



Capitol Insights Newsletter

June 27, 2025

Author: Matt Reiter and Luke Schwartz

*Programming Note: Capitol Insights will not be published next week.
We wish everyone a happy Independence Day!*

What Happened in Congress This Week?

On Tuesday, Department of Health and Human Services (HHS) Secretary Robert F. Kennedy Jr. [testified](#) before the House Energy & Commerce Committee. While the main purpose of the hearing was President Trump's HHS budget proposal, most of the discussion centered on vaccines. Members pressed Kennedy on his long-standing association with vaccine hesitancy. This hearing came weeks after Kennedy overhauled the Advisory Committee on Immunization Practices (ACIP).

The Senate Health, Education, Pensions and Labor (HELP) Committee also held a [confirmation hearing](#) for Susan Monarez to lead the Centers for Disease Control and Prevention (CDC). A confirmation vote is expected in the coming weeks, where she is likely to be confirmed.

Meanwhile, Senate offices remain laser-focused on getting the reconciliation bill across the finish line. This effort comes amid a push from President Trump, who has urged Senators to remain in Washington, D.C., until the bill is finalized. The President has expressed a desire to sign the bill into law by July 4th, though it remains unclear whether that timeline is achievable. This comes as the Senate Parliamentarian is striking provisions from the bill for violating the Byrd Rule, [including](#) the Senate's provision on Medicaid provider taxes.

MedPAC and Medicare Trustees Reports Highlight Medicare Reimbursement Challenges

This month saw the publication of two highly anticipated annual reports that analyze the state of the Medicare program. Both reports describe major challenges facing the Medicare program that could impact how Medicare reimburses physicians.

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The first is MedPAC's [June Report](#) to Congress. This report includes MedPAC's analysis of different Medicare payment systems and provides policy recommendations to Congress. MedPAC's policy recommendations are influential, but Congress is not required to act on them.

The report recognizes that inflation has outpaced annual updates to Medicare physician payments and assesses that medical inflation (measured by MEI) will outpace Medicare payments by higher margins in the future. MedPAC reiterates its recommendation to Congress to make an annual inflationary adjustment to the Medicare Physician Fee Schedule (PFS) Conversion Factor (CF). MedPAC specifically recommends an inflationary update equal to MEI minus 1%.

MedPAC also criticizes the American Medical Association's (AMA's) process for determining relative value units (RVUs) that are used to calculate reimbursement rates for medical items and services. The Centers for Medicare and Medicaid Services (CMS) is not required to adopt the AMA's code values but it defers to the AMA's RVU recommendations in most cases. MedPAC takes issue with the timeliness and accuracy of the data used to inform RVU determinations. MedPAC is particularly critical of how indirect expense values are determined and how the AMA uses outdated data from 2006. MedPAC uses global surgery codes as an example where actual postoperative utilization is below the code's assumptions.

The second report is the annual [Medicare Trustees Report](#). The Trustees Report is typically known for assessing Medicare's financial state and estimating the date at which Medicare will reach insolvency. Assuming current policies remain unchanged, rising Medicare costs will eventually result in the Medicare Trust Fund that finances Medicare Part A will not be able to cover 100% of its costs in 2033. Medicare Part A's Trust Fund is financed through the Medicare payroll tax.

This analysis does not apply to Medicare Part B, which is financed by premiums. The Trustees Report finds that Medicare Part B's finances are overall healthy but acknowledges they are facing increased strain due to rising costs for physicians. According to the report, Medicare payments to physicians,

...Do not vary based on underlying economic conditions, and they are not expected to keep pace with the average rate of physician cost increases. These rate updates could be an issue in years when levels of inflation are high and would be problematic when the cumulative gap between the price updates and physician

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costs becomes large... If the health sector cannot transition to more efficient care delivery and if the provider reimbursement rates paid by commercial insurers continue to be based on the same negotiated process, then the availability, particularly with respect to physician services, and quality of health care received by Medicare beneficiaries will, under current law, fall over time compared to that received by those with private health insurance. (Page 9)

It is noteworthy that both MedPAC and the Medicare Trustees agree that Medicare payments to physicians are not adequate. The House of Representatives attempted to address this issue by including an annual MEI adjustment to Medicare payments in its version of the budget reconciliation bill it passed in May. The Senate has since removed this policy from its version of the bill and it appears unlikely that it will be reinserted during negotiations between the two legislative Chambers.

Top Stories in Healthcare Policy

About 50 insurance companies have committed to [reform](#) the prior authorization process for patients, planning to have demonstrated progress by January 1, 2026.

Dr. Mehmet Oz, Administrator of the Centers for Medicare and Medicaid Services, is [urging](#) pharmacy benefit managers (PBM) to end the complex drug rebate system before the government steps in. Essentially, Dr. Oz is calling for PBMs to self-regulate, similar to how insurance companies pledged to reform the prior authorization process earlier this week.

According to a rule released Friday from the Centers for Medicare & Medicaid Services (CMS), the Trump administration shortened the [Obamacare](#) enrollment period, now ending December 31. Currently, federal open enrollment runs from November 1 to January 15.

Aflac has reported a [cyberattack](#) on the insurance company's data systems, possibly exposing customer data such as Social Security numbers and health reports. This is the latest in a string of cyberattacks targeting insurance companies.

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26 health systems are dropping their Medicare Advantage plans, citing excessive prior authorization denial rates and slower payments from insurers.

A new **white paper** published by the University of Southern California Schaeffer Center for Health Policy & Economics finds that Medicare Part D overhaul in the Inflation Reduction Act could leave seniors paying more overall for their prescription drugs, despite the law's original goal of reducing out-of-pocket spending for Medicare beneficiaries.

Federal spending cuts to health care proposed by the “One Big Beautiful Bill Act” could **increase certain families’ medical debts by as much as \$22,800**, according to Third Way think tank.

HRSA is **mandating** that federally funded health centers provide epinephrine and insulin to lower-income patients at or below the price they pay for the drug through the 340B program.

A new **report** from the Bipartisan Policy Center highlights the complex network of laws and regulations for health care AI tools that are not regulated by the Food and Drug Administration (FDA), including areas like administrative AI, care management, consumer wellness, and digital health tools.

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