



Capitol Insights Newsletter June 20, 2025

Author: Matt Reiter and Luke Schwartz

What Happened in Congress This Week?

The House was out of session this week. All eyes were on the Senate as it released its budget reconciliation text. Read more in the featured topic below.

Senate Budget Reconciliation Text Released, Revealing Differences with House Bill

The Senate continues to work towards its goal of finalizing its version of the budget reconciliation bill by July 4th. Republicans are using the budget reconciliation bill to advance much of their legislative policy agenda. The Senate was always expected to make changes to the House-passed version of the bill, H.R.1 (known as the One, Big, Beautiful Bill Act). These changes are coming into focus as Senate Committees introduce their sections of the bill.

Below is a summary of the key differences between the Senate and House versions of the bill. These differences will need to be reconciled before the bill can continue to advance to a final vote in each Chamber. It is also important to understand that the Senate version of the bill is not yet in final form. Individual Senators continue to seek changes to certain parts of the bill.

Healthcare Policies

The Senate version keeps most of the House version's health policies. However, there are some very important and notable differences.

Medicare Payments to Physicians

The Senate version of the bill does not include a provision in the House-passed bill that would provide an annual inflationary update to the Medicare Physician Fee Schedule (PFS) Conversion Factor (CF). The House version would provide an inflationary update equal to 75% of medical inflation (measured by MEI) in 2026 and a 10% of MEI update for 2027 and beyond.

The Senate has sought greater savings than the House-passed version. Since this policy is projected to increase the federal budget deficit by increasing Medicare outlays, the Senate likely excluded it to better align the bill with its savings goals.

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Neither the House nor Senate bill includes a provision to mitigate a 2.83% cut to Medicare payments that is in effect for 2025.

Medicaid Provider Taxes

The House bill places new limits on how states can use “provider taxes” to increase the federal Medicaid funding they receive. Some states tax providers (in a variety of ways) to help finance the state’s share of their Medicaid costs. The federal match rate is based on the state’s total share, including what they collect in provider taxes. This practice is criticized because states receive federal funding for the portion of their costs that are already paid for by provider taxes.

The House version of the bill would prohibit states from imposing new provider taxes or raising existing provider taxes.

The Senate’s version of the bill places steeper limits on provider taxes by lowering the maximum provider tax rate from 6% to 3.5% for states that expanded Medicaid under the ACA. This will result in reduced federal Medicaid revenues that states receive. Hospitals – who are among the largest recipients of the extra federal revenues states receive from the provider tax system – are strongly opposing this section of the Senate’s bill. Non-expansion states would have their current provider tax rates frozen going forward.

Medicaid Reimbursement Caps

The House bill would cap Medicaid reimbursements to hospitals at Medicare payment rates. Since Medicaid typically reimburses less than Medicare, some states use provider taxes to access additional federal funds and boost Medicaid payments, sometimes above Medicare rates. This cap aims to curb that practice and limit how states use provider taxes to increase hospital payments.

The Senate bill also includes this policy but applies it differently. States that expanded Medicaid under the Affordable Care Act (ACA) would be capped at 100% of Medicare rates, while non-expansion states would be capped at 110% of Medicare’s rate. The higher cap for non-expansion states may reflect the fact that expansion states already receive enhanced federal funding, with the federal government covering 90% of costs for the expansion population.

Medicaid Work Requirements

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The Senate bill would impose more stringent Medicaid work requirements than the House version. The House bill would exempt Medicaid beneficiaries with dependents from the new work requirements. However, the Senate bill would make Medicaid beneficiaries with dependents who are at least 15 years old subject to the work (or community service) requirements.

The Senate version includes a mechanism for states to request an extension of the work requirement effective date if they can demonstrate meaningful progress toward implementation. The bill also authorizes \$100 million in federal grants to states to help implement the new work requirement policy.

Pharmacy Benefit Manager (PBM) Policies

The Senate version does not include any of the House's PBM reform policies. The House would have prohibited PBM spread pricing in Medicaid and created more transparency on PBM prices, among other things.

Higher Education Policies

The Senate bill kept many of the House's controversial higher education policies that could make it more difficult for students to finance their undergraduate, graduate or medical education. However, the Senate version includes several key differences from the House version.

Medical School Loan Limits

The House version would cap total federal student loan amounts for undergraduate, graduate and professional education programs (e.g., medical school). The House bill caps professional program loan amounts at \$150,000. However, the Senate version increases this cap to \$200,000.

It also increases the House bill's cap on Parent PLUS loans from \$50,000 to \$65,000.

Pell Grants

The House bill would prohibit part-time students from Pell Grant eligibility. The Senate version does not include this policy.

Financial Risk for Institutions

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The House bill would require Institutions to repay the federal government a portion of unpaid federal student loans. The Senate version does not include this policy. Instead, the Senate version would threaten an institution's ability to participate in the federal student aid program if an institution falls below a threshold of undergraduates earning less than someone without a college degree or graduate students earning less than someone with an undergraduate degree.

Endowment Tax

Like the House, the Senate version increases taxes on endowments. However, it includes a lower cap compared to the House version.

Top Stories in Healthcare Policy

The Medicare Payment Advisory Commission (MedPAC) released its [June 2025 Report](#). This is MedPAC's second publication of the year. Following the trend among recent reports, MedPAC called for tying physician reimbursement rates to the medical inflation index (MEI).

Taxpayers will spend an estimated [\\$86 billion](#) for supplemental benefits to Medicare Advantage insurers this year, with little transparency about how those benefits are used. This funding from Medicare to MA plans to help pay for supplemental benefits has increased by 300% in the past 8 years, according to the recent MedPAC report.

The [Medicare Trustees Report](#) released on Wednesday showed that the Medicare Hospital Insurance (HI) trust fund, which funds Medicare Part A, is now projected to become insolvent by 2033. This would trigger automatic 11% cuts to Medicare payments.

Cigna [announced](#) a generative AI virtual assistant to help members get their questions answered during health insurance interactions.

House Energy and Commerce Committee Republican Leaders sent a [letter](#) to the Executive Director of Covered California calling for more information on potentially unauthorized transmissions of identifiable sensitive health information published on the agency's website.

In an effort from top administration officials to sell the reconciliation bill, the White House released a new [report](#) claiming that 11% of Medicaid spending last year went to able-bodied adults.

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A private equity firm has stepped in to finance one of Harvard University's biological research labs amidst the Trump administration's funding cuts to hundreds of federal grants.

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