

Federal Issues

Legislative

Government Shutdown Continues

As the federal government shutdown approaches the two week mark, the House continues to recess, with Speaker Mike Johnson maintaining that the chamber has fulfilled its role in funding the government by passing [H.R. 5371](#), the GOP's "clean" continuing resolution (CR).

Meanwhile, the Senate regroups this week after voting seven times on both the Republican CR and the Democrats' version ([S. 2882](#)), which also permanently extends the Affordable Care Act's enhanced premium tax credits, and repeals parts of the One Big Beautiful Bill Act.

State of play: On Thursday, Senate Republicans offered Democrats a vote on the enhanced premium tax credits after reopening the government. The offer was declined, but small, bipartisan groups of senators continue informal discussions to identify a path forward. Republican leadership remains committed to passing a clean CR, while Senate Majority Leader Chuck Schumer and House Minority Leader Hakeem Jeffries publicly oppose any deal that ties government funding to future negotiations on premium tax credits.

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Operational Impact: Discretionary programs funded through annual appropriations are the most affected by the shutdown. Mandatory programs, including Medicare, Medicaid, and the ACA, will continue operating. However, administrative delays may occur if federal employees responsible for processing and oversight are furloughed.

Telehealth update: As of October 1, 2025, Medicare's pandemic-era telehealth flexibilities have expired after Congress failed to reach a funding agreement, reinstating pre-pandemic restrictions, including geographic and originating site requirements, provider eligibility and audio-only services. CMS has clarified that physicians may continue billing for previously allowed telehealth services, though payments are on a temporary 10-day hold and may be paid retroactively if Congress acts to extend the waivers. **Medicare Advantage plans retain the authority to continue offering telehealth benefits.**

Last week, BCBSA released a [statement](#) urging congressional leaders to avoid massive premium spikes and find a bipartisan solution on the enhanced premium tax credits.

- Coalition Highlights Exploitation of Arbitration Process

Federal Issues

Regulatory

IRS Announces MSA, QSEHRA, Cafeteria Plan and Other Inflation-Adjusted Limits for 2026

What's new: On Oct. 9, 2025, the Internal Revenue Service (IRS) issued [Revenue Procedure 2025-32](#), which announces the 2026 indexed limits for certain health and welfare benefits. This includes limits for medical savings accounts (MSAs), qualified small employer health reimbursement arrangements (QSEHRAs), and cafeteria plans.

Why this matters: These are required annual inflation adjustments to ensure compliance with federal law. Additional changes were made for 2026 to implement parts of the One Big Beautiful Bill Act. Some of these IRS limits, such as for MSAs, QSEHRAs, and cafeteria plans, impact health insurers and health plan sponsors.

Go deeper: This announcement is in addition to the inflation-adjusted limits that the IRS announced on May 1, 2025 in [Revenue Procedure 2025-19](#), which related to health savings accounts and high-deductible health plans.

CMS Releases 2026 MA and Part D Star Ratings

CMS has released Medicare Advantage (MA) and Medicare Prescription Drug plan CY 2026 Star Ratings. This information and other details are available in the 2026 Star Ratings data tables and related technical notes posted on CMS' [website](#). Additionally, the 2026 Star Ratings results can be accessed on the Medicare Plan Finder.

CMS has not yet issued a fact sheet, which they have provided in previous years. The fact sheet typically provides an overview of the rating distributions, the average Star Ratings for each measure, and other relevant information about the 2026 Star Ratings results. We will share any additional information with you as soon as it becomes available.

OIG Report Examines Limited Behavioral Health Provider Networks, Inactive Providers in Medicaid Managed Care

The Department of Health and Human Services (HHS) Office of the Inspector General (OIG) released a report on behavioral health provider networks in Medicaid managed care and Medicare Advantage. The report found that 72% of behavioral health providers listed in Medicare Advantage and Medicaid managed care networks were inactive, underscoring widespread “ghost networks” that limit access to care. The report warns that these inflated directories make networks appear larger than they are, leaving enrollees struggling to find treatment. The OIG recommended CMS work with states to improve the accuracy of network directories in Medicaid managed care and continuing exploring how a nationwide directory could reduce inaccuracies and increase administrative efficiencies for providers and patients. [Read More](#)

State Issues

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Budget Update

While the impasse continues, there was some movement last week with the state budget. The House passed an amended version of SB 160 by a vote of 105-98, with three Republican members voting with the Democratic majority.

The bill, as amended, represents a budget of \$53.5 billion, split between \$19.4 billion in state funding and \$34.1 billion in federal funding. The bill as moved forward by the House represents an increase of \$2 billion over what Governor Shapiro proposed in February. The future of the bill is uncertain as the Senate Republicans have indicated they will likely not approve any budget increase from 2024-2025 state budget of \$47.6 billion.

Both chambers are in recess this week, with the Senate returning to session on Oct. 20 and the House returning on Oct. 27.

Industry Trends

Policy / Market Trends

The Urgent Need to Extend Enhanced Premium Tax Credits: Protecting Affordable Healthcare for Millions

A growing chorus of voices is underscoring the critical importance of extending enhanced premium tax credits (EPTCs) to safeguard affordable healthcare for 22 million Americans. Without Congressional action, millions of lower- and middle-income individuals and families face the prospect of significantly higher healthcare costs, potentially forcing many to forgo coverage entirely.

The Impact of EPTCs:

Enhanced premium tax credits play a vital role in making health coverage accessible and affordable. They directly benefit a diverse range of Americans, including:

- Working families
- Early retirees
- Gig workers
- Small business employees
- Residents of rural communities

If Congress fails to extend these tax credits, the consequences will be immediate:

- **Soaring Costs:** Some consumers could see their out-of-pocket premium costs more than double.
- **Affordability Crisis:** This dramatic increase in costs would create an affordability crisis, particularly for middle-income Americans.
- **Loss of Coverage:** Millions of Americans may be forced to drop their health insurance due to unaffordable premiums.

There is strong bipartisan support for extending the EPTCs. Recent polling highlighted by AHIP reveals that 78% of Americans support extending these credits, with robust backing across the political spectrum. This sentiment is echoed by findings from leading Republican and Democratic pollsters, demonstrating a clear public mandate for continued support.

AHIP published a [new article](#) underscoring the benefits of the enhanced premium tax credits for 22 million Americans and reiterating the urgent need for Congress to extend them to protect middle-income Americans from an affordability crisis.

Go Deeper: Read more [here](#) from Keep Americans Covered correcting misconceptions about the tax credits. **Other recent EPTC spotlights from AHIP include:**

- [The Facts About Health Care Tax Credits](#)

- [Another Poll Shows Americans Strongly Support Extending the Health Care Tax Credits](#)
 - [Rural America Faces a Crisis if Congress Fails to Extend the Health Care Tax Credits](#)
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Five Things to Know About Employer-Provided Coverage

A new [AHIP resource](#) highlights important benefits of employer-provided coverage (EPC), which provides more than 180 million Americans with real choices, control, and protection.

Highlights Include:

- EPC delivers high-quality, affordable health care for **more than half** of all Americans.
 - A strong majority of consumers are **satisfied with their coverage**.
 - Companies offer **affordable, comprehensive coverage** to their employees.
 - Nearly 1 in 4 Americans received **mental health support** in 2020 through their employer-provided coverage.
 - A strong majority of voters **support the current tax treatment** of EPC.
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CSRxP Spotlights Drugmakers' Patent Abuse

The Campaign for Sustainable Rx Pricing (CSRxP) submitted a [statement](#) for the record for a Senate Judiciary Committee [hearing](#) on prescription drugs. CSRxP cautioned the Committee to not advance legislation that would weaken competition and affordability.

Patent Abuse: CSRxP raised concerns over S. 1546 - the Patent Eligibility Restoration Act (PERA), which would significantly broaden the scope of what is patentable in the United States and result in brand-name pharmaceutical companies building new patent thickets early in the drug discovery process.

Why this matters: Brand-name pharmaceutical companies employ anti-competitive patent tactics – such as high launch prices, annual price hikes, and delaying competition – which PERA would further entrench.

Alternatives: CSRxP urged the Committee to reject PERA and rather continue bipartisan efforts that would curb patent abuse and strengthen competition from more affordable generic and biosimilar medicines.

Coalition Highlights Exploitation of Arbitration Process

The Coalition Against Surprise Medical Billing (CASMB) is [highlighting](#) how third-party firms are [exploiting](#) the *No Surprises Act's* arbitration process, undermining the law's patient protections.

What's Happening: Firms hired by some providers to manage billing are flooding the Independent Dispute Resolution (IDR) system with billing disputes, many of them ineligible, to extract inflated payments. This trend will inevitably drive-up costs for patients and employers or can incentivize providers to leave networks altogether.

Policy Push: CASMB is urging the Trump Administration to implement common-sense reforms such as blocking ineligible claims from entering arbitration, monitoring provider misuse, and increasing transparency and oversight in the IDR system.

The Bottom Line: Without reforms, bad actors will continue to exploit the system, raising costs and undermining patient protections.

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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