worry about their ability to afford unexpected medical bills for themselves or their family.[1]

As hospitals expand their ownership of physician practices and outpatient care facilities, patients are increasingly paying high hospital prices in these previously low-cost settings. Under the Medicare program, taxpayers and patients now share the cost of hospital "facility fees" – hundreds of dollars in additional fees which are now being charged when a patient gets basic care, such as a steroid injection or an allergy test. Patients with private insurance are also facing hundreds of dollars in facility fees for basic care, without ever setting foot in a hospital.

Source: "Lowering Health Costs for Seniors Framework," cassidy.senate.gov, November 1, 2024.

Potential Policy Actions

Legislation:

- Repeal "Section 603" HOPD exemptions
- Site neutrality across HOPD, ASC, & MD office
- Off-campus HOPD billing identifier
- Funding to support rural/safety net hospitals
- Eliminate IPO List

Administrative Action:

- Phase out inpatient only list
- Expand ASC covered procedure list

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Potential Medicare Cuts

A list of “House Budget Reconciliation Possibilities” identified ~$400B in potential Medicare cuts.

WAYS AND MEANS COMMITTEE

Health

Limit Federal Health Program Eligibility Based on Citizenship Status
Up to $35 billion 10-year savings
VIABILITY: HIGH / MEDIUM / LOW

- Currently, many non-citizens who entered the country illegally are eligible for federal health care programs including advance premium tax credits and Medicaid. This policy would remove specified categories of non-citizens from eligibility for federal health care programs.

Eliminate Medicare Coverage of Bad Debt
Up to $42 billion 10-year savings
VIABILITY: HIGH / MEDIUM / LOW

- Medicare currently reimburses hospitals at 65 percent of bad debt (uncollected cost-sharing that beneficiaries fail to pay), while private payers do not typically reimburse providers for bad debt. This policy brings Medicare more in line with the private sector by gradually reducing the amount that Medicare reimburses providers for bad debt.

Source: https://www.politico.com/f/?id=00000194-74a8-d40a-ab9e-7fbc70940000

Potential Policy Actions

Legislation:

- Eliminate Medicare Bad Debt Reimbursement
- “Improve” Medicare Uncompensated Care
- Prevent Dual Classification of Hospitals
- Geographic Wage Index Integrity
- Reform/Block Grant GME

Nursing Home Staffing Ratios

A federal judge struck down a rule required 81% of nursing facilities to increase staffing levels.

Federal judge strikes down nursing home staffing mandate

A federal judge in Texas late Monday blocked a federal nursing homes staffing mandate former President Joe Biden's administration rolled out last year.

United States District Court for the Northern District of Texas Judge Matthew Kacsmaryk said in his decision the Health and Human Services Department did not have the authority to go beyond laws passed by Congress governing nursing homes staffing.

Kacsmaryk said the Centers for Medicare and Medicaid Services could not require nursing homes to have a registered nurse on staff 24 hours a day, seven days a week or require them to provide a minimum of 3.48 hours of nursing care per resident, per day.

To Appeal or Not to Appeal?

While the mandate is generally opposed by Republicans, the Administration was defending it...

Sources:
1) https://www.modernhealthcare.com/providers/nursing-home-staffing-mandate-struck-down.

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More Price Transparency Enforcement

Republicans view transparency as a core strategy for increasing competition & reducing costs.

Hospitals Not in Compliance With Machine-Readable File Requirement
November 2024 OIG Report

HPT Rule Requirements	Number of Noncompliant Hospitals in Our Sample	
	Stratum 1 (30 Hospitals)	Stratum 2 (70 Hospitals)
Description of services	0	6
Gross charge for services	0	6
Negotiated charge by payer and plan	1	19
Minimum negotiated charge (see footnote 16)	1	15
Maximum negotiated charge (see footnote 16)	1	15
Discounted cash price	1	14
Hospital accounting or billing codes	0	6
Standard charges available on public website	0	5
Easily accessible, without barriers	0	5
Appropriate naming convention	0	17
Updated annually	1	21
Total number of hospitals that did not comply with MRF requirements	**2**	**32**

Source: "Not All Selected Hospitals Complied With the Hospital Price Transparency Rule," oig.hhs.gov, November 2024.

Potential Policy Actions

Legislation:
- Codify requirements in statute
- Increase penalties & enforcement actions
- Expand applicable sites

Administrative Action:
- Aggressive enforcement

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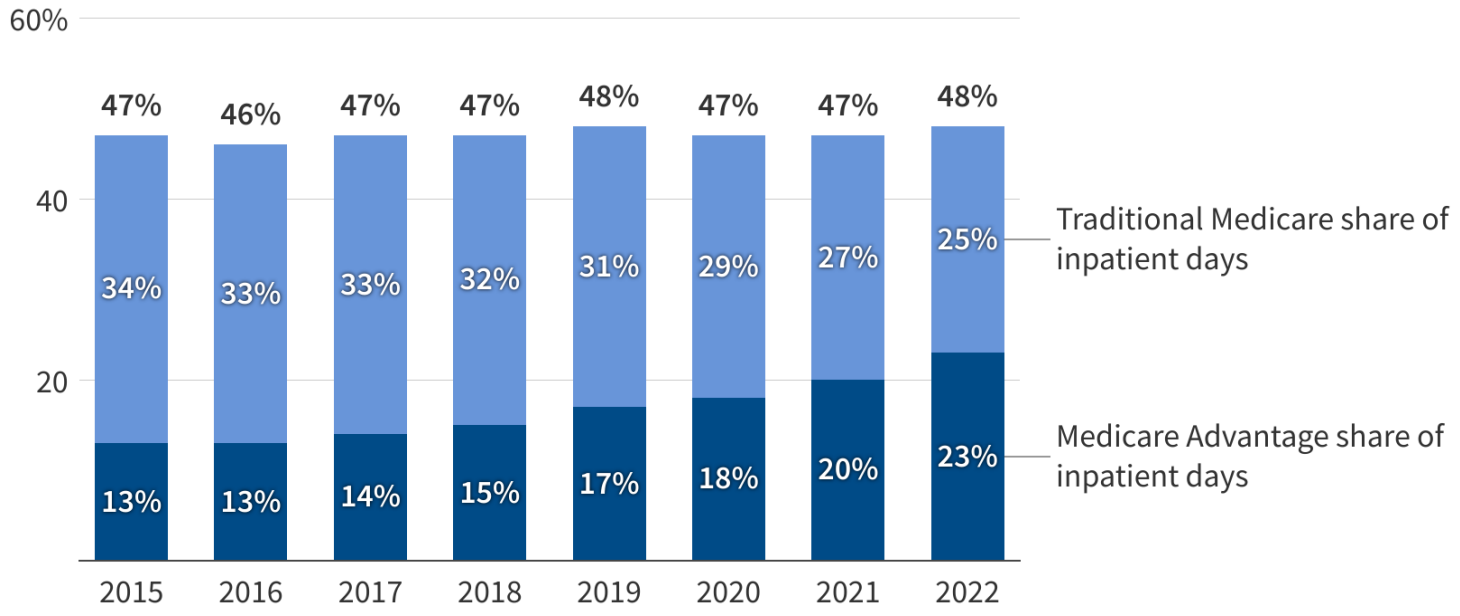
Medicare Advantage Benefits

MA plans will likely see a more favorable regulatory environment & continue to grow.

Medicare & Medicare Advantage Days as a Percentage of Total Inpatient Days *2015–2022*



Note: Sample includes general short-term hospitals with full-year cost reports that ended in a given year, excluding hospitals located in U.S. territories as well as those that were missing data on Medicare Advantage shares, traditional Medicare shares, or both in a given year.

Source: KFF analysis of RAND Hospital Data, 2015-2022

KFF

Source: "Medicare Advantage Enrollees Account for a Rising Share of Inpatient Hospital Days," kff.org, July 23, 2024.

Potential Policy Actions

Legislation:

- Default enrollment option?
- Prior authorization reform

Administrative Action:

- Improve payment updates
- Reduce regulatory burden/requirements

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340B Legislation & Litigation

- Legal and admin action related to “rebate models” bears watching.
- The administration is likely to reduce Part B payments for 340B drugs … again.
- Senate HELP Committee Chair Cassidy plans to introduce bill to mitigate “misuse”.

	Legislation	Admin Action	Litigation
Federal	**Reintroduced from 118th Congress?** **H.R. 7635: 340B PATIENTS Act** **SUSTAIN 340B Act** **H.R. 8574: 340B ACCESS Act**	**HRSA Rules “Rebate Models” Impermissible Under 340B Statute**	**Sanofi-Aventis U.S. v. HHS** **U.S. District Court for D.C.**
State	**Hospital Contract Pharmacy Laws Passed** UT, NM, ND, SD, NE, MN, MO, AR, LA, MS, WVa,		**Contract Pharmacy Laws Upheld** AR, MD, LA **Contract Pharmacy Laws Challenged** LA, MS, WV, MN, MO, KS

Drug Pricing Exec. Order

The EO potentially resurrects many of the prior Trump administration's drug pricing policies.

Excerpted Sections from Drug EO Impacting Providers

Sec 4. Reducing the Prices of High-Cost Drugs for Seniors. Within 1 year the Secretary shall take steps to select for testing a payment model to obtain better value for high-cost prescription drugs covered by Medicare.

Sec. 5. Accounting for Acquisition Costs of Drugs in Medicare. Within 180 days publish a plan to conduct a survey to determine the hospital acquisition cost for covered outpatient drugs at HOPDs.

Sec. 7. Access to Life-Saving Medications. Within 90 days take action to ensure future grants are conditioned upon making insulin and injectable epinephrine available at or below the price paid under the 340B Program to low-income individuals .

Sec. 11. Reducing Costly Care for Seniors. Within 180 days evaluate and propose regulations to ensure that payment within Medicare is not encouraging a shift in drug administration volume away from less costly physician office settings.

Key Takeaways:

- **Sec 4**: Favored Nations Drug Pricing Redux?
- **Sec 5**: OPPS 340B Part B Separately Payable Drug Reduction
- **Sec 7**: Requires FQHCs to provide insulin and epinephrine at or below 340B price to low-income individuals.
- **Sec 11**: OPPS site neutral payments for drug administration services.

Sources:
1) https://www.whitehouse.gov/presidential-actions/2025/04/lowering-drug-prices-by-once-again-putting-americans-first/

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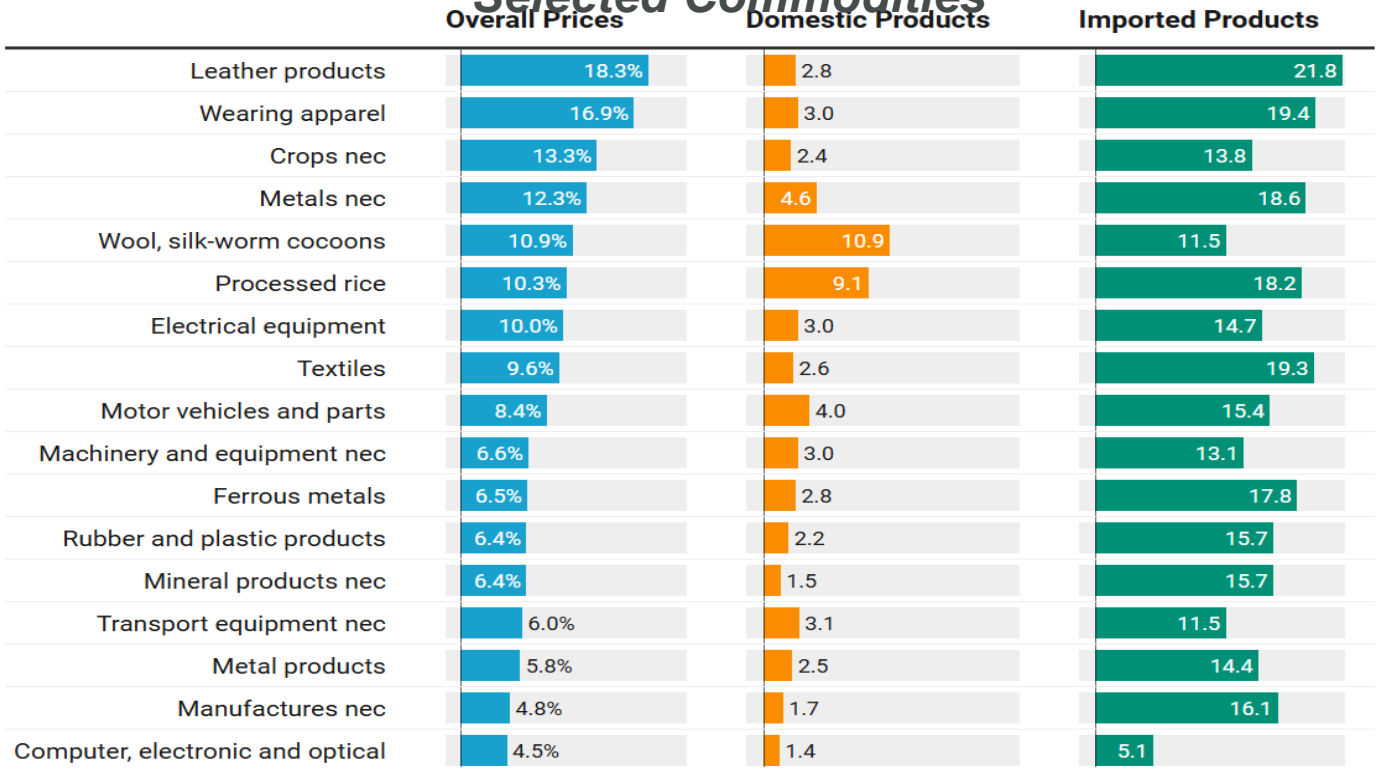
Supply Chain Meets Tariffs

- Levied 10% tariffs on all trading partners.
- “Reciprocal tariffs” paused for 90 days.

Overall Price Effects from All 2025 Tariffs Through April 2:

Selected Commodities



Potential Impact

- Estimated 75% of available US-marketed medical devices are manufactured outside of the country.
- 82% of healthcare executives surveyed expect costs will increase by 15%.

Sources:
1) Where We Stand: The Fiscal, Economic, and Distributional Effects of All U.S. Tariffs Enacted in 2025 Through April 2 | The Budget Lab at Yale
2) Trump tariffs will escalate costs for hospitals, patients: poll

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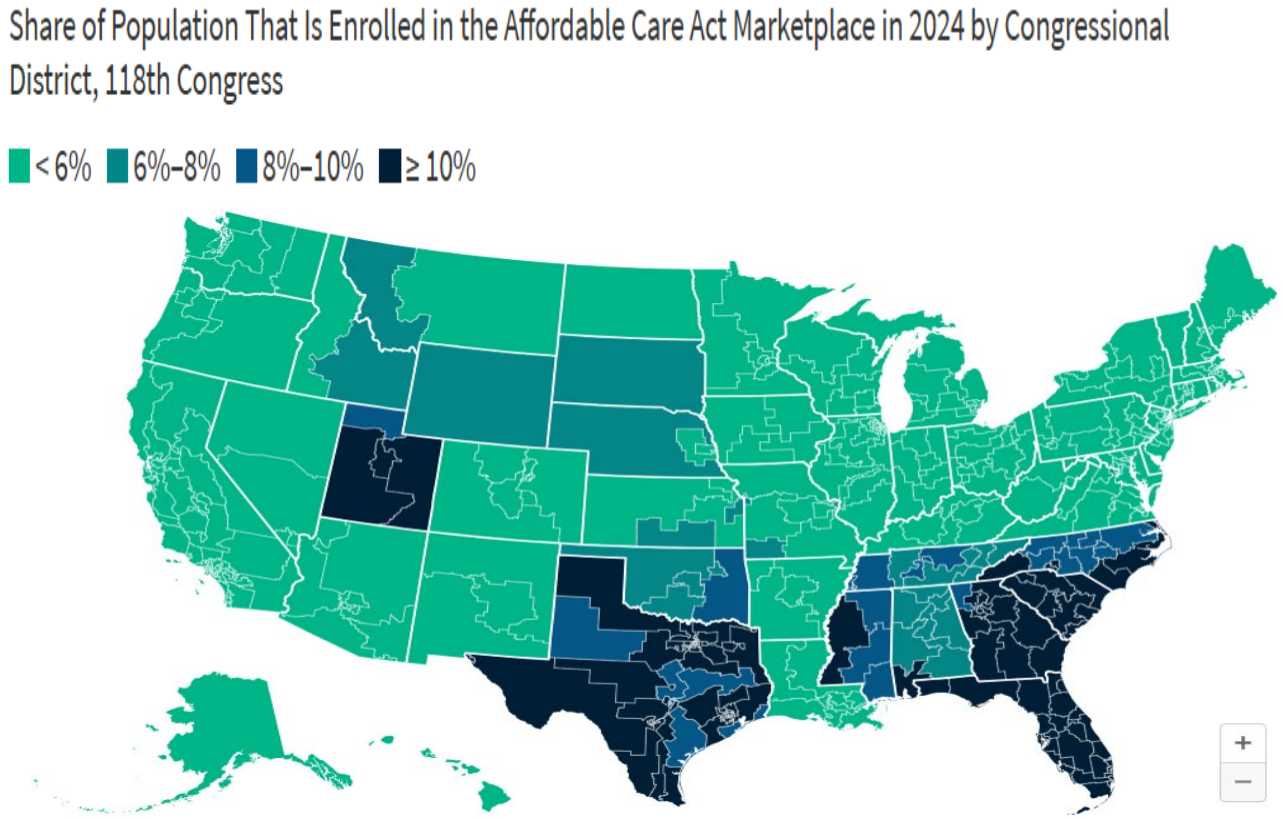
Exchange Subsidies & Insurance Market "Reform"

There appears to be little appetite to attempt another repeal of the ACA.



Source: "Inflation Reduction Act Health Insurance Subsidies: What is Their Impact and What Would Happen if They Expire? | KFF

Potential Policy Actions

Legislation:

- Extend enhanced exchange subsidies?

Administrative Action:

- Expand insurance options
- Individual Coverage Health Reimbursement Arrangements (ICHRAs)

CMMI “Spring Cleaning”

While several models were canceled, CMS confirmed in a recent rule TEAM (mandatory bundled payments) begins January 1, 2026.

CMS Innovation Center Announces Model Portfolio Changes to Better Protect Taxpayers and Help Americans Live Healthier Lives

Today, the CMS Innovation Center announced changes to its model portfolio to align with its statutory obligation and strategic goals.

Innovation Center Models are time-limited experiments that provide a controlled environment to determine, through rigorous evaluation, what approaches should be expanded nationwide, what specific components of an approach need further testing in successor models and what approaches are not viable for expansion. As is the nature of innovation, not every model will work, and the Center must be efficient and effective in its response.

The Center regularly assesses and may amend model activities in response to a model’s projected savings, quality outcomes data, legal compliance…

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

Models Canceled/ Original Termination Date

- Maryland Total Cost of Care (2019 – 2026)
- Primary Care First (2021 – 2026)
- ESRD Treatment Choices (2021 – 2027)
- Making Care Primary (2024 – 2034)

Continued Scrutiny of Medical Debt

Medical debt continues to generate headlines …

In This Kansas Courtroom, the Hospital Dominates the Docket

More than 15 million Americans have medical debt, and the issue of collection is particularly tough in rural America

PRATT, Kan.—Last summer, a rural hospital on the Kansas plains began filing dozens of lawsuits against patients who hadn't paid their medical bills.

In July and August 2023, four of every five sheriff-delivered court summonses in Pratt County were from Pratt Regional Medical Center. In September, 95% of civil cases set to be heard in Magistrate Judge Ronald Sylvester's Pratt courtroom were brought by the

… the CFPB finalized a rule banning credit reporting, however implementation has been "frozen.".

Final rule

Prohibition on Creditors and Consumer Reporting Agencies Concerning Medical Information (Regulation V)

JAN 07, 2025

Implementation Frozen

The Consumer Financial Protection Bureau [illegible] issuing a final rule amending Regulation V, which implements the Fair [illegible]porting Act (FCRA), concerning medical information. The FCRA prohibits cred[illegible] considering medical information in credit eligibility determinations. The CF[illegible]oving a regulatory exception that had permitted creditors to obtain and use inf[illegible]on medical debts notwithstanding this statutory limitation. The final rule als[illegible]s that a consumer reporting agency generally may not furnish to a creditor a cc[illegible]eport containing information on medical debt that the creditor is prohibited from[illegible]ng.

Sources:
1) "In This Kansas Courtroom, the Hospital Dominates the Docket," wsj.com, May 26, 2024.
2) "CFPB Proposes to Ban Medical Bills From Credit Reports," consumerfinance.gov, June 11, 2024.

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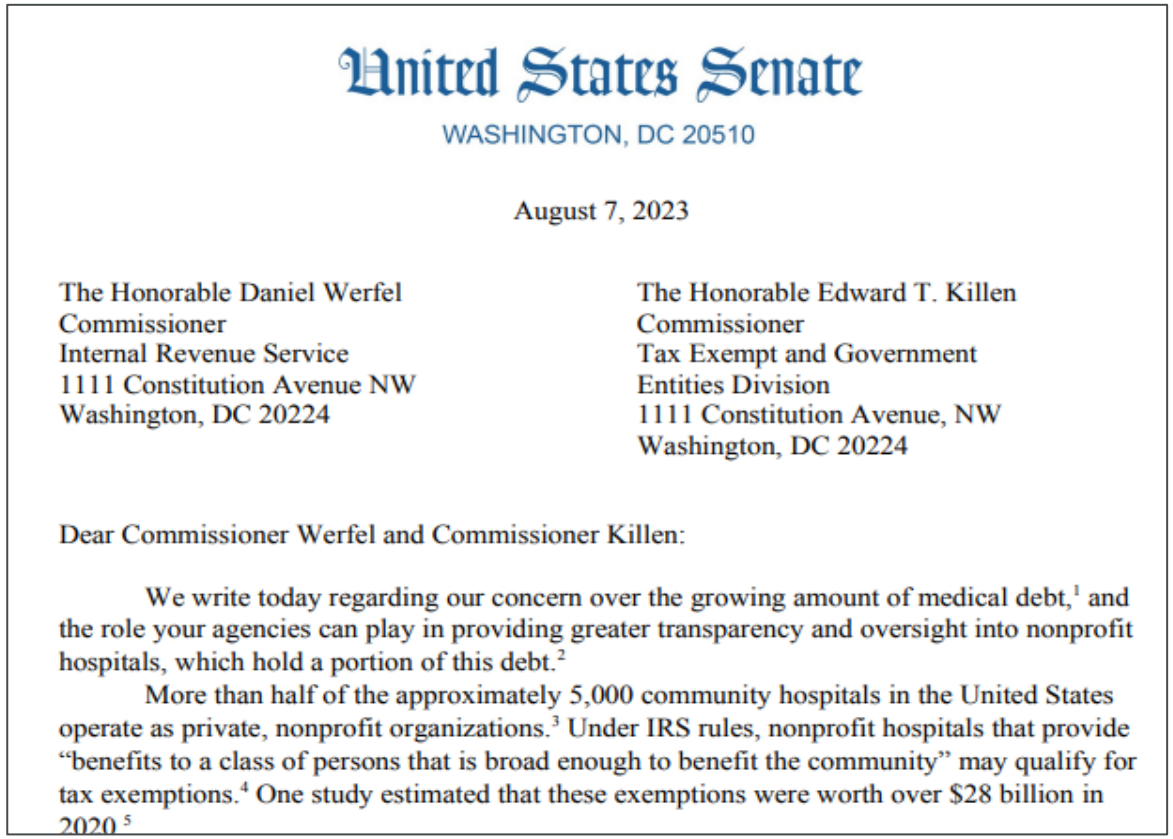
Not-for-Profit Status Scrutinized

The community benefit standards continue to receive bipartisan interest from both chambers of Congress.



United States Senate

WASHINGTON, DC 20510

August 7, 2023

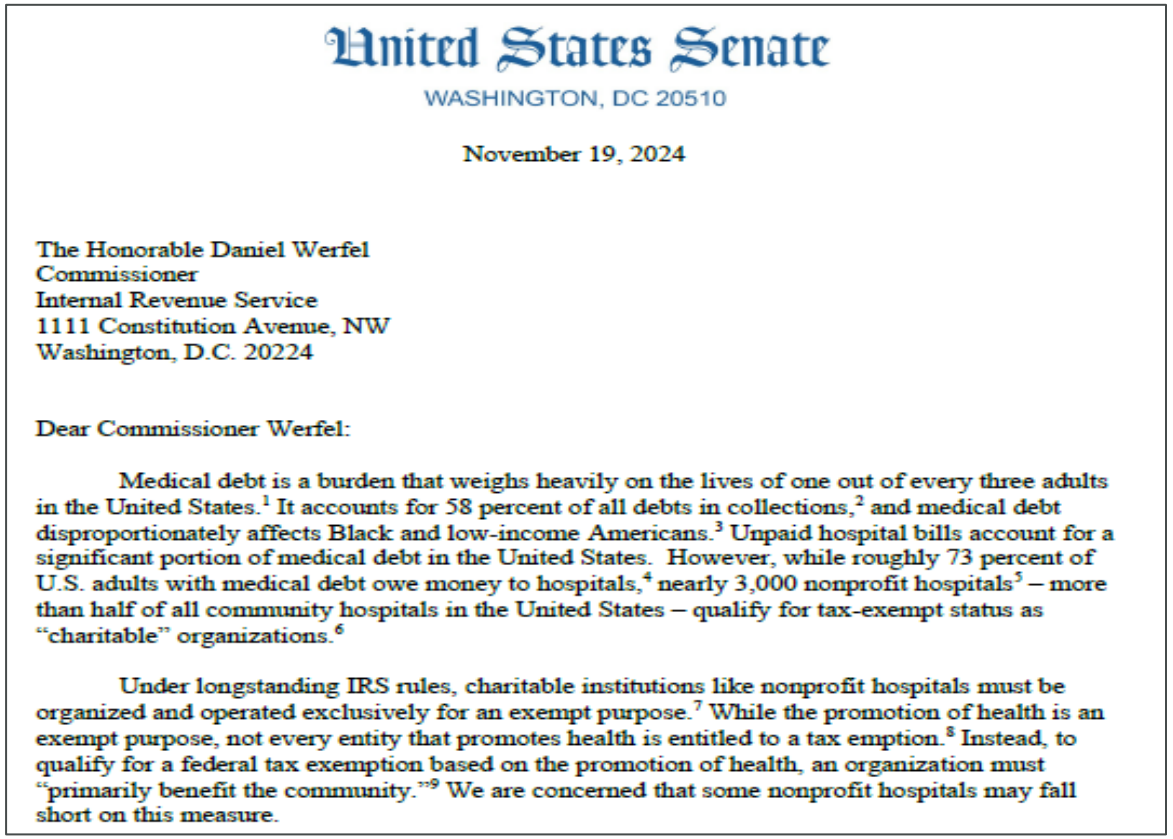
The Honorable Daniel Werfel
Commissioner
Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

The Honorable Edward T. Killen
Commissioner
Tax Exempt and Government
Entities Division
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Werfel and Commissioner Killen:

We write today regarding our concern over the growing amount of medical debt,[1] and the role your agencies can play in providing greater transparency and oversight into nonprofit hospitals, which hold a portion of this debt.[2]

More than half of the approximately 5,000 community hospitals in the United States operate as private, nonprofit organizations.[3] Under IRS rules, nonprofit hospitals that provide "benefits to a class of persons that is broad enough to benefit the community" may qualify for tax exemptions.[4] One study estimated that these exemptions were worth over $28 billion in 2020.[5]



United States Senate

WASHINGTON, DC 20510

November 19, 2024

The Honorable Daniel Werfel
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, D.C. 20224

Dear Commissioner Werfel:

Medical debt is a burden that weighs heavily on the lives of one out of every three adults in the United States.[1] It accounts for 58 percent of all debts in collections,[2] and medical debt disproportionately affects Black and low-income Americans.[3] Unpaid hospital bills account for a significant portion of medical debt in the United States. However, while roughly 73 percent of U.S. adults with medical debt owe money to hospitals,[4] nearly 3,000 nonprofit hospitals[5] – more than half of all community hospitals in the United States – qualify for tax-exempt status as "charitable" organizations.[6]

Under longstanding IRS rules, charitable institutions like nonprofit hospitals must be organized and operated exclusively for an exempt purpose.[7] While the promotion of health is an exempt purpose, not every entity that promotes health is entitled to a tax emption.[8] Instead, to qualify for a federal tax exemption based on the promotion of health, an organization must "primarily benefit the community."[9] We are concerned that some nonprofit hospitals may fall short on this measure.

Sources:
1) "Grassley, Colleagues to TIGTA and IRS – Nonprofit Hospital Tax Exemption," grassley.senate.gov, August 7, 2023.
2) "Warren, Grassley Pressure IRS To Crack Down on Nonprofit Hospitals Taking Advantage of Tax Code," warren.senate.gov, November 19, 2024.

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How to Respond

Achieving Health

What We Believe

Healthcare organizations must commit to collaboration, prioritizing resources for continual improvement, and developing core capabilities.

What is to gain from Achieving Health?

1. Enhanced competitive advantage
2. A growing public reputation
3. Improved partnership opportunities
4. Risk mitigation
5. Increased access to resources
6. Better outcomes delivered more efficiently

Achieving Health
Core Capabilities

Healthcare organizations should develop and continually improve upon five core capabilities as a prerequisite to Achieving Health for individuals, communities, and their enterprises.

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Questions?

Contact

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