Capitol Insights Newsletter
May 23, 2025

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What Happened in Congress This Week?

The House passed its version of the reconciliation bill, now known as the "One, Big, Beautiful Bill Act" before it adjourned for a long Memorial Day weekend. The final bill is largely the same as the version we summarized in last week's *Capitol Insights*. The main healthcare-related change was that Medicaid work requirements are now set to take effect at the end of 2026, three years earlier than originally planned. This change was made to offset the cost of other policies.

Perhaps the most important update is on what was *not* included in the bill text. The House did NOT waive PAYGO, which would result in huge Medicare payment cuts. Automatic "PAYGO" cuts take effect when a piece of legislation results in deficit spending (this bill is projected to do so by nearly $2.5 trillion). PAYGO is intended to help offset deficit spending, but Congress almost always waives it. This occurred in the aftermath of the American Rescue Plan Act (ARPA) in 2021 but Congress ultimately prevented that cut from taking effect before waiving it for good.

Since the bill did not waive PAYGO, $535 billion would need be offset through Medicare cuts to physicians between 2026-2034, with $45 billion in 2026 alone. This equals a 4% cut to physician Medicare payments annually.

The bill is now pending further action by the Senate, which is expected to make changes to the House's bill. The Senate can waive PAYGO in its version of the bill, but the House will need to agree to that and all other changes. If the Senate fails to waive PAYGO, Congress can still delay or waive the PAYGO cuts in future legislation, such as annual appropriations bills or a continuing resolution (CR), similar to how Congress prevented the ARPA PAYGO cuts from taking effect.

CMS to Double Down on Medicare Advantage Oversight

The Centers for Medicare and Medicaid Services (CMS) shared an "aggressive" new strategy for reining in Medicare Advantage overpayments through a more robust audit of risk adjustment claims. This announcement comes on the heels of a MedPAC report that found that Medicare

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Advantage (MA) pays approximately 20% more for MA enrollees than it would for the same beneficiaries in traditional Medicare. MedPAC found that this disparity is largely caused by MA plans exaggerating diagnoses to earn larger risk adjustment payments. This excess spending is estimated to be $84 billion in 2025 alone.

MA audits are not a new practice. They are used to verify that the plans' risk-adjusted payments are accurate. MA plans are paid more to care for patients with more serious health conditions. However, CMS does not currently audit all plans and there is currently a backlog of overdue audits. Further, the audits only include a small sample size of health records.

Effective immediately, CMS "will audit all eligible MA contracts for each payment year in all newly initiated audits and invest additional resources to expedite the completion of audits for payment years 2018 through 2024."

To help achieve this ambitious timeline, CMS will expand its medical coding workforce from 40 to 2,000 employees to carry out the audits. With this larger workforce, CMS expects to increase its annual audits from 60 MA plans to all 550 plans across the country.

The number of individual claims reviewed will also rise significantly. Instead of examining 35 health records each year for each plan, CMS will audit up to 200 records annually per plan. The exact number will likely depend on the size of the plan.

CMS has also stated that it will recover MA overpayments that were identified in earlier audits but not yet collected.

If carried out as described, these actions would improve CMS's resources for overseeing MA plans, which have faced rapidly growing scrutiny over the past year.

Top Stories in Healthcare Policy

The Food and Drug Administration (FDA) announced that it will limit COVID-19 vaccines to those 65 years and older and other high-risk individuals. They will also require new clinical trials for healthy individuals 65 and under, with an emphasis on children.

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Additional guidance was released on the Trump Administration's Most Favored Nation drug pricing Executive Order. The Executive Order specifically targets brand-name drugs without a generic or biosimilar. It will require pharmaceutical companies to offer the United States the lowest price available in any country with a GDP per capita of at least 60% of that of the United States.

The Trump Administration released its first Make America Healthy Again Commission report, which particularly addressed rising chronic diseases in children. The report highlighted ultra-processed foods, environmental chemicals, a decline in physical activity, and overmedication as the driving forces behind rising rates of chronic disease in children.

New guidance from CMS requires hospitals to post actual prices of items and services, rather than estimates.

CMS announced that on September 1st, Medicare Administrative Contractors (MACs) will take over CMS's short-stay hospital inpatient status reviews from a different Medicare contractor program.

The House Appropriations Committee announced its markup schedule for early June.

CMS published its annual data update on every Medicare provider's Medicare utilization, such as a number of patient encounters and total allowable charges billed.

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