



Federal Healthcare Policy Overview

December 4, 2025

Trump 2.0 To Date

- Over the past 11 months, President Trump has:
 - Marshalled H.R. 1, the *One Big Beautiful Bill Act (Budget Reconciliation)* through Congress –
 - Making 2016 individual tax cuts permanent and creating new tax reductions
 - Significant cuts to Medicaid, changes to Affordable Care Act
 - Major unilateral tariff increases leading to court challenges and bilateral negotiations
 - Attempted sweeping changes to the structure of the federal government through RIFs, termination of agencies and funding
 - Extensive deployments of ICE, Border Patrol, National Guard and extensive immigration enforcement activities
 - Pressure campaign on higher education institutions to trigger reforms
 - Gaza, Ukraine, Venezuela

What's on the Mind of the Trump Administration

- Keeping Congress in Republican Control (investigations...impeachment)
- Get as much done as possible as quickly as possible that requires ith Congress to act, recognizing that legislating before the mid-term will be very difficult
- Keeping the support of RFKjr adherents
- Restructuring HHS



What's on the Mind of Congress?

Republican Majority

- Hold the House & Senate majorities
- Get appropriations finished for FY'26
- Don't get blamed on Health Care cost/access
- More deficit reduction (Freedom Caucus), especially site-neutral
- No more deficit reduction (Vulnerable R's)
- Clearing backlog of bipartisan health initiatives & health extenders

Democrat Minority

- Resist myriad activities of the Trump Administration
- Take over House & Senate majorities
- Get Advanced Premium Tax Credits extended
- Prevent any more Medicaid or Medicare cuts (other than site-neutral)
- Clearing backlog of bipartisan health initiatives & health extenders

Upcoming Midterm Elections

- Narrow partisan divide:
 - House: 219R – 213D (3 open)
 - Senate 53R-47D
- Redistricting Wars:
 - Texas, Ohio, Missouri, North Carolina; Indiana; Florida; Alabama, Louisiana
 - California, Utah; Virginia; Maryland; New York
- Polling:*
- Forecasts:*

* RCP Nov. Avg.; Cook Political Report

Healthcare a Rising Issue

- 42 Day Government Shutdown was Over Healthcare:
 - Democrats want enhanced Advanced Premium Tax Credits (APTCs) that are currently set to expire on December 31, 2025, to be extended
 - Most (not all) Republicans oppose or oppose unless reforms are made
- 24 million people are covered under the ACA exchanges
 - “Open Season” began November 1st
 - Premiums are up for many and often sharply for older, higher income participants
 - Coverage projected to drop by 10 million/10 years
- Medicare and Employer-Provided Insurance Costs also Rising
- AP/NORC Recent Polling:
 - 4/10 Adults Report Medical Debt
 - 6/10 Extremely or Very Concerned about Health Care Costs
 - 3/10 Adults approve of Trump’s Handling of Health Care

The Impact of H.R. 1

Impacts on Medicaid, implementation, and The Chances for Success

H.R. 1 – Context for the Legislation



TAXES

- Key motivation of the legislation
- Makes permanent the \$4.5 trillion tax cuts from the 2017 *Tax Cuts and Jobs Act*
- Fulfills the President's promises for no tax on tips, overtime.

MEDICAID

- Cuts Medicaid by \$1 Trillion over 10 years
- Intended to reduce rate of growth
- Provide an offset for the cost of other provisions in HR 1

ENERGY AND ENVIRONMENT

- Reverses some provisions in the Inflation Reduction Act
- Eliminates and revises certain energy tax credits
- Rescinds funding for certain environmental initiatives

IMMIGRATION/DEFENSE

- Adds significant funding for immigration enforcement and defense programs

H.R. 1 – Impacts on Medicaid

- H.R. 1 makes significant changes to Medicaid
 - Program covers about 85 million people with a combination of state and federal funds
 - 10 million beneficiaries projected to lose health coverage by 2034
 - Higher costs for hospitals from uncompensated care
- H.R. 1 forecast to reduce Medicaid spending by \$1 Trillion over 10 years
 - Many changes do not trigger until 2027 and 2028
 - 50% of states are already struggling with budgets in the red before these cuts
- H.R. 1 did not extend Enhanced Advanced Premium Tax Credits for Marketplace Plans

Major Provisions from H.R. 1

- **Effective 1/1/27 –**

- 80 Hour Medicaid Community engagement requirements (work/school/service) effective (w/one-year substantial progress extension)
- Mandatory six-month Medicaid redetermination cycles
- Many legally-present non-citizens lose Advanced Premium Tax Credits
- States must obtain and transmit address data & check Death Master Files quarterly

- **Effective 2028 –**

- Current 6% of Revenue Cap on State Provider Taxes start ramping down to 3.5% (0.5%/year)
- Cap on provider payment rates starts ramping down from Average Commercial Rate to 100%/110% of Medicare
- Premium Tax Credit verification checks
- Medicaid cost sharing (\$35)

Community Engagement Requirement

- 80 hours a month of work, education/training and/or community service for Adult Expansion **Population Age 19-65**

- Does not Include –

Medicare Dual	Indian	Child Under 14
Disabled Vet	Medically Frail	Meets SNAP Req.
In SUD Program	Inmate	Preg/Post Partum

- Optional short-term hardship exception (institutional care, disaster area, high unemployment, extended travel to treat medical condition)
- **If Ex Parte verification fails, provide individual notice and 30 days to demonstrate compliance** or disenroll/deny application
- Effective Q1 27, but Good Faith Exemption up to 12/31/28
- No CMS 1115 Waivers Allowed

Provider Tax Changes

- Medicaid MCO Managed Care Tax Abolished
 - Effective on Enactment or up to 3-year transition
 - CMS recently determined will be effective for 2026 plan years
 - Seven States Impacted – including California
- Provider Tax Freeze:
 - Frozen as **enacted and imposed** prior to July 4, 2026 if comply with hold harmless. **CMS now saying imposed = collected.**
 - No future rate increases on any class of items/services
 - For expansion states only, 6% maximum tax allowed under current law ratcheted down by 0.5%/year until reaching 3.5%
 - FY2028, 5.5%
 - FY2029, 5%
 - FY 2030, 4.5%
 - FY 2031, 4%
 - FY 2032 and thereafter, 3.5%

State Directed Payment Programs

- The use of State Directed Payment (SDP) program allow payments to be made to providers via MCOs that raise the provider's payment rates to a maximum of the average commercial rate (ACR)
- For rating periods that begin on or after 7/4/25, H.R. 1 limits provider payment rates programs to:
 - 110% of Medicare for Non-Expansion States
 - 100% of Medicare for Expansion States
- However, a complex Grandfather Provision can allow the total dollar amount of SDP program payments in subsequent years and then reduced by 10 percentage points each year beginning on or after 1/1/2028 until meeting 100%/110% Medicare rate maximum.

Implications for California

- California's Medicaid MCO tax is no longer compliant with federal law effective July 1, 2026 -- \$3B hit in first year.
- California's State Directed Payment Program (Hospital Quality Fee Assurance Program – 9) was submitted to CMS before the July 4 Deadline but has not yet been approved.
- California Provider Tax was slated for 5% in 2025 if meets grandfather test; if not, reverts to 3.25%.
- Changes to ACA, Medicaid & immigrants = more uninsured
- California Hospital Association estimates between \$66B (low) and \$128B (high) impact over ten years.

Possible Changes to the Roadmap

- **Reality Check:** How many states will be ready 1/1/2027 to implement six-month eligibility checks, comprehensive community service requirements and other new data checks?
- Glance at the calendar;
 - November 4, 2025, elections in VA, NJ, NYC, PA
 - **November 2026: Congressional Elections**
 - January 1, 2027: Most H.R. 1 mandates start
 - January 20, 2027: New Congress sworn-in
 - January 1, 2028: Major State Medicaid Financing caps kick in
- Healthcare is on voters' minds, a strong issue for Democrats and a Trump weakness – Expect to Hear a Lot About it Next Fall

Administration Initiatives

The Administration's Priorities

- Regardless of Congress, we have new regulatory leaders within HHS and the White House with **3 more years** to implement their Vision:
 - HHS Secretary Robert F. Kennedy, Jr – Revamping Public Health
 - CMS Administrator Mehmet Oz – Cut Medicaid, Favors MA
 - FDA Commissioner Marty Makary – regulatory stringency
 - NIH Director Jay Bhattacharya – less new research
 - OMB Director Russell Vought – cut spending, curb research

New Approaches to Medicare Payments

- 2026 annual regulations (MPFS and OPPS) begins a **Re-Think of Physician Reimbursement Landscape**
 - Challenging the AMA/professional society-driven reimbursement construct --
 - **RVS Update Committee (RUC);**
 - new “efficiency” cuts (0.55%) presume overpayment
 - Implementing **site neutrality** by **cutting hospital outpatient rates and increasing physician office rates** (Practice Expense)
- Aggressive waste, fraud, and abuse activities –
 - skin substitute reimbursement limitations
 - cutting coverage of pricier therapies
 - DME competitive bidding re-boot

CMS Demos

- **TEAM (Transforming Episode Accountability Model) 1/26**
 - Mandatory
 - Acute Care Hospitals in Selected Geographic Regions Participate
 - Hospital Assumes **Full Responsibility** for Cost of Care for 30 days after surgery:
 - Coronary Artery Bypass; Lower Extremity Joint Replacement; Major Bowel Procedure; Surgical Hip/Femur Fracture; Spinal Fusion
 - Cost and Quality Metrics – go at risk under one of three tiers
- **WISeR (Wasteful and Inappropriate Service Reduction) 1/26**
 - Mandatory
 - Physician FFS in Seven Selected States
 - Identified List of Procedures for Prior Auth.
 - Multiple companies that do claims review with AI/ML selected
 - Submit to company or MAC for Prior Auth (or risk post claim review)

Drug-Related Demos/Initiatives

- **340B Drug Pricing Program (1/26)**
 - Mandatory for Covered Entities Nationwide
 - Administration moving forward with rebate model pilot program
 - Participating pharma cos. and drugs identified
 - Drugs will not initially be discounted for 340B providers
 - Providers must request rebates
 - Puts pharmaceutical manufacturers in charge
- **Most-Favored Nation drug pricing announcements**
 - Headline-grabbing White House roll outs
 - Pharma cos. commit to reduce prices and link through Trump-branded site
 - In exchange, receive three year hold harmless from pharmaceutical tariffs – sometimes more in the form of FDA vouchers
- **Year Two of Medicare Drug Price Negotiations**

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What's Next?

Where We are Now

- Trump White House and HHS Making Rapid and Disruptive Changes
- H.R. 1 Moved Fast and Made Sweeping Changes to Medicaid (some with delayed implementation for some States) and did not extend Enhanced Advanced Premium Tax Credits (APTCs)
- Dems Shut Down Government over EAPTCs and secured a vote in the Senate Next Week
 - Would Require 60 votes to pass
 - Some bipartisan negotiations but both sides generally dug in
 - Hard to see a clean extension passing in Senate or coming to House floor
- GOP losing the Health Care Public Opinion Battle (badly)
 - Trump Admin. Tried to Reach Consensus on Proposal
- Senate Republicans Trying to Create an Alternative – Change the Conversation

Republican Healthcare Themes

- **Utilizing the tax code** to effectuate change in the healthcare market and reduce health costs.
- **Empowering Patients** with healthcare decision making to drive down spending, in substantial part by greatly expanding the use of health savings accounts (HSA).
- **Enhancing competition** among providers and health plans to expand choices for consumers as another means by which to lower health costs.
- **Addressing consolidation** in the healthcare sector, including the development of large healthcare systems (has some bipartisan support).
- **Improving transparency** throughout the healthcare sector in driving down health costs (has drawn bipartisan support).

The Republican Concept of a Plan

- Do Not funnel more money to insurers
- Instead, provide transfer payments to non-Medicaid lower income uninsured individuals to fund HSA-style accounts
- Keep Prohibition on Pre-Existing Condition Exclusions but allow deviations from Essential Health Benefits Mandate
- Reduce dis-incentives for small employer-provided insurance
- Codify the Marketplace Integrity Rule

What Could Be Done in Another Reconciliation Bill (50 votes)?

Will Bipartisan Priorities Re-emerge?

- Most of the healthcare agenda to date has not involved cross-party collaboration
- But there are a number of subjects where there is bipartisan support for changes, including:
 - Reform of Pharmaceutical Benefit Managers (PBMs)
 - Implementation of prior authorization guardrails for Medicare Advantage plans
 - Permanent Medicare telehealth relaxations
 - Substance abuse prevention and treatment
 - Reforming Medicare physician payment
 - 340B Compromise
 - Fixing H.R. 1 Provider Tax cutoff (enacted and imposed by 7/4)
- There is significant interest in trying to resuscitate at least some of these initiatives.

Questions?

Thank You!

Robert Bradner, Partner, Robert.Bradner@hklaw.com

Larry Bucshon, Senior Policy Advisor, Larry.Bucshon@hklaw.com