



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

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Health of Medicare Hospital Insurance Trust Fund Improves, But Forecast Grim For Physician Payments

The financial health of Medicare's Hospital Insurance (HI) Trust Fund got a boost from a brisk economy and lower health care expenditures, according to the [Medicare Trustees Report](#) released this week. The trustees now project that the trust fund won't be exhausted until 2036 – five years after the date projected in last year's report, and a full decade later than what was projected as recently as 2021.

According to the trustees, projected Part A Medicare expenditures are 4.7 percent lower than projected last year, in part due to an adjustment that removes direct and indirect graduate medical education costs related to Medicare Advantage (MA) from the MA payment benchmarks. The panel also noted an ongoing "morbidity improvement" among Medicare beneficiaries: In a grim twist, because so many older, sicker individuals died in the pandemic, the overall beneficiary population that remains is healthier. The impact of that change will last at least until 2029. Meanwhile, projected income into the HI trust fund is 3.2 percent higher than in last year's report thanks to more employed workers receiving higher wages.

Good news, bad news: The results are less positive for the separate, so-called [Supplementary Medical Insurance \(SMI\) Trust Fund](#) – a kind of holding account for money spent on Medicare Parts B and D. Most of this fund’s income comes from so-called general revenues – individual income taxes, corporate taxes, excise taxes, and borrowing – as well as Part B and D premiums paid by enrollees. The vast bulk of the money is spent each year, so any reserves are minimal. But this trust fund isn’t benefiting from the same changes in income and expenditures as the HI trust fund – so the trustees issued another “Medicare funding warning” signaling that this part of Medicare is drawing excessively on the general revenue fund, and that Congress should address the issue legislatively. Successive Congresses have ignored these warnings, however.

The Medicare trustees also warned again, as they did last year, that the projections of Medicare’s health are based on excessively low payments for physicians and other providers. They noted that physician payments aren’t scheduled to “keep pace with the average rate of physician cost increases,” and without major unspecified changes in health care delivery, Medicare beneficiaries’ access to physician services and quality health care could fall relative to those with private health insurance.



Possible Prior Authorization Restrictions Contemplated In Senate Could Spell Exemptions For Successful ACO’s

Legislation being crafted by Senate Budget Committee Chair Senator Sheldon Whitehouse (D-RI) could have mixed effects on APG members: Those conducting prior authorization on behalf of Medicare Advantage (MA) plans might see changes in what they are allowed to do, whereas APG members engaged in accountable care organizations might be freed from prior authorization altogether. The senator discussed his ideas at a recent [hearing](#) on reducing paperwork and administrative burdens in health care.

Whitehouse is contemplating multi-faceted legislation that would, first, require the Centers for Medicare & Medicaid Services (CMS) “to identify the worst prior authorization practices in Medicare Advantage plans,” according to his [statement](#), and presumably bar these. Next, CMS would be required to set common standards for prior authorization across all insurance plans. And any company undertaking prior authorization in Medicare would have to get specific approval from CMS “before they’re allowed to impose prior authorization on doctors who are practicing in successful accountable care organizations,” the Senator said. In effect, this “no prior authorization without prior authorization” plank would exempt

these ACO participants on the ground that they lack the purely volume-inducing incentives of pure fee-for-service payment.

Sen. Whitehouse plans to introduce his legislation shortly. APG will work to ensure that its members working in delegated relationships with MA health plans retain the ability to use prior authorization as an effective utilization management tool.



Mandatory Kidney Transplant Model For Hospitals To Address Costs, Quality, And Racial Equity

Boosting kidney transplants – the best treatment option for most people with end-stage renal disease (ESRD) – is a key goal of a new model that the Centers for Medicare & Medicaid Services (CMS) proposes to test through its Innovation Center. In the newly announced [Increasing Organ Transplant Access \(IOTA\) Model](#), CMS will require about 90 non-pediatric hospitals among the 257 U.S. institutions that provide transplants to participate. Additional goals of the model are to improve quality of care and care coordination; reduce Medicare expenditures; and reduce disparities in access to care that appear to favor potential White versus Black transplant recipients.

If officially adopted, the six-year mandatory IOTA Model will begin in 2025 and run through the end of 2030. Participating transplant hospitals will continue to receive fee-for-service payments with the opportunity and risk to receive or owe a lump sum payment following each performance year. The first performance year will include upside opportunity for performance payments only, and downside risk will be introduced in the second year. Comments on the proposed model are due to CMS by [June 10, 2024](#).

Given that the IOTA model is targeted at hospitals, and that the total cost of care Kidney Care Choices (KCC) Model focuses on nephrologists and other clinicians, APG members engaged in the KCC Model are unlikely to be significantly affected by the new model. Members with questions or feedback should contact Jennifer Podulka, APG's VP of Federal Policy, at jpodulka@apg.org.



APG Announcements And Offerings

- APG will host an **Emerging Trends in Health Care Webinar** on May 16, 12:00 pm – 12:45 pm ET, with guest Rebekah Gee, MD, CEO of Nest Health. Register [here](#).

- It's not too late to register for the **APG's Spring Conference** in San Diego from May 29-31. Register [here](#).
- Want to get more involved in APG's Federal advocacy efforts? [Join APG Advocates today](#).

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