

## Federal Issues

### Legislative

#### **RFK Jr. Nomination Clears Senate Finance Hurdle**

On Tuesday, the Senate Finance Committee [advanced](#) the nomination of Robert F. Kennedy (RFK) Jr. as HHS Secretary by a party line vote of 14-13. His confirmation will now head to the full Senate for a vote, where he seems likely to be confirmed.

**Why this matters:** The move clears the way for confirmation hearings on Dr. Mehmet Oz, President Trump's pick for CMS Administrator, and other agency officials, as President Trump looks to cement his health care team in place.

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## Budget/Reconciliation Update

After a five-hour, closed-door meeting at the White House late last week, House Republican budget negotiators signaled they are closing in on a plan to advance President Trump's priorities — border security, energy, defense, and taxes. House leaders hope to have an agreement this week, although Speaker Mike Johnson (R-LA) said in an interview at the Super Bowl that negotiators "might push it a little bit further because the details really matter." Meanwhile, the Senate Budget Committee announced on Wednesday that it will markup its own \$300 billion budget resolution next week, tackling the border, energy and defense but leaving a tax package for later in the year.

**Why this matters:** The Senate's approach is a major departure from the House's one-bill reconciliation strategy and could ultimately delay passage of a budget resolution needed to unlock the reconciliation process if the two chambers cannot agree on a unified resolution. Complicating matters is the looming March 14 deadline for 2025 appropriations, which is likely to delay progress on the budget process while Congress attempts to wrap up last year's unfinished business.

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## Federal Issues

### Regulatory

#### White House Releases Executive Order on Deregulation

On January 31, the President signed [Executive Order \(EO\) 14192](#), which imposes new restrictions on federal regulations.

#### Regulatory Cap for Fiscal Year 2025

- For each new regulation, the relevant federal agency must identify at least 10 existing regulations to be repealed.
- Incremental costs from new regulations shall (to the extent permitted by law) be offset by the elimination of existing costs associated with at least 10 prior regulations.
- Each agency must ensure that total incremental costs of new regulations, including repealed regulations, finalized for fiscal year 2025 are "significantly less than zero" unless required by law or directed by OMB.
- The EO defines "regulation" broadly and goes beyond formal rulemaking.

#### Fiscal Year 2026 and Beyond

- Each agency receives an allowance for total amount of incremental costs for new regulations and repealed regulations.
- Agencies will be required to identify new regulations that increase costs and offsetting regulations in the regulatory planning process.

**Of Note:** These requirements and potential exemptions are subject to implementation by OMB. We will carefully monitor and share updates in the future.

**Go Deeper:** Read AHIP's [summary](#) of the EO and White House [fact sheet](#).

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## **BCBSA Weighs in on Medicare Advantage, Part D Technical Rule**

BCBSA submitted a [comment letter](#) to CMS in response to its proposed Medicare Advantage (MA) and Medicare Part D [policy and technical rule](#) for 2026.

**Why this matters:** The proposed rule provides an opportunity for BCBSA and Plans to share our extensive experience in the MA market to help shape regulations that guide the MA program.

**The details:** BCBSA's comments touched on a variety of topics, including:

- **Part D, Medicaid Coverage of Anti-Obesity Medications (AOMs).** Given the unknown long-term clinical benefits and potential safety risks of AOMs, BCBSA requested CMS withdraw its proposal to allow Medicare Part D and Medicaid to cover AOMs to treat obesity.
  - BCBSA recommended that CMS develop a voluntary model to provide more insights on the impact of AOM coverage on health outcomes and related costs to inform future policies.
- **Health Equity Index (HEI):** BCBSA recommended that CMS pause implementation of a new HEI reward and the removal of the current reward factor until the methodology can be thoroughly evaluated.
  - The current HEI methodology has significant flaws that could disadvantage beneficiaries and disproportionately impact plans, create barriers to effective implementation and result in anticompetitive advantages in the MA market.
- **Medical Loss Ratio (MLR):** To prevent disproportionately negative impacts to smaller plans, BCBSA asked CMS to avoid limiting third-party payments in MLR calculations. BCBSA also support a framework to account for vertical integration transfers.
  - BCBSA further recommended treating unsettled Medicare Prescription Payment Plan balances as claims for MLR inclusion. Additionally, BCBSA called for more time for carriers to respond to audit and appeal requests.

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## **State Issues**

### **Pennsylvania**

## Legislative

### **Budget Update**

On Tuesday, Governor Shapiro presented to a joint legislative session his proposed fiscal year 2025/2026 budget. The Governor's proposed budget included a 7.5% increase in state spending over the enacted 2024/2025 budget, for a proposed total of \$51.4 Billion.

The Governor highlighted the need to continue expansion of K-12 education funding, highlighting the work that has been done in the past year to reform the funding distribution model.

Additionally, Governor Shapiro called on the regulation and taxation of skill games, and called for the legalization and regulation of adult use cannabis. His proposed budget includes revenues of \$368 million and \$536 million respectively from these two policies.

### **Additional requests in the Governor's proposed budget include:**

- Enshrining the provisions of the Affordable Care Act into state statute
- Passing legislation which would require insurance companies to cover the costs associated with providing mental health care in schools
- Providing the PA Health Care Cost Containment Council with \$4 million to establish an All Payer Claims Database
- \$4.8 million for Medicaid services for recently released prison inmates to support the CMS Section 1115 waiver referred to as the "Keystones of Health"
- Medical Assistance GLP-1s use for weight loss is limited, authorized "Except when certain conditions are met"
- Due to increased rates and enrollment, Medical Assistance funding was increased to \$919.2 million, which will be offset by federal matching funds, providing for an overall appropriation increase of \$659 million.
- A decrease of \$6.7 million (6.3%) in CHIP funding
- Increased funding to support the salaries of Home Health Workers
- Universal Post-Partum Depression screenings
- Mandated coverage for annual firefighter cancer screenings

### **Provisions specific to hospitals:**

#### ***Workforce***

- \$15 million increase to the Pennsylvania Primary Care Loan Repayment program, including:
  - \$10 million to expand the program to behavioral health specialists
  - \$5 million to incentivize health care providers to practice rural areas
- \$5 million to support workforce initiatives to educate, train, and recruit nurses, including public-private partnerships and education-based incentives
- \$55 million to grow the workforce necessary to expand access to childcare, which has been identified as a barrier to recruiting hospital staff

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

- \$10 million to stabilize hospitals via a Department of Human Services (DHS) fee-for-service appropriation, eligible for federal matching funds

- \$10 million to support rural hospitals via a DHS fee-for-service appropriation, eligible for federal matching funds
- \$20 million for a new initiative to address barriers to care

### **Behavioral Health**

- \$20 million increase to counties' base funding for behavioral health services
- \$10 million for 988 crisis line operations and capacity building
- \$5.75 million to expand discharge and diversion programs for people with behavioral health needs in the criminal justice system
- \$5 million to establish and expand walk-in mental health crisis stabilization centers
- \$1.6 million for transitions from state behavioral health hospitals to community services

### **The governor's proposal also maintains a transfer from the cigarette tax to the Tobacco Settlement Fund as well as Medicaid supplemental payments to hospitals, including:**

- \$10.68 million for obstetric and neonatal services (maintaining the funding increase HAP successfully advocated for in the 2024–2025 budget)
- \$8.66 million for trauma centers
- \$4.44 million for burn units

The plan also continues payments to critical access hospitals, as funding transitions to a state directed payment this year.

**Session Update:** The House and the Senate are now adjourned until March 17. During this break, both the House and the Senate Appropriations Committees will be holding hearings on the proposed budgets and spending plans with the Governor's Office and the individual state agencies.

## **Industry Trends**

Policy / Market Trends

### **New Report Shows Medicare Advantage Serves Older, Lower-Income Seniors Than FFS**

AHIP published an updated [Medicare Advantage Demographics report](#) based on the most recently available Medicare Current Beneficiary Survey, which reflects the MA population for 2022. The report shows how MA serves increasingly diverse populations with lower incomes and more complex health needs than Fee-for-Service (FFS) Medicare.

#### **By the Numbers:**

- **Income:** About 36% of MA members have annual incomes of less than \$25k, and 21% have annual incomes of \$80k or more. By comparison, 20% of FFS Medicare enrollees have incomes of less than \$25k, and 38% have incomes of \$80k or more.
- **Health Status:** Likely due to complex health needs, MA serves, on average, enrollees reporting a poorer health status compared to FFS Medicare: 47% of MA enrollees self-reported their health as "excellent" or "very good" compared to 54% for FFS Medicare enrollees.

- **Duals:** Almost two-thirds of dually eligible Medicare enrollees (65%) who are also eligible for Medicaid coverage are enrolled in MA.
- **Diverse Communities:** Approximately 63% of Black individuals and 61% of Hispanic or Latino individuals eligible for Medicare choose MA plans. Overall, 59% of Medicare beneficiaries who belong to diverse populations choose MA.
- **Gender:** 57% of enrollees with MA are female.
- **Age:** MA plans have a higher percentage of enrollees aged 75 years and older: 39% vs. 37% with fee-for-service (FFS) Medicare.

**Why this matters:** The updated report and corresponding [one-pager](#) demonstrates MA's vital role in delivering high-quality, affordable health coverage to beneficiaries with low incomes, diverse populations, and those with complex health needs.

A new [AHIP resource](#) highlights important benefits of MA, including useful graphics and key details on why a majority of seniors choose MA over fee-for-service Medicare.

**Highlights Include:**

- Stronger Financial Security and Greater Peace of Mind
- Increasingly Diverse Populations
- Better Quality & Services
- Reduced Costs for Beneficiaries & Taxpayers
- Overwhelming Beneficiary Satisfaction

**Visuals:** The resource features key visuals to drive home the message that MA provides greater service and quality.

## **New Survey: Enhanced Premium Tax Credits Support Affordability & Access for Cancer Patients**

The Keep Americans Covered coalition highlighted a [new survey](#) from the American Cancer Society Cancer Action Network examining the impact of the enhanced premium tax credits on cancer patients and survivors.

**By the Numbers:**

- **86%** of cancer patients and survivors who benefited from the tax credits said they would have **difficulty getting care** without the tax credits.
- **65% didn't know that the credits could end** for them at the end of this year.

- A majority (**60%**) stated they buy marketplace coverage because they **don't have access to employer-provided plans**.
- **81%** stated they would consider a **job change** and 56% would consider **skipping or delaying needed care** if the tax credits expire.

**Go Deeper:** [Read more](#) about how the tax credits promote fairness and affordability for those without employer-provided coverage.

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### **CMS Has 'Opportunity to Save Medicare' with Final Rate Notice**

A growing number of voices are calling attention to the potential impact of the 2026 MA Advance Notice. This week, former Rep. Ann Marie Buerkle (R-NY) told [Fox News Digital](#) that President Donald Trump and CMS have the “opportunity to save Medicare” by finalizing a Rate Notice that does not underfund MA and compound the negative consequences of two consecutive years of cuts.

**Context:** A preliminary review of CMS growth rate estimates for 2026 suggests medical costs for MA enrollees [will rise](#) approximately 9% next year, but CMS indicated that the policies in the Advance Notice – which was released prior to the inauguration – would, on average, increase funding by 2.23% in 2026.

**Key Quote:** "Medicare Advantage is Medicare for 34 million Americans who choose it. Those seniors are experiencing disruption with their healthcare as a result of two years of cuts — if Trump ensures MA gets funded in line with projected medical cost trends in 2026, he'll be ... giving seniors the healthcare they deserve ..." – Former Rep. Buerkle

**Why this matters:** With seniors' usage of medical services expected to remain high, a third consecutive year of insufficient MA funding would cause additional negative consequences for seniors' benefits, costs, and choices.

**Go Deeper:** Read AHIP's recent [blog](#) that highlights the importance of adequately funding MA and how it provides seniors better care at lower costs than FFS and performs better on key measures.

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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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