



Washington Update

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Bi-Partisan/Non-Partisan

Political Update... Elections Matter

Recap: Election Outcome

	WHITE HOUSE	SENATE	HOUSE
BEFORE ELECTION	Democrat	51D – 49R	220R – 213D
AFTER ELECTION	Republican	53R – 47D^	220R – 215D*
NET GAIN	FLIP	FLIP (R +4)	RETAIN (D +2)

^Democrats hold 45 seats and independents hold 2 seats

*Currently, in the House, there are 219 Republicans and 212 Democrats. There are four vacancies.

What have we learned?



Significant actions via executive orders

112+ so far, more than any recent president in first 100 days



Nothing is necessarily off the table

Shifts from campaign priorities (e.g., Social Security)



Procedures are different

Notice and comment rulemaking may not be the norm



Policies changing by the minute

Court action and changing priorities (e.g., trade)



The White House is ready

Everything is deliberate, prepared with Project 2025

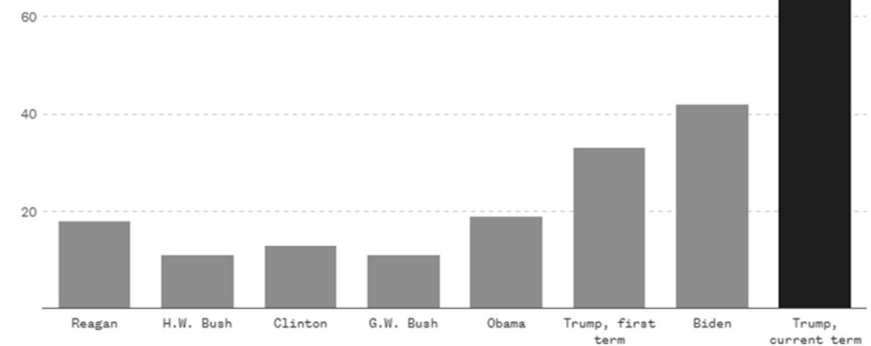


Emphasis on waste, fraud, and abuse

Seen in cost cutting actions by DOGE

Executive orders in the first 100 days

Trump signed more executive orders in his first 100 days than any recent president has in their first 100 days.



Notes: Data current through Feb. 20

Source: NBC News analysis of Federal Register data

Graphic: Joe Murphy / NBC News

What about 2026?

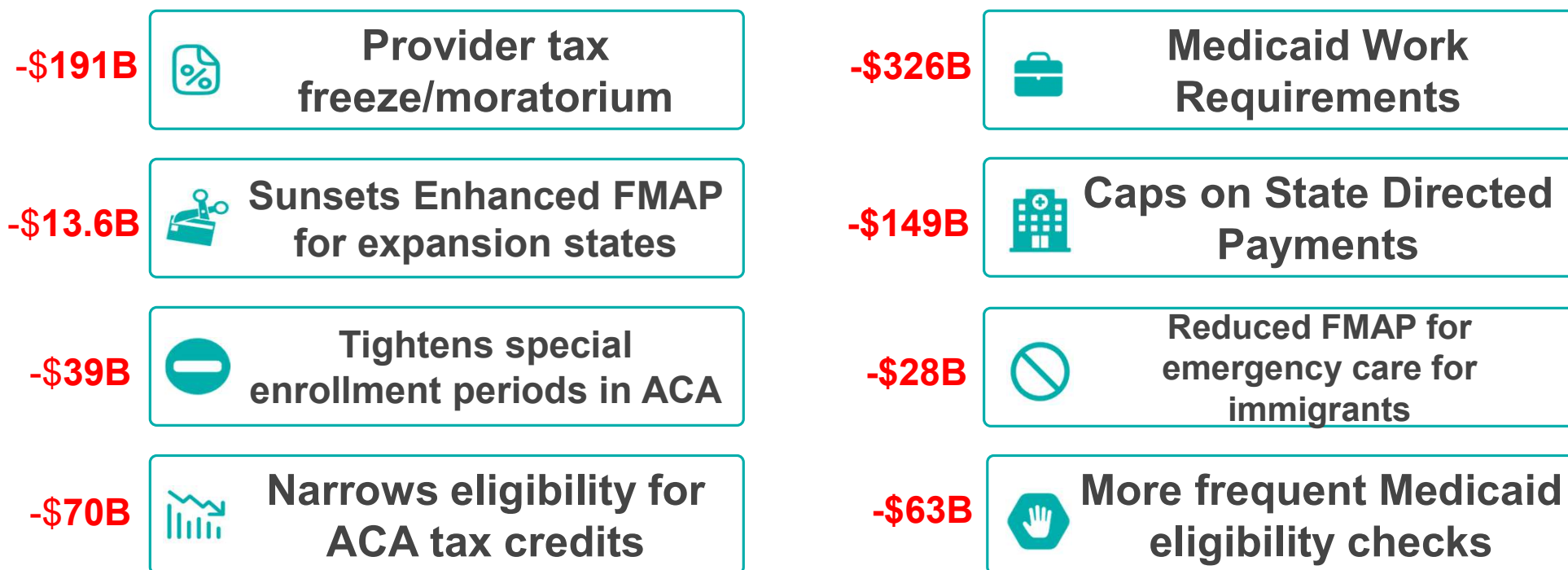
Change in Control of House, Senate and/or White House

<u>1960's</u>	<u>1970's</u>	<u>1980's</u>	<u>1990's</u>	<u>2000's</u>	<u>2010's</u>	<u>2020's</u>
1960	1970	1980	1990	2000	2010	2020
1962	1972	1982	1992	2002	2012	2022
1964	1974	1984	1994	2004	2014	2024
1966	1976	1986	1996	2006	2016	2026
1968	1978	1988	1998	2008	2018	2028

Current State of Play

Some Highlights...or Low-lights...of the OBBB

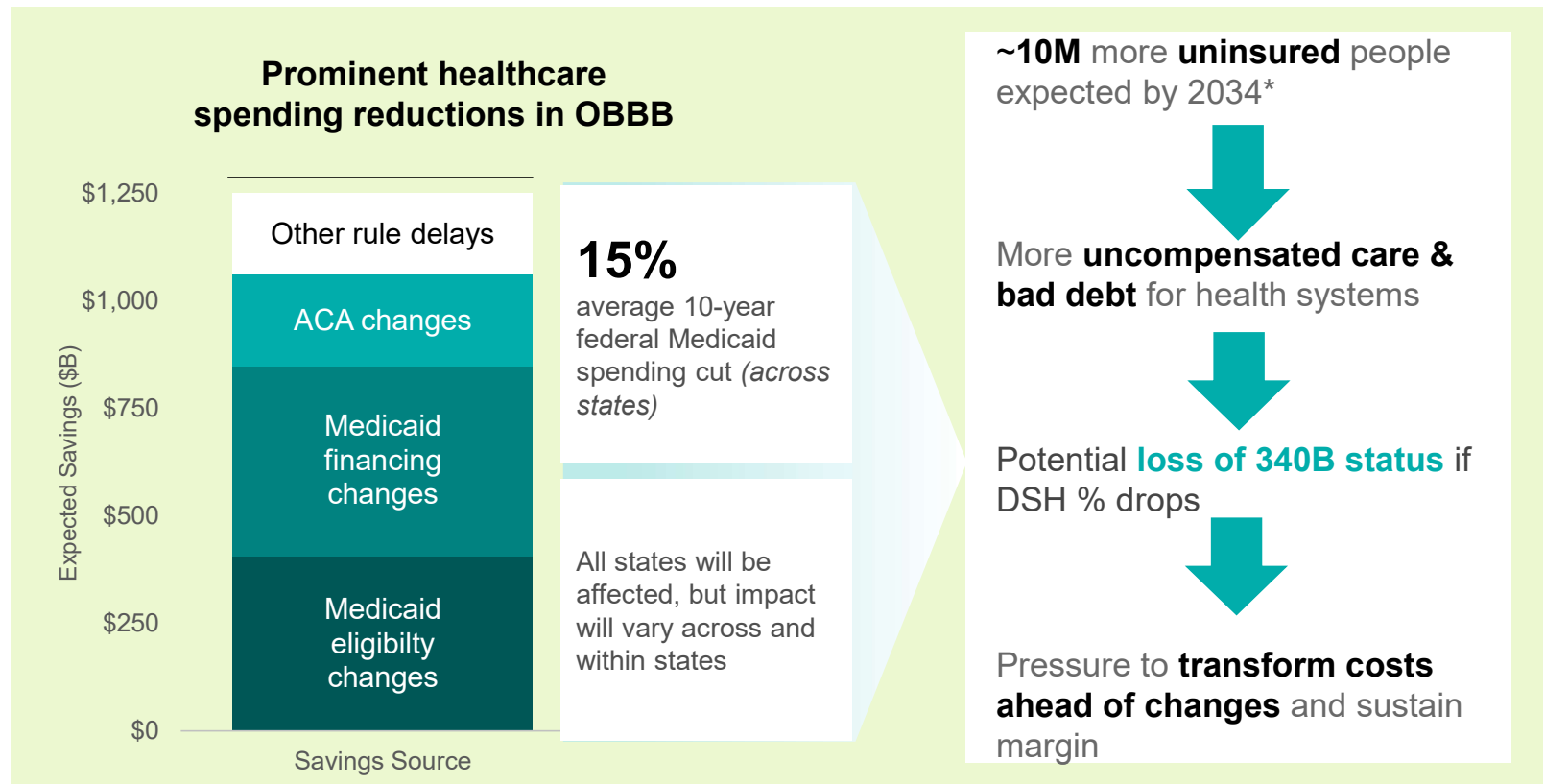
The One Big Beautiful Bill (OBBB) cuts more than **\$1 trillion** from Medicaid, Medicare & the ACA over 10 years; CBO estimates **10 million more people uninsured by 2034**



Which Means...

>\$1T
reduction in federal
outlays over 10 years
(2025 – 2034)

Impact ramps up
through 2034, with
~**59%** of the bill's
maximum annual
impact realized by the
end of FY 2029



Note: see Vizient's [OBBB summary](#) for full information on OBBB changes, timing, and estimated savings impacts

Source: Kaiser Family Foundation "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Senate Reconciliation Bill", Congressional Budget Office, <https://www.cbo.gov/publication/61534>, Vizient analysis, 2025

*This projection could increase if the enhanced premium tax credits are not extended by the end of 2025

All Providers Will be Impacted – but by How Much?

Though aimed at curbing fraud, waste and abuse, these provisions **will ultimately reduce the funding states depend on** to operate their Medicaid programs.

How *might* states respond?



Reduce provider reimbursement?



Reduce benefits (e.g. dental, vision, HCBS)?



Reduce eligibility/coverage (e.g. end expansion)?



Increase state taxes (or other budgetary moves)?

Source: Kaiser Family Foundation "Health Provisions in the 2025 Federal Budget Reconciliation Bill", July 2025.

Silver Lining?

Original “Menu” Items

- **Not for Profit Status**
- **Medicaid Per Capita Caps/Block Grants**
- **Site Neutral Payment Policy***
- **Elimination of Enhanced FMAP for Expansion Population**
- **Eliminate exclusion of interest on state and local bonds**



New – Better – Policy

- **Rural Health Transformation Program: \$10B per year for 5 years to improve access to care in rural areas****
- **PFS mitigation – 2.5% increase**
- **Delay implementation of a rule relating to minimum staffing standards for LTC facilities**

**** Half of the funding (\$25B) will be distributed by CMS “equally among all states with an approved application” (submitted by the end of 2025) while CMS will have discretion in determining how to allocate the remaining half. States can apply to use the funds in a variety of ways, such as for promoting care interventions, paying for health care services, expanding the rural health workforce and providing technical assistance with system transformation. CMS is not required to publish information about how the funds are distributed, including the amount sent to each state or why certain state applications were approved or denied.**

Not so Fast – They May Not be Finished

- Many Republican lawmakers have already made it clear they view the OBBB as the first step in a broader legislative agenda.
- Among both Republican leadership and rank-and-file members, there seems to be strong support for **pursuing one or more additional reconciliation packages**, in part, to impose steeper cuts to Medicaid and other health programs.

“It’s going to be a more targeted set of reforms...That’s \$150 billion in savings right there”

House Budget Chairman Jodey Arrington (R-TX), referencing site-neutral Medicare reforms and additional Medicaid cuts

“I think I pretty well have a commitment...we will have a second bite of the apple”

Senator Ron Johnson (R-WI), referencing deeper Medicaid cuts in a subsequent reconciliation bill

“We have been planning a second reconciliation bill for the fall that would be attached to the next fiscal year, and then, potentially one in the spring.”

Speaker of the House Mike Johnson (R-LA)

Moving beyond the OBBB

We are Approaching a Funding Cliff: Showdown over Shutdown – and More

September 30, 2025



- Community Health Centers
- National Health Service Corps (NHSC)
- Low-Volume Hospital Payment Adjustment
- Medicare-Dependent Hospital (MDH) Program
- **Medicare Telehealth Flexibilities**
- Hospital at Home, Acute Care at Home Waiver
- **Delay of Medicaid Disproportionate Share Hospitals (DSH) Cuts - \$8B**
- Children's Hospital Graduate Medical Education (CHGME)

And Another...

December 31, 2025



- Pay-As-You-Go Cuts (PAYGO): Unless delayed, the cost of the OBBB will trigger PAYGO, which would mean an automatic **4% reduction (~\$500B) to most Medicare spending.**
- Expiration of Enhanced Premium Tax Credits: The American Rescue Plan Act of 2021 *temporarily* extended the ACA tax credits to individuals with incomes above 400% of the FPL and made the subsidy more generous for those below 400%
 - Without an extension, CBO estimates the number of people without insurance will increase by **4.2 million by 2034.**

Regulatory Update

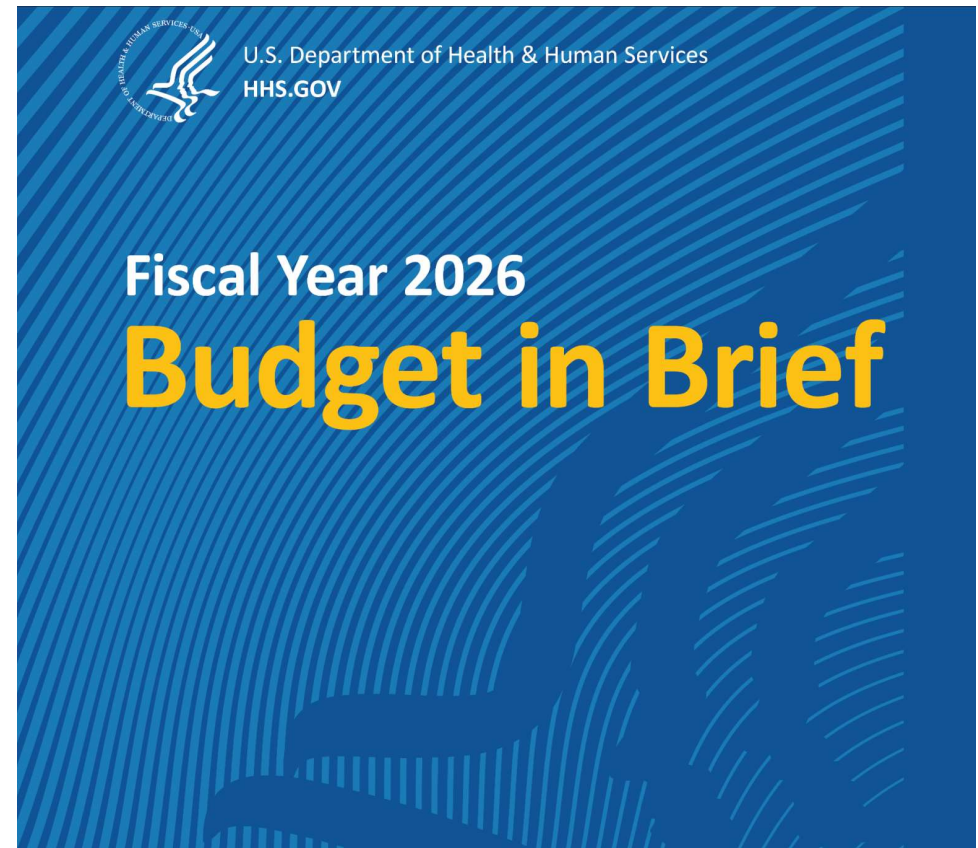
HHS Budget – FY 2026

Released May 30, the FY 2026 HHS Budget reflects the proposed HHS reorganization – including, integrating the 340B Drug Pricing Program into CMS Program Management.

“In accordance with the HHS Reorganization plan, the budget recommends shifting the program into CMS will allow for streamlined processes and the ability to utilize inhouse drug-pricing resources and expertise.”

“The FY 2026 Budget continues the program at \$12 million to provide oversight and auditing of covered entities and drug manufacturers, support operational improvements, and increase operational efficiencies.”

Source: <https://www.hhs.gov/sites/default/files/fy-2026-budget-in-brief.pdf>



FY 2026 Inpatient Prospective Payment System Final Rule

2.6% rate increase for hospitals that are meaningful users of electronic health records and submit quality measure data

- Market basket of 3.3% and -0.7% productivity adjustment

\$2 billion increase in disproportionate share hospital payments

Overall hospital payments expected to increase by \$5 billion in FY 2026 as compared to FY 2025

Transforming Episode Accountability Model remains mandatory → January 1, 2026, start date

CY 2026 Hospital Outpatient Prospective Payment System Proposed Rule

CMS proposes to increase payment rates by 2.4% (3.2% market basket minus 0.8 for productivity adjustment)

- Total payments to providers expected to be \$100 billion (approx. \$8.1 billion more than CY 2025)
- Overall, CMS estimates the proposed rule's policies would result in 1.9% increase in OPPS payments to providers for CY 2026 ... BUT... For providers subject to the remedy offset, payments expected to be reduced by \$1.1 billion in CY 2026

Site Neutral

- PFS rates for any HCPC codes assigned to the drug administration services (APCs 5691 through 5694), when provided at an off-campus PBD excepted from section 1833(t)(21) of the Social Security Act (rural Sole Community Hospitals exempted)
- Requesting comment on potential expansion of this policy

340B

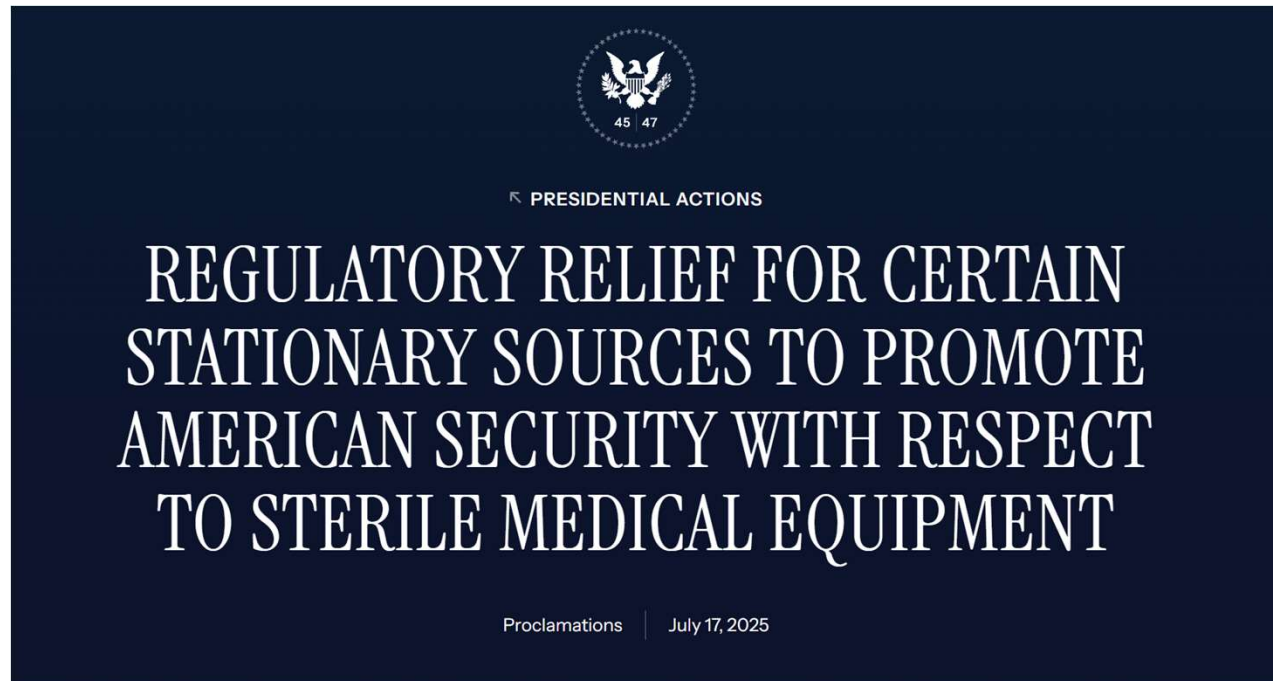
- -2.0 adjustment to payment rates for hospitals subject to 340B remedy (CMS estimates this will last until 2031)
- Notice of intent to conduct Medicare OPPS Drug Acquisition Cost Survey → survey window will open early 2026 and CMS aims to use it for CY 2027 OPPS/ASC Proposed Rule

CMS proposes to phase out the IPO list over 3 years – starting with removal of 285 services for CY 2026 (mostly musculoskeletal)

Unpackaging skin substitute reimbursement

Comments are due September 15, 2025!

Ethylene Oxide & Sterilization



Source: <https://www.whitehouse.gov/presidential-actions/2025/07/regulatory-relief-for-certain-stationary-sources-to-promote-american-security-with-respect-to-sterile-medical-equipment/>

Tariffs

Some of the Government's Trade Toolkit

Authority and Purpose	Process	Used in Trump 1.0	Use in Trump 2.0 (examples)
International Emergency Economic Powers Act of 1977: Empowers the president to address “unusual and extraordinary” threats	President declares national emergency (declaration and imposition of trade measures could happen quickly)	Trump threatened 5% tariff on all goods from Mexico in 2019; prevented via negotiations	EO and an emerg. declaration to impose tariffs on imports from China (10%; addt'l 10% per 3/3 EO), Mexico (25%; March 4) and Canada (25%; March 4); April 2 EO and emerg. declaration for country-specific reciprocal tariffs and 10% sweeping tariff
Section 301, Trade Act of 1974: Addresses unfair foreign trade practices	USTR investigates, reports within 12 months. President can impose tariffs, quotas with no set limit or duration	China: initial 25% tariffs on \$34 billion in goods (2018); later rounds affected \$370 billion. EU: 10% on aircraft and 25% on other goods	TBD; Mention in the America First Trade Policy (e.g., report on China's acts, policies, and practices related to tech transfer, IP, and innovation)
Section 232, Trade Expansion Act of 1962: Restricts imports that threaten national defense or economic security	Commerce dept. investigates, reports within 270 days. President decides within 90 days on tariffs, quotas. No set expiration; subject to periodic review	25% tariff on steel, 10% on aluminum	Proclamation to broaden the scope of products and countries impacted by steel and aluminum tariffs and increase aluminum tariffs to 25% (March 12); Timber and copper EOs and investigations

Source: Modified from [Bloomberg Economics](https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-restores-section-232-tariffs/); <https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-restores-section-232-tariffs/>; <https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/>

Abbreviations: EU = European Union; IP = intellectual property; USITC = United States International Trade Commission; USTR = Office of the United State Trade Representative.

What have we seen related to trade and tariffs?

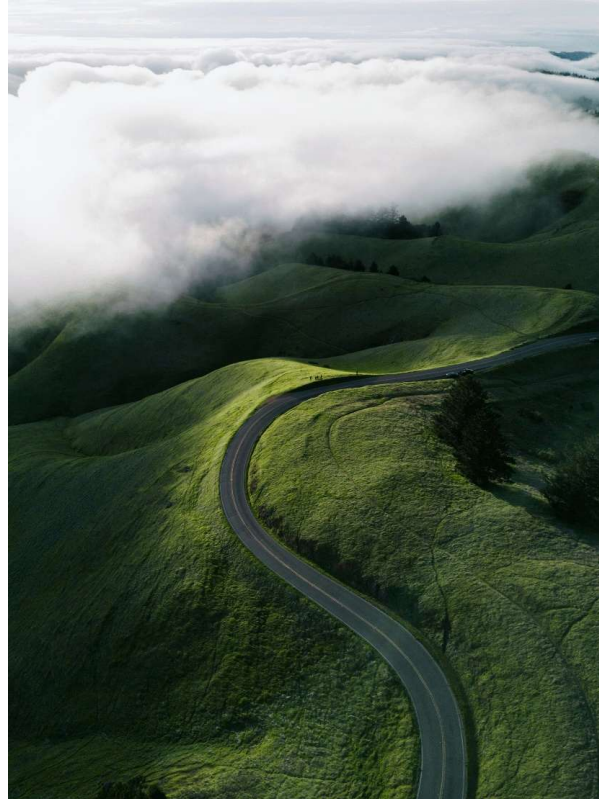
Executive Orders and other Presidential actions

- Country-specific tariffs and new trade deals
- Reciprocal tariffs
- Commodity-specific tariffs
- Tariff exemptions and exceptions

Litigation

- Various cases

What's Ahead? Questions?



Let's work together

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