



Issues for the week ending April 3, 2026

Federal Issues

Regulatory

CMS Releases Medicare Advantage and Part D Final Rule for 2027

CMS [released](#) the pre-publication version of the [MA and Part D Final Rule](#) for contract year (CY) 2027 with a corresponding [fact sheet](#) as well as an accompanying [press release](#). The final rule will be published in the Federal Register on April 6.

Why this matters: The MA/Part D Technical Rule is an annual rulemaking to make policy updates and other technical changes to the MA and Part D programs for the following contract year. Finalized policies in the Technical Rule and forthcoming CY 2027 Rate Announcement are critical for Plans to submit bids by June 1, 2026.

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Highlights Include

- **Star Ratings:** CMS finalized its proposals to not implement the Health Equity Index and to reinstate the Reward Factor for 2027 Star Ratings. CMS also finalized its proposal to remove 11 measures focused on administrative processes that would impact 2028 and 2029 Star Ratings. And CMS finalized its proposal to add a new Part C Depression Screening and Follow-Up measure for 2029 Star Ratings.
- **SEP Changes:** CMS did **not** finalize its proposal to modify the existing SEP for significant provider network changes. CMS did finalize its proposal to codify certain SEPs requiring prior CMS approval.
- **Special Needs Plans:** CMS finalized its proposal to exempt plans in Puerto Rico from a new rule that will apply to D-SNPs on the mainland.
- **Part D:** CMS codified its existing policy that supplemental benefits provided by enhanced alternative plans are included in the definition of incurred costs for the purposes of TrOOP accumulation. CMS also finalized its proposal to allow for the reduction of the specialty-tier cost threshold.
- **Marketing Reforms:** CMS finalized proposed targeted marketing reforms related to TPMO disclaimers, beneficiary outreach, and other changes.
- **Supplemental Benefits:** CMS has rescinded the requirement for MA plans to send mid-year notices about unused supplemental benefits. CMS also finalized its proposals from the 2026 proposed rule to require MA plans to make plan-developed SSBCI eligibility criteria publicly available and add guardrails for debit card use.

Dive Deeper: AHIP developed an initial [policy memo](#) on the final rule and will prepare a detailed summary of these and other provisions in the coming days.

- Also read AHIP's [detailed comments and recommendations](#) to CMS from January on the proposed rule.

Presidential Proclamation on Tariffs for Pharmaceuticals

What's happening: President Trump [issued](#) a proclamation (see [Fact Sheet](#)) announcing a 100% tariff on the importation of brand pharmaceuticals and associated active pharmaceutical ingredients (API), with several broad exceptions.

- **Why this matters:** This could have cost implications for brand-name pharmaceuticals manufactured outside the United States by companies that have not entered into reshoring agreements tied to the Administration's most-favored-nation (MFN) initiatives. **For Plans, this may result in higher drug costs for certain brand-name pharmaceuticals, which could affect formulary management, premiums, or cost-sharing decisions.**
- **The details:** The proclamation imposes a 100% ad valorem tariff on specified patented pharmaceuticals and associated APIs. The tariffs on pharmaceutical products go into effect beginning July 31, 2026, and September 29, 2026, and remain in effect unless modified or terminated.
- **There are several exemptions to these tariffs including:**
 - Reduced tariff rates for manufacturers with onshoring commitments,
 - Zero tariffs for manufacturers that have executed or are negotiating MFN pricing agreements and onshoring commitments with the Departments of Commerce and Health and Human Services,
 - Zero tariffs on generic drugs and biosimilars, and
 - Zero tariffs on specified specialty categories (e.g., orphan-only indications, nuclear medicines, plasma-derived therapies, certain advanced therapies, designated medical countermeasures and animal health products), subject to agency determinations.

Go Further: These tariffs, imposed under Section 232 of the Trade Expansion Act, after a Commerce Department national-security investigation, are constructed differently than the tariffs struck down by the U.S. Supreme Court earlier this year.

Treasury Issues Advisory to Banks on Monitoring Medicare and Medicaid Fraud Activity; Issues Whistleblower Program Proposed Rule

The U.S. Treasury Department released an advisory urging financial institutions to closely monitor deposits and transfers referencing Medicare Administrative Contractors or state Medicaid agencies and report suspicious activity to law enforcement and the Treasury Department's Financial Crimes Enforcement Network (FinCEN). The advisory highlights growing fraud risks involving shell companies posing as health care entities—including durable medical equipment suppliers, home health and hospice providers, pharmacies, telemedicine companies, laboratories, and adult day care centers. The guidance—issued in coordination with the FBI and the HHS Office of Inspector General (HHS OIG)—cites a 330% increase in health care fraud-related suspicious activity reports from 2020 to 2025, underscoring growing oversight focus on financial institutions' role in detecting fraud affecting Medicare and Medicaid programs.

Treasury also issued a notice of proposed rulemaking (NPRM) to establish a whistleblower award program, allowing individuals whose tips lead to successful enforcement actions to receive 10%–30% of collected monetary penalties.

Read More

- [Press Release](#)
- [NPRM Announcement](#)

State Issues

New York

Legislative

State Budget Officially Late

New York's fiscal year began last week without a new state budget in place. After approving an extension of this year's budget through the Easter and Passover holidays, lawmakers left Albany last Wednesday and will return on Tuesday, 4/7/26 to resume budget talks and presumably pass another budget extender. The same sticking points surrounding the budget, climate laws, auto insurance reform, and SEQR reform, all still remain open items in negotiations.

Regulatory

Essential Plan Updates

On April 1, the state issued termination letters, effective 7/1/26, for 450,000 members of the state's Essential Plan that make between 200-250% of the federal poverty level, a repercussion from H.R. 1 rules around non-citizens using federal dollars for their health care. The New York State of Health (exchange) is working with members, and plans, on strategies and messaging to ensure those that lose coverage can find appropriate health insurance from a qualified health plan on the marketplace.

In response to these changes, the chairs of the Senate and Assembly Health committees pushed to have their recently introduced legislation that offers measures to prevent New Yorkers from losing their Essential Plan coverage inserted into the budget. The legislation would use state funding to maintain existing eligibility under the Essential Plan for those New Yorkers with incomes between 200% and 250% of the federal poverty level who will lose that coverage on July 1. It would also use state funds to restore financial assistance for lawfully present immigrants who will lose access to federal subsidies for health plans on the Affordable Care Act marketplace in 2027. The chairs, Senator Rivera and Assemblymember Paulin, held a press conference with other lawmakers and advocates, and pointed out that Governor Hochul already appropriated \$2.3 billion in her budget proposal earlier this year, in case the Trump administration didn't sign off on New York's plan to amend the EP program. They also argue the cost of their proposals are less than the money set aside by the Governor but didn't provide any details of how the money would be spent. Asked about the proposal by reporters following the press conference, the Budget Director and legislative leaders were non-committal about including it in the budget.

State Issues

Pennsylvania

Legislative

House Passes Family & Medical Leave Act

The House of Representatives passed [House Bill 200](#), the Family and Medical Leave Act to require employers to provide family and medical leave benefits to covered individuals.

To be eligible for family and medical leave, an employee is eligible to receive benefits if the employee:

1. Is currently employed in this commonwealth or is within 120 days of separation from employment in this commonwealth.
2. Has worked with the employer for at least 18 weeks during the 12 months before submitting the claim.
3. Has earned at least \$2,718 in income with the employer during the 12 months before submitting the claim.
4. Provides the required documentation to support the claim to the employer

An employee may file a claim for benefits with the employer based on any of the following circumstances:

1. Because of birth, adoption, or placement through foster care, the employee is caring for a new child during the first year after the birth, adoption, or placement of that child.
2. Is caring for a family member with a serious health condition.
3. Has a serious health condition, including pregnancy, that renders the covered individual unable to perform the functions of the individual's position.
4. Is caring for a family member who is a covered service member due to a qualifying exigency leave in accordance with the terms of 29 U.S.C. Ch. 28 (relating to family and medical leave).
5. Is a victim of a qualifying act of violence, or is caring for a family member who is a victim of a qualifying act of violence, and is taking leave for an authorized reason for leave for a qualifying act of violence

The leave benefit amount is calculated as follows:

- 90% replacement rate for the portion of a covered individual's average weekly wage that is equal to or less than 50% of the Statewide average weekly wage.
- 50% replacement rate for the portion of a covered individual's average weekly wage that exceeds 50% of the Statewide average weekly wage.

The maximum duration of required benefits is 12 weeks, but an employer may provide benefits for a longer period. Additionally, the legislation requires that leave taken under this act that also qualifies for the federal family and medical leave program shall run

concurrently, and that other paid leave available under any other federal or state law, collective bargaining agreement, or employer policy may be taken but shall be counted against the paid leave benefits under this act.

Next steps: House Bill 200 passed the House of Representatives by a vote of 107-92 and will be referred to the Senate for its consideration.

Legislative Update

This week both the House and the Senate continue their legislative break with no session or votes scheduled.

On Thursday the Senate Democratic Policy Committee will be holding a hearing on the rising cost of nursing home and assisted living in Pennsylvania.

Next week the House returns to session for a three-day period. The House Health Committee will be holding a voting meeting on Tuesday to consider, amongst other bills, House Bill 836 by Representative O'Mara and House Bill 916 by Representative Giral. These bills, respectively, would prohibit the Commonwealth from prohibiting assisted reproductive procedures and would amend the Childhood Blood Lead Test Act.

The Senate returns to session on the week of April 20th.

Industry Trends

Policy / Market Trends

Ninth Circuit Revives 340B Drug Pricing Fraud Lawsuit Against Major Manufacturers

The U.S. Court of Appeals for the Ninth Circuit in California revived a whistleblower lawsuit alleging that drug manufacturers AbbVie, AstraZeneca, Novartis, and Sanofi overcharged providers participating in the 340B Drug Pricing Program, leading to inflated Medicare and Medicaid reimbursements. In a unanimous decision, the court held that although providers lack a direct right to sue under the 340B statute, claims may proceed under the False Claims Act when alleged overcharges cause financial losses to the government. The case was remanded to federal district court after previously being dismissed, potentially expanding the use of False Claims Act litigation to enforce compliance with federal drug pricing rules. [Read More](#)

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/>.

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