
# June 16, 2023

***Welcome to "Washington Update," the weekly e-newsletter on the latest health care happenings in the nation's capital that affect APG's members.***

***Know people who may enjoy receiving it? Forward this email and have them email communications@apg.org to be added to the subscription list. And remember to visit APG's website for more news and resources, or contact a member of APG's Washington, DC, policy and communications team below.***

***Matt DoBias***
***Vice President, Congressional Affairs***
**mdobias@apg.org**

***Jennifer Podulka***
***Vice President, Federal Policy***
**jpodulka@apg.org**

***Garrett Eberhardt***
***Executive Director, Medicaid Policy***
**geberhardt@apg.org**

***Greg Phillips***
***Director of Communications***
**gphillips@apg.org**

**Table of Contents**



## Health Care Spending Projections Could Fuel Congressional Action

Spending on physician and clinical services is expected to grow 5.3 percent on average from 2022 through 2031 and ultimately reach $1.4 trillion, according to new 10-year projections of national health spending from the Centers for Medicare & Medicaid Services (CMS). That growth rate is just slightly behind

CMS actuaries' projection that overall national health spending will climb an average of 5.4 percent annually during 2022-2031. By the end of the period, national health spending is projected to constitute roughly 20 percent of the gross domestic product.

The latest national health spending projections may further influence policy initiatives to restrain health spending growth—particularly with respect to Medicare, where CMS expects annual spending growth to average 7.3 percent. As previously reported in *Washington Update*, for example, lawmakers are preparing bipartisan legislation particularly aimed at reducing the growth of hospital spending, such as by imposing site-neutral payments under Medicare for drugs administered in off-campus hospital outpatient departments.

Of note, CMS's estimate of the rate of health spending growth from 2021 to 2022 underscores the reality that the pandemic-era decline in elective services continued through last year. As a result, health spending grew just 4.3 percent in 2022, causing the share of GDP devoted to health care to shrink from 18.3 percent in 2021 to 17.4 percent in 2022.

The trend holds implications for APG members engaged in value-based models, such as ACO REACH and the Medicare Shared Savings Program, that are subject to spending benchmarks that were affected by the same slowdown in 2022. And with spending on elective services now roaring back, they may be subject to further hits, as the item below explains.

**Post-Pandemic Utilization Rebound May Challenge Value-Based Care Models**

Providers in value-based care arrangements could face further financial pressure as outpatient utilization trends now show signs of growing after the COVID-era lull. Insurer UnitedHealth this week pointed to a spike in second-quarter 2023 outpatient utilization, especially in orthopedic procedures for older adults in Medicare, as utilization returns to pre-pandemic levels. As a result, UnitedHealth said its medical-loss ratio would probably rise from 82 percent in 2022 and possibly exceed its target of 82.1 percent to 83.1 percent in 2023.

For providers in programs such as ACO REACH and the Medicare Shared Savings Program, the spending benchmarks that were set pre-pandemic may now be too low to reflect this spending rebound in 2023. As a result, they may face lower shared savings than expected or actual losses. APG is now preparing for consultations with CMS to explore possible one-time modifications to the benchmarks to accommodate the see-saw effect in spending in 2023.

**HHS Tells States: Pull Out All Stops to Avoid Unnecessary Medicaid Disenrollments**

States should "adopt all options" and comply fully with federal rules to prevent Medicaid beneficiaries' coverage from being terminated unnecessarily through

flawed administrative processes, HHS Secretary Xavier Becerra wrote in a letter to state governors this week. His instructions came amid an analysis by the Kaiser Family Foundation that at least 1.2 million Medicaid beneficiaries in 21 states have been disenrolled following the end of pandemic-era Medicaid coverage provisions earlier this year.

Becerra wrote that individuals "must be afforded the due process to which they are entitled" for states to continue to receive enhanced federal funding for Medicaid. Separately, the Department of Health and Human Services (HHS) also expanded a list of flexibilities granted states, including the option to rely on Medicaid managed care organizations (MCOs) to help beneficiaries complete their enrollment forms. HHS also recommended that states partner with health plans and other entities such as schools and community-based organizations to help beneficiaries understand need to renew their coverage.

It is unclear how many Medicaid beneficiaries who are patients of APG member groups have been unnecessarily disenrolled during the so-called Medicaid "unwinding." APG encourages its member groups contracted with Medicaid MCOs to be proactive in working with them to maintain beneficiaries' coverage.

# # #