

# Highmark's Weekly Capitol Hill Report



Issues for the week ending February 6, 2026

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## Federal Issues

### Legislative

#### House Energy and Commerce Subcommittee Holds Hearing on Healthcare Fraud

On Tuesday, the House Energy and Commerce (E&C) Subcommittee on Oversight and Investigations held a [hearing](#) on Medicare and Medicaid fraud. During the hearing, Chairman John Joyce (R-PA) emphasized long standing, nationwide fraud—costing an estimated \$100 billion annually—and urged stronger prevention efforts.

Ranking Member Yvette Clarke (D-NY) sharply criticized the Trump administration's use of fraud claims to justify aggressive federal actions in Minnesota, raising concerns about civil rights and whistleblower safety.

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**Why this matters:** The hearing served to highlight both the scale of criminal schemes in government programs and deep partisan divides over federal oversight.

Members highlighted how fraud clusters in areas with weak oversight spread across states and are driven by both domestic and foreign actors. Representatives Lori Trahan (D-MA) and Kim Schrier (D-WA) also pointed to serious issues in **Medicare Advantage**, where unsupported diagnoses have led to billions in taxpayer overpayments.

**Witnesses stressed** that unchecked fraud harms patients through denied or subpar care, enables copycat schemes in high-risk areas like hospice, and exploits gaps in documentation, provider verification, and oversight.

- They urged better data systems, stronger coordination, modernized tools, and implementation of GAO/OIG recommendations, while warning against conflating improper payments with intentional fraud.

- Governor Josh Shapiro's Proposal for Pennsylvania's Fiscal Year 2026-2027 Budget

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- AHIP Launces Updated *Healthier Markets, Healthier People*

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## Health Policy Package Reaches Final Passage Alongside Funding

After a brief shutdown, the House passed and the President signed into law the Senate amendment to [H.R. 7148](#), the Consolidated Appropriations Act of 2026.

The legislative vehicle includes five of the six remaining appropriations bills, including funding for the Department of Health and Human Services and a short-term continuing resolution for the Department of Homeland Security.

It also included a healthcare package that cleared the deck on many bipartisan healthcare priorities.

### Some key provisions of the health care package include:

- **Extends** Medicare telehealth flexibilities through December 31, 2027.

- **Requires** off-campus hospital outpatient departments to obtain and bill using a unique national provider identifier (NPI) number separate from their parent hospital for services furnished on or after January 1, 2028.
- **Requires** PBMs to provide detailed data on prescription drug spending and utilization. Allows plan beneficiaries to receive a summary of information about the plan's prescription drug spending, including fees paid to brokers and pharmacy network design parameters.
- **Requires** that PBMs fully pass through 100% of drug rebates, fees, and discounts, excluding bona fide service fees received by the PBM, to an employer or health plan regulated under ERISA.
- **Requires** Medicare Advantage plans to verify provider directory information every 90 days, promptly remove providers no longer in-network, and limit enrollee cost-sharing to in-network amounts for care from a provider incorrectly listed as in-network.
- **Prohibits** PBMs and affiliates from deriving remuneration related to Part D drugs in any form other than bona fide service fees (BFSFs). Requires pass-through from PBM to plan of all rebates, discounts, and price concessions that are not BFSFs.
- **Requires** Part D sponsors to permit pharmacies that meet standard contract terms and conditions to participate as a network pharmacy.
- **Extends** the mandatory 2% Medicare payment reductions under sequestration through the first five months of FY 2033 and waives statutory pay-as-you-go (PAYGO) requirements, including 4% Medicare cuts.

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## Federal Issues

### Regulatory

#### **CMS Publishes Annual Premium Adjustment Percentage, Maximum Annual Limitation on Cost Sharing, Reduced Maximum Annual Limitation on Cost Sharing, and Required Contribution Percentage**

On Jan. 29, 2026, CMS published the Premium Adjustment Percentage, Maximum Annual Limitation on Cost Sharing, Reduced Maximum Annual Limitation on Cost Sharing, and Required Contribution Percentage for the 2027 benefit year. As finalized in the 2022 Notice of Benefit and Payment Parameters, these parameters are published annually in guidance released no later than January of the year preceding the applicable benefit year. **The parameters for the 2027 benefit year are as follows:**

- **The Premium Adjustment Percentage for 2027** is 1.8916224814.
- **The Maximum Annual Limitation on Cost Sharing for 2027** is \$12,000 for self-only coverage and \$24,000 for other than self-only coverage.

- **The Reduced Maximum Annual Limitation on Cost Sharing for 2027** is \$4,000 for self-only coverage and \$8,000 for other than self-only coverage for households with incomes at 100%-200% of the federal poverty level (FPL). For households with incomes greater than 200% and up to 250% FPL, the values are \$9,600 for self-only coverage and \$19,200 for other than self-only coverage.
- **The Required Contribution Percentage for 2027** is 8.5%.

More details can be found in the guidance [here](#).

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## White House Officially Launches TrumpRx

On Feb. 5, the White House launched [TrumpRx](#), a new government website to facilitate access to prescription drug manufacturer direct-to-consumer (DTC) platforms. TrumpRx does not sell or dispense prescription medications but is a searchable platform that facilitates access to other websites where patients can directly purchase brand drugs.

TrumpRx discounted pricing is currently limited to cash-pay (i.e., price available without insurance) patients. Of note, individuals must confirm they are not enrolled in insurance from any government, state or federally funded program including Medicare, Medigap, Medicare Advantage, and Medicare Part D to be eligible to use discount coupons provided on the platform. The White House also released an accompanying [fact sheet](#) noting that 40 brand medicines are available to be purchased through the website.

**The details:** The launch of TrumpRx has been expected following the May 2025 most favored nation (MFN) pricing [executive order](#), which included a directive to enable DTC sales at the MFN price. Under MFN pricing, the price for a drug in the United States is comparable to the lowest price in other economically developed countries.

### **TrumpRx discounted pricing is currently limited to cash-pay (i.e., price available without insurance) patients. Other key details include:**

- The prices listed on TrumpRx are for certain brand-name drugs by manufacturers who have MFN agreements in place. Some of these prices were previously announced concurrently with the MFN agreements.
- While the platform does not accept insurance, it does encourage insured individuals to check their copay to see if it's lower than the price available via TrumpRx.
- Individuals will need a valid prescription to be able to purchase drugs. This prescription information should be provided directly on the manufacturer's DTC website or at the pharmacy counter.
- For drugs not otherwise available via a manufacturer's DTC website, individuals can print a coupon to take to their local pharmacy and still access the TrumpRx discount, except for certain specialty drugs.
- The platform provides a link to the full medication guide for all available drugs and includes an overview of key information like active and inactive ingredients, side effects, and other details to promote safe and effective use.

- Manufacturers will partner with GoodRx to host their self-pay (i.e., price available without insurance) prices which will be integrated and displayed on TrumpRx.

Of note, while the prices available via TrumpRx are lower than list prices, they still might be higher than prices available for patients using insurance. Additionally, the website does not indicate if there is a generic version of the brand drug that is available at a lower price. Out-of-pocket spending for insured individuals made via TrumpRx will be excluded from counting toward any annual cost-sharing limits. Individuals must also agree to not seek reimbursement from any insurance plan for out-of-pocket costs for prescriptions purchased via the platform.

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### **HHS Substance Use Disorder Announcement**

On February 2, Department of Health and Human Services (HHS) Secretary Robert F. Kennedy Jr. announced a set of addiction and mental health initiatives. With \$100 million in grant funding from the Substance Abuse and Mental Health Services Administration (SAMHSA), the STREETS program, or Safety Through Recovery, Engagement and Evidence-Based Treatment and Supports, will address addiction and homelessness in eight U.S. communities.

The policy rollout came less than a week after Trump [signed an executive order](#) that established the White House Great American Recovery Initiative, which will advise federal agencies on grants and programs supporting substance use recovery and prevention.

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### **CMS Issues Updated Guidance to States for Medicaid State Directed Payments**

The Centers for Medicare & Medicaid Services (CMS) released an **updated** [Dear Colleague](#) letter that provides guidance to states on changes to State Directed Payments (SDPs) required under section 71116 of [HR.1](#). This replaces a September 2025 version of the letter ([here](#)). CMS indicates the guidance is intended to aid state planning efforts while CMS prepares a notice of proposed rulemaking.

- Under section 71116, states must limit the total payment rate for SDPs for inpatient hospital services, outpatient hospital services, nursing facility services, and qualified practitioner services at an academic medical center. The limit is 100 percent of the specified total published Medicare payment rate for an expansion state or 110 percent of the specified total published Medicare payment rate for a non-expansion state.
- The revised letter modifies CMS's interpretation of the window of time an existing SDP must be in effect to qualify for a temporary grandfathering period under section 71116. Specifically, the statute delays and phases in the reduction in the total payment rate for SDPs that received CMS approval - or there was a good faith effort to receive such approval - by a specified date, for a rating period occurring within 180 days of the law's July 4, 2025 enactment. Under the revised letter, this 180-day period will be measured using business days rather than calendar days. CMS states, "In practice, this means the grandfathering period applies to eligible SDPs in rating periods that include any days from October 11, 2024 through July 3, 2025, or July 7, 2025 through March 27, 2026."
- CMS also adds language specifying that SDPs must meet all the criteria in the letter to qualify for the temporary grandfathering period and states cannot revise SDP preprints (such as revising the rating period of a pending or approved preprint) in an effort to circumvent these criteria.

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## State Issues

### New York

#### Regulatory

#### Department of Financial Services Releases 2027 Rate Review Process

Last week, DFS hosted an Actuarial Workgroup Meeting to roll out a draft timeline and plan design process for 2027 individual and small group rates. Highmark actuary and product team members joined the call.

#### Key proposed dates include:

- February 13 - Student Health Rate Filings Due; Student Health Form Filings Due
- May 21 - Individual and Small Group Rate Filings Due; Individual and Small Group Form Filings Due
- June 15 - Tentative Start date of 30-Day Comment Period
- August 21 - Tentative Date for Posting Final Rates

NY State of Health also joined the call, and updated health plans on the state's 1332 waiver termination application pending with CMS. Assuming the application to revert to a 1331 waiver is approved, the state will eliminate Essential Plan 5 (consumers from 200-250% of the federal poverty level/FPL) and revert to the Basic Health Plan (138-200% FPL). That action would impact approximately 466,000 consumers who would need to purchase health insurance on the ACA marketplace in order to remain covered, effective 7/1/2026 pending CMS approval. If that timeline holds true, the state would begin sending member notices beginning in April.

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## State Issues

### Pennsylvania

#### Legislative

#### Governor Josh Shapiro's Proposal for Pennsylvania's Fiscal Year 2026–2027 Budget

Governor Shapiro last week presented his Fiscal Year 2026—2027 state budget proposal.

- **New Revenue:** The governor's proposal calls for \$53.3 billion in general fund spending, a \$2.7 billion increase over last year. As in the 2025-2026 proposed budget, the plan again calls for and relies on anticipated revenue from increasing the minimum wage to \$15 per hour by January 1, 2027, as well as legalizing adult use of recreational cannabis and regulating "games of skill." The proposal also transfers \$4.6 billion from the Rainy-Day Fund to the General Fund.
- **Important to hospitals,** the plan maintains funding for obstetric and neonatal care, burn units, trauma centers, and rural and critical access hospitals; continues spending for workforce development; and proposes increased support to expand the commonwealth's behavioral health

crisis response infrastructure. However, the proposal zeroes out funding for the Hospital and Health System Emergency Relief fund.

**In his remarks, Shapiro called for passage of a state False Claims Act**, noting bipartisan interest in addressing “waste, fraud, and abuse.” He also directed the Department of State to take steps to expedite licensure for behavioral health professionals and review opportunities to streamline licensure requirements to be more competitive with other states.

- The governor’s remarks focused largely on economic growth, public safety, and education as well as mitigating the impact of federal funding cuts. His proposal includes a \$100 million Federal Response Fund to “be prepared to mitigate actions, or inactions, by the federal government that cause disruptions to critical services or create situations that threaten the health, safety, and welfare of Pennsylvanians.”
- You can read the [governor’s address](#), as prepared, and review the [budget proposal](#) online.

During January, the Hospital & Healthsystem Association of Pennsylvania (HAP) sent letters to the governor and legislative leaders outlining clear steps to better align hospital payments with the cost of providing care. These include maximizing allowable Medicaid reimbursement and bolstering funding for distressed hospitals. The recommendations were supported by the expert analysis from national consulting firm Oliver Wyman, which demonstrates how Pennsylvania falls behind other states in protecting hospital stability. HAP will continue to make the case for hospital financial stability as budget advocacy shifts to the General Assembly.

**Initial review notes several budget lines of particular interest to the healthcare community. Some highlights include:**

#### ***Financial Stability***

- \$10 million for rural hospitals—eligible for federal match—continued from 2025–2026 budget (confirmed with Department of Human Services leadership)
- \$13.5 million decrease (funding zeroed out) for the Hospital and Health System Emergency Relief fund through the Department of Community and Economic Development
- Maintains Medicaid supplemental payment levels to hospitals:
  - \$10.68 million for obstetric and neonatal services
  - \$8.66 million for trauma centers
  - \$4.44 million for burn units
- Continues state-directed payments to critical access hospitals

#### ***Workforce***

- \$32.5 million to level-fund the Grow PA scholarship program



- \$2.7 million to provide an increase in the minimum wage for childcare workers
- \$10 million increase for the Child Care Recruitment and Retention Program

### ***Behavioral Health***

- \$10 million in dedicated funding for 988 crisis line operations and capacity building
- \$5 million increase for walk-in crisis stabilization centers
- \$3.2 million to maintain expansion of community-based services
- \$3.2 million increase in the Community Hospital Integration Projects Program to support individuals leaving the state mental health hospitals in the community

The governor's proposal also includes \$2.5 million to expand support to maternal health programs and maintains a transfer from the cigarette tax to the Tobacco Settlement Fund in the amount of \$117.2 million.

**GOP response:** Republicans criticized the budget as spending more than the commonwealth can sustain, warning it relies on overestimated revenues and draws down the Rainy-Day Fund in ways that could threaten bond ratings and lead to future tax increases. They also argued many of the governor's cited successes reflect long-standing Republican priorities, including tax cuts, permitting reform, energy development, and public safety, rather than new initiatives from the administration.

**Next steps:** The General Assembly's appropriations committees will begin budget hearings on February 23 following which the House and Senate will return to session March 17 and 23, respectively. Pennsylvania's annual budget deadline is June 30.

**Why this matters:** Hospitals are extremely important to the commonwealth's economic growth. Policy makers need to prioritize sustainable hospital payments that align with the cost of providing care.

### **Some of the key budgetary and policy priorities of Governor Shapiro's budget proposal include:**

1. Create a \$100 million Federal Response Fund to backfill federal funding disruptions to public services
2. Approve funding for four additional classes of State Police troopers
3. Fund "Innovate in PA 2.0" with targeted tax credits for startups, life sciences, and workforce pipelines
4. Codify the Governor's Responsible Infrastructure Development (GRID) standards, which pertain to the siting and construction of data centers
5. Enact bipartisan safeguards for AI companion bots,
6. Provide \$565 million in additional adequacy-based education funding, increase special education funding, and continue cyber charter reforms to achieve up to \$250 million in school savings



7. Pass legislation banning student cell phone use during school hours
8. Fully fund the performance-based funding formula for Penn State, Pitt, and Temple
9. Provide \$625 million to Pennsylvania's State System of Higher Education universities, which is funding equal to the 2025-2026 Fiscal Year.
10. Expand student-teacher stipends beyond the current 2,000 participants
11. Raise the minimum wage to \$15/hour on January 1, 2027
12. Eliminate professional licensing requirements that exceed neighboring states, along with directing the Department of State to develop a list of recommendations to license state professional licensing requirements.
13. Open a civil statute-of-limitations window for survivors of child sexual abuse, and pass statute of limitations reform.
14. Pass a Pennsylvania False Claims Act to recover fraudulently obtained public funds.
15. Pass legislation setting profit benchmarks for utilities, extend and expand Chapter 14 protections for low-income customers
16. Reform zoning and modernize the Municipalities Planning Code to support new housing development
17. Create a \$1 billion Critical Infrastructure Fund for housing development.

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## State Issues

### West Virginia

#### Legislative

#### Legislative Update

The 2026 Regular Session of the West Virginia has now passed the one-third point of completion and will be halfway over by the end of this week.

#### Updates on Various Issues

- **HB 4770, proposing limits on the use of artificial intelligence** in providing behavioral health services has been endorsed by the House Health Committee and has been assigned to the House Finance Committee under a second committee reference.

- The initiative of the West Virginia Dental Association to seek passage of a bill requiring **an 85% loss ratio for dental plans** has stalled in both the House and the Senate as the chairmen of the committees with jurisdiction over the issue are making it known that the proposal is not likely to be considered this year.
- **HB 4760, proposing to mandate that health plans cover non-FDA approved food and nutrition supplements**, was removed from the House Health Committee agenda last week because of significant opposition from plan and employer community representatives—opposition that gained the attention of senior leaders in the House to intervene in causing the momentum behind the bill to cease. It is not completely clear that HB 4760 will not be revived in some manner as the chairman of the committee is a strong advocate.
- **Prior Authorization:** The West Virginia Hospital Association and representatives of its members continue to have a constant and large presence at the Capitol in pursuit of a significant revision of the state's prior authorization law such that PA would effectively be eliminated in hospital settings. **SB 822** proposing these changes was introduced Friday and can be accessed via the bill tracking link. The bill received two committee references—first to the Health Committee and then to Finance, since it would also affect PEIA and Medicaid. It is not yet known how or whether this proposal will advance or be modified.
- **HB 4089, proposing to mandate coverage of scalp cooling therapy for cancer patients**, has been advanced from the Finance Committee to the full House, where it will pass next week. Highmark has expressed no objections to this bill.

### Emergency Medical Services

The Senate Health Committee has advanced, without amendment, **SB 645**, which proposes to require private health plans to reimburse emergency medical services agencies at a level of 400% of the applicable rate paid by Medicare. The bill also would eliminate a requirement for an EMS agency to be part of a plan's network in order to be reimbursed directly by the plan for the service provided. The bill now moves to the full Senate, where it will be passed sometime this week.

The House Finance Committee Subcommittee on Banking and Insurance held a hearing on **HB 4117**, which is the House version of SB 645 as described above.

The House Finance Committee is the location where the EMS legislation ultimately died in 2025 when it was not placed on the committee's active agenda after a hearing was held.

### New Bills Introduced Last Week

- HB 5034—Relating to biometric privacy.
- HB 5057—Rural mobile health and mental health services.
- HB 5071—Coverage mandate for oral health and cancer. Applicable to private and public health plans. The same bill passed the House in 2025 and was ultimately not considered by the Senate Finance Committee.

- HB 5102—Coverage mandate for stuttering treatment. Applicable to private and public health plans. The same bill passed the House in 2025 and was ultimately not considered by the Senate Finance Committee.
  - SB 743—Modifying the state’s opioid reduction act to ease prescribing limits for mid-level practitioners.
  - SB 810—Creating lung cancer and education program.
  - SB 822—Revising gold card process to include hospitals or departments of hospitals.
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## Industry Trends

### Policy / Market Trends

#### **AHIP Launches Updated *Healthier Markets, Healthier People***

AHIP has [launched](#) an updated *Healthier Markets, Healthier People* [agenda](#) with solutions that seek to spur competition and lower costs.

**The Opportunity:** When competition is appropriately balanced with patient protections, market-driven innovation can reduce health care costs while improving health. Common-sense market reforms can encourage higher quality care at lower prices. Strategic government action can spur innovation in heavily regulated health care markets, delivering greater convenience and affordability for patients, and better value for taxpayers.

**Common-Sense Solutions:** The health care system can become more affordable, more accessible, and more responsive to patients’ needs by improving competition in three key areas:

- [Foster Pro-Patient Competition](#)
- [Stop Anticompetitive Provider Pricing](#)
- [Bring Down Monopoly Drug Prices](#)

**Go Deeper:** Read the full *Healthier Markets, Healthier People* agenda [here](#).

- Additional in-depth resources are also available on [patent abuse](#), [limiting provider markups](#), [provider markets](#), [biosimilars](#), [telehealth](#), [community-based care](#), [site-neutral payments](#), [cash subsidies](#), [short-term profits](#), and [dialysis](#).
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**Interested in reviewing a copy of a bill(s)? Access the following web sites:**

Delaware State Legislation: <http://legis.delaware.gov/>.

New York Legislation: <https://nyassembly.gov/leg/>

Pennsylvania Legislation: [www.legis.state.pa.us](http://www.legis.state.pa.us).

West Virginia Legislation: <http://www.legis.state.wv.us/>

For copies of congressional bills, access the Thomas website – <http://thomas.loc.gov/>. .

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