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

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## **Minnesota Sues As Several “Blue” States Push Back Over Trump Administration Pressure On Alleged Health Care Fraud**

Minnesota [sued](#) the Trump administration this week, accusing CMS of “weaponizing” its campaign to root out health care fraud by deferring nearly \$260 million in federal Medicaid matching funds for fourth quarter 2025 expenditures over what state officials say are vague, shifting allegations of “noncompliance.” The lawsuit—and CMS’s public [posture](#) around it—have intensified concerns that an otherwise worthy effort to root out waste, fraud, and abuse has also become a vehicle to pressure Democratic-led “blue” states.

California, [Maine](#), and [New York](#) are also targets of CMS probes, with the agency notifying the Empire State this week that it had 30 days to respond to an inquiry or also risk a deferral of federal Medicaid funds.

In Minnesota, the fight centers on CMS's January announcement that it would defer payment of an unprecedented \$2 billion in federal matching funds while it reviews vaguely referenced "questionable variances" and "aberrant billing practices" in such areas as home and community-based and personal care services. In its lawsuit, the state argues that the latest threat of \$260 million in funds deferral sidesteps due process and threatens coverage and services for beneficiaries. Meanwhile, California, whose attorney general has been prosecuting alleged [hospice fraud](#) in Medi-Cal, the state's Medicaid program, has also had to [respond](#) to a CMS inquiry over rising expenditures in categories such as in-home supportive services that CMS has signaled could represent fraud, waste, or abuse.

**Other Moves:** These latest actions have unfolded amid the administration's "war on fraud" initiative, led by Vice President J.D. Vance and CMS Administrator Mehmet Oz, MD, MBA. In recent weeks, CMS also announced a [moratorium](#) on new Medicare enrollment of suppliers of durable medical equipment, prosthetics, and orthotics, and published a [request for information](#) asking for input about how to better "crush" waste, fraud, and abuse.

APG has long supported strong efforts to root out wasteful spending in all these areas, most recently by backing CMS efforts to rein in excessive skin substitute spending (see item below). At the same time, APG remains concerned that an overly broad dragnet — especially one that generates large-scale payment deferrals to states led by Democratic governors — could create significant collateral damage for its multiple member organizations in those states and the patients whom they serve.



### **Medicare Payment Changes On Skin Substitutes, Supported By APG, Prompt Manufacturers' Lawsuit**

Manufacturers of [skin substitutes](#) have [sued](#) the Department of Health and Human Services and CMS in a Texas federal district court over the recent Medicare payment overhaul aimed in reining explosive growth in spending on these wound care compounds ([Washington Update](#), Nov. 7, 2025). CMS administrator Oz has said that agency is "highly confident" it will prevail, arguing that many of the products currently on the market lack sufficient clinical evidence and that the new payment methodology preserves incentives for innovation in wound care without enabling fraud.

CMS last year adopted a new provision in the 2026 Medicare Physician Fee Schedule [rule](#) to pay for skin substitutes as “[incident to](#)” supplies at flat rates, rather than as biological products for which Medicare paid 106 percent of the “[average sales price](#)” — a system that enabled providers to retain large sums for using the products when purchased at discounted rates. CMS estimates the change, which sharply reduced payment for use of the products, could cut Medicare spending on the category by nearly \$19.6 billion in 2026 alone. The manufacturers argue in their lawsuit that the payment reclassification is illegal and in effect punishes all skin substitutes manufacturers, when any changes should have been narrowly targeted on the “small subset of wound care providers—fewer than three percent” – responsible for the substantial waste, fraud, and abusive use of skin substitutes.

**APG position:** As previously reported, APG supported the payment change as one necessary way to insulate its members’ accountable care organizations from surges in Medicare spending that adversely affected the ACOs’ financial performance. APG also supports further steps, including possible congressional legislation, that would permanently hold ACOs harmless from so-called “significant, anomalous, and highly suspect billing” of the sort manifested in excessive skin substitutes spending and the massive urinary catheter [billing fraud](#) of recent years.



## **Federal Vaccine Policies: The Push-And-Pull Continues**

Federal vaccine policy remains in flux amid political, regulatory, and public health pressures— from a closely watched confirmation process over Surgeon General nominee Casey Means ([Washington Update](#), Feb. 27, 2026) to the growing measles [caseload](#) linked in large part to non-vaccination. Among the latest developments:

- Despite the administration’s efforts to mute anti-vaccine rhetoric ahead of the midterm elections ([Washington Update](#), Feb. 27, 2026), Health and Human Services Secretary Robert F. Kennedy, Jr. has [appointed](#) two additional members to the Centers for Disease Control and Prevention’s Advisory Committee on Immunization Practices ([ACIP](#)) who have been critical of COVID-19 vaccines. One, Sean Downing, MD, is a primary care doctor who runs a Florida [concierge practice](#) and says he administers vaccines; the other Amy Farella, MD, is a Texas pediatrician who in 2021 [questioned](#) the safety and necessity of COVID-19 vaccines and blamed them for deaths in the state. ACIP is [scheduled](#) to discuss issuing recommendations related to COVID-19 vaccine

injuries and long COVID at is forthcoming meeting on March 18-19.

- Meanwhile, pushback continues over the administration's multiple vaccine changes. Fifteen states have [sued](#) in a California federal district court over the administration's rollback of several childhood vaccine recommendations, arguing that the changes unlawfully endanger public health. In a separate lawsuit brought by the American Academy of Pediatrics and other organizations ([Washington Update](#), July 11, 2025), a Massachusetts federal district court judge this week [signaled skepticism](#) this week that HHS Secretary Robert F. Kennedy Jr. has "unreviewable" authority to reshape federal vaccine policy, as Justice Department lawyers contended. As previously reported, APG filed an amicus brief in support of the plaintiffs in the case ([Washington Update](#), February 13, 2026).



## In Case You Missed It

- **More than 100 organizations — including APG — spearheaded by the Better Medicare Alliance (BMA) – urged CMS to revisit** its proposed 0.09 percent Medicare Advantage (MA) average payment increase for 2027, warning that the rate would fail to keep pace with rising medical costs and could destabilize benefits and care coordination for 35 million MA beneficiaries ([Washington Update](#), February 27, 2028).
- **Payment flowing through the most advanced value-based payment models fell in Medicare Advantage, Medicaid, and commercial payment from 2023 to 2024**, according to the latest national Alternative Payment Model (APM) [measurement effort](#) produced by [AHIP](#) on behalf of the Health Care Payment Learning and Action Network ([HCP-LAN](#)). Despite the slide in payment in [LAN Categories 3](#) and 4, 70 percent of payers queried expect APM activity to increase over the next two years, particularly in shared-risk models.
- **Medicare's payment rates for hospitals have climbed sharply over the past decade while physician payment has fallen**, according to a new Paragon Health Institute [analysis](#). Base rates for hospital inpatient care have increased about 30 percent and outpatient rates roughly 26 percent since 2016, while the physician fee schedule conversion factor—the

base payment rate for physician services—has fallen by about 7 percent.

- **Multiple tradeoffs would be inherent in moving to a new Medicare Advantage risk adjustment model** linked to actual MA claims recorded in encounter data, rather than to spending in the Original Medicare program, according to an [analysis](#) that staff of the Medicare Payment Advisory Commission presented this week.
- **Effective at the end of this month, enrollment in Elevance Health’s MA plans is [suspended](#)** pending correction of deficiencies in the organization’s submission of risk adjustment data to CMS. Current enrollees’ coverage will continue uninterrupted, the agency says.
- **[California and New York will see the largest dollar-value reductions in their federal and state Medicaid funding](#)** from 2025-2034 — at roughly \$112 billion and \$63 billion, respectively — as a result of changes in H.R. 1, according to an analysis by RAND. Several other states that both expanded Medicaid and made substantial use of provider taxes and state-directed payments — Arizona, Iowa, and Nevada — will see their Medicaid budgets cut by 15 percent over the decade.
- **Another meeting of the [U.S. Preventive Services Task Force \(USPSTF\)](#) has been postponed, leaving several preventive-care recommendations in limbo** and raising concerns that HHS Secretary Kennedy could still act to reshape the panel that determines which screenings insurers must cover without cost-sharing ([Washington Update](#), July 11, 2025).



## APG Announcements And Offerings

- Registration is open for the **APG Spring Conference 2026: Delivery, Dollars, And Determination: Challenges and Opportunities In Accountable Care** to be held May 27-29 at the Marriott Marquis Marina in San Diego. Please [register now](#) to take advantage of the Early Bird Savings.
- **Sponsorship is now open for the APG Spring Conference 2026**, May 27-29, in San Diego. Please visit our [Spring Conference 2026 sponsor website](#) and reserve your space today.

- Want to get more involved in APG's Federal advocacy efforts? [Join APG Advocates today.](#)