Highmark's Weekly Capitol Hill Report

Issues for the week ending January 23, 2026

Federal Issues

Legislative

House Passes Government Funding Package, Senate Outlook Cloudy

Before leaving town last week, Congressional leaders reached a deal to fund the federal government through Sept. 30, along with a bipartisan health care package that pulled from the bill scuttled in December 2024. While the overall package passed the House 341-88 on Thursday, its fate appears uncertain in the Senate due to a dispute over Homeland Security funding. If an agreement is not reached and cleared by both Houses by Saturday night, the government will shut down.

Some key provisions of the health care package include:

- An **extension of Medicare telehealth flexibilities** through December 31, 2027.
- **Requires off-campus hospital outpatient departments** to obtain and bill using a unique national provider identifier (NPI) number separate from their parent hospital for services furnished on or after January 1, 2028.

In this Issue:

- **Requires PBMs** to provide detailed data on prescription drug spending and utilization. Allows plan beneficiaries to receive a summary of information about the plan's prescription drug spending, including fees paid to brokers and pharmacy network design parameters.

- **Requires that PBMs** fully pass through 100% of drug rebates, fees, and discounts, excluding bona fide service fees received by the PBM, to an employer or health plan regulated under ERISA.

- **Requires Medicare Advantage plans** to verify provider directory information every 90 days, promptly remove providers no longer in-network, and limit enrollee cost-sharing to in-network amounts for care from a provider incorrectly listed as in-network.

- **Prohibits PBMs and affiliates from deriving remuneration** related to Part D drugs in any form other than bona fide service fees (BFSFs). Requires pass-through from PBM to plan of all rebates, discounts, and price concessions that are not BFSFs.

- **Requires Part D sponsors** to permit pharmacies that meet standard contract terms and conditions to participate as a network pharmacy.

- **Extends t**he mandatory 2% Medicare payment reductions under sequestration through the first five months of FY 2033 and waives statutory pay-as-you-go (PAYGO) requirements, including 4% Medicare cuts.

Next steps: It is unclear what will happen if the deal does not pass the Senate this week. The House could return to consider a smaller package to keep the government open. Such a deal may or may not contain health provisions.

- **AHIP Spotlights Impact of Rising Hospital Costs on Consumer Premiums**

House Committees Probe Affordability

On Thursday, both the House Energy and Commerce Health Subcommittee and the Ways and Means Committee heard testimony from health insurance CEOs from Elevance Health, Blue Shield California, UnitedHealth, Cigna and CVS Health, along with patient advocates.

Why this matters: The hearings offered Republicans an opportunity to explore cost drivers in the health care system as Democrats continued to criticize inaction on an extension of enhanced ACA tax credits. Lawmakers largely used their time to attack each other with Democrats hitting Republicans for cutting Medicaid and letting the enhanced tax credits expire, while Republicans attacked Democrats over the high costs of "Obamacare."

Other themes of the hearing:

- There is strong bipartisan support for **PBM reforms**. Rebate passthroughs, offshore subsidiaries and the lack of transparency were constantly raised.
- **Vertical integration** was under constant attack from both parties, featuring pointed questions on plan ownership of PBMs, pharmacies, clinics and provider groups.
- **Claim denials and prior authorization (PA)** also were areas of bipartisan scrutiny. Medicare Advantage in particular was repeatedly called out by Members from both sides of the aisle. Lawmakers made clear there was a disconnect between plan claims of process improvements and constituent experiences they hear every day.

Next steps: The committees plan additional hearings that will likely center on provider and drug costs.

Federal Issues

Regulatory

CMS Publishes No Surprises Act Public Use Files

On Jan. 21, 2026, CMS published Public Use Files (PUFs) on Independent Dispute Resolution (IDR) process operations for the first and second quarters of 2025. These files include all data elements required for publication by the No Surprises Act (NSA) and are accompanied by supplemental tables and background. IDR PUFs were previously published for the years 2023 and 2024.

CMS Releases Improper Payment Fact Sheet, Showing an Increase in Improper Medicaid Payments in 2025

The Centers for Medicare & Medicaid Services (CMS) released its Fiscal Year 2025 Improper Payments Fact Sheet. Improper payments are any payments that do not meet CMS program payment requirements; improper payment measures are not a measure of fraud, and not all improper payments are attributable to fraud or abuse. The agency's improper payment rate estimate for fiscal 2025 in Medicaid was 6.12% ($37.39 billion), up from 5.09% ($31.1 billion) in 2024. In CHIP, CMS projects an improper payment rate of

7.05% in fiscal 2025 ($1.37 billion), up from 6.11% ($1.07 billion) in 2024. CMS specifically states “the increase in the national Medicaid and the Children’s Health Insurance Program (CHIP) improper payment estimates reflects the effects of unwinding the flexibilities given to states during the COVID-19 public health emergency, such as conducting eligibility redeterminations and provider revalidation requirements, which resumed in April 2023.” Read More

State Issues

Pennsylvania

Legislative

Pennsylvania Legislative Update

Due to this weekend’s snowstorm, this week’s three-day session for both the House and the Senate has been abbreviated to Wednesday only. Committee meetings for Health and Insurance have been postponed and will likely happen during next week’s Session.

Amongst next week’s legislative meetings will be a joint hearing held by the House Health Committee and House Communications & Technology Committee on the uses of Artificial Intelligence in healthcare, with representatives from Highmark providing testimony.

Additionally, next Tuesday Governor Shapiro will provide his annual budget address to a joint session of the House and the Senate. While details are still speculative at this point in time, it is expected that the Governor will present a budget with no spending increases in order to prevent an impasse like last year ahead of the election cycle.

Industry Trends

Policy / Market Trends

CMS and MedPAC Present Analyses Related to Medicare Advantage and FFS Payment Issues

On January 20, *Health Affairs Scholar* published an article, “An Updated Analysis of Coding Pattern Differences in Medicare Advantage,” authored by four members of CMS’ leadership team. The purpose is to examine the spending impacts of the V28 Medicare Advantage (MA) risk adjustment model, which was phased in from 2024-2026. Several days earlier, during a public meeting, staff of the Medicare Payment Advisory Commission (MedPAC) presented preliminary estimates comparing MA and fee-for-service (FFS) spending, including coding intensity, that will be published in MedPAC’s upcoming March 2026 Report to Congress. **Key elements of those analyses are summarized below.**

- **CMS Analysis:** CMS recalculated national average enrollment-weighted risk scores for MA and FFS in payment year (PY) 2022, the most recent year with complete data. CMS applied the V28 risk adjustment model as if it was in effect for that year. After applying that adjustment and the 5.9% statutory coding intensity adjustment, **CMS’ analysis found an estimated 1.5-2.0 percent of “uncorrected” MA coding intensity.**

- By comparison, MedPAC estimated that "uncorrected" MA coding intensity in PY 2022 was 10 percent (before accounting for the coding intensity adjustment), as published in the *March 2025 Report to Congress*. That estimate used the previous V24 risk adjustment model. CMS also outlines other key methodological differences between its approach and that of MedPAC that can contribute to the different estimates.
- Importantly, CMS' analysis looks only at coding intensity. It does not address MedPAC's comparison of overall MA and FFS spending, including the impact of alleged "favorable selection" (discussed below).

- **MedPAC Analysis:** During the January public meeting, MedPAC staff indicated they have changed how they estimate MA coding intensity for PY 2026, including incorporating more recent data to better account for the impact of V28. **MedPAC estimates that "uncorrected" MA coding intensity for 2026 (after accounting for the 5.9% coding intensity adjustment) will be 4%.**

  - Accounting for the impacts of V28 has led to a considerable reduction in MedPAC's estimate of overall payment differentials between MA and FFS. **MedPAC estimates higher spending in MA for PY 2026, accounting for the impacts of coding intensity *and* favorable selection, will be 14 percent. MedPAC's estimate for PY 2025 had been 20%.** Note that MedPAC has now lowered the 2025 estimate to 17% as a result of these methodological changes.

- **Takeaways:** CMS, and now MedPAC, are acknowledging the significant impacts of V28 on MA risk adjustment payments. The CMS paper specifies that the updated estimate of coding differentials "will be important for informing ongoing policy debates," although the paper does not signal how CMS might apply it.

  - The CMS analysis and significant changes to MedPAC's estimates reinforce concerns that AHIP and others have raised about MedPAC's spending comparisons and their use in policy debates. AHIP's concerns have been supported by both the detailed analysis we commissioned last year that raised serious questions about favorable selection, as well as the separate analysis we commissioned that highlights the impacts of failing to compare spending without the same eligibility criteria and out-of-pocket protections.

BCBSA Launches a New Affordability Platform Webpage

What's happening: BCBSA launched a new Affordability Platform webpage to address the rising cost of health care.

Why this matters: BCBSA's Affordability Platform webpage outlines what is driving rising healthcare costs and the policy actions needed to bring meaningful relief. This will be the central hub for our affordability insights, data and recommendations so Plans, policymakers and partners can easily use and share them as affordability remains top of mind.

The details: Our affordability roadmap outlines how 10 solutions could reduce national health care spending by nearly $1 trillion over the next decade by:

- Curbing excessive hospital markups
- Lowering prescription drug prices
- Aligning payments with better patient outcomes

AHIP Spotlights the Drivers of Health Care Costs

As policymakers continue to discuss health care affordability challenges, AHIP published a new article that highlights key data, including CMS's recent National Health Expenditures report, which shows health care spending jumped 7.2% to $5.3 trillion in 2024.

Health Care Dollar: The article reminds audiences that health insurance premiums directly reflect the cost of medical care. As AHIP's health care dollar shows, 85% of Americans' premium dollars go to cover the cost of hospital-based services, prescription drugs, physician fees, and other medical services.

- ***The Bottom Line:*** When prices for these treatments and services go up, the premium consumers pay for their coverage must rise to keep pace.

Four Reasons Why Prices Continue to Rise:

1. **Hospital consolidation.** Decades of consolidation have allowed a small number of large hospital systems to dominate local markets and charge higher prices, driving up premiums.
2. **Site-of-care price differences.** Provider prices for the same services vary widely based on location, ownership, and market power, with site-based payment differences and facility fees driving up costs without improving care quality.
3. **Prescription drug pricing.** Rising prescription drug prices driven by manufacturers' repeated price hikes, costly new therapies, and growing demand for GLP-1 weight-loss drugs are projected to make drug spending the biggest factor in 2026 premium increases.
4. **Private equity–driven billing practices.** Private equity's growing role in the health care system has fueled aggressive out-of-network billing tactics that undermine the *No Surprises Act*, driving billions in unnecessary costs.

Next Steps: AHIP will continue urging policymakers to enact common-sense, bipartisan solutions to improve patient affordability. By addressing the root causes of higher health care costs and corresponding premiums, policymakers can take meaningful steps to make coverage and care more affordable for Americans.

Go Deeper: Read the full AHIP article here.

AHIP Spotlights Impact of Rising Hospital Costs on Consumer Premiums

AHIP published a new article underscoring rising hospital costs as a major challenge to health care affordability.

By the Numbers:

- **40¢:** The amount per premium dollar that goes to hospital-based care – including inpatient, outpatient, and emergency room costs. Hospital spending is the largest share of health insurance premiums.
- **$1.6 Trillion:** 2024 spending on hospital care, according to CMS data.

The article highlights how consumers and employers **bear the burden** of high hospital costs from:

- Anticompetitive hospital consolidation.
- The growing role of private equity in hospital care.
- Excessive site-of-care price variation.

Next Steps: AHIP will continue urging policymakers to enact common-sense, bipartisan solutions to improve hospital affordability, including by promoting greater competition among hospitals, protecting consumers with site-neutral payment reforms, and preventing private equity-backed hospitals and providers from exploiting patient protections.

Go Deeper: Read more of AHIP's solutions to improve health care affordability here.

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/.**