Highmark's Weekly Capitol Hill Report

Issues for the week ending June 27, 2025

Federal Issues

Legislative

Senate Passes Budget Reconciliation Bill

The Senate narrowly passed its budget reconciliation bill on Tuesday with a 51-50 vote, with Vice President JD Vance breaking a tie. Republican Senators Susan Collins (ME), Rand Paul (KY) and Thom Tillis (NC) joined all Senate Democrats and opposed the legislation.

What's next? The move sets up a potential House vote that could have the bill signed into law by President Trump's deadline of July 4.

However: The bill has undergone significant changes from the House-passed version, calling into question whether the House's fragile majority will be able to quickly pass it.

CBO Weighs In: CBO released an analysis of the updated text, projecting the package would lead to 11.8 million individuals losing health coverage and lower marketplace benchmark premiums by a half a percentage point.

Key provisions include:

Medicaid

In this Issue:

- **Work requirements:** Establishes work requirements for able-bodied adults in Medicaid (effective December 31, 2026, but states demonstrating good faith efforts to comply can receive up to a 2-year extension).
- **Redeterminations:** Requires redeterminations for expansion populations every six months rather than every 12 months as under current law.
- **Provider tax restrictions:** Prohibits new or increased provider taxes; starting in FY 2028 (one year later than the prior Senate version) phases down the hold harmless threshold for provider taxes in expansion states (other than for nursing or intermediate care facilities) from the current 6% of net patient revenue to 3.5% in 2032.
- **Limits on state-directed payment:** Reduces state-directed payments (SDPs); certain existing SDP payment rate limits are phased down by 10% annually starting the first rating period beginning on or after January 1, 2028 (one year later than the prior Senate version) until a new allowable Medicare-related payment limit is achieved.
- **Rural transformation fund:** Allocates $25 billion toward funding state efforts to improve provider access and health outcomes for rural residents.
- **Immigration limits:** Removes certain categories of non-citizens from Medicaid eligibility; establishes a 10% penalty to federal funding for expansion populations in a state that provides coverage for individuals not lawfully in the U.S; and reduces the FMAP for emergency services for individuals otherwise ineligible due to immigration status. Drops a provision from the prior Senate version that would prohibit Medicaid coverage for individuals until their citizenship or legal immigration status is verified.

ACA Marketplace

- **Exchange verification and automatic reenrollment:** Requires verification of specific information to qualify for premium tax credit. Requires every new and returning enrollee who

Pennsylvania

Legislative

- **Legislative Update**

Industry Trends

Policy / Market Trends

- **GAO Releases Report on Improper Payments in Medicaid Managed Care**
- **Coalition Highlights Individual Market Tax Credit Impact on Enrollment**
- **CSRxP on Pharmaceutical Manufacturers' Patent System Abuse**
- **Updated OIG Work Plan Includes Analysis of HRAs in D-SNPs**

receives a tax credit to actively provide updated documentation each year after August 1st to keep their tax credit thus prohibiting auto reenrollment.
- **Special enrollment:** Eliminates income-based special enrollment periods.
- **APTC recapture:** Permits the IRS to recapture excess APCTC payments without limitation. Excludes certain individuals with incomes below 100% FPL.
- **CSR payments *not* included:** The provision appropriating CSR payments beginning in 2026 has been removed.

Medicare: The bill provides for a 2.5% physician payment increase in 2026.

Pharmacy/PBM: Neither the House-passed Part D "delinking" provisions nor ban on spread pricing in Medicaid were included.

HSAs/HDHPs: The bill creates a permanent safe harbor for HSA-eligible HDHPs to cover telehealth services without a deductible, retroactive to the beginning of 2025. In addition, an enrollee in a Bronze or Catastrophic plan purchased through an Exchange may enroll in and contribute to an HSA.

Artificial Intelligence: An amendment offered by Sens. Marsha Blackburn (R-TN), Maria Cantwell (D-WA), and Susan Collins (R-ME) to strike the section to prohibit states from implementing regulations on AI for ten years. **The amendment passed by a vote of 99-1, with Sen. Thom Tillis (R-NC) opposing.**

Next Steps: The action now moves back to the House, which could take it up in the next few days or seek further changes.

Following Senate passage of budget reconciliation, AHIP released the following statement:

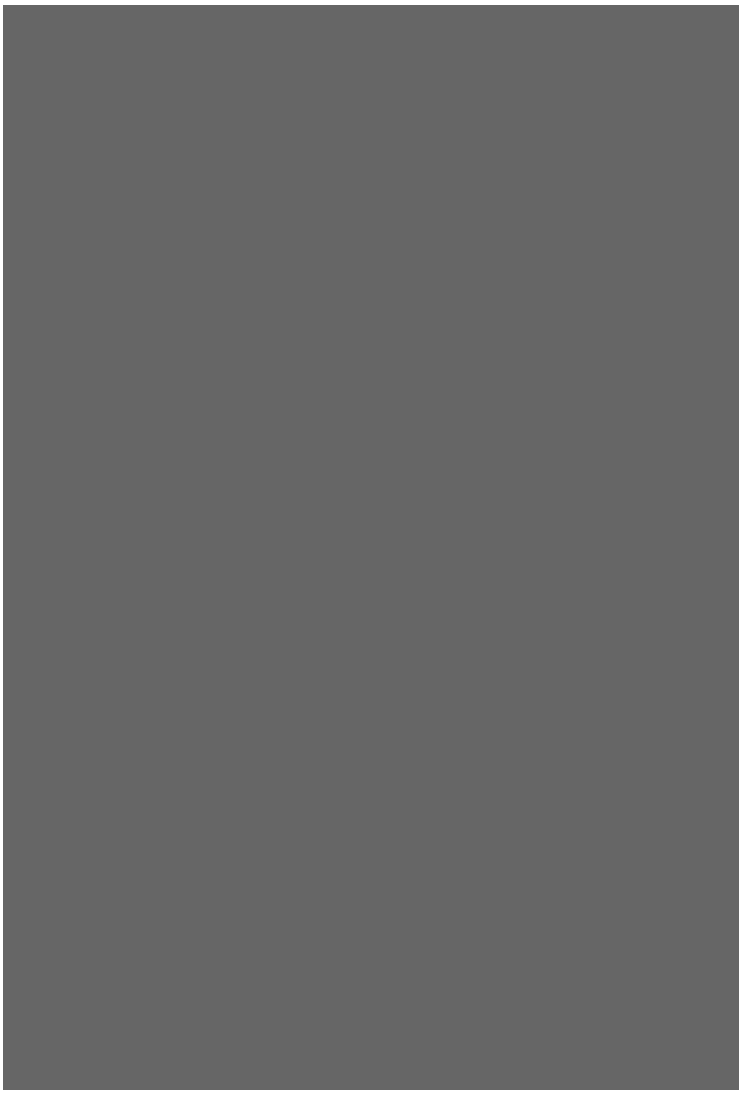
"The nonpartisan Congressional Budget Office estimates that the current version of the budget bill would result in 11.8 million people losing health

insurance coverage over the next decade.

“The combined impact of the policies in the bill will destabilize state Medicaid programs and undermine countless local health care systems. Due to new red tape and barriers to enrollment and re-enrollment, people losing eligibility for Medicaid will find an individual market with less choice and higher premiums. The potential expiration of the current health care tax credits later this year would compound the disruption.

“Taken together, these policies could result in the biggest rollback in health care coverage in the country’s history. That would mean millions of American families lose affordable access to primary care and pharmacies. The emergency room – the costliest and least coordinated site of care – would become the front door of the health care system for millions of people. The bulk of these costs would simply shift to uncompensated care payments and to those who are insured.

“It’s not too late for Congress to change course and keep coverage and care stable and affordable for low-income people and working families.”



Federal Issues

Regulatory

Supreme Court Upholds ACA Preventive Services Coverage in Braidwood Case

The U.S. Supreme Court issued a 6-3 decision in *Kennedy v. Braidwood*, a lawsuit challenging the constitutionality of the U.S. Preventive Services Task Force (USPSTF), whose A or B recommendations are required to be covered at no-cost sharing under the ACA.

The Bottom Line: The decision leaves in place the ACA’s no-cost sharing coverage requirements, but there will be additional proceedings in the lower courts.

Why this matters: The original court ruling would have been tremendously disruptive to delivery of preventive health care. This ruling will allow consumers to continue to access zero-cost preventive services in a predictable way.

AHIP Statement: "Health plans have long supported affordable access to evidence-based preventive care to help people stay healthy – including coverage for recommended services with no cost sharing. With this ruling, there are no impacts to existing coverage, and we will closely monitor the ongoing legal process."

Decision Details:

- Justice Kavanaugh, writing for the majority, found that USPSTF members are "inferior" officers, reversing a lower court decision holding they were "principal" officers subject to nomination by the President and Senate confirmation.
- The decision details the Secretary's authority to supervise and direct the USPSTF, which includes statutory authority to appoint its members, remove them at will, and directly review, delay or block USPSTF recommendations before they take effect.
- The Court found that the Secretary began properly exercising appointment authority in June 2023, when USPSTF members began being appointed directly by the Secretary. Prior to that date, USPSTF members were appointed by the AHRQ Director.
- **Next steps?** Based on these findings, the Court has sent the case back to the lower courts, where we may see additional proceedings.

Advisory Committee on Immunization Practices (ACIP) Votes on Recommendations

The Advisory Committee on Immunization Practices (ACIP) convened for a two-day meeting, the first with an entirely new roster of Committee members. During the two-day meeting, the Committee heard presentations on immunizations for RSV, influenza, and COVID-19. **ACIP voted to recommend that:**

- Infants receive a dose of monoclonal antibody clesrovimab before their first RSV season.
- All people receive a seasonal influenza vaccine only in single dose formulations that are free of thimerosal as a preservative.

In advance of the ACIP meeting, AHIP issued the following statement on vaccines:
"As we navigate an evolving health care landscape, maintaining robust immunization coverage continues to be a top priority for protecting both individual and community health.

"We are committed to ongoing coverage of vaccines to ensure access and affordability for this respiratory virus season. We encourage all Americans to talk to their health care provider about vaccines."

The panel announced it would examine the cumulative effect of the childhood vaccine schedule and reevaluate hepatitis B immunization recommendations. Meanwhile, it is being reported that insurers may look to independent bodies and medical associations for guidance in making science-based decisions on vaccines.

CMS Announces Prior Authorization Model to Reduce Fraud, Waste & Abuse in Medicare FFS

The Centers for Medicare & Medicaid Services (CMS) released a notice establishing a 6-year model focused on reducing fraud, waste (including low-value care), and abuse in Medicare fee-for-service (FFS) via the implementation of technology-enabled prior authorization processes for select services. Through the Wasteful and Inappropriate Service Reduction (WISeR) Model, CMS will partner with companies specializing in enhanced technologies to test ways to provide an improved and expedited prior authorization process relative to Medicare FFS' existing processes. CMS notes this builds off Monday's announcement when AHIP, BCBSA and other insurers and stakeholders announced six voluntary commitments to improve prior authorization for patients and providers and encourage adoption of electronic prior authorization.

WISeR will aim to:

- Focus health care spending on services that will improve patient well-being,
- Apply commercial payer prior authorization processes that may be faster, easier and more accurate,
- Increase the transparency of existing Medicare coverage policy, and
- De-incentivize and reduce medically unnecessary care.

The WISeR Model will test a new process on whether enhanced technologies, including artificial intelligence, can expedite the prior authorization processes for select items and services that have been identified as particularly vulnerable to fraud, waste, and abuse, or inappropriate use. These items and services include, but are not limited to, skin and tissue substitutes, electrical nerve stimulator implants, and knee arthroscopy for knee osteoarthritis. The model excludes inpatient-only services, emergency services, and services that would pose a "substantial risk" to patients if significantly delayed.

Providers and suppliers in selected regions will have the choice of submitting a prior authorization request for the model's selected items and services or go through a post-service/pre-payment medical review. Providers can submit prior authorization requests directly to the participant company or to their Medicare Administrative Contractor that would then forward the request. The participant companies must offer options for providers to submit prior authorization requests that "would be consistent with standardized submission approaches recognized by CMS, including an electronic portal."

For more information on the WISeR Model, please see the CMS press release, fact sheet, FAQ, Request for Applications and model website.

USPSTF Issues Final Recommendation on Screening for Intimate Partner Violence and Caregiver Abuse of Older or Vulnerable Adults

The U.S. Preventive Services Task Force (USPSTF) released its final recommendation statement on screening for intimate partner violence and caregiver abuse of older or vulnerable adults. The USPSTF recommendation has an "B" grade and recommends clinicians screen for intimate partner violence (IPV) in women of reproductive age, including those who are pregnant and postpartum. The USPSTF found the current evidence is insufficient to assess the balance of benefits and harms of screening for caregiver abuse and neglect in older or vulnerable adults.

This recommendation updates the USPSTF's 2018 recommendation on this topic. In 2018, the USPSTF recommended clinicians screen for IPV in women of reproductive age and provide or refer women who

screen positive to ongoing support services. To highlight the evidence base is strongest in those who are pregnant and postpartum, the USPSTF specified these populations in this recommendation statement. In 2018 the USPSTF also concluded the evidence was insufficient to assess the balance of benefits and harms of screening for abuse and neglect in all older or vulnerable adults. For abuse of older or vulnerable adults, the term “caregiver” was added to this recommendation before abuse or neglect when appropriate to clarify when the focus was on screening for abuse or neglect perpetrated by a caregiver or someone they trust.

CMS Releases Medicare Advantage Risk Adjustment Audit Methodology for 2019

The Centers for Medicare & Medicaid Services (CMS) released the methodology for payment year (PY) 2019 risk adjustment data validation (RADV) audits. On June 19, CMS released information indicating selection of 45 Medicare Advantage (MA) contracts for those audits. On June 26, CMS updated the release to announce the selection of an additional 310 contracts. The methodology provides additional information about the criteria used to select enrollees for audit, instructions for submission of medical records, and details on how CMS will calculate extrapolated overpayment amounts. This follows a May 21 announcement that CMS will accelerate RADV audits for PYs 2018 to 2024 to recoup overpayments made to MA plans.

OCR Reproductive Health Care Privacy Final Rule Vacated

On June 18, 2025, the U.S. District Court for the Northern District of Texas vacated the HHS Office for Civil Rights (OCR) HIPAA Privacy Rule to Support Reproductive Health Care Privacy, except for certain modifications to 45 C.F.R. §164.520 which addresses the “Notice of Privacy Practices” for protected health information (PHI).

Background: The final rule, issued in 2024, was intended to strengthen privacy protections for PHI related to reproductive health care, including restricting uses and disclosures related to investigations or legal actions.

Why this matters: The court’s decision found that the final rule exceeds HHS’s statutory authority and imposes requirements not authorized by Congress. **The ruling applies nationwide and is effective immediately.**

State Issues

Delaware

Legislative

Delaware General Assembly Draws to A Close

The Delaware General Assembly wrapped up on June 30th with the passage of key pieces of legislation Highmark engaged on that now await the Governor’s signature and a few that will be held over for consideration next year.

The General Fund Operating Budget (House Bill 225) for Fiscal Year 2026 passed that allocates funding for several newly created state agencies, including the Office of the Inspector General, the Department of Veterans Affairs, and the Office of Suicide Prevention. The $6.58 billion plan represents a $451.6 million, or a 7.36%, increase over the current budget.

Key Bills That Passed:

- Prior Authorization- SB 12 w/ SA 1
- Special Enrollment Birthday Rule – SB 71
- Overpayment Recovery Act – HS 1 for HB 212

Key Bills/Issues Held Over

- Primary Care Reimbursement (draft)
- Biomarker Testing Coverage Mandate– SB 120
- Hearing Aid Coverage – SB 117
- Medicaid Adult Dental Care Coverage - SB 128

State Issues

Pennsylvania

Legislative

Legislative Update

Both the House of Representatives and Senate return to session this week. Both chambers are in session on Monday, with the House also having added Tuesday and Wednesday to the calendar as session days. As of this writing, it is unclear if the Senate will add Tuesday and Wednesday as session days. With the budget becoming overdue on Tuesday, it is likely that both chambers will return following the July 4th Holiday.

- **Budget Update:** Despite ongoing negotiations between the House, Senate, and Governor's office, the omnibus budget bill, tax code, and fiscal code will not be completed by the Constitutional June 30th deadline. Last week the General Assembly and the Governor's Office came to agreement on various budget related bills related to state commissions and state universities, which were passed and signed by the Governor.

- **Breast Cancer Screening:** The Senate unanimously approved Senate Bill 88 on Monday, sending it to the House, where on Tuesday the House Insurance Committee unanimously approved the legislation, sending it to the full House for their consideration. While likely that the bill will be passed this week by the House, it may be used as a negotiations tool between the House and the Senate as part of ongoing budget negotiations.

- **School-based Health Services:** The House of Representatives passed Representative Warren's House Bill 1445 by a party line vote of 102-101 last week. This legislation would require insurance

coverage of school-based health services outside of a student's IEP. This legislation is a priority of Governor Shapiro and was an item he mentioned in his annual budget address in February. The bill has been referred to the Senate Banking & Insurance Committee with no upcoming meetings scheduled. The Senate Republicans have expressed concern with this legislation, and it is likely that this will become another bargaining tool with the ongoing budget negotiations.

Industry Trends

Policy / Market Trends

GAO Releases Report on Improper Payments in Medicaid Managed Care

The Government Accountability Office (GAO) released a report on improper payments in Medicaid managed care. The report notes that in 2024, as in years past, the rate of improper payments from states to managed care plans was at or near zero. However, the report notes this figure does not capture other program integrity risks, such as payments from managed care plans to providers for services not rendered or that lack necessary documentation. The report describes CMS oversight and audit activity to address these additional risks, and notes that between October 2021 and February 2025, 243 audits identified over $33 million in overpayments to Medicaid managed care plans and providers, nearly $23 million of which came from the federal share. Read More

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Coalition Highlights Individual Market Tax Credit Impact on Enrollment

Keep Americans Covered (KAC) is highlighting a new report from actuarial firm Wakely that estimates Marketplace enrollment will be cut by up to 57% if the health care tax credits expire at the end of this year and H.R. 1 is fully enacted.

By the Numbers:

- Wakely finds that not extending the health care tax credit alone will cut enrollment in the range of 6 million to 7.2 million people.
- The combination of the expiring APTCs and full enactment of H.R. 1 could reduce individual market enrollment by 47% to 57%, or between 11.2 to 13.6 million enrollees, with non-Medicaid expansion states seeing especially large losses.
- The tax credit expiration and impacts of H.R. 1 would drive up health premiums by 7% to 11.5%.

Key Excerpt: "Without these subsidies, monthly premiums could rise dramatically… These increases would likely be unaffordable for many households, potentially forcing them to downgrade to less generous plans or to leave the Marketplace altogether."

Go Deeper: Read more from KAC about the state-by-state impact of the tax credits on Marketplace enrollees.

CSRxP on Pharmaceutical Manufacturers' Patent System Abuse

The Campaign for Sustainable Rx Pricing (CSRxP) published an article highlighting a report from the Initiative for Medicines, Access and Knowledge (I-MAK) that analyzes how manufacturers' anti-competitive strategies keep prescription drug prices high.

The Bottom Line: The report highlights blockbuster brand name drugs as particular case studies in how drug manufacturers abuse the patent system to extend monopoly pricing, including patent thicketing.

- The report also spotlights the egregious price discrepancies between the U.S. and other countries.

Congressional Action: CSRxP also highlights how bipartisan market-based solutions, like S.1040 and S.1041 authored by Senators John Cornyn (R-TX) and Richard Blumenthal (D-CT), would hold manufacturers accountable for egregious abuse of the patent system and help foster greater competition to lower drug prices for American patients.

Updated OIG Work Plan Includes Analysis of HRAs in D-SNPs

The US Department of Health and Human Services (HHS) Office of Inspector General (OIG) updated its work plan and added several new items, including a report on the use of health risk assessments (HRAs) among MA dual-eligible special needs plans (D-SNPs). According to the work plan, the OIG will "determine the extent to which D-SNPs received 2025 risk-adjusted payments for diagnoses reported only on HRAs (or added to HRAs by chart reviews) and no other records of service in the MA or Medicaid data. They will assess the extent to which select plans complied with certain care coordination requirements." The report is expected to be released in 2027.

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/.**