



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

Table of Contents

- **Cuts In Medicaid
State-Directed Payments
Rise To Fore; Prospects For
Medicare Advantage Cuts Shrink**
- **In A Switch, MedPAC Recommends
Linking Medicare Physician Fees
To Annual Practice Cost Inflation**
- **Firings And New Appointments
To Vaccine Advisory Panel
Fuel Ever-Growing Concerns
Over Compromised Science**
- **In Case You Missed It**
- **APG Announcements And Offerings**



Cuts In Medicaid State-Directed Payments Rise To Fore; Prospects For Medicare Advantage Cuts Shrink

As the Senate shapes its version of reconciliation legislation, the odds that its package would include different aspects of health care cuts loomed alternatively larger or smaller this week amid a combination of the budget math and emerging political realities. Looming even larger now are limits on [directed payments](#) in Medicaid that allow states to tell managed care organizations (MCOs) to pay providers at specific rates that are often substantially higher than typical fees prevailing in Medicaid. Looming smaller, and apparently now off the table, is the notion of tackling “overpayments” in Medicare Advantage through

proposed [legislation](#) that would limit use of critical tools used in MA risk adjustment.

Provider payment hikes: The Centers for Medicare & Medicaid Services (CMS) adopted directed payments in 2016 to boost states' efforts at delivery system reform and the use of value-based payment by delivering Medicaid benefits through managed care. Under these provisions, states can stipulate that MCOs hike payment rates to providers – for example, to Medicare levels or beyond – to both improve provider participation in Medicaid and permit adoption of alternative payment models and shared savings arrangements. More than 40 states and Puerto Rico have followed suit, with a substantial share boosting payment above Medicare and close to commercial rates. The extra payments, which reached \$110 billion in 2024, have been financed through state provider taxes, including on MCOs themselves.

Because these arrangements enable states to draw down additional federal funding for Medicaid, the House-passed reconciliation bill imposed limits on directed payments designed to save roughly \$72 billion over ten years. The Trump administration is now intensifying the pressure, [instructing](#) CMS to limit these state-directed payments to no higher than Medicare rates and preparing a proposed rule that would do so as well. It appears likely that any Senate bill would lay claim to any savings from the rule as enabling it to finance a portion of the reconciliation measure. Meanwhile, the impact of the measure, if implemented, is likely to spread across providers, with hospitals particularly vulnerable given the [shortfall](#) between current payment levels and actual costs of serving Medicaid patients.

Off the Table? Amid widespread concerns about the potential political fallout of large Medicaid cuts driving up [coverage losses](#), Republican senators have reportedly rejected a bid to drag Medicare Advantage into the reconciliation debate lest proposed cuts in the program threaten enrollees. APG's sources say that proposed bipartisan legislation that would limit risk adjustment diagnoses stemming from [health risk assessments](#) and [chart reviews](#) will probably not be included in the Senate's evolving version of the bill.

APG has long argued that use of these tools is essential for its members operating in full risk arrangements with MA plans, while acknowledging that some [guardrails](#) around their use is also desirable. APG will continue to engage with lawmakers and other stakeholders to advance these perspectives as policy discussions about improving MA risk adjustment practices continue.



In A Switch, MedPAC Recommends Linking Medicare Physician Fees

To Annual Practice Cost Inflation

Medicare's Physician Fee Schedule (MPFS) should be updated annually based on a portion of the growth in the [Medicare Economic Index \(MEI\)](#), such as the MEI minus one percentage point, the Medicare Payment Advisory Commission's (MedPAC) recommends in its new [June 2025 report](#) to Congress. This method of update would replace annual updates scheduled in current law. The MedPAC proposal constitutes a substantial advance from the panel's previous recommendation in its March 2025 report ([Washington Update – March 21, 2025](#)), in which it suggested the change for 2026 only.

In justifying its new recommendation, MedPAC noted that clinician input costs are rising faster than the historical average and are now expected to exceed the fee schedule updates currently set in law by as much as 2 percentage points in coming years. The resulting payment pressure “could create incentives for clinicians to reduce the number of Medicare beneficiaries they treat, stop participating in Medicare entirely, or consolidate with hospitals, which could increase spending for beneficiaries and the Medicare program,” MedPAC said in a [release](#).

The new recommendation differs from a provision contained in the House reconciliation bill that would hike the MPFS in 2026 by 75 percent of the MEI, and to 10 percent of the MEI in 2027 and beyond ([Washington Update - May 16, 2025](#)). Since the MEI is projected to increase by 2.3 percent in 2026, the resulting boost under the House bill would be 1.725 percent in 2026, versus 1.3 percent under the MedPAC proposal. However, the increase in 2027 and beyond would be much lower. APG has endorsed the House proposal as an overdue step in raising physician fees to account for practice cost inflation.



Firings And New Appointments To Vaccine Advisory Panel Fuel Ever-Growing Concerns Over Compromised Science

A [purge](#) of appointees to a key government [vaccine advisory panel](#) – followed by the [appointment](#) of at least several prominent anti-vaccine proponents and the [removal](#) of government officials who had overseen the panel – has prompted broad condemnation among medical groups and experts and calls for reversing the actions taken by Health and Human Services Secretary Robert F. Kennedy, Jr.

Conflicts? In separate statements, the American Medical Association [said](#) the moves overturned “a transparent process that has saved countless lives” and [asked](#) the Trump administration to reconsider the removal of the preexisting panel membership. Other

organizations [critiqued](#) Kennedy's purported rationale that the prior panel had been riddled with conflicts of interest, particularly in light of the fact that at least some of the new [appointees](#) appeared to have several of their own. One appointee, [Vicky Pebsworth](#), for example, is a board member and research director of the [National Vaccine Information Center](#), an organization that has been [described](#) as "the most powerful anti-vaccine organization in America."

Kennedy said this week that a previously scheduled meeting of the advisory committee will still take place on June 25. In the meantime, key [public health](#) and [physician organizations](#) are asking insurers to cover COVID vaccines for pregnant women in spite of new government vaccine guidelines put in place by Kennedy that [removed](#) the recommendation. *Politico* [reported](#) this week that a document HHS has circulated to Congress purporting to "explain its decision" to remove the recommendation actually cites studies "that largely found the shot is safe."



In Case You Missed It

- APG recommended multiple specific steps to streamline reporting burdens for physicians in a [response](#) to the agency's request for information regarding deregulation in the Medicare program.
- Primary care physicians increased the number of traditional Medicare patients they saw annually through a value-based care model designed for Medicare Advantage, according to a new [study](#) by Agilon Health, an APG Member.
- NIH scientists and staff [criticized](#) NIH and HHS leadership for the waste of resources and abandonment of life-saving programs that resulted from the deep funding cuts to the agency.
- The Program of All-Inclusive Care for the Elderly (PACE) constitutes the most fully integrated form of care for dual eligible individuals, but suffers from problems including unclear oversight responsibilities between states and the federal government, the Medicaid and CHIP Payment and Access Commission (MACPAC) said in its June 2025 [report](#).



APG Announcements And Offerings

- APG launches **Case Studies in Excellence 2025**: APG members are invited to submit an innovative care initiative or best practice in value-based care for the next edition of Case Studies in

Excellence. **Abstract submissions are due by June 16 and can be submitted [here](#).**

- APG will host a **Group Purchasing Program** webinar featuring expert speakers sharing information about their innovative products from **Altura, GoGo, and Ventegra** on **Tuesday, July 22, 4:00 pm – 5:00 pm ET**. Register for the webinar [here](#).
- **Up to 10 APG members focused on dementia care with at least 30 percent of Medicare patients enrolled in Medicare Advantage**, are eligible for technical assistance support through the National Dementia Care Collaborative (NDCC) thanks to support from The John A. Hartford Foundation. To connect with the NDCC team and apply for this opportunity, visit the NDCC website [here](#).
- Want to get more involved in APG's Federal advocacy efforts? [Join APG Advocates today](#).

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