

Federal Issues

Legislative

Key House Committees Advance GOP Reconciliation Bill

Two House committees — [Energy and Commerce](#) and [Ways and Means](#) — worked their way through separate markups last week, advancing policies that will be wrapped into a reconciliation package.

Yes, but: The legislation hit a snag in the Budget Committee on Friday when several conservative Republicans joined Democrats in opposing the measure. The committee regrouped Sunday night, however, with the conservatives voting “present” to allow the bill to pass, albeit without their explicit support.

Next steps: The House Rules Committee will meet at 1:00 AM Wednesday to begin crafting the rule necessary to govern debate on the House floor. Conservatives on the committee are likely to use their position to attempt to extract additional concessions, and their votes will ultimately be needed when the bill comes to the floor.

What's in: As previously reported, [the bill](#) makes several reforms to the Medicaid program, including:

In this Issue:

Federal Issues

Legislative

- Key House Committees Advance GOP Reconciliation Bill

Regulatory

- Departments to Pause Enforcement of Mental Health Parity and Addiction Equity Act (MHPAEA) Final Rule
- Proposed Rule Closing Medicaid MCO Tax “Loophole”
- Executive Order on Most Favored Nation Rx Pricing
- BCBSA, AHIP Submit Comments to Improve Consumer Instructions in the Standard Issuer Renewal Notices
- USPSTF Issues Final Recommendation on Screening for Syphilis Infection During Pregnancy
- HHS Issues RFI on Deregulation
- CMS Updates
- CMS Innovation Center Announces New Strategy to Align with MAHA

State Issues

Pennsylvania

Legislative

- Work requirements;
- A ban on new provider taxes;
- 6-month eligibility checks for the Medicaid expansion population, rather than every 12 months as under current law; and
- A prohibition on coverage for individuals without verified citizenship or immigration status.

Codification of the recently introduced Affordable Care Act (ACA) program integrity rule is also included, along with modifications to health saving accounts (HSAs).

There were also provisions included in the package that impact the ACA's Basic Health Plan, known as the Essential Plan in NY (one of two states that adopted the BHP) that would impact New York's federal reimbursements. New York is projecting \$13.5 billion in annual cuts to New York, including \$7.5 billion in the Essential Plan, which covers almost 1.7 million New Yorkers that are between Medicaid and QHP eligibility, up to 250% of the FPL.

What's out: Deeper cuts to Medicaid that had also been discussed, including Federal Matching Assistance Percentage (FMAP) cuts and per capita caps are not in the bill.

Next Steps: If the House passes the legislation this week, attention will turn to the Senate, where major changes to the legislation are expected.

- House Advances Breast Cancer Screening Legislation

Industry Trends

Policy / Market Trends

- NAIC Issues Artificial Intelligence RFI
- NAIC Releases Results of Health AI/ML Survey; NAIC Stands Against Federal Preemption of State Privacy, Cyber, AI Legislation
- CBO: Coverage Impact of Premium Tax Credits

Federal Issues

Regulatory

Departments to Pause Enforcement of Mental Health Parity and Addiction Equity Act (MHPAEA) Final Rule

On May 15, the Departments of Labor, HHS, and the Treasury issued a [statement](#) regarding the enforcement of the 2024 final rules under the Mental Health Parity and Addiction Equity Act (MHPAEA).

Why this matters: This pause on enforcement will provide real relief to Plans given the significant challenges with interpreting the new, expansive requirements. It will also help mitigate the anticipated negative impacts to patients' access to high-quality, affordable mental health care.

What to Know:

- **Non-enforcement Timeline:** The Departments will not enforce the 2024 final rules or “otherwise pursue enforcement actions,” based on a failure to comply that occurs prior to a final decision in the ERIC litigation, plus an additional 18 months.
- **Only 2024 Provisions Impacted:** Enforcement relief applies only with respect to those portions of the 2024 final rules that are new in relation to the 2013 final rule.
- **Review of Broader Enforcement Approach:** The Departments will undertake a broader reexamination of their enforcement approach under MHPAEA, including the CAA, 2021 (NQTL comparative analyses) provisions.
- **Applicable Guidance:** Plans and issuers may continue to refer to the 2013 final rules, FAQs About Mental Health and Substance Use Disorder Parity Implementation and the CAA, 2021 Part 45, and other subregulatory guidance issued by the Departments under MHPAEA.
- **Potential Guidance Updates:** In the process of reconsidering the 2024 final rules, the Departments may make updates to the subregulatory guidance implementing MHPAEA, including FAQs Part 45.
- **State Enforcement:** HHS encourages states that are the primary enforcers of MHPAEA with respect to issuers to adopt a similar approach to enforcement.
- **Go Deeper:** AHIP has consistently raised significant concerns with the rules. Read their [comments](#) on the proposed rule.
 - The Departments' actions are happening in tandem with their request that the court pause a [lawsuit](#) filed by the ERISA Industry Committee's ("ERIC") that challenges the Rule. The D.C. Circuit Court [granted](#) ERIC's request that the Departments stay the MHPAEA Final Rule while litigation regarding the Final Rule is pending. **The stay only applies to federal enforcement and does not limit state enforcement.**
 - BCBSA signed on to a coalition letter earlier this year in support of ERIC's request for a stay.

- The non-enforcement policy will apply only to the regulations issued in the 2024 MHPAEA Final Rule. The 2021 requirements relating to comparative analyses and the requirements under the 2013 regulations remain in effect.
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Proposed Rule Closing Medicaid MCO Tax “Loophole”

The Centers for Medicare & Medicaid Services (CMS) has released a pre-publication Notice of Proposed Rulemaking (NPRM), “[Preserving Funding for Vulnerable Populations – Closing a Health Care-Related Tax Loophole](#).” The proposal was published in the Federal Register on May 15, 2025, with a 60-day comment period.

Background: The proposed rule relates to statutory provisions that reduce federal Medicaid matching funds for states that impose taxes on entities like providers and MCOs unless the taxes are “broad-based” and “uniform.” The requirement for taxes to be broad-based and uniform can be waived if the taxes are treated as “generally redistributive”.

Why this matters: The proposed rule would modify the conditions under which a state can obtain such a waiver, including certain statistical tests that are used to demonstrate taxes are generally redistributive.

- In the proposal, CMS raises several concerns about the current statistical test, particularly what CMS calls an “unintended loophole” that the agency believes has allowed non-uniform taxes to be approved despite being contrary to statutory and regulatory intent. CMS notes that taxes using this “loophole” have predominantly involved MCO taxes but is concerned other tax arrangements could be developed.
 - The [press release](#) estimates the proposed change will save more than \$30 billion over five years, and states with existing waivers will be provided a transition timeline based on the age of the waivers. CMS also states that four states that had waivers approved last year, specifically California, Michigan, Massachusetts and New York, are responsible for 95% of the federal spending in question.
 - BCBSA anticipates that this rule will impact provider taxes in California, New York, Massachusetts, Michigan, Ohio, Illinois and West Virginia. [Read More](#)
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Executive Order on Most Favored Nation Rx Pricing

What’s new: President Trump issued a [Fact Sheet](#) and signed an [Executive Order](#) (EO) focused on driving prescription drug prices to the “most favored nation” (MFN) drug price. This announcement is a blend of intended action against foreign countries, urging drug companies to sell prescription medications direct to consumers (DTC) at the MFN price, and rulemaking to impose MFN pricing.

- In the fact sheet and the [speech](#) accompanying the EO, President Trump stated that Americans are subsidizing the health of foreign countries by financing pharmaceutical research and development while paying higher prices for finished prescription drugs.

- President Trump specifically referenced price differences between the US and Europe for GLP-1s to treat obesity as well as price differences for breast cancer and asthma treatments.

Why this matters: This announcement revitalizes the MFN pricing proposal – which was halted by a federal court after drug manufacturers sued – from the end of President Trump's first term, with the intended goal of making prescription drugs available in the US at the same prices as certain European countries.

- BCBSA expressed concerns with that MFN proposal and its impact on Medicare Advantage beneficiaries. Insurers and other stakeholders will need to consider potential impacts a DTC model at the MFN price could have on consumer safety and utilization.
- DTC models today focus on consumer access to pharmaceuticals outside of the health insurance benefit (see examples [here](#) and [here](#)).

What's next: We will analyze forthcoming rulemaking to impose MFN pricing, which should provide additional details regarding how the Trump Administration plans to operationalize this policy, including impact on each health insurance market.

Go deeper: Key directives in the EO include:

- Secretary of Commerce and the U.S. Trade Representative shall ensure foreign countries aren't engaged in any practices that may be discriminatory or impair U.S. national security, and has the effect of American patients paying for a disproportionate share of global research and development costs;
- Secretary of Health and Human Services (HHS) shall facilitate DTC purchasing programs for drug manufacturers that sell their products to American patients at the MFN price; and
- Within 30 days, Agency leaders must communicate MFN price targets to drug manufacturers. If industry isn't advancing to provide consumer access to MFN pricing, HHS will: (1) propose rulemaking to impose MFN pricing; (2) consider allowing individuals to import prescription drugs directly from MFN countries; (3) Direct DOJ and FTC to take action against drug manufacturers engaging in anti-competitive behaviors, among other Administration actions.

These directives build upon the previous [EO](#) issued last month focused on lowering prescription drug prices.

BCBSA, AHIP Submit Comments to Improve Consumer Instructions in the Standard Issuer Renewal Notices

On May 12, 2025, BCBSA submitted comments in partnership with AHIP in response to a March 19th [Information Collection Request from CMS](#). In the letter, BCBSA and AHIP emphasize that, in conjunction with the potential expiration of enhanced premium tax credits, potential changes to cost-sharing reduction financing, along with other proposed changes included in the Marketplace Program Integrity & Affordability Proposed Rule make it critically important that consumers receive accurate information about their health coverage.

USPSTF Issues Final Recommendation on Screening for Syphilis Infection During Pregnancy

On May 13, 2025, the U.S. Preventive Services Task Force (USPSTF) released its [final recommendation statement](#) on screening for syphilis infection during pregnancy in asymptomatic women. The USPSTF recommendation has an “A” grade and recommends early, universal screening for syphilis infection during pregnancy; if an individual is not screened early in pregnancy, the USPSTF recommends screening at the first available opportunity. This recommendation is a reaffirmation of the USPSTF’s 2018 recommendation on this topic.

Following the June 2024 [circuit court ruling](#) in the *Braidwood Management, Inc. v. Becerra* case, health plans subject to the ACA preventive services mandate will continue to be required to cover all applicable preventive services recommendations from the Health Resources and Services Administration (HRSA), the Advisory Committee on Immunization Practices (ACIP) and USPSTF issued before and after 2010 without cost-sharing.

HHS Issues RFI on Deregulation

HHS released an [RFI](#) that seeks to facilitate the Administration’s initiative to “dramatically deregulate across all areas the Department touches.” It includes a discussion of the Administration’s objectives and several questions for commenters to consider.

- *Comment Deadline:* July 14, 2025.

Go Deeper: Read AHIP’s [response](#) to a separate deregulation RFI from the Office of Management and Budget (OMB). AHIP’s comments focus on targeted regulatory provisions that can be rescinded consistent with the OMB instructions, such as the Mental Health Parity and Medicare Advantage RADV rules. BCBSA also [responded](#) to OMB’s [RFI](#) on deregulation, highlighting unnecessary, burdensome and inconsistent requirements as well as regulatory and enforcement overreach. Specifically, they recommended that the administration withdraw the final mental health parity rule — which was done — and implement fair and even-handed enforcement of the No Surprise Act’s Independent Dispute Resolution process, among other policies.

CMS Updates

- **CMS Releases Draft Guidance for the Third Cycle of Medicare Drug Price Negotiation Program (Negotiation Program)** : On May 12, CMS [released](#) draft guidance on policies that will improve the transparency of the Negotiation Program, prioritize the selection of prescription drugs with high costs to the Medicare program, and minimize any negative impacts of the negotiated maximum fair price (MFP) on pharmaceutical innovation. CMS is seeking comments on this draft guidance for drug selection and negotiation for initial price applicability year (IPAY) 2028 and manufacturer effectuation of negotiated MFPs in 2026, 2027, and 2028.
- **CMS Releases Updated Medicare Prescription Payment Plan (MPPP) FAQs:** On May 8, CMS released an updated MPPP frequently asked questions (FAQs) document via an HMPS

memorandum. The new FAQ document includes three new questions related to claims transactions, how to address erroneous disenrollments from an enrollee's Part D plan, and requirements related to sending MPPP election request forms to enrollees with overdue balances within the same parent organization.

- **CMS Rescinds Guidance on Penalties for Medicaid Enrollees Accused or Convicted of Fraud and Abuse:** In early May, the Centers for Medicare & Medicaid Services (CMS) quietly rescinded guidance issued under the Biden Administration that prohibited states from clawing back benefits or imposing lockouts on Medicaid beneficiaries accused, but not convicted, of fraud or abuse. The now-rescinded State Medicaid Director letter clarifies that, with narrow exceptions, the law does not permit state agencies to recoup funds from or impose lock-out periods on beneficiaries who the state determines abused or defrauded the Medicaid program. By rescinding the guidance, the Trump administration is giving states more leeway to take administrative action on Medicaid fraud and abuse. [Read More](#)
- **CMS Announces State Technical Assistance Opportunity to Expand SUD Provider Capacity:** CMS announced the availability of a short-term technical assistance opportunity for states seeking to expand substance use disorder (SUD) provider capacity. States participating will learn best practices and innovative strategies to maximize SUD treatment and recovery service provider capacity. Please note that registration for the technical assistance webinars is open to state Medicaid agency staff only – we are flagging for awareness on agency priorities. [Read More](#)
- **CMS Informs 13 States of Final Section 1332 Pass-Through Funding Amounts for Plan Year 2025:** On May 9, 2025, CMS informed 13 states (AK, DE, GA, ID, MD, ME, MN, NH, NJ, ND, PA, RI, and WI) of their Section 1332 State Innovation Waiver final pass-through funding amounts for Plan Year (PY) 2025. CMS additionally informed CO that their pass-through funding can only be used for the activities established in their waiver plan. More information on Section 1332 waivers can be found [here](#).
- **CMS Releases Health Insurance Exchanges 2025 Open Enrollment Report:** On May 12, 2025, CMS released the [Health Insurance Exchanges 2025 Open Enrollment Report](#), summarizing data on health plan selections through the individual market during the 2025 Open Enrollment Period (OEP). Key figures include:
 - 24.3 million consumers selected or were automatically re-enrolled in coverage
 - 13% increase (nearly 2.9 million) in consumers signed up for coverage compared to 2024 OEP
 - CMS also released associated [Public Use Files \(PUFs\)](#) with state, county, plan, and demographic-level data.

CMS Innovation Center Announces New Strategy to Align with MAHA

The CMS Innovation Center [announced](#) a refresh of its strategic direction to focus on creating innovative payment models that “empower Americans to achieve their health goals and live healthier lives.”

MAHA Alignment: The strategy aligns with the “Make American Healthy Again” movement by promoting the prevention of chronic disease. The new strategy implements a three-pronged approach to the design of new value-based payment models and refinement of existing models that (1) promote evidence-based prevention, (2) empower individuals to achieve their health goals, and (3) drive choice and competition. Materials also mention exploration of testing Medicare Advantage models and promoting multi-payer alignment across payment models.

Go Deeper: Read the CMS Innovation Center [white paper](#), [FAQs](#), and [blog](#) on the strategy.

State Issues

Pennsylvania

Legislative

House Advances Breast Cancer Screening Legislation

The House of Representatives passed HB 433, a comprehensive breast cancer screening bill by a vote of 198 to 5.

Why this matters: The bill amends the Insurance Company Law, providing for coverage for mammographic examinations and breast imaging.

- The bill would require minimum coverage to include all costs associated with diagnostic breast examinations that are used to evaluate a seen or suspected abnormality from a screening examination for breast cancer or used to evaluate an abnormality detected by another means of examination.
- It would further require minimum coverage to include all costs associated with supplemental breast screenings because the person is believed to be at an increased risk of breast cancer.

Both the House and the Senate are adjourned until Monday, June 2nd.

Industry Trends

Policy / Market Trends

NAIC Issues Artificial Intelligence RFI

The Big Data and Artificial Intelligence (H) Working Group has released a [request for information](#) regarding proposing an NAIC Model Law on the Use of Artificial Intelligence in the Insurance Industry for a 25-day public comment period ending June 9, 2025.

The request is also posted on the Working Group’s webpage: [Big Data and Artificial Intelligence \(H\) Working Group](#).

NAIC Releases Results of Health AI/ML Survey; NAIC Stands Against Federal Preemption of State Privacy, Cyber, AI Legislation

NAIC Health AI/ML Survey Results. The National Association of Insurance Commissioners (NAIC) Big Data and Artificial Intelligence (H) Working Group released the results of the Health AI/ML Survey. This survey in the Working Group's plan follows other surveys the NAIC has conducted on the use of Artificial Intelligence and Machine Learning by insurers. The first surveys focused on life, homeowners, and private passenger automobile insurance lines.

The released materials are posted on the [Big Data and Artificial Intelligence \(H\) Working Group](#) website (under Documents), and include the 217-page [Health AI/ML Survey Report, May 2025](#), and a 12-page [Health AI/ML Survey Memo, May 2025](#).

- **This NAIC survey was specifically developed to:**
 - Understand the current status of AI/ML use by comprehensive major medical and student health insurance
 - Gain insight into the role third parties play in the development and use of AI
 - Gain an understanding of health insurers' AI governance frameworks
 - Review alignment of health insurers' AI governance frameworks with NAIC AI Principles and Model Bulletin
- **Sixteen states (CO, CT, IL, IA, LA, MD, MN, NE, ND, OK, OR PA, VT, VA, WV, and WI) participated in this survey and defined how plans would be selected to participate in that survey. The criteria were:**
 - Written business in one or more of the 16 participating states
 - Countrywide 2023 earned premiums of at least \$250,000,000 or
 - Significant market share in one or more of the participating states
- **The survey asked questions related to plans' AI use:**
 - Product Pricing and Plan Design
 - Claims Adjudication Prior Authorization
 - Utilization/Severity/Quality Management
 - Fraud Detection
 - Risk Management
 - Risk Adjustment

- Data Processing
- Strategic Operations

NAIC Opposes Federal Preemption. Last week, the NAIC hosted the [2025 Commissioner Fly-In](#), an annual event where state insurance regulators assemble to engage with their members of Congress in the nation's capital. Regulators discussed initiatives, highlighting their concern and opposition to federal preemption of state data privacy, cyber, **and artificial intelligence** protections, among other issues. More detail and a listing of the listing of the Fly-In priority topics can be found in the [NAIC 2025 Commissioner Fly-In](#)

CBO: Coverage Impact of Premium Tax Credits

A new Congressional Budget Office [analysis](#) requested by Congressional Democrats details the coverage impact if the premium tax credits were made permanent.

Making the tax credits permanent would:

- Increase the federal deficit over the 2026-2035 period by **\$358 billion**, or **\$370 billion** if the *Tax Cuts and Jobs Act* expiring provisions are permanently extended.
- Increase marketplace coverage by a net **3 million**.
- Lower gross premiums for benchmark plans in the marketplaces by **8%** on average each year.

Go Deeper: Read the CBO memo [here](#).

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.

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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