Highmark's Weekly Capitol Hill Report

Issues for the week ending May 30, 2025

Federal Issues

Regulatory

CMS Issues Guidance on Reporting Requirements in Interoperability Final Rule

On May 29, CMS issued an HPMS memo on reporting requirements finalized in the Interoperability and Prior Authorization Final Rule (89 FR 8758). This rule included new requirements to establish application programming interfaces (APIs), report on patient use of the Patient Access API and publish prior authorization data.

Why this matters: The guidance provides details on what must be reported and where data should be submitted.

In this Issue:

Federal Issues

Regulatory

- **CMS Issues Guidance on Reporting Requirements in Interoperability Final Rule**
- **CMS Announces Medicare Advantage Risk Adjustment Data Submission Deadlines for RADV Audits**
- **CDC Modifies COVID-19 Vaccine Guidance for Children**
- **Update on Most-Favored-Nation Executive Order**
- **FAQ on 2026 Individual Market Rating Filing Instructions**
- **CMS Updates**

State Issues

Pennsylvania

Regulatory

- **Pennsylvania Supreme Court Upholds Tax-Exempt Status for Pottstown Hospital**

New York

Legislative

- **End of Legislative Session Nears**

CMS Announces Medicare Advantage Risk Adjustment Data Submission Deadlines for RADV Audits

On May 30, CMS issued a memorandum announcing the deadline for Medicare Advantage (MA) plans to submit risk adjustment data corrections (closed period deletes) to the Risk Adjustment Processing System (RAPS) and/or the Encounter Data Processing System (EDPS) for the upcoming Risk Adjustment Data Validation (RADV) audits.

CMS states that MA contracts for PY 2018 audits already received audit notices in November 2024, and "sampling frames for PY 2019 RADV audits have been established, and MA contracts selected for audit will soon begin receiving audit notices."

In the memorandum, CMS provides the risk adjust data submission deadlines for RADV sampling for PYs 2020, 2021, 2022, 2023, and 2023, all of which are dates in June and July 2025. More information is provided in the memorandum, including the table of deadline dates on page 2.

CDC Modifies COVID-19 Vaccine Guidance for Children

The CDC updated its recommendation for COVID-19 vaccination in children, stating that children ages 6 months to 17 years "may receive" the vaccine based on clinical judgment and personal circumstances. The change comes after HHS Secretary Robert F. Kennedy Jr. said the CDC would stop recommending COVID-19 vaccines for healthy children and pregnant women. The CDC modified but did not remove the recommendation.

Update on Most-Favored-Nation Executive Order

A May 12 executive order (EO), "Delivering Most-Favored-Nation Prescription Drug Pricing to American Patients," directed HHS to bring pharmaceutical drug prices in line with prices in comparable developed nations within 30 days. In a press release on May 20, HHS announced it expects manufacturers to commit to aligning US prices for brand name products, without a generic or biosimilar, with the lowest price in a peer country that has a gross domestic product (GDP) per capita that is at least 60% of the US GDP per capita.

Why this matters: As directed in the EO, if drug manufacturers don't voluntarily comply, HHS will develop rulemaking to impose most-favored-nation pricing.

FAQ on 2026 Individual Market Rate Filing Instructions

CMS issued an FAQ clarifying the May 2, 2025, Bulletin, *Plan Year 2026 Individual Market Rate Filing Instructions*, which directed certain issuers to specify the actual cost-sharing reductions (CSRs) paid for enrollees for plan year (PY) 2024 in the Actuarial Memorandum submitted with the PY 2026 rate filing justification.

The FAQ clarifies that if an issuer is not able to calculate the precise amount of actual CSRs paid for enrollees for PY 2024 by the applicable rate filing deadline, CMS will accept an estimate developed using a reasonable methodology detailed in the Actuarial Memorandum. The FAQ also offers two example methodologies for issuers that are not able to calculate the precise amount of actual CSRs paid prior to applicable rate filing deadlines. These are not, however, the only reasonable methodologies that issuers may use. According to the FAQ, issuers should use all available resources and data to determine a reasonable methodology that would provide the best estimate, including by making modifications to the methodology described in these FAQs to account for known variables that reflect plan or population-specific characteristics (*e.g.*, credibility or partial year enrollment).

Please see the link here for the FAQ on REGTAP.

CMS Updates

- **CMS Issues Letter on Increasing Oversight of States' Use of Medicaid Funds to Provide Care for Undocumented Immigrants:** The Director of the Center for Medicaid and CHIP Services, Drew Synder, has released a letter on "Ending Taxpayer Subsidization of Open Borders." The letter indicates that CMS is ramping up financial oversight activities designed to ensure states are not submitting claims for federal funding for individuals ineligible for Medicaid due to their immigration status. CMS expects to conduct focused reviews of quarterly CMS-64 Medicaid expenditure reports and financial management reviews. The letter encourages states to review their policies, internal controls, public assistance cost allocation plans, and IT systems to ensure they are claiming medical assistance and administrative expenditures in accordance with federal law. The letter also says that CMS will be assessing existing eligibility requirements in federal regulations and "proposing revisions as may be necessary."

  Why this matters: The letter describes several actions CMS will take to increase its oversight of state spending in this area, including conducting focused reviews of Medicaid expenditures reported in CMS-64 and in-depth financial management reviews (FMRs). Additionally, CMS will assess existing Medicaid eligibility requirements and propose revisions as it deems necessary.

  Read More**:** Announcement**;** Letter

- **CMS Releases Updated 2025 SSI and Spousal Impoverishment Standards:** CMS released an informational bulletin with updated 2025 Supplemental Security Income (SSI) and Spousal Impoverishment Standards. Effective Jan.1, 2025, the SSI federal benefit rate is $967 for an individual and $1,450 for a couple.

  Why this matters: Effective July 1, 2025, the minimum monthly maintenance needs allowance (MMMNA) in all states except Alaska and Hawaii will be $2,643.75, the maximum monthly maintenance needs allowance will be $3,948 and the maximum resource standard will be $157,920. Read More

- **CMS Releases Letter Regarding Compliance with T-MSIS Reporting Requirements:** CMS released a State Health Official Letter (SHO) titled "Transformed-Medicaid Statistical Information

System (T-MSIS) Data Quality Compliance," describing plans to accelerate the improvement of T-MSIS quality and expand its programmatic and analytic use. These plans include:

- Resuming routine Data Quality (DQ) compliance and Medicaid Enterprise System (MES) Compliance and Approval Processes on Sept.1, 2025
- Requiring states to implement version 4 of the T-MSIS file layout format by Sept.30, 2026 (though states are encouraged to complete implementation by Sept. 30, 2025 to allow time to address potential issues)
- Continued provision of T-MSIS data reporting compliance support, including the T-MSIS Operations Dashboard, webinars, and enhanced funding (at state request) to assist in making improvements needed to comply with DQ requirements

Read More

State Issues

Pennsylvania

Regulatory

Pennsylvania Supreme Court Upholds Tax-Exempt Status for Pottstown Hospital

In a much-anticipated decision, the Pennsylvania Supreme Court last week reversed the order of the Commonwealth Court and determined that Pottstown Hospital was entitled to exemption from local property taxes.

Background: The issue before the court was whether Appellant Pottstown Hospital, LLC, was operating entirely free from profit motive, to qualify as a purely public charity under Article VIII, Section 2(a)(v) of the Pennsylvania Constitution, and therefore was entitled to claim an exemption from local property taxation.

In deciding this issue, the court specifically considered the relevancy of the relationship between Pottstown Hospital and Tower Health, LLC, a non-profit corporation that was the sole managing member of the hospital, and the amount of the hospital's executive compensation.

First, the court held that only the finances of the hospital, and not its affiliates, should normally be considered in determining tax exemption; "only the salaries of the executives of a corporation seeking the tax exemption, and the net impact the payment of fees by that organization to a parent or affiliate corporation has on its *own* ability to fulfill its charitable mission, are relevant under the *HUP* test."

In another win for hospitals, the court determined that compensation structures that include incentives for financial performance do not automatically disqualify a hospital from tax-exempt status, but that such compensation structures are one factor among others to consider, including:

- The levels of compensation paid by similar organizations in the same community or region.

- The need of the organization for the services of the individual.
- The individual's background, education, training, experience, and responsibilities.
- Whether the compensation resulted from arm's-length bargaining, (e.g. it was approved by an independent board of directors).
- The size and complexity of the organization (assets, income, and number of employees).
- The individual's prior compensation arrangement.
- The individual's performance.
- The relationship of the individual's compensation to that of other employees of the same organization.
- Whether there has been a sharp increase in the individual's compensation (year over year).
- The amount of time the individual devotes to the position.

Why this matters: The last time there was a significant push by taxing authorities to challenge the tax-exempt status of hospitals in Pennsylvania was three decades ago. The Supreme Court ruling provides much needed clarity of the almost 40-year-old precedent that says Pennsylvania nonprofits must "operate entirely free from private motive" in order to qualify for exemption from real estate taxes.

New York

Legislative

End of Legislative Session Nears

The last week of May in Albany was dominated by activity, with almost 700 bills reporting out of either house's committees. Floor action also picked up, with 243 bills passing through a chamber last week as the Senate and Assembly work to slog through legislation before they wrap on June 12th and 17th, respectively.

Bills of note for the industry that are moving or potentially may move include:

- S.7297 (Hoylman-Sigal)/A.3789 (Weprin) – Restrictions on UR determinations
- S.1911A (Rivera)/A.8052 (Lavine) – Restricting provider contract terminations & nonrenewals
- S.5812 (Sepulveda)/A.8004 (Pretlow) - Prohibits CHPlus All Products Clauses
- A.3365-A (Lavine)/S.5209-A (Scarcella-Spanton) - Limits the lookback period for overpayment recoveries
- S.2644 (Addabbo)/A.3767 (Weprin) - Prohibiting retrospective denials for SUD

- A.2384 (Eichenstein)/S.965 (Hoylman-Sigal) - Coverage of rare diseases
- S.5939 (Skoufis)/A.5882 (McDondald) - Mandated reimbursement for pharmacies
- S.3814 (Rivera) / A.5743 (Dilan) - Tax on Out-of-State Transfers, Dividends & Loans
- S.4721 (Fahy)/A.4063 (Weprin) - Timeframes for UR determinations
- S.1763-A (Fernandez)/A.3148-A (Gonzalez-Rojas) - Restricts cost sharing for outpatient SUD treatment
- S.2128 (Jackson) /A.7142 (Walker) - Pass-Through of Drug Rebates
- S.4867-A (Fahy)/A.7522-A (Lavine) - Prohibits step therapy for BH medications
- S707 (May)/A700 (González-Rojas) - Transparency of MLTCs
- S.1634 (Rivera)/A.1915A (Paulin) - Mandatory 12.5% of spending on primary care services
- A.3683 (Woerner)/S.5319 (Bailey) - Required terms for insurance contracts
- A.2526 (Paulin) - Authorizes collective negotiations for certain providers.

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/.**