



Issues for the week ending July 11, 2025

Federal Issues

Legislative

Summary of Budget Reconciliation

On July 4, President Trump signed the sweeping [budget reconciliation](#) bill into law.

Key Provisions:

Medicaid

- **Work requirements:** Establishes work requirements for able-bodied adults in Medicaid (effective December 31, 2026, but states demonstrating good faith efforts to comply can receive up to a 2-year extension).
- **Redeterminations:** Requires redeterminations for expansion populations every six months rather than every 12 months as under current law.
- **Provider tax restrictions:** Prohibits new or increased provider taxes; starting in FY 2028 (one year later than the prior Senate version) phases down the hold harmless threshold for provider taxes in expansion states (other than for nursing or intermediate

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care facilities) from the current 6% of net patient revenue to 3.5% in 2032.

- **Limits on state-directed payment:** Reduces state-directed payments (SDPs); certain existing SDP payment rate limits are phased down by 10% annually starting the first rating period beginning on or after January 1, 2028 (one year later than the prior Senate version) until a new allowable Medicare-related payment limit is achieved.
- **Rural transformation fund:** Allocates \$25 billion toward funding state efforts to improve provider access and health outcomes for rural residents.
- **Immigration limits:** Removes certain categories of non-citizens from Medicaid eligibility; establishes a 10% penalty to federal funding for expansion populations in a state that provides coverage for individuals not lawfully in the U.S; and reduces the FMAP for emergency services for individuals otherwise ineligible due to immigration status. Drops a provision from the prior Senate version that would prohibit Medicaid coverage for individuals until their citizenship or legal immigration status is verified.

ACA Marketplace

- **Exchange verification and automatic reenrollment:** Requires verification of specific information to qualify for premium tax credit. Requires every new and returning enrollee who receives a tax credit to actively provide updated documentation each year after August 1st to keep their tax credit thus prohibiting auto reenrollment.
- **Special enrollment:** Eliminates income-based special enrollment periods.
- **APTC recapture:** Permits the IRS to recapture excess APCTC payments without limitation. Excludes certain

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individuals with incomes below 100% FPL.

Medicare: The bill provides for a 2.5% physician payment increase in 2026.

Health Savings Accounts

- **Permanent telehealth safe harbor:**
Creates permanent safe harbor for HSA-eligible HDHPs to cover telehealth pre-deductible, retroactive to 2025.
- **Bronze and Catastrophic plans:**
Enrollees in Bronze or Catastrophic Exchange plans may enroll in and contribute to HSAs.

Policies Not Included

Several impactful policies were considered at various stages of the legislative process but ultimately not included in the final legislation.

These include:

- **No Medicare Advantage cuts**
- **No Cost-Sharing Reduction (CSR) payments**
- **No Pharmacy Benefit Manager (PBM) reforms**
- **No restrictions on state Artificial Intelligence regulation**

Federal Issues

Regulatory

HHS Declares PHE for Texas Flooding

HHS has [declared](#) a Public Health Emergency (PHE) for Texas to address the health impacts of the recent flooding. PHE declarations give CMS authority to grant certain waivers and flexibilities related to the emergency.

HHS Updates Interpretation of “Federal Public Benefit” Under PRWORA

On July 10, 2025, the U.S. Department of Health and Human Services (HHS) [announced a policy shift](#) and formal rescission of a 1998 interpretation of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). According to the Trump Administration, the 1998 interpretation “improperly extended certain federal public benefits to illegal aliens.” In the announcement, HHS specifies a list of programs now classified as “Federal public benefits” under PRWORA, but notes the list is not exhaustive and additional programs will be announced in program specific guidance.

The updated, non-exhaustive list includes the following programs:

- Certified Community Behavioral Health Clinics
- Community Mental Health Services Block Grant
- Community Services Block Grant (CSBG)
- Head Start
- Health Center Program
- Health Workforce Programs not otherwise previously covered (including grants, loans, scholarships, payments, and loan repayments).
- Mental Health and Substance Use Disorder Treatment, Prevention, and Recovery Support Services Programs administered by the Substance Abuse and Mental Health Services Administration
- Projects for Assistance in Transition from Homelessness Grant Program
- Substance Use Prevention, Treatment, and Recovery Services Block Grant
- Title IV-E Educational and Training Voucher Program
- Title IV-E Kinship Guardianship Assistance Program
- Title IV-E Prevention Services Program
- Title X Family Planning Program

The [notice](#) establishing this revised policy is effective immediately upon publication to the Federal Register and has a 30-day comment period from the date of publication.

Transparency in Coverage CMS Webinar on July 22

CMS will host a webinar on the schema version 2.0 changes to the Transparency in Coverage (TiC) machine-readable files (MRFs) on Tuesday, July 22, from 3-4pm ET. These changes, [announced on May 22](#), are intended to reduce duplicative data in the MRFs and are expected to be finalized on October 1, 2025, with an applicability date of February 2, 2026. The first webinar, "Introduction to Schema 2.0," will provide an overview of the May 22 guidance and review how GitHub will be used to finalize schema 2.0.

Registration is available on REGTAP via the following [link](#). If you do not have a REGTAP account, you can create one here: <https://regtap.cms.gov/>

Registration will close at 3pm ET on Monday, July 21.

CMS Publishes 2024 Open Payments Data

The Centers for Medicare & Medicaid Services (CMS) published Open Payments Program Year 2024 data as well as newly submitted payment records from Program Years 2018-2023. Open Payments is a national disclosure program that promotes transparency around the financial relationships between certain pharmaceutical, medical device manufacturers and distributors, and certain health care providers. For Program Year 2024, CMS published \$13.18 billion in payments and ownership and investment interests reported by applicable manufacturers and distributors to physicians, physician assistants, advanced practice nurses and teaching hospitals.

State Issues

New York

Legislative

NY Lawmakers Weigh Federal Budget Impacts

State lawmakers last week began focusing on the magnitude of the cuts in the federal tax-and-spend megabill signed on July 4th and the impact they will have on New York and New Yorkers.

While some of the legislation's provisions take effect in 2027 or later, in January of 2026 New York will be looking at a \$750 million hole when cuts to the Medicaid program will result in an estimated 500,000 losing coverage in the state's Essential Plan, requiring the state to use its own money to cover them through Medicaid. Briefing reporters last week on the Budget Division's preliminary assessment of the bill, Budget Director Blake Washington said the state should be able to manage the \$750 million gap, but noted that the gap for the next fiscal year grows to \$3 billion – an amount that cannot be absorbed. Answering reporters' questions about whether raising taxes was under discussion, Washington answered, "These are going to require some really challenging discussions in the next handful of months and into next year's budget . . . We'll do it with the legislative

leaders.”

Legislators are also weighing ways to address the impact of anticipated cuts. Assembly Democrats traveled to Albany last Friday to discuss the federal spending package while state Senate officials said they are conducting a financial analysis of the cuts. At this point, neither the Governor nor the Legislature have indicated there are discussions about calling lawmakers back for a special session.

Regulatory

Network Access and Adequacy Regulation Takes Effect

Governor Hochul last week issued a [press release](#) to announce New York’s new regulation establishing standards for network adequacy and timeframes for accessing mental health and substance use disorder treatment services, which took effect July 1st, saying the new rules will give consumers more protections and “help remove barriers that often force individuals and families to pay out-of-pocket for care or forgo treatment altogether.” Asked by *Crain’s New York Business* for a response to the announcement, HPA noted that while the regulations set out timelines and other parameters for patients to be able to access necessary care, “they cannot resolve the chronic shortage of behavioral health professionals – which is a challenge in New York and elsewhere.”

Industry Trends

Policy / Market Trends

How Medicare Advantage Outperforms FFS Medicare

Earlier this year, Inovalon [published](#) one of the most robust comparisons between MA and Fee For Service (FFS) Medicare to date, proving again that MA delivers better patient outcomes, consistently outperforming FFS on cost and quality—despite MA covering a [lower income and more clinically complex population](#).

- **AHIP Action:** AHIP published a new [article](#) detailing how a separate recent analysis on hospitalizations is flawed.
 - **By the Numbers:** Comparing similar individuals who enrolled in MA versus FFS, MA beneficiaries experience 40% **fewer** hospital admissions; 30% **fewer** inpatient days; 126% **fewer** 30-day readmissions; and 71% **fewer** preventable hospitalizations.
 - **The Results Are Clear:** The evidence demonstrates that MA beneficiaries experience **better** health care outcomes than those enrolled in FFS. That’s one of the primary reasons MA is the health coverage of choice for a growing majority of Medicare enrollees.
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Health Care Tax Credit Impact on Rural Hospitals

Keep Americans Covered (KAC) is [highlighting](#) a [recent report](#) that details how particularly vulnerable rural and safety-net hospitals are without extension of the premium tax credits.

By the Numbers:

- Between 2025 and 2034, national health care spending could drop by **nearly \$800 billion**, and in a dangerous way.
- Hospitals would lose **\$321 billion** in revenue.
- Physicians would see an additional **\$81 billion**
- Without tax credit extension, uncompensated care would increase by **\$79 billion**.

State Impact: States with large populations stand to lose the most. **California** could see over \$27 billion in new uncompensated care costs. **Texas** is next with nearly \$16 billion, followed by **New York** and **Florida** with \$13 billion and \$12 billion, respectively.

Why this matters: Rural and safety-net hospitals stand to suffer significant consequences if the tax credits are not extended. Some may lose over half of their operating margins. For facilities already stretched thin, this could mean cutting services or closing altogether.

Go Deeper: [Read more](#) from KAC about the state-by-state impact of the tax credits on Marketplace enrollees.

CSRxP Spotlight on Extending Monopolies

The Campaign for Sustainable Rx Pricing (CSRxP) published an [article](#) highlighting recent topics discussed at an FTC and DOJ listening session on anti-competitive tactics drug manufacturers use to maintain monopoly pricing over blockbuster brand name products.

Topics Included:

- **Patent thicketing**, where a company files an extensive number of patents on a single medication to extend exclusivity that blocks competition from more affordable generic or biosimilar alternatives.
- **Product hopping**, where a company blocks competition by making a small, often insignificant tweak to an existing drug, such as a new way to administer it or a new dosage level, to extend patent protections and monopoly pricing power.

Next Steps: Future FTC-DOJ listening sessions will discuss regulatory reforms to support greater competition in the prescription drug marketplace and solutions to lower drug prices.

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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