



Capitol Insights Newsletter May 16, 2025

Author: Luke Schwartz and Matt Reiter

What Happened in Congress This Week?

This week has been one of the busiest weeks in healthcare policy in a long time.

To start, the House Energy & Commerce Committee advanced its portion of the Reconciliation bill out of committee. More on that below in this week's *Featured Topic*.

Department of Health and Human Services (HHS) Secretary Robert F. Kennedy Jr defended over \$30 billion in proposed budget cuts and a major agency reorganization during [Senate Health, Education, Labor and Pensions \(HELP\) Committee](#) and [House Appropriations Labor and HHS Subcommittee](#) hearings on Wednesday. Continuing previous messaging, Kennedy argued that the changes would eliminate inefficiency and improve health outcomes. While his testimony garnered Republican support, Democrats challenged his controversial vaccine claims. Kennedy also wants to steer HHS towards further advancing artificial intelligence (AI) in healthcare, particularly as a means expand access to care in rural and underserved areas.

Furthermore, on Tuesday, the Senate Judiciary Committee held a [hearing](#) on Pharmacy Benefit Managers. Senators on both sides of the aisle reiterated a shared desire to regulate PBMs to ensure drug affordability and access.

Healthcare Portion of Reconciliation Advances Through Committee

The House Energy and Commerce (E&C) Committee advanced its section of the House budget reconciliation bill which includes major changes to both Medicare and Medicaid. The E&C section will eventually be combined with other sections developed by different Congressional committees into a single reconciliation bill that will go to the House Floor for a vote by the full House of Representatives.

Using budget reconciliation will allow Republicans to pass the bill in the Senate with only a simple majority instead of the 60 votes that are needed to pass most legislation.

The E&C Committee was instructed to develop a bill that saves \$880 billion over ten years. This ambitious savings target suggested the bill would impact the Committee's largest areas of jurisdiction, including Medicare, Medicaid and other health programs.

[Click here to subscribe for weekly updates!](#)

1009 Duke St. Alexandria, VA 22314
(202) 544-1880 | Fax: (202) 545-5913
administrator@capitolassociates.com



Capitol Insights Newsletter May 16, 2025

Author: Luke Schwartz and Matt Reiter

It is important to understand that this bill still has a long journey before final passage. It faces a difficult path in the House in its current form. The Senate is also expected to make changes to the House bill. The policies summarized below could be changed in future compromises between the House and Senate.

Below is an overview of key provisions from the E&C portions of the reconciliation bill.

- Medicare Payment Increase to Physicians

While the bill does not mitigate the 2.83% cut to Medicare payments for 2025, **it would create a permanent annual inflationary update to physician Medicare payments.**

In 2026, the bill would apply an increase equal to 75% of the Medicare Economic Index (MEI), which measures medical inflation. Beginning in 2027 and beyond, there would be an annual increase equal to 10% of MEI.

For context, inflation has outpaced updates to the Medicare Physician Fee Schedule (PFS) by 33% since 2001. MedPAC highlights that MEI was 4.0% in 2023 but is expected to gradually moderate to its pre-pandemic level of 1-2% per year.

The E&C Committee rejected an amendment from Rep. Alexandria Ocasio-Cortez (D-NY-14) that would have created a full MEI adjustment paid for by restricting how Medicare Advantage plans can “up code” their risk adjustment scores. The House Ways and Means (W&M) Committee rejected a similar amendment from Rep. Jimmy Panetta (D-CA-19).

The Medicare pay increase is not among the most controversial policies in the bill. However, its fate could still be impacted by those other controversial provisions. Increasing Medicare payments to clinicians increases overall government spending. Despite this spending increase, the E&C portion still achieves net savings of \$880 billion over ten years. Some of the cost-savings policies are controversial because they could result in coverage reductions or impact state finances. If controversial cost-saving policies are removed from the bill to assuage these concerns, the Medicare payment increase could also be removed to help offset the loss in savings.

[Click here to subscribe for weekly updates!](#)

1009 Duke St. Alexandria, VA 22314
(202) 544-1880 | Fax: (202) 543-5913
administrator@capitolassociates.com



Capitol Insights Newsletter

May 16, 2025

Author: Luke Schwartz and Matt Reiter

- Medicaid Reforms

Most of the bill's \$880 billion savings will come from changes to how the federal government subsidizes state Medicaid programs. The bill does not include some of the more drastic Medicaid funding reforms that had been discussed leading up to the markup. However, many of the Medicaid provisions remain controversial. Moderate Republicans caution against too many cuts while conservatives want more ambitious reforms.

Medicaid reforms in the bill include instituting work requirements for able-bodied adults and increasing the frequency of eligibility redeterminations to at least every six months (currently, Medicaid eligibility checks occur annually). Retroactive coverage would be limited to only one month prior to application, a reduction from the current 90-day requirement. States would also need to more regularly screen providers to check if HHS terminated their participation in Medicaid or if they are deceased.

The bill would place new limits on state "provider taxes" that are used to increase federal Medicaid payments to states. 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 bill would prohibit states from imposing new provider taxes or raising existing provider taxes.

Many of the provisions are focused on the Medicaid expansion population. Under the Affordable Care Act (ACA), states have the option to expand Medicaid coverage to people earning between 100-138% of the federal poverty level (FPL). The bill would require \$35 per-service cost-sharing for many services for the expansion population. Cost-sharing remains capped at 5% of total income. The bill would also reduce the federal match rate for the expansion population if a state covers non-citizens under Medicaid and ends a higher federal match that is intended to incentive new Medicaid expansion states.

The bill would prohibit HHS from enforcing a Biden Administration final rule that established minimum staffing levels for nursing homes. Critics believe the minimums were not feasible for many nursing homes.

[Click here to subscribe for weekly updates!](#)

1009 Duke St. Alexandria, VA 22314
(202) 544-1880 | Fax: (202) 543-5913
administrator@capitolassociates.com



Capitol Insights Newsletter

May 16, 2025

Author: Luke Schwartz and Matt Reiter

While these policies will help achieve significant federal spending reductions, the Congressional Budget Office (CBO) [estimates](#) that over 10 million people will lose Medicaid coverage. However, some of these people are expected to enroll in ACA coverage, with a net estimated impact of 7.6 million new people being uninsured.

- PBM Reforms

Reining in Pharmacy Benefit Managers (PBMs) has been among the most bipartisan issues in Congress. However, major PBM reform legislation has yet to pass.

The reconciliation bill would apply many of these bipartisan reforms to Medicaid. The bill bans “spread pricing” in Medicaid. PBMs use “spread pricing” to pocket the savings they achieve for insurers instead of passing these savings on to pharmacies, health plans and patients. The bill also increases PBM transparency for Medicare Part D plans, limits how PBMs can mark up their prices, and allows “any willing pharmacy” to participate with a PBM.

- Artificial Intelligence

One section of the Ways and Means Committee’s portion of the reconciliation bill focused on communications policy included a provision that would [significantly limit](#) states from enforcing state AI regulations for ten years. The language is vague and key details are needed to fully understand the impact of this policy. However, the section appears intended to allow states to implement laws that *promote* the use of AI but prohibit states from enforcing laws that *restrict* the use of AI.

- Conclusion

This situation is still rapidly evolving and a lot is expected to change between today and when the bill is ultimately passed. The next step in the process is for the House Budget Committee to consider and advance the full budget reconciliation bill to the House of Representatives. As of today, the Budget Committee did not have the votes to advance the bill. It will try again next week. More changes could be made to the bill to get the necessary support to pass it out of the Budget Committee. We will continue to provide updates in future editions of *Capitol Insights*.

Top Stories in Healthcare Policy

[Click here to subscribe for weekly updates!](#)

1009 Duke St. Alexandria, VA 22314
(202) 544-1880 | Fax: (202) 543-5913
administrator@capitolassociates.com



Capitol Insights Newsletter

May 16, 2025

Author: Luke Schwartz and Matt Reiter

The Department of Justice (DOJ) launched a [criminal investigation](#) into UnitedHealth Group for fraud related to Medicare Advantage overpayments.

During a speech at the Duke Margolis Institute for Health Policy's annual conference, Centers for Medicare and Medicaid Services (CMS) Administrator Dr. Oz announced a new [Request for Information](#) (RFI) on healthcare information technology (IT) and innovation. The public comment period will be open until June 16th.

President Trump issued an [Executive Order](#) calling for "Most Favored Nation" drug-pricing. To accomplish this:

- HHS is directed to "set targets for price reductions across all markets in the US within 30 days."
- If pharmaceutical companies do not comply, the Trump administration will use rulemaking to impose most favored nation pricing.
- The FTC and DOJ will investigate anti-competitive practices in the pharmaceutical industry.

New [draft guidance](#) released on the upcoming third round of the Medicare Drug Price Negotiation Program shared that Part B drugs will likely be considered as part of negotiations. The draft guidance also called for enhanced program transparency.

CMS released its 2025 Open Enrollment Report showing that 24.3 million people selected or were automatically re-enrolled in health insurance through federal and state exchanges, a 13% increase from 2024. Enrollment has grown steadily, with nearly 10 million more sign-ups compared to 2022. Detailed demographic and plan data is now [available](#).

The Center for Medicare and Medicaid Innovation (CMMI) released a [new strategy](#) rooted in reducing costs and improving care by focusing on chronic disease prevention and management. The new plan centers on prevention, better use of data and technology, and expanding access to value-based care. Also of note, CMMI Director Abe Sutton shared that they could further embrace Medicare Advantage payment models.

Eight Merit-Based Incentive Payment System (MIPS) improvement activities were [suspended](#) by CMS for the 2025 performance year.

[Click here to subscribe for weekly updates!](#)

1009 Duke St. Alexandria, VA 22314
(202) 544-1880 | Fax: (202) 543-5913
administrator@capitolassociates.com



Capitol Insights Newsletter

May 16, 2025

Author: Luke Schwartz and Matt Reiter

Based on a [survey](#) of over 7,600 physicians, burnout has declined since the peak of the pandemic. In 2023, 45.2% reported at least one symptom of burnout, down from 62.8% in 2021.

A [report](#) released by the Senate HELP Committee Democrats showcased that the Trump Administration cut \$2.7 billion in National Institutes of Health (NIH) research grants in the first three months of 2025.

OpenAI has developed a benchmarking tool called [HealthBench](#). The new program is intended to evaluate how well generative artificial intelligence (AI) responds to healthcare-related questions.

A research letter in [JAMA](#) suggests that the Inflation Reduction Act's \$2,000 cap on annual out-of-pocket drug costs in Medicare Part D may be encouraging insurers to exit the market, thereby reducing coverage options for seniors. While the policy lowers patient costs in theory, speculation is growing that competition in Part D plans will shrink and incentivize more seniors to sign up for Medicare Advantage plans.

[Click here to subscribe for weekly updates!](#)

1009 Duke St. Alexandria, VA 22314
(202) 544-1880 | Fax: (202) 543-5913
administrator@capitolassociates.com