

## Federal Issues

### Legislative

#### Congressional Update

Congress is out for Memorial Day recess this week after Senate Republican leaders canceled planned votes late last week on a package to fund Customs and Border Patrol and Immigration and Customs Enforcement, missing a June 1 deadline set by President Trump. The cancellation came after a closed-door meeting where Acting Attorney General Todd Blanche tried to address Senate Republican concerns over a newly announced \$1.8 billion "anti-weaponization" fund. Senator Susan Collins (R-ME) told reporters the briefing did not change her position, and Senators Bill Cassidy (R-LA) and Lisa Murkowski (R-AK), also critics of the fund, declined to comment. A White House meeting between Speaker Mike Johnson (R-LA) to discuss a path forward was also canceled. The debate will pick up when lawmakers return in June.

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## House Committees Move Health Bills

Prior to recess, three House Committees advanced health related bills. These bills could be considered as part of a broader package at the end of the year.

### House Ways and Means Committee

- [H.R. 8883, Protection Seniors and Stopping Fraudsters Act of 2026](#) led by Rep. Beth Van Duyne (R-TX). Strengthens Medicare program integrity for hospice and home health agencies through enhanced enrollment screening, increased survey frequency, higher quality data penalties, and improved beneficiary protections. Passed by a vote of 27:16.
- [H.R. 8871, the DME Scammer Prevention Act of 2026](#) led by Rep. Aaron Bean (R-FL). Requires electronic claims submission and shortens the filing deadline to 90 days for DMEPOS items on the Medicare Master List and directs GAO to report on MAC screening technology effectiveness. Passed by a vote of 25:19.
- [H.R. 8875, the Improving Home Dialysis Act of 2026](#), sponsored by Rep. Carol Miller (R-WV), which would include certain additional services such as self-care home dialysis support services. Passed by vote of 28:13.
- [H.R. 3164, the Ensuring Community Access to Pharmacist Services Act](#), sponsored by Rep. Adrien Smith (R-NE) and Rep. Brad Schneider (D-IL), which would Authorizes Medicare coverage and reimbursement for pharmacist-provided testing and treatment of certain common respiratory conditions. Passed by voice vote.
- [H.R. 8163, the Provider Reimbursement Stability Act of 2026](#), sponsored by Rep. Greg Murphy (R-NC) introduced by Rep. Greg Murphy (R-NC), reforms Medicare physician payment by adjusting

budget neutrality rules to limit annual payment cuts/adjustments under the Physician Fee Schedule. Passed by vote of 44:0.

#### House Energy and Commerce Committee

- [H.R. 8209, the School-Based Health Centers Reauthorization Act of 2026](#), co-sponsored by Reps Paul Tonko (D-NY) and Troy Balderson (R-OH). Reauthorizes the School-Based Health Centers grant program through Fiscal Year 2031 to expand student access to primary care, mental health, and preventive services. Passed by a vote of 46:0.

#### House Education and Workforce Committee

- [H.R. 7895, the PBM Kickback Prohibition Act](#) led by Rep. Rick Allen (R-GA). Prohibits PBMs from paying brokers for steering. Passed by voice vote.
- [H.R. 8684, the Transparency in Billing Act of 2026](#), co-sponsored by Reps. Virginia Foxx (R-NC) and Bobby Scott (D-VA) which adds new billing transparency requirements for providers billing ERISA plans. Passed by voice vote.
- [H.R. 7362, the Form 5500 Filing Simplification Act](#), co-sponsored by Reps. Glenn Grothman (R-WI) and Donald Norcross (D-NJ), which would extend form 5500 filings for employee benefit plan administrators and make deadlines more predictable. Passed by voice vote.

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### **Senate Democrats Oppose WISeR Demonstration**

On May 18, eighteen Senate Democrats introduced a Congressional Review Act (CRA) resolution to disapprove of the Wasteful and Inappropriate Service Reduction (WISeR) Model. Led by Senate Finance Committee Ranking Member Ron Wyden (D-OR) and Senators Patty Murray (D-WA), Maria Cantwell (D-WA), Richard Blumenthal (D-CT) and Kirsten Gillibrand (D-NY), if successful, would rescind the model. CRAs allow a fast-track procedure to overturn final rules issued by federal agencies. After 21 days, thirty Senators can force a Senate vote that only requires a simple majority for passage.

This effort builds on a 2025 [letter](#) to the Centers for Medicare and Medicaid Services (CMS) and the Centers for Medicare and Medicaid Innovation (CMMI) opposing the WISeR model and [S. 3480](#), the Seniors Deserve SMARTER Care Act, which would prevent implementation.

A House companion resolution was introduced by Representatives Greg Landsman (D-OH) and Suzan DelBene (D-W). During the House Appropriations markup of their Labor, Health and Human Services and Education FY2026 bill an amendment introduced by Representative Lois Frankel (D-FL) was adopted that would block funding for implementation of the WISeR Model. Despite its House passage, there were limitations to the amendment given the discretionary funding ban for an agency that operates on mandatory funding. Ultimately, it was not included in the final FY2026 Consolidated Appropriations Act.

Even if the CRA garners enough votes to pass both chambers, President Trump must sign it to block the CMMI model.

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### **Senate Democrats Release Plan to Improve Long-Term Care**

Senate Finance Committee Ranking Member Ron Wyden (D-OR), and 16 Senate Democrats sent a “Dear Colleague” [letter](#) on May 20 outlining a new initiative to improve access and affordability for long-term care for seniors, Americans with disabilities, and their families. The letter, which is signed by several Senate Democrats, outlines plans to expand home care, align incentives for improved care in nursing homes, and address workforce shortages to create quality, sustainable jobs for both types of care. The goal is to develop policy around three goals:

- Make home care affordable and accessible
- Improve the quality of care in nursing homes
- Use incentives to strengthen the long-term care workforce

This initiative is the third in a series led by Ranking Member Wyden. In February, the Ranking Member and Senate Democrats [released a plan](#) to take on the high cost of prescription drugs and in March he and other Senators [released a plan](#) on health insurance. Later this summer we anticipate white papers to be released with policy recommendations.

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### **How Home Dialysis Promotes Competition and Choice**

AHIP submitted a [statement for the record](#) to the Ways and Means Committee on legislation to improve access to home dialysis.

**Why this matters:** As two companies control nearly 80 percent of the market for dialysis services, [H.R. 8875](#) - the Improving Home Dialysis Act, led by Rep. Carol Miller (R-WV), would help promote competition and patient choice.

**Key Excerpt:** “This pragmatic, bipartisan legislation would expand access to home dialysis while ensuring that patients are equipped with the education and support that they need to make informed treatment choices and successfully utilize home-based care,” AHIP writes.

**Markup:** The Committee [advanced](#) the legislation by a vote of 28-13.

Read AHIP’s *Healthier Markets, Healthier People* resource on fixing dialysis market distortions [here](#).

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## **Federal Issues**

Regulatory

### **HHS Publishes 2027 Notice of Benefit & Payment Parameters Final Rule**

On May 15, HHS released a [pre-publication version](#) of the 2027 Notice of Benefit & Payment Parameters Final Rule with an accompanying [press release](#) and [fact sheet](#).

**Why this matters:** This rule sets annual payment and product policies for federal- and state-based exchanges.

**Key Takeaways:**

- The most consequential provisions affect program integrity rules taking effect for Plan Year 2027 (including SEP verification, income verification changes, a one-year failure-to-file-and-reconcile period, permanent elimination of the 150% FPL SEP and removal of premium payment threshold flexibilities), alongside lower-than-proposed user fees.
- **QHP Certification of Non-Network Plans:** HHS finalized its proposal to allow non-network plans to receive QHP certification, with a delayed effective date of PY 2028.
- **Network Adequacy:** HHS finalized its proposal to remove quantitative time and distance standards for SBEs and SBE-FPs.
- **ECPs:** HHS finalized its proposal to allow Federally-facilitated Exchange states to conduct provider access reviews and maintain federal provider access and ECP data collection.
- **Standardized Plans:** HHS finalized its proposal to remove the standardized plan option requirement and non-standardized plan limitation and exceptions process.
- **Agent & Broker Oversight:** HHS finalized proposals requiring agents, brokers and web-brokers to use an HHS-approved and created consumer consent form and to comply with new marketing standards of conduct.
- **Restoring state financial responsibility** for benefits that exceed the federal Essential Health Benefits (EHB) standards, while removing routine adult dental from EHB eligibility and delaying both to avoid coverage disruptions.

**Yes, and:** CMS modified or delayed proposals with which BCBSA and other health plans raised concerns, including:

- **Delaying** non-network plan availability on Federally Facilitated Exchanges until 2028 as key questions remain about how these plans will work and how patients will be protected from high costs
- **Dropping** two contested provisions — the plan-level index rate adjustment and averaging cost-sharing limits over the contract period — in the final multi-year contract terms for catastrophic plans
- **Dropping** the proposal to extend Enhanced Direct Enrollment to state-based exchanges, which we opposed due to program integrity concerns

Read AHIP's initial, high-level summary of the final rule [here](#).

## **CMS Proposes Rule Capping Medicaid State Directed Payments at Medicare Rates, Projects \$775 Billion in 10-Year Savings**

On May 20, CMS [announced a sweeping proposed rule](#) (CMS-2449-P) that would cap all Medicaid State Directed Payments (SDPs) and certain fee-for-service targeted practitioner payments at Medicare payment rates.

**Why this matters:** The [proposed rule](#) implements Section 71116 of the Working Families Tax Cut legislation (P.L. 119-21) and goes beyond the statutory minimum by extending the Medicare-based cap to all SDPs across all services, all states, and all territories — not just the four service categories addressed in the prior administration's 2024 final rule.

As detailed in the accompanying [fact sheet](#), CMS projects the rule would reduce federal Medicaid spending by \$510.1 billion over ten years (FY 2026–2035), with combined federal and state savings of \$774.8 billion. The rule also proposes to prohibit uniform percentage increases to SDPs and ban new SDPs that would push total payment rates above Medicare. States with Medicaid expansion would be capped at 100% of

Medicare rates; non-expansion states at 110%. Most existing SDPs above Medicare rates would need to comply by the first rating period on or after January 1, 2029.

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## **GAO Rules WISeR Medicare AI Prior Authorization Model Subject to Congressional Review Act**

The Government Accountability Office issued a [decision on May 12](#) concluding that the CMS [Wasteful and Inappropriate Services Reduction \(WISeR\) Model](#) — a CMMI innovation model using AI-supported prior authorization for certain services in traditional Medicare fee-for-service across six states (Ohio, New Jersey, Oklahoma, Texas, Arizona, and Washington) — constitutes a rule under the [Congressional Review Act](#) and should have been submitted to Congress before taking effect in January 2026.

**Why this matters:** The GAO found WISeR prescribes new requirements for Original Medicare providers, including mandatory prior authorization or pre-payment medical review for services such as skin substitutes, nerve stimulators, knee arthroplasty, and cervical fusion, with contractors paid in part based on averted Medicare expenditures. HHS had argued the notice was guidance not subject to CRA; GAO rejected that argument.

CMS stated WISeR remains an active Innovation Center model and will continue to review the opinion and assess any appropriate next steps consistent with applicable law and administrative processes. The ruling triggered a 60-day congressional review window, and Senate and House Democrats introduced [CRA resolutions on May 20](#) seeking to nullify the model.

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## **HHS Launches AI-Powered Audit Enforcement Program, Notices all 50 States**

HHS unveiled a new department-wide initiative — the Audit Enforcement and Risk Oversight (AERO) program — to [pursue states and grantees](#) that have repeatedly failed to address deficiencies flagged in federally required audits.

**Why this matters:** The program uses AI tools to scan at least five years of audit history across all 50 states, and HHS sent letters to all 50 governors and state treasurers putting them “on notice.” Consequences for states that fail to address deficiencies could include losing access to federal funding across programs including Medicaid.

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## **CMS Releases Medicaid EPSDT Guide for States**

The Centers for Medicare & Medicaid Services (CMS) released an updated [Coverage Guide](#) on Early and Periodic Screening, Diagnostic and Treatment (EPSDT) to help states understand the scope of services that are covered under EPSDT to provide the best possible child health benefits through their Medicaid programs. The updated Coverage Guide does not establish new EPSDT policy but rather compiles various EPSDT policy guidance that CMS has issued over the years.

The Coverage Guide outlines several topics including:

- EPSDT’s requirements for informing families and children of the available benefits;
- Screening, diagnostic, and treatment services covered by EPSDT;
- States’ responsibilities to ensure coverage and access to services and providers;

- State requirements when working with MCOs (referred to as MCPs in the Guide), including oversight of an MCO's definition of medically necessary services and contracted provider capacity; and
- Quality reporting mechanisms.

The Coverage Guide references the September 2024 State Health Official Letter ([SHO #24-005](#)) on EPSDT best practices for states, but with a few notable differences reflective of changing priorities. Specifically, the Coverage Guide does not include: (1) reference to the 2024 Managed Care Rule regarding wait time standards or secret shopper requirements; (2) in lieu of services (ILOS) as a strategy for serving youth with serious emotional disturbance and respite for caregivers; or (3) State Directed Payments as a tool to incentivize provider payments and improve pediatric access.

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## State Issues

### New York

#### Legislative

#### **NY Budget Deal in Place – Votes This Week**

Lawmakers are due back in Albany on Tuesday to start passing the final pieces of the 2027 State Budget, 56 days after the April 1 start of the fiscal year. Last week lawmakers passed another budget extender and two of the remaining budget bills – there are ten bills in total that comprise the budget – though neither included health plan priority issues. Final details on these issues, including proposed reforms to the Independent Dispute Resolution (IDR) process under New York's Surprise Billing law, potential funding for the Quality Incentive Program and a confirmed extension of the MCO Tax, will be addressed in the Health and Mental Hygiene and the other bills that lawmakers will begin debating on Tuesday.

#### **Bill Movement**

The Legislature has been actively moving on legislation despite the budget delays, and a few bills of note have passed both houses, with two immunization bills being signed by the Governor.

- S.1670-B/A.4677-A – Mandates coverage of lactation services – Passed both houses
- S.634-B/A.1206-B – Mandated coverage for diabetes screening for AAPI populations – Passed both houses
- A.10711/S.9598 – Requires the childhood immunization schedule to be administered in accordance with regulations issued by the Commissioner – Signed Chapter 115 of the Laws of 2026
- A.10710/S.9599 – Includes pediatric and physician recommendations in the establishment of immunization administration regulations – Signed Chapter 114 of the Laws of 2026

The immunization bills are in direct response to the federal government's changes in vaccine policy.

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## Industry Trends

Policy / Market Trends

### Growing Agreement that Rising Hospital Prices are Driving Affordability Crisis

AHIP published a new “What They Are Saying” [blog](#) highlighting growing recognition across the political spectrum that hospital prices are a primary driver of rising healthcare costs and premiums.

#### Key Takeaways:

- The blog pulls together recent data, analyses, commentary and research from a wide array of experts and stakeholders that point to rising hospital prices fueling the healthcare affordability crisis.
- It reinforces that hospital spending represents the largest share of premiums, surpassing \$1.6 trillion nationwide.

#### By the Numbers:

- Hospital prices have risen 281% since 2000, outpacing housing, childcare and tuition.
- Premiums have increased over 300% in the past 25 years, with hospital pricing identified as a key driver.

**Root Causes:** The blog highlights how hospital practices contribute to the affordability crisis, such as anticompetitive consolidation leading to higher prices, wide price variation for the same services and growing private equity and system expansion in the hospital sector.

Read the AHIP blog [here](#).

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### AHIP Spotlights Drugmaker Patent Abuse as Cost Driver

AHIP published a new [blog](#) highlighting how brand drugmakers abuse the patent system to block competition and keep prices high, driving up healthcare costs and premiums.

**Why this matters:** AHIP is urging policymakers to take action to restore competition, pointing out that faster uptake of generics and biosimilars could save \$422.9 billion system-wide and lower costs for patients.

#### Brand Drugmakers’ Anti-Competitive Tactics:

- **Patent thickets:** Dozens or hundreds of overlapping patents block generics, driving \$16 billion in excess spending in a single year on just five drugs.
- **Product hopping:** Minor reformulations earn fresh patents just as the original is set to expire, extending monopoly pricing without meaningful clinical benefit.
- **Pay-for-delay:** Agreements to keep generics off the market cost patients an additional \$40 billion in a single year.

**Policy Solutions Are Needed:** Health plans are doing everything in their power to shield Americans from the full impact of high and rising drug costs, but common-sense policy solutions are needed to improve affordability.

Visit AHIP’s [Cost Connection](#) to learn more about how prescription drug prices are a key driver of rising healthcare costs.

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## **New Analysis Adds to Growing Evidence of Provider-Driven *No Surprises Act* Abuse**

AHIP is [highlighting](#) a new [analysis](#) that provides the latest evidence of growing, egregious abuse of the *No Surprises Act* by some private-equity backed providers and IRD middlemen.

**Why this matters:** Persistent abuse of the independent dispute resolution (IDR) process further exacerbates the healthcare affordability crisis and drives up costs for employers and consumers, despite the law's patient protections.

**By The Numbers:** The most commonly disputed service in arbitration is breast reduction surgery. While median in-network rates are roughly \$1,400, the median IDR award is nearly \$61,000, with documented awards of up to \$400,000.

**Reforms Needed:** Health plans support common-sense reforms to restore Congress and the President's intent in enacting the *No Surprises Act*, protect consumers and rein in provider-driven abuse that fuels higher costs for everyone.

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## **American Medical Association to Eliminate Maternity Bundle in 2027**

The American Medical Association (AMA) is [fundamentally changing](#) the CPT® coding structure for maternity care services. Historically, maternity care has been reimbursed through “global” obstetric codes that bundle most pregnancy-related services into a single payment.

Beginning January 1, 2027, services will be separately billable across four phases of care: antepartum, labor management, delivery and postpartum. According to the AMA, the new structure better reflects the current state of team-based care and the new codes will better facilitate data collection and analysis, including quality measurement.

Given the short timeline for implementation, with maternity services beginning in June for January 2027 births, AHIP requested a one-year delay in the effective date. The AMA declined, in part, because it had not heard from other organizations. AHIP is working directly with member health plans and others to share their perspectives with the AMA.

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## **Supreme Court Declines to Hear Pharma Challenges to Medicare Drug Price Negotiation Program**

The U.S. Supreme Court on May 18 [declined to hear appeals](#) from six major pharmaceutical manufacturers — Novo Nordisk, AstraZeneca, Janssen Pharmaceuticals, Bristol Myers Squibb, Novartis, and Boehringer Ingelheim — that had challenged the Medicare Drug Price Negotiation Program established under the Inflation Reduction Act. The justices offered no comment, leaving intact federal appellate court rulings that dismissed the manufacturers' constitutional claims under the First Amendment and Takings Clause.

**Why this matters:** The decision effectively forecloses the industry's primary legal avenue to halt the program. The first round of negotiated Maximum Fair Prices — covering ten high-cost Part D drugs — remain in effect for 2026, and third-cycle negotiations for 15 additional drugs are actively underway for prices effective January 1, 2028. The Trump administration has continued to defend the program in court, citing it as complementary to its broader MFN drug pricing strategy.

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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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