

Federal Issues

Legislative

Senate GOP Faces Uphill Battle on Budget Reconciliation Bill

Senate Finance Committee Republicans have [released](#) legislative language of their version of the budget reconciliation package ahead of next week's planned vote.

Why it Matters: The bill's success is crucial for the GOP agenda. Failure to pass it would be a major setback, especially with the July 4th deadline looming.

Yes, but: The release revealed Senate Republican leaders are facing significant challenges in securing the 51 votes needed to pass the legislation, largely over disagreements around taxes, Medicaid, and deficit reduction. Multiple GOP senators have expressed concerns over the proposed policies, and House Republicans also have major issues with the Senate's changes.

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Legislative

- **Medicaid Cuts:** The Senate Finance Committee's deeper cuts to Medicaid provider taxes compared to the House bill are alarming some senators. Senator Josh Hawley (R-Mo.) called the changes a "red line" for him, particularly concerning the potential impact on rural hospitals. The White House is attempting to counter criticism with a report claiming significant Medicaid spending goes to ineligible individuals.
- **Fiscal Hawks:** Senators Ron Johnson (R-Wis.) and Rick Scott (R-Fla.) remain concerned about the bill's failure to address deficit and debt issues, casting further doubt on its prospects.
- **Clean Energy Tax Credits:** While the Senate is less aggressive in repealing clean energy tax credits than the House, this is angering House conservatives, including Rep. Chip Roy (R-Texas), who insist on deeper cuts.
- **SALT Cap:** The significant difference between the Senate's \$10,000 SALT cap and the House's \$40,000 limit is a major point of contention. House members from New York and California are adamant that the \$40,000 cap must remain in the final bill, but Senate Republicans show little appetite for it.

ACA reforms: The bill largely tracks the House approach on the Affordable Care Act (ACA); funding Cost Sharing Reduction payments and more aggressive approaches regarding income verification and subsidy recapture.

What to watch:

- Internal GOP negotiations will continue.
- The parliamentarian's Byrd Rule review of the measure is ongoing.
- The Senate faces a shortened week due to the Juneteenth holiday.
- With President Trump focused on the Middle East, GOP leaders are likely left to navigate these internal divisions without his direct intervention.

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Federal Issues

Regulatory

BCBSA Weighs in on Deregulation Request for Information

As part of the Trump administration's [deregulation efforts](#), several agencies have issued RFIs to gather stakeholder feedback, including CMS, the Department of Justice (DOJ) and the Office of Management and Budget (OMB).

Why this matters: These RFIs are an opportunity for BCBSA to provide recommendations for agency action that could eliminate or overhaul policies that will improve competition, reduce administrative burden and make health care more affordable for American families.

The details: Through BCBSA's responses, they continue to advocate for the continued use of traditional rulemaking to allow health plans to comment on proposed rules. **To date, BCBSA has weighed in on:**

- **CMS RFI:** Comments primarily focused on streamlining existing regulatory requirements, reducing administrative burden and promoting transparency. Among other topics, they recommended:
 - Simplifying and enhancing transparency in the Star Ratings program
 - Eliminating application of appointment wait time standards requirements to behavioral health provider services
 - Streamlining data collection requirements for MA plans
- **DOJ RFI:** Response highlighted commonsense policies to repeal or significantly reform anticompetitive regulations that stifle competition. They also spotlighted:
 - BCBSA's [affordability roadmap](#) that could save nearly \$1 trillion over 10 years
 - The critical need to update and finalize regulations related to the independent dispute resolution under the No Surprises Act
 - Market-specific recommendations for Medicare, Medicaid and the commercial market
- **OMB RFI:** Comments highlighted unnecessary, burdensome requirements and regulatory overreach. Called on the administration to:
 - Rescind the final mental health parity rule. Continue to advocate for this following the recent [pause](#) on enforcement of the final rule.

- Implement fair and even-handed enforcement of the No Surprise Act's Independent Dispute Resolution process
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HHS Announces Restructuring of ACIP

On June 9, HHS Secretary Robert F. Kennedy Jr. [announced](#) that all 17 current members of the Advisory Committee for Immunization Practices would be removed.

Background: ACIP is the immunization panel that develops recommendations for the CDC on vaccine use in the general population. In a *Wall Street Journal* [op-ed](#) on the restructuring, Secretary Kennedy stated that “a clean sweep is needed to re-establish public confidence in vaccine science.”

Next Steps: ACIP is still expected to meet June 25-27, but with new membership.

Presidential Memo on Eliminating Waste, Fraud, and Abuse in Medicaid

On June 6, President Trump issued a [memorandum](#) directing HHS to “take appropriate action to eliminate waste, fraud, and abuse in Medicaid, including by ensuring Medicaid payment rates are not higher than Medicare, to the extent permitted by applicable law.” The memo specifically references State Directed Payments (SDPs) to providers and says that billable costs for Medicaid care were historically capped at Medicare rates, but SDPs quadrupled over the last four years under the Biden Administration.

Why It Matters: SDPs can be used for a variety of purposes, including to set minimum fee schedules or increase payment rates to certain providers. SDPs are currently capped at 100% of the Average Commercial Rate (ACR). This policy change appears similar to the provisions in the [budget reconciliation bill](#), which would cap expansion states' new SDPs at the Medicare rate, instead of the Average Commercial Rate (ACR), and allow non-expansion states to set new SDP rates at 110% of the Medicare rate. The bill would also grandfather in existing SDPs that were in place prior enactment. The memo makes no mention of grandfathering, or of providing a higher cap for non-expansion states. Additionally, the memo came just one day after the Paragon Health Institute, a conservative thinktank influential with the Trump Administration, called for the Senate to eliminate the grandfathering provision as it considers changes to the House-passed bill.

There is a rule titled “[Medicaid Managed Care-State Directed Payments](#),” which is seen as likely implementing the policy outlined in the memo.

CMS Releases Draft Rate Development Guide

On June 13, the Centers for Medicare & Medicaid Services (CMS) [released](#) a draft version of the [2025-2026 Medicaid Managed Care Rate Development Guide](#) package for the rating period beginning July 1, 2025 through June 30, 2026. **The comment deadline is June 27, 2025.**

The Guide appears to be largely consistent with the 2024-2025 version. It indicates that most changes are clarifications of existing rules or changes to reflect provisions in the [2024 Managed Care Access, Finance, and Quality Final Rule](#).

OIG Annual Report Raises Medicaid Drug Spending Concerns

The U.S. Department of Health and Human Services (HHS) Office of the Inspector General (OIG) issued its semi-annual report to congress on its activities from Oct. 1, 2024 – March 31, 2025. Within the Medicaid program, OIG focused on Medicaid spending on anti-obesity drugs to identify cost-saving and financial stewardship opportunities by recommending program improvements. Specifically, OIG noted that overall Medicaid spending on 10 diabetes drugs and two weight-loss drugs topped \$9 billion in 2023, a 540% increase compared with 2019, stating that, "If spending continues to grow at similar rates, Medicaid could potentially spend more than \$29 billion on these drugs in 2026." [Read More](#)

White House Releases Executive Order Amending Previous Cyber EOs

On June 6, the White House [released](#) Executive Order (EO) 14306: *Sustaining Select Efforts to Strengthen the Nation's Cybersecurity*. This EO amends prior orders including [EO 14144](#) (*Strengthening and Promoting Innovation in the Nation's Cybersecurity*) and [EO 13694](#) (*Blocking the Property of Certain persons Engaging in Significant Malicious Cyber-Enabled Activities*). The EO reinforces the administration's focus on secure digital infrastructure, post-quantum cryptography, and cybersecurity-related AI innovation.

Key amendments include:

- **Secure software development and updates.**
 - NIST will work with industry to develop secure software development guidance (Aug-Dec 2025).
 - NIST will update guidance for secure patching and update deployment (Sept 2, 2025).
- **Post-quantum cryptography (PQC) planning.**
 - CISA and NSA will identify product categories with PQC-ready tools.
 - Agencies must begin transition planning to transport layer security (TLS) 1.3 or successor protocol, required by Jan 2030.

- **AI system security.**
 - Agencies must start managing AI software vulnerabilities through threat tracking, response, and coordination.
 - Cyber defense research datasets from the Department of Commerce, Department of Energy, Homeland Security, and the National Science Foundation must be shared with academic researchers by Nov 1, 2025.
- **Machine-readable cyber rules**
 - Pilot program to develop machine-readable formats for federal cybersecurity policies — due within 1 year.

State Issues

New York Legislative

Legislative Session Scheduled to End Tuesday; Health Care Bills Advancing

The state Senate wrapped up its work for the scheduled legislative session early Friday morning, passing a flurry of bills in the final days. The Senate did approve a number of bills of importance to plans, including 20 bills that would impose new mandates on required benefits or plan processes. **The following are some of the mandates acted on by the Senate:**

- **Minimum reimbursements for pharmacies (S.5939-B (Skoufis)/A.5882-B (McDonald))** — The legislation would require that in-network pharmacies are reimbursed at minimum of the national average drug acquisition cost (NADAC) or a higher amount if there is no NADAC rate, and also mandates a minimum dispensing fee equal to Medicaid. The bill would exclude collectively bargained agreements between employers and labor organizations from the requirements.
- **Cost sharing limits for outpatient substance use treatment programs (S.1763-A (Fernandez)/A.3148-A (Gonzalez-Rojas))** — The bill would limit cost sharing for substance use treatment programs to no more than \$250 in total.
- **Image-guided biopsies for breast cancer screening (S.6551 (Bailey)/A.6561-A (Weprin))** — Requires certain insurance policies to cover image-guided biopsies in screening for breast cancer.
- **Ovarian cancer screening (S.520 (Persaud)/A.686 (Solages))** — Requires coverage of genetic testing for ovarian cancer for patients with a personal or family medical history of ovarian cancer.

- **Fertility preservation services (S.4497 (Hinchey)/A.7562-A (Rozic))** — Mandates coverage of preservation services when a medical service may cause or indirectly cause iatrogenic infertility.
- **Diabetes and prediabetes screening (S.634B (Liu)/A.1206-B (Kim))** — Mandates coverage of screenings for diabetes for Asian Americans and Pacific Islanders.
- **Prohibition on CHPlus “All Products” clauses S.5812 ((Sepulveda)/A.8004 (Pretlow))** — This bill would prohibit health plans that administer the Child Health Plus program from requiring that participating health care providers also sign up for the commercial health care network operated by the insurer.
- **Minimum primary care investment (S.1634 (Rivera)/A.1915-A (Paulin))** — The proposal would require insurers to spend a minimum of 12.5% of all medical spending on primary care services annually.

The Senate also approved the following bills that have industry support:

- **Directing OMH to develop a fee schedule for behavioral health services (A.7038A (Weprin)/S.6897A (Bailey))** — The legislation would require the Office of Mental Health (OMH) and the Office of Addiction Services and Supports (OASAS) to publish a fee schedule for commercial health plans to utilize in reimbursing services for outpatient mental health and substance use disorder treatment at certain in-network facilities. The Assembly passed the bill last month.
- **Establishing a managed care quality incentive program (S.6266 (Salazar)/A.2044 (Paulin))** — The bill would codify the Medicaid managed care quality incentive (QI) program in statute.
- **Flexibility in Health Plan Incentive & Reward Programs (S.5047 (Bailey)/A.4696 (Hunter))** — This proposal would allow health insurers to offer voluntary incentives or rewards programs to support wellness activities.

Next steps: The Assembly is expected to wrap up their legislative activities Tuesday evening, though both chambers may need to return to address any impact of federal budget actions. A full recap of the legislative session, including bills that passed both houses and are awaiting gubernatorial action, will be sent out in the next report.

State Issues

Pennsylvania

Legislative

Lyme Disease Coverage, Breast Cancer Screening & School Based Services on the Legislative Agenda

The House of Representatives returns to session this week for a two-day voting session while the Senate is off, allowing for leadership to conduct budget negotiations.

BUDGET UPDATE: Negotiations between the House, Senate, and Governor's office continue as the Constitutional deadline of June 30 nears. It remains unlikely that the budget package will be completed in time, as uncertainty regarding Federal funding remains and negotiations as to sources of revenue are still ongoing.

SENATE UPDATE: The Senate Banking & Insurance Committee will meet Tuesday to consider **Senate Bill 88**. This bill amends the insurance laws to provide **comprehensive coverage for breast cancer screening by requiring health insurance policies to cover mammographic examinations, MRI, and other breast imaging services without cost-sharing** for individuals at average risk or higher. This legislation passed the committee unanimously with great fanfare and support from Senate Leadership, House members, as well as from the Pennsylvania Breast Cancer Coalition. The bill received First and Second Consideration and was re-referred to the Senate Appropriations Committee last week, and is expected that the Senate will pass the bill when they return to session next week.

- The Senate Health & Human Services Committee met on Wednesday to consider **Senate Bill 461** by Senator Michele Brooks. This bill aims to address the high incidence of **Lyme disease in Pennsylvania by establishing comprehensive requirements for diagnostic testing**, treatment, and insurance coverage for Lyme disease and related tick-borne illnesses. This bill passed committee unanimously and is currently on the Senate floor with no upcoming action anticipated.
- **Highmark opposes Senate Bill 461**, as the legislation runs counter to the current clinical best practices. Senate Bill 461 specifically references long-term antibiotic therapy, which does not align with the current clinical practices for the treatment of Lyme Disease and in some cases poses significant harm to our customers.

HOUSE UPDATE: The House passed **House Bill 1460**, providing for Department of Health and Office of Attorney General oversight for health care transactions by a vote of 121-82. The bill has yet to be referred to a Senate Committee, but is anticipated to be referred to the Senate Institutional Sustainability and Innovation Committee where its future remains uncertain.

- The House Health Committee will be meeting to consider **House Bill 1234**, Representative Mayes' legislation requiring **Medicaid coverage of Blood Pressure Monitors** for pregnant women. This legislation is a refile of legislation from last session's "Mominibus" package and is one of several priority pieces of legislation for the PA Black Maternal Health Caucus.
- The House Insurance Committee will be meeting on Tuesday to consider Chairman Warren's **House Bill 1445**, requiring **insurance coverage of school-based health services** outside of a student's IEP. This legislation is a priority of Governor Shapiro and was an item he mentioned in his annual budget address in February.
- The House will adjourn to a non-voting session on Wednesday, allowing leadership to position budget related legislation for next week's session, and will return on Monday with the Senate.

Industry Trends

Policy / Market Trends

Groups Ask Health Plans to Cover COVID-19 Shots in Pregnancy

More than 40 health organizations have [asked health plans to maintain coverage for COVID-19 vaccinations for pregnant individuals](#) after HHS and the CDC stopped recommending the shots for healthy pregnant women. The American College of Obstetricians and Gynecologists and other groups emphasize the safety and benefits of COVID-19 vaccination during pregnancy, including reducing severe outcomes for mothers and infants.

Updates on Issuer Rate Filings, Impact of Expiration of Enhanced Premium Tax Credits is Clear

Average proposed rate increases by state for the individual market, with and without enhanced premium tax credits (eAPTCs), that have been made public since the last update are as follows:

- [Connecticut](#): Average proposed rate increase of 22.9%; 17.8% if eAPTCs are extended
 - [Maine](#): Average proposed rate increase of 24.0%; 19.9% if eAPTCs are extended
 - [Massachusetts](#): Average proposed rate increase of 13.8%; 10.3% if eAPTCs are extended
 - [Tennessee](#): Average proposed rate increase of 24.2%; 19.7% if eAPTCs are extended
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Coalition Amplifies Local Voices on the Negative Impacts of Medicaid Cuts

The Modern Medicaid Alliance featured health care voices in both [Minnesota](#) and [Texas](#) that oppose the Medicaid cuts proposed in the House-passed *One Big Beautiful Bill Act (H.R. 1)*.

In Minnesota: Hospital leaders [warn](#) that proposed federal Medicaid cuts would severely impact care for all residents. Hennepin Healthcare, the state's largest safety-net hospital, relies on Medicaid for 62% of its trauma care, 51% of inpatient mental health services, and 73% of addiction treatment. Cuts could jeopardize these critical services, affecting both Medicaid recipients and those with private insurance.

In Texas: Medicaid serves not just low-income populations, but those with complex medical care needs. Families like Whitney Premeaux's, whose son Dayton relies on Medicaid for in-home care and behavioral support, face losing essential services.

“The Joint Economic Committee estimates roughly 1.4 million Texans will lose health insurance because of Medicaid cuts. The state already has the highest number of uninsured residents in the country.”

CSRxP on Promoting Biosimilar Competition

The Campaign for Sustainable Rx Pricing (CSRxP) issued a [statement](#) on the introduction of bipartisan legislation that would increase the uptake of more affordable pharmaceuticals by expediting biosimilar substitution.

Background: [S.1954](#), *The Biosimilar Red Tape Elimination Act*, would streamline the approval process for biosimilar biological products by automatically deeming them interchangeable with reference products. CSRxP has also supported efforts to incentivize outcome reporting on patients who switch from brand biologics to biosimilars in clinical trials to educate patients and providers on the results of these studies and programs, as well as expand Medicare and Medicaid administrative policies that promote biosimilar uptake.

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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