



Issues for the week ending May 23, 2025

Federal Issues

Legislative

House Passes Budget Reconciliation Bill with Major Coverage & Financing Overhauls

Just before breaking for Memorial Day last week, the U.S. House passed H.R. 1, the "[One Big Beautiful Act](#)," by a narrow 215-214 vote. The move sets the stage for a Senate battle over significant changes to Medicaid, Medicare, and Affordable Care Act (ACA) marketplaces.

Why this matters: In addition to extending the Trump tax cuts, this bill represents a significant effort by House Republicans to reshape healthcare policy, particularly concerning Medicaid, Medicare, and the ACA. Coverage access, state financing mechanisms, and risk pool stability could all be impacted. Its fate in the Senate is uncertain, but the tight timeline adds pressure.

Medicaid Deep Dive:

- **Work Requirements:** Mandates 80 hours/month of work/volunteering for

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adults aged 19-64 (effective Dec 31, 2026, with state flexibility for earlier implementation). **Impacts:** Significant administrative burden for states/ Managed Care Organizations (MCOs), potential coverage losses, and challenges in verifying compliance.

- **State Financing Limits:** Freezes provider taxes at current rates and modifies criteria for Health and Human Services (HHS) approval of provider tax waivers. **Impact:** Constrains state financing options and may lead to benefit cuts or increased cost-sharing.
- **Directed Payment Limits:** Limits directed payments in managed care to Medicare rates (or 110% in non-expansion states). **Impact:** Restricts states' ability to incentivize specific provider behaviors or address network adequacy concerns.
- **Retroactive Coverage:** Limits retroactive coverage to one month. **Impact:** Increases bad debt for providers, potentially reduces access for vulnerable populations.
- **Mandatory Cost Sharing:** Requires cost-sharing for expansion adults with incomes over 100% federal poverty level (FPL) (up to \$35/service, 5% of income). **Impact:** Potential barriers to access, especially for individuals with chronic conditions.

Medicare Key Changes:

- **Physician Payment Formula:** Modifies the Part B physician fee schedule conversion factor. **Impact:** Could create provider pushback, affect access in certain specialties, and influence participation in value-based care models.
- **Part D Pharmacy Benefit Manager (PBM) Provisions:** Imposes "de-linking" requirements. **Impact:** May

- **New Report: Health Care Tax Credit Impact on State-based Marketplace Coverage**
- **NAIC AI/Big Data Working Group Update**
- **White House Releases MAHA Report**

reshape PBM compensation models and influence formulary decisions.

- **Non-Citizen Coverage:** Restricts Medicare eligibility. **Impact:** Potential coverage losses and administrative complexities.

ACA Marketplace Implications:

- **Cost Sharing Reduction (CSR)**
Funding: Appropriates CSR funds but prohibits their use for plans covering non-Hyde abortion services. **Impact:** Political flashpoint, potential for coverage disruptions in certain states.
- **Program Integrity:** Codifies stricter verification requirements, ends auto-enrollment, and removes limits on Advanced Premium Tax Credit (APTC) recapture. **Impact:** Could significantly reduce enrollment, increase administrative burdens, and destabilize risk pools.
- **Essential Health Benefits:** Prohibits gender-affirming procedures. **Impact:** Potential legal challenges and concerns about discrimination.
- **Deferred Action for Childhood Arrivals (DACA)/Immigrant Eligibility:** Restricts eligibility for APTCs/CSRs. **Impact:** Substantial coverage losses in states with significant DACA populations.
- **Basic Health Plan:** Changes to the ACA's Basic Plan (known as the Essential Plan in NY) would impact New York's federal reimbursements, impacting individuals between Medicaid and QHP eligibility, up to 250% of the FPL. **Impact:** New York is projecting a \$7.5 billion annual impact.

Health Savings Accounts (HSA) Expansion:

- **More access:** Medicare beneficiaries can contribute, Direct Primary Care (DPC) arrangements are integrated, and bronze/catastrophic plans can be paired with HSAs.
- **Chronic care focus:** Codifies pre-deductible coverage for chronic condition management.
- **Wellness support:** New rules for on-site clinics/fitness facilities.
- **Higher limits:** Increases annual contribution caps.

By the numbers: The Congressional Budget Office (CBO) projects the bill would reduce federal Medicaid spending by \$698 billion and ACA spending by \$290 billion over 10 years, leading to 10.7 million coverage losses by 2034.

The Senate hurdle: The bill now moves to the Senate, where changes are expected. The bill will have to comply with strict Senate reconciliation rules Democrats will challenge each provision with the parliamentarian in hopes of having them removed.

What to watch: Congress faces a tight window to finish a bill before the August recess due to a looming debt ceiling deadline. Once the Senate makes changes, it will have to be sent back to the House for another vote before it can be signed into law.

AI Regulation Debate Heats Up in House Hearing

What happened: The House Energy and Commerce (E&C) Subcommittee on Commerce, Manufacturing, and Trade held a [hearing](#) on "AI Regulation and the Future of U.S. Leadership."

Why this matters: Congress is grappling with how to regulate AI, balancing innovation with potential risks. The hearing highlighted differing views on the role of federal vs. state oversight and the impact of AI on various sectors, including health insurance.

Key takeaways:

- **Health Plan AI Under Scrutiny:** Amba Kak of the AI Now Institute cited concerns about health plans' use of AI to deny claims, specifically mentioning Cigna and Medicaid enrollment systems in Texas.
- **State vs. Federal Control:** Democrats criticized a provision in H.R. 1 that would prohibit states from enforcing AI regulations for 10 years. They favor state-level authority to address AI risks.
- **Innovation vs. Regulation:** Republicans warned against "innovation-chilling effects" of regulations like those in the European Union (EU), emphasizing the importance of U.S. leadership in AI amid competition from China.

The big picture: The hearing underscored the growing debate over AI regulation, with significant disagreement on the appropriate level of government involvement and the balance between fostering innovation and mitigating potential harms. The use of AI in health insurance is emerging as a key area of concern.

HHS Budget Under Fire in Senate Hearing

What happened: Department of Health and Human Services (HHS) Secretary Robert F. Kennedy Jr. [testified](#) before the Senate Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies on the Agency's [Fiscal Year \(FY\) 2026 budget](#).

Why this matters: The hearing revealed bipartisan concerns about proposed funding cuts to key health programs, setting the stage for a contentious budget process.

Key Takeaways:

- **NIH Cuts Spark Concern:** Senators on both sides of the aisle expressed strong concerns that proposed funding reductions would significantly impact research at the National Institutes of Health (NIH), particularly for diseases like cancer and Alzheimer's.
- **SAMHSA & HRSA Also Targeted:** Lawmakers also raised concerns about proposed cuts to the Substance Abuse and Mental Health Services Administration

(SAMHSA) and the Health Resources and Services Administration (HRSA), which oversees the 340B program.

- **Medicaid Reforms Defended:** Secretary Kennedy defended Medicaid reforms proposed in the reconciliation package, arguing they are critical to reduce waste, fraud, and abuse.

What's next: The President's full FY2026 budget is expected to be released in early June, setting the stage for further debate and negotiation over federal health spending priorities.

Federal Issues

Regulatory

Trump Administration Announces Actions to Strengthen Healthcare Price Transparency

The Departments of Labor, Health and Human Services, and Treasury announced actions to strengthen healthcare price transparency.

- [RFI](#) seeking input on implementation of the prescription drug machine-readable file (MRF) requirements under the Transparency in Coverage final rules.
- [Frequently Asked Questions](#) on implementation of schema version 2.0 for health plan MRFs, expected to be finalized on 10/1/25 and require plan compliance starting 2/2/26. The new schema intends to reduce file size by decreasing duplicative data.

Additionally, CMS released an RFI and new guidance on hospital price transparency:

- [RFI](#) seeking input on improving hospital compliance and enforcement related to the reporting of complete and accurate pricing data.
- [Updated guidance](#) to better ensure the inclusion of specific dollar amounts in hospital MRFs.

Why this matters: The publication of these documents follows the President's [Executive Order](#) from late February, which directs the Departments to take action to implement and enforce health care price transparency regulations.

Go deeper:

- Read the Departments news release [here](#).
 - Access previous FAQs and resources on the health plan Transparency in Coverage requirements [here](#).
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CMS Announces Medicare Advantage Risk Adjustment Data Validation Audit Strategy

CMS issued a [press release](#) announcing that CMS will audit “all eligible Medicare Advantage (MA) contracts for each payment year” for newly-initiated audits and will invest additional resources to expedite the completion of audits for payment years 2018 through 2024– a significant change from CMS’ previous policy of auditing a limited number of contracts..

The details: Effective immediately, CMS will audit all eligible MA contracts each payment year using the Risk Adjustment Data Validation (RADV) audit process, which CMS uses to verify the accuracy of diagnosis codes submitted by MA plans for risk-adjusted payments.

Timing: CMS states it is aiming to complete all remaining RADV audits for PY 2018-2024 by “early 2026.”

To facilitate this effort, CMS says it will deploy expanded technology tools to review medical records and will increase its team of medical coders from 40 to approximately 2,000 by September of 2025. CMS says it expects to increase its audits from ~60 MA plans per year to “all eligible MA plans each year” (roughly 550 MA plans) and will increase the number audited records from 35 to 200 per plan per year. CMS also says that it will “collaborate with the Department of Health and Human Services Office of Inspector General (HHS-OIG) to recover uncollected overpayments identified in past audits.”

Additional detail is included in the [press release](#).

See BCBSA’s full [press statement](#): “...We will...continue to work with CMS to ensure that MA works for the beneficiaries who depend on it and for the taxpayers who fund it. Eliminating fraud, waste, and abuse while ensuring that payments are accurate is critical. It is also critical to effectively balance accountability with reasonable, transparent oversight. We have long-standing questions and concerns regarding the administration of the RADV program. We will continue to work with CMS to ensure that standards are clear, processes are transparent, and results are accurate, so that MA is strengthened for the beneficiaries it serves.”

Go deeper: See BCBSA’s [press statement](#) when CMS finalized the rule in 2023.

FDA Announces New COVID Vaccination Plan

On May 20, the FDA announced its plans for future use of COVID vaccines in a *New England Journal of Medicine* [article](#).

Key Takeaways:

- The FDA will limit initial approval of new COVID-19 vaccines to adults 65 and older and others who are at high risk of becoming seriously ill if they are infected.

- To receive approval for use by patients under 65 who are not at high risk, manufacturers will be encouraged to conduct randomized clinical trials to demonstrate vaccine benefit.
- This announcement is a step towards recommendations that will be put forth by ACIP and approved by the CDC.

Livestream Video: In a corresponding [webinar](#), officials also suggested that the FDA will drop the annual schedule for providing updates to the formulation of COVID booster shots. They also indicated the FDA may require a new trial when there is a major change in the virus.

State Issues

New York

Legislative

Legislative Update

When lawmakers return to Albany this week, they will take up several bills of interest to health plans in this week's committee meetings.

Senate Finance Committee

- **S.1001 (Brouk)/A.3319 (Bronson)** - Requires health plans to reimburse creative arts therapists used as part of outpatient services provided for treatment of mental health conditions.
- **S.1616 (Rivera)/A.2520 (McDonald)** - Requires Medicaid managed care organizations to reimburse durable medical equipment (DME) providers at no less than 120% of the Medicaid DME complex rehabilitation technology fee schedule for the same service or item.

Senate Health Committee

- **S.7297 (Hoylman-Sigal)/A.3789 (Weprin)** - The bill would impose new standards on health plans' utilization review criteria, including imposing standing prior authorization requirements and reducing the timeframe for plans to make UR decisions.
- **S.7705 (Ryan)/A.4162-A (Paulin)** - Requires Medicaid MCOs to reimburse private duty nurses at no less than the FFS rate.

Senate Insurance Committee

- **S.634-B (Liu)/A.1206-B (Kim)** - Mandates health insurance policies to provide coverage for diabetes screening for people of Asian American or Pacific Island descent if they have a body mass index of 23 or greater.

- **S.3323 (Scarcella-Spanton)/A.3280 (Bichotte Hermelyn)** - The bill mandates insurance policies provide coverage for a transvaginal ultrasound during pregnancy.
- **S.4961 (Bailey)** -The legislation would require that any insurance policies that provide coverage for prosthetics to include a minimum coverage for cranial prostheses (i.e., hairpieces and wigs).
- **S.5114 (Hinchey)/A.5389 (Weprin)** -Mandates coverage of child and family treatment and support services & children's home and community-based services for commercial insurance policies.
- **S.7915 (Gounardes)/A.771-A (Rosenthal)** - The bill would require coverage for early egg and peanut allergen introduction dietary supplements without cost-sharing.

Assembly Codes Committee

- **A.8052 (Lavine)/S.1991-A (Rivera)** - The bill would modify the processes for health plans to contract with providers and terminate provider contracts.

Assembly Insurance Committee

- **A.128-A (Gonzalez-Rojas); no same as** - Requires coverage of certain asthma inhalers at no cost.
- **A.3789 (Weprin)/S.7297 (Hoylman-Sigal)** - The bill would impose new standards on health plans' utilization review criteria, including imposing standing prior authorization requirements and reducing the timeframe for plans to make UR decisions.

Industry Trends

Policy / Market Trends

New Report: Health Care Tax Credit Impact on State-based Marketplace Coverage

Keep Americans Covered is [spotlighting](#) a new report from the National Academy for State Health Policy (NASHP) that demonstrates the impact of the health care tax credit on state-based marketplaces (SBM).

Key Excerpt: "The updated federal tax credits expire at the end of 2025. Without federal action to extend these consumer cost-saving measures, SBMs anticipate premium increases, coverage losses, and additional strain on providers and health systems resulting from increased uncompensated care."

Why this matters: People who purchase coverage on their own, including [small business owners](#), independent contractors and farmers, have saved thousands of dollars because of the tax credit. Extending it is also [incredibly popular](#) among voters across the country.

Go Deeper: [Read](#) the recent letter leaders from state-based marketplaces sent to Congress on the expiration of health care tax credits.

NAIC AI/Big Data Working Group Update

The National Association of Insurance Commissioner's (NAIC) [Big Data & Artificial Intelligence \(H\) Working Group](#) has recently released a number of exposures. For additional detail, please see below:

- **Big Data RFI - AI Model Law:** The Big Data and Artificial Intelligence (H) Working Group is exposing a [request for information](#) regarding a proposed NAIC Model Law on the Use of Artificial Intelligence in the Insurance Industry for a public comment period ending June 30, 2025. The Working Group seeks feedback on stakeholder reaction, goals of a model, model applicability, and state regulatory examples. Additionally, the Working Group is seeking feedback on an AI Regulatory Examination Tool that would be used in the context of 1) a regulatory examination or investigation and 2) an insurance company self-assessment.
- **Release of Results of Health AI/ML Survey:** The [2025 Health Artificial Intelligence/Machine Learning Survey](#) (Health AI/ML Survey) was conducted to inform the work of the Big Data and Artificial Intelligence (H) Working Group. The survey was conducted under the market examination authorities of 16 requesting states (Colorado, Connecticut, Illinois, Iowa, Louisiana, Maryland, Minnesota, Nebraska, North Dakota, Oklahoma, Oregon, Pennsylvania, Vermont, Virginia, West Virginia, and Wisconsin) and completed by insurers who 1) had more than \$250,000,000 of earned premium on a countrywide basis in 2023 and currently write business in one of the 16 participating states, or 2) represent a significant portion of the market share in one or more of the lines of business for one of the 16 states participating in the survey. Note this survey is limited to the application of AI/ML in health insurance products only.
 - The insights gained from the survey will be used to supplement state insurance regulators' knowledge of the current regulatory framework around AI/ML, governance, consumers, and third parties, and to evaluate whether any changes should be made to the frameworks. As the NAIC works through the potential next steps listed below, there will be efforts to collect input and feedback on the development of potential AI transparency disclosure requirements, specifically addressing who should be required to make disclosures, what information should be disclosed, where and in what format these disclosures should appear, how frequently they should be required, and what specific content elements these disclosures should contain. There will also be efforts to collect input and feedback on prohibited practices in the development and implementation of AI systems.

The following are some potential next steps highlighted by the Working Group (some activities may already be in progress):

- Explore insurer AI/ML model usage and the level of decision-making
- Evaluate the regulatory framework regarding the use of third-party models

- Determine whether additional white papers on best practices would be useful on subjects in the AI/ML space
 - Explore the use of AI/ML at the product level
 - Collect feedback and input on AI regulatory framework
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White House Releases MAHA Report

The White House released a [report](#) entitled “Making Our Children Healthy Again Assessment,” pursuant to the [executive order](#) that established the MAHA Commission to examine the impact of chronic disease, especially among children.

Key Takeaways: The report identifies four potential drivers behind the rise in childhood chronic disease:

- Poor diet
- Aggregation of environmental chemicals
- Lack of physical activity and chronic stress
- Overmedicalization

Impact: The report suggests that stakeholders focus on policy solutions in these four areas to improve childhood chronic disease outcomes.

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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