



Federal Legislative/Policy Update **Outlook: 2025–2026**

Chad Mulvany | August 21, 2025

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.

40% of hospitals had negative margins in 2024

16 hospitals closed in 2025
25 hospitals closed in 2024

338 rural hospitals at risk of closure

Medicare margin for “efficient hospitals” is -2%

78% of physicians employed in 2024

774 nursing homes have closed since 2020

Sources:

- 1) Mindsets Healthcare Executive Leadership Report,” Forvis Mazars, 2024.
- 2) https://www.markey.senate.gov/imo/media/doc/letter_on_rural_hospitals.pdf
- 3) <https://www.fitchratings.com/research/us-public-finance/fitch-revises-sector-outlook-for-us-nfp-hospitals-to-neutral-09-12-2024>
- 4) www.medpac.gov/wp-content/uploads/2024/08/Tab-D-Hospital-payment-adequacy-January-2025-SEC.pdf
- 5) <https://www.beckershospitalreview.com/finance/4-hospital-closures-in-2-weeks/>
- 6) <https://www.beckershospitalreview.com/finance/5-hospital-closures-in-2024.html#:~:text=Becker's%20has%20reported%20on%202025,This%20article%20was%20updated%20Dec.>
- 7) <https://www.beckershospitalreview.com/finance/10-hospitals-closing-departments-or-ending-services-5.html>
- 8) <https://www.physiciansadvocacyinstitute.org/PAI-Research/PAI-Avalere-Study-on-Physician-Employment-Practice-Ownership-Trends-2019-2023>
- 9) <https://www.ahcancal.org/News-and-Communications/Press-Releases/Pages/Report-Access-to-Nursing-Home-Care-is-Worsening-.aspx>



Washington Outlook: 2025–2026

Trump Administration

Thus far, Trump 47 has been more effective than Trump 45.



OBBBA: Medicaid Financing

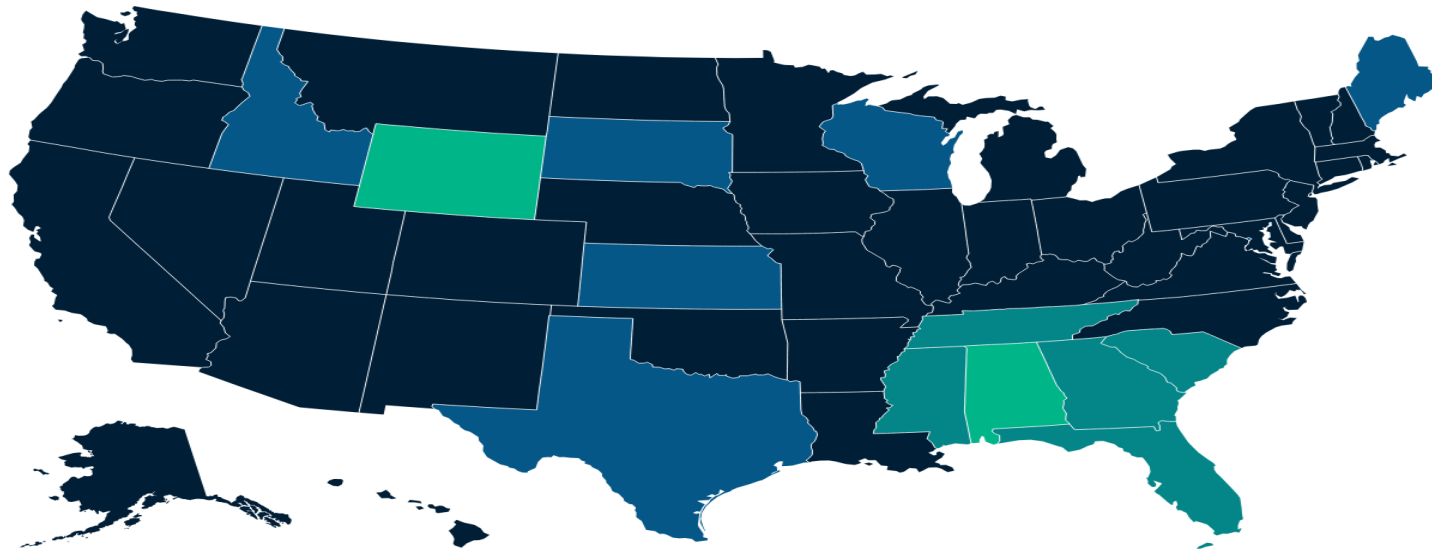
Federal cuts to states of \$1T over 10 years represent 15% of federal spending on Medicaid.

Figure 2

Federal Medicaid Cuts in the Enacted Reconciliation , By State

As a % of 10-year baseline federal spending (2025-2034)

■ < 7% ■ 7%–10% ■ 10%–13% ■ ≥ 13%



Note: \$1 trillion in federal Medicaid spending cuts over the 10-year period is allocated across states. See Methods in "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Senate Reconciliation Bill" for more details.

Source: KFF analysis of CBO estimates of the Senate Reconciliation Bill

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Key Financing Changes

- Provider tax freeze & reduction to 3.5% for expansion states (\$191B)
- State-directed payment freeze & reduction (\$149B)
- Uniform provider tax requirements (\$35B)
- Emergency Medicaid FMAP reduction for expansion population (\$28B)
- Repeal FMAP enhancement for states that haven't expanded (\$14B)

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SDP Questions

While there are many questions about the OBBBA, those related to the SDPs could have the greatest impact on providers.

Grandfathered?

- Definitions: Depends on how CMS defines “good faith effort” or “completed preprint.”

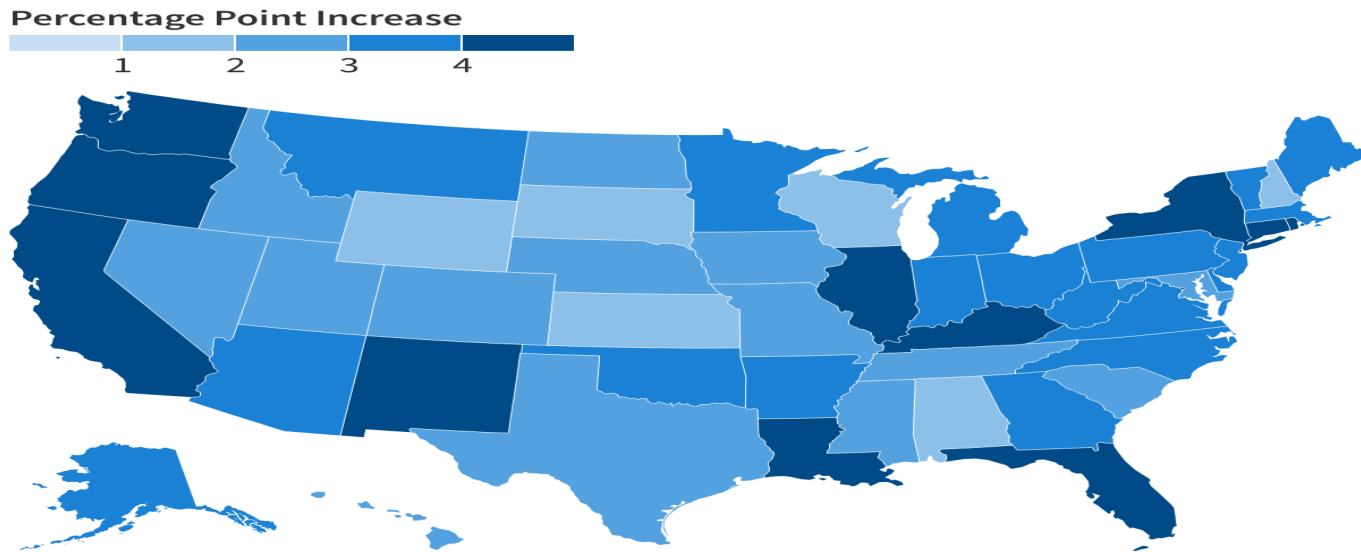
Medicare Rate?

- Definitions: How will CMS define, “the specified total published Medicare payment rate?”

OBBBA: Coverage Impact

Changes to Medicaid and Exchange eligibility are projected to increase the uninsured by 10 million.

2034 Projected Uninsured Increase *OBBBA Medicaid & Exchange Provisions*



Note: This map takes into account the effects on the uninsured population of passing the One Big Beautiful Bill Act. See methods for details.

Source: KFF analysis of population data from Weldon Cooper Center for Public Service; estimates of uninsured population growth by policy change from CBO, and KFF estimates of how the uninsured increase would be allocated across states (see Methods for additional sources and details).

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Medicaid

- Work requirements for select individuals (\$326B)
- Increased redeterminations for expansion population (\$62B)
- Reduced retroactive eligibility (\$4.2B)

Exchange

- Increased income verification requirements (\$37B)
- Limits premium tax credit eligibility for certain SEPs (\$39B)
- Restricts premium tax credit eligibility for non-citizens (\$120B)

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OBBBA: Other Key Provisions

Good

- Increases 2026 Medicare PFS (\$2B) conversion factor
- Delays LTC staffing ratio requirement (\$23B)

Bad

- Moratorium on Biden administration eligibility & enrollment rules (\$122B)
- Alien Medicaid eligibility (\$6.2B)

Not Included

- Delay of ACA Medicaid DSH reduction

OBBBA: Rural Health Transformation Program

OBBBA creates a \$50B rural health transformation program, available for five years, that states can apply for with funding starting in 2026.

Allocation

- Provides \$10B per year for five years
- \$5B distributed evenly to each state
- \$5B distributed to states based on CMS allocation method

Application

- States must apply via a one-time application
- Required to submit a detailed rural health transformation plan
- Funds are not eligible for FMAP
- Not more than 10% can be used for administrative costs

Uses

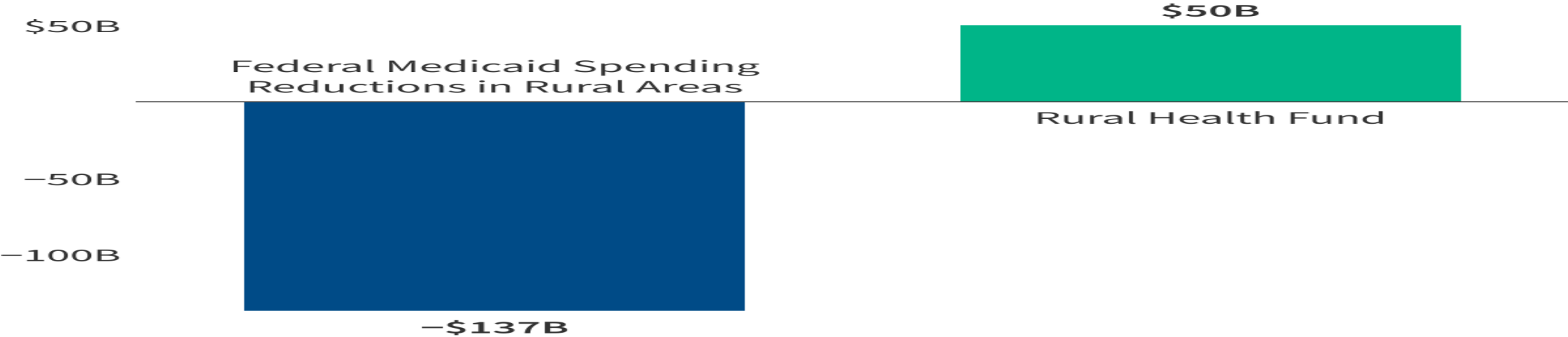
- Prevent/manage chronic disease
- Increase provider pmts
- Adopt technologies to improve care delivery
- Recruit clinicians to rural communities
- Rightsize rural delivery systems
- Support access to SUD treatment
- Encourage innovative care models

Insufficient Transformation Funding

The rural health transformation fund only covers 36% of the reduction in federal Medicaid funding for rural areas.

Figure 1

The Enacted Reconciliation Package Would Reduce Federal Medicaid Spending in Rural Areas by \$137 Billion; the \$50 Billion Rural Health Fund Would Partially Offset Reductions in Rural Areas



Note: The analysis uses T-MSIS data to estimate the percentage of Medicaid spending that paid for services used by rural enrollees. Those percentages were then applied to national estimated reductions in federal Medicaid spending from KFF's broader analysis of federal Medicaid spending reductions.

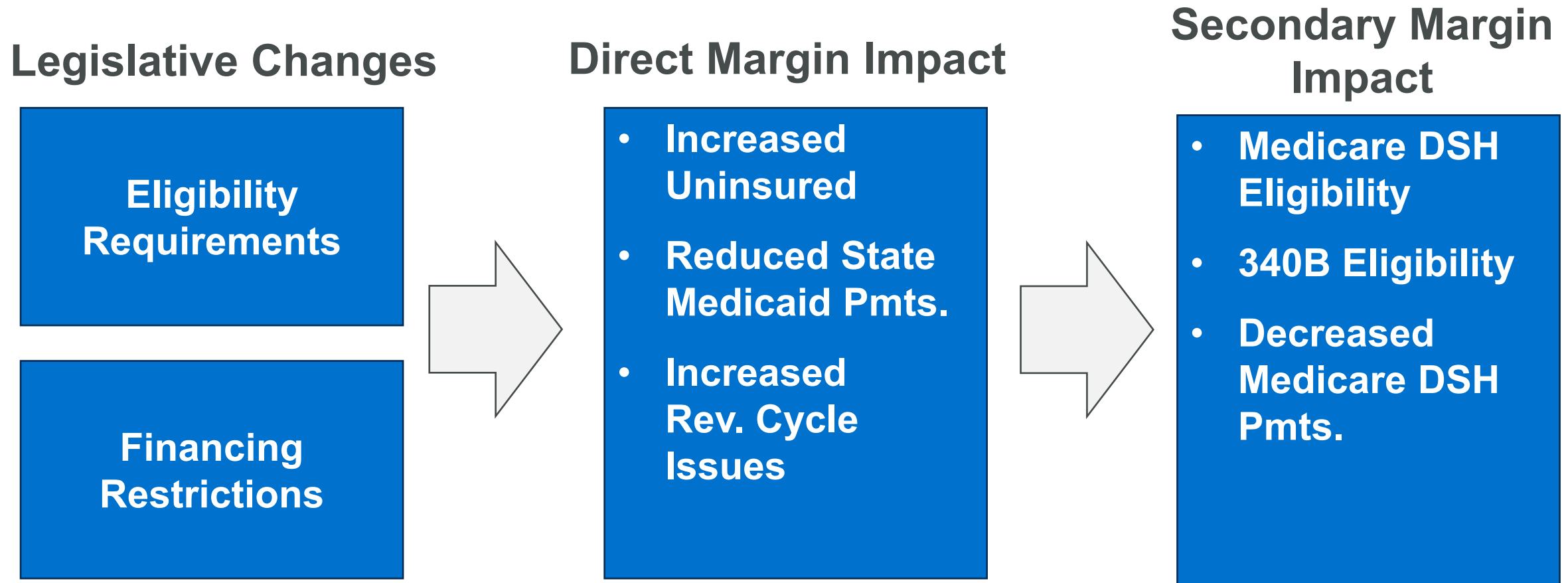
Source: Allocating CBO's Estimates of Federal Medicaid Spending Reductions and Enrollment Loss Across the States, and KFF analysis of the T-MSIS Research Identifiable Files, 2021

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OBBBA: Hospital Margin Impact

Changes will increase uninsured, reduce Medicaid payments, and reduce eligibility for safety net programs.



OBBBA: Medicare Impact

The enacted legislation increases the deficit by \$3.4 trillion over 10 years, triggering the 4% Medicare PAYGO sequester.

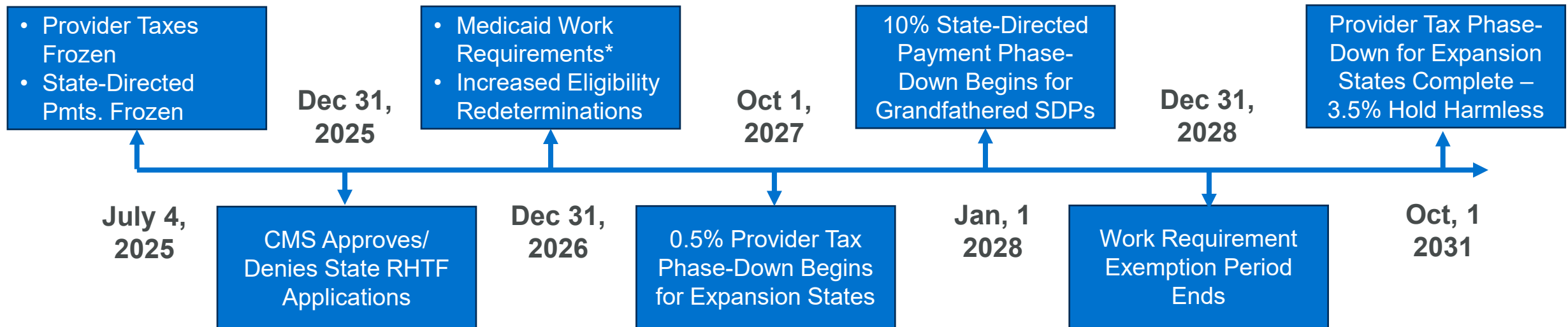
CBO’s Medicare Estimate of the Statutory Pay-As-You-Go Effects of Public Law 119-21

Table 1. Estimated Statutory Pay-As-You-Go Effects of Public Law 119-21 on Medicare Billions of Dollars, by Fiscal Year										
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2027- 2034
Change in Outlays	-45	-48	-54	-52	-58	-62	-66	-75	-76	-491
Source: Congressional Budget Office.										

OBBBA Timeline

Provisions impacting provider finances have staggered implementation dates.

OBBBA Implementation Timeline: Select Provisions



FFY 2026 Funding: Healthcare Extenders

There are several “healthcare extenders” providers need Congress to address in the FY 2026 federal funding bill.

Senate takes first step on late government funding bills

The [Senate took a bipartisan](#) step forward Tuesday on the first of its annual appropriations bills for the upcoming fiscal year — as the deadline to avoid a government shutdown comes into view.

Why it matters: It's an early sign that [some Democrats](#) are still willing to work across the aisle to avoid a shutdown, at least for now.

- The early procedural vote was 90-8.
- Seven Senate democrats voted against opening debate: Ed Markey (Mass.), Alex Padilla (Calif.), Elizabeth Warren (Mass.), Adam Schiff (Calif.), Bernie Sanders (Vt.), Chris Murphy (Conn.) and Peter Welch (Vt.) — along with Republican Mike Lee (Utah).

Key “Extenders” Expiring
Sept. 30, 2025

- ACA Medicaid DSH Cut Delay
- Medicare Dependent Hospital
- Medicare Low Volume Hospital
- Telehealth Waivers
- Medicare Hospital at Home
- Medicare Rural Ambulance Add-On

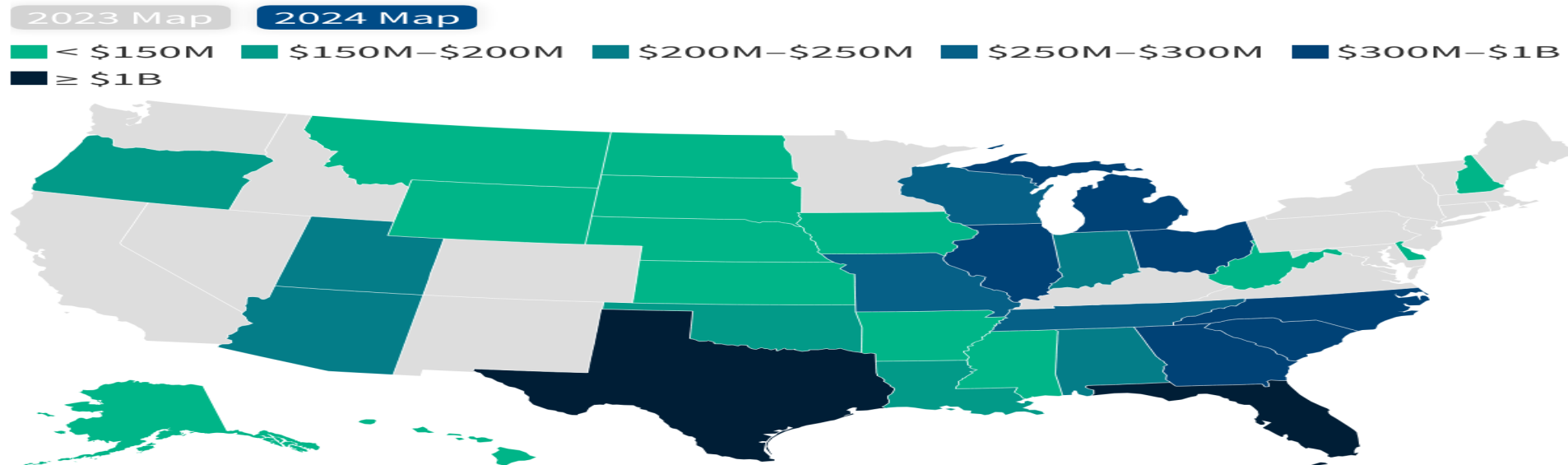
Enhanced Subsidy Expiration: Coverage Losses

The expiration on December 31 of the enhanced exchange subsidies could increase the uninsured by 4 million individuals in 2026.

Figure 7

Floridians and Texans Receive \$2.2 and \$1.5 Billion in Enhanced IRA Subsidies, Respectively, in 2024

Annualized Total Inflation Reduction Act Subsidies by State, 2024



Note: 2024 data on Inflation Reduction Act subsidies is only available for states using HealthCare.gov. Virginia became a state-based exchange in 2024.
Source: KFF analysis of 2024 Marketplace Open Enrollment Report and 2024 OEP PUF

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Another Reconciliation Bill?

Republicans in Congress are contemplating another reconciliation bill in the fall focused on deficit reduction.

Arrington sees another chance to notch conservative wins, spending cuts in second megabill

The House Budget chair has specific ideas for where Republicans should try again to advance certain priorities through the so-called Byrd bath.

House Budget Chair Jodey Arrington says Republicans shouldn't give up on advancing certain priorities that were cut out of their "big, beautiful bill" for not complying with Senate rules, telling reporters Tuesday that lawmakers will try again in follow-up budget reconciliation packages.

"There may be a longer list of things that were kicked out by the Senate parliamentarian as non-compliant with the Byrd rule — I think we should make another run at that and look for ways to structure the provisions so that it's more fundamentally budgetary in impact and..."

Site-Neutral Payments

- An expansion of Medicare site-neutral payment policies was not in the House-passed OBBBA.
- Despite this, an expansion is likely.



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



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.

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

Administrative Action:

- Phase out IPO list (proposed)
- Expand ASC covered procedure list (proposed)
- Site neutral drug administration (proposed)

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340B Legislation & Litigation

- Legal and admin. action related to “rebate models” bears watching.
- Senate HELP Committee Chair Cassidy plans to introduce bill to mitigate “misuse.”

	Legislation	Admin Action	Litigation
Federal	H.R. 7635: 340B PATIENTS Act Reintroduced from 118th Congress? SUSTAIN 340B Act H.R. 8574: 340B ACCESS Act	HRSA Pilot Rebate Model	Sanofi-Aventis U.S. v. HHS U.S. District Court for D.C.
State	Hospital Contract Pharmacy Laws Passed HI, OR, UT, CO, ND, SD, NE, OK, MN, MO, AR, LA, MS, TN*, MD, WV, VT, ME, RI		Contract Pharmacy Laws Upheld AR, MD, LA Contract Pharmacy Laws Challenged LA, MS, WV, MN, MO, KS

340B Pilot Rebate Model

Covered entities need to develop the infrastructure to support a “rebate cycle” and track metrics related to its (and manufacturers’) performance.

HRSA Proposes 340B Rebate Model Pilot for Narrow Set of Drugs Under Strict Conditions

The Health Resources and Services Administration (HRSA) today unveiled its highly anticipated 340B rebate guidance, proposing a pilot program that would allow manufacturers to offer 340B rebates for a limited group of drugs under strict conditions.

HRSA’s proposed [pilot](#), outlined in a Federal Register notice scheduled for official publication on Aug. 1, could only apply to drugs selected for Medicare drug price negotiations in 2026 under the Inflation Reduction Act (IRA). Stakeholders will have 30 days to comment on the proposed guidance.

Notably, the scope of 340B rebates permitted under the proposed pilot program is much narrower than the controversial rebate models multiple drugmakers had proposed.

2026 Medicare Payment Updates

Medicare proposed market basket updates are once again inadequate.

Federal Fiscal/Calendar Year 2026 Final/Proposed Net Medicare Payment Updates

Payment System	Net Market Basket Update*
Inpatient/Outpatient** PPS	2.6%
LTCH PPS	2.7%
Psych PPS	2.5%
Inpatient Rehab PPS	2.6%
Skilled Nursing PPS	3.2%
Home Health	-6.4%
Physician Fee Schedule	QP: 3.8% Non QP: 3.3%

*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.

**By statute, the OPPS final rule market basket update must be the same as the IPPS final rule update.

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2026 OPPS Proposed Rule

CMS returns to many policies finalized during the first Trump administration but subsequently overturned.

Key Provisions From 2026 OPPS Proposed Rule

**Increases 340B Recoupment
From 0.5% to 2%**

**Implements Site-Neutral Pmt.
for Drug Admin. Services**

**Announces Drug Pricing
Survey for Future 340B Cuts**

**Increases Hospital Price
Transparency Requirements**

**Phases Out Inpatient Only
List**

**Expands ASC Covered
Procedure List**

2026 PFS Proposed Rule

Providers that bill under the PFS will need to review the impact carefully as changes in the rule will result in disparate impacts based on specialty.

Select Provisions From 2026 PFS Proposed Rule

**Efficiency Adjustment for
Non-Time Based Services**

**Practice Expense RVUs for
Office-Based Physicians**

Ambulatory Specialty Model

MSSP Accelerated Risk

Supply Chain Meets Tariffs

“Reciprocal tariffs” went into effect on August 7th for most countries.

U.S. tariff rates on top 15 trading partners

2024 numbers are estimated effective tariff rates. August numbers are new announced tariffs.

	COUNTRY	TYPE	2024 RATE	AUGUST RATE
1	Mexico	In negotiations (higher rate pause extended for 90 days)	0.25%	25%
2	Canada	Targeted in recent E.O.	0.01%	35%
3	China	In negotiations (trade truce)	20.00%	30%
4	Germany	Preliminary deal	1.40%	15%
5	Japan	Preliminary deal	1.50%	15%
6	Switzerland	Targeted in recent E.O.	0.60%	39%
7	Ireland	Preliminary deal	0.10%	15%
8	Taiwan	Targeted in recent E.O.	0.90%	20%
9	South Korea	Preliminary deal	0.20%	15%
10	Vietnam	Preliminary deal	3.80%	20%
11	UK	Preliminary deal	0.97%	10%
12	India	Targeted in July 31 and Aug. 6 E.O.	2.40%	50%
13	Netherlands	Preliminary deal	0.70%	15%
14	France	Preliminary deal	1.20%	15%
15	Italy	Preliminary deal	2.20%	15%

Note: Trump has indicated China’s August rate may be lower. China’s 2024 rate shows average U.S. tariffs on Chinese exports.

Source: Census Bureau, Datawheel, Peterson Institute for International Economics. Effective tariff rates calculated using data from the USITC’s Dataweb.

RACHEL LERMAN, SZU YU CHEN, SHELLY TAN / THE WASHINGTON POST

Potential Impact

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



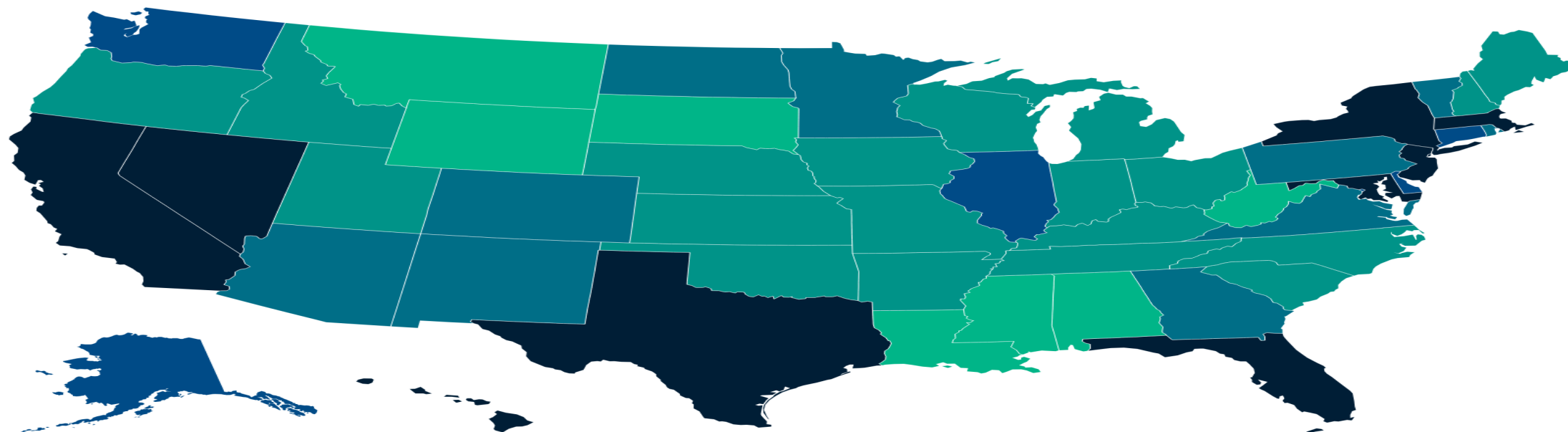
Immigration Policy: Workforce

Immigrants account for about 1 in 6 hospital workers, including among clinical and nonclinical workers.

Figure 4

Immigrants Account for At Least One Fifth of Hospital Workers In Nine States, Including in the Four Largest States: California, Florida, New York, and Texas

Immigrants as a share of hospital workers



Note: Analysis of individuals 18 and older who earned at least \$1,000 during the year and indicated that their job was at a general medical or surgical hospital or a psychiatric or substance use hospital.

Source: KFF analysis of American Community Survey data, 2023

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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?



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.



Questions?



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