



April 3, 2026

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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## **APG Welcomes New CMS Moves To Shield ACOs' Performance From Highly Suspect Spending**

APG member organizations welcomed the Centers for Medicare & Medicaid Services' latest steps this week to shield accountable care organizations (ACOs) from losses due to "significant, anomalous, and highly suspect" (SAHS) billing – the agency's catchphrase signaling a notable uptick in claims that may constitute waste, fraud, or abuse. In a [guidance letter](#) sent to accountable care organization (ACO) participants, the agency said it would exclude certain outlier claims—such as select billing related to urinary catheters — from its 2025 performance-related financial calculations for the Medicare Shared Savings Program (MSSP) and ACO REACH Model. The agency also said that it would take targeted action on

skin substitutes spending in ACO REACH, removing 90 percent of those expenditures from performance year 2025 calculations and adjusting benchmarks and stop-loss provisions for participants.

CMS's move follows similar [measures](#) that the agency first adopted in 2024 after a suspect [surge in claims](#) for urinary catheters that later resulted in [criminal charges](#) against perpetrators of the fraud. APG and other groups representing ACOs successfully appealed to CMS to hold ACO's financial performance harmless against such suspect billing. More recently, similar concerns were raised about explosive growth in [skin substitutes spending](#), which has also resulted in multiple CMS actions to shield ACOs from the effects and the agency's [adoption](#) of new payment modalities for the products to reduce incentives for excessive use ([Washington Update](#), November 7, 2025).

In its new guidance, CMS wrote that it had determined that skin substitutes spending does not meet the SAHS threshold in MSSP and is unlikely to affect performance for most participants. But ACO REACH participants, particularly High Needs ACOs, were more exposed to these costs, prompting adjustments to 2025 financial calculations. In statements to the news media, APG noted that CMS's welcome new guidance comes at a pivotal time, when many ACOs face decisions about entering the new Long-term Enhanced ACO Design ([LEAD](#)) Model in 2027 or continuing in MSSP. The new, clear signals from the agency that it "has organizations' back" on waste, fraud, and abuse issues will help to fortify organizations' commitment to "sticking with accountable care," APG's president and chief executive officer, Susan Dentzer, told *Modern Healthcare*.



## **CMS Refocuses MA Star Ratings On Outcomes, Aligns With APG Recommendations In Final Rule**

Medicare Advantage (MA) Star Ratings will be streamlined, and a new depression screening measure will be added, under CMS's Contract Year 2027 MA and Part D [final rule](#) released this week. The actions will remove 11 Star measures that mainly track administrative compliance rather than patients' outcomes or experience and in which MA plans almost always score highly. They will also tilt the measures toward greater emphasis on clinical outcomes and MA enrollees' experience of care. The changes align with recommendations that APG made in its January 2026 comment [letter](#) to the agency, and in an earlier [report](#), to shift the ratings' emphasis toward measures focused on clinical outcomes and MA enrollees' experience of care.

The Star Rating changes are expected to result in increased bonus payments to MA insurers of more than \$18 billion over the next decade, according to an analysis of the final rule. A CMS [fact sheet](#) also enumerates other changes in the rule, including the agency's decision to retain a diabetes-screening measure based on public feedback and implementing changes in Part D benefits enacted earlier in law. APG will provide further analysis to its members following its more detailed review of the final rule; please watch "APG Announcements and Offerings" in future editions of Washington Update for the briefing date and time.



## **States Can Act To Minimize Projected Medicaid Coverage Losses From Reconciliation Law, New Report Says**

As states await more detailed instructions from CMS on implementation of new Medicaid work requirements under the 2025 reconciliation law, they are gearing up for these and other Medicaid eligibility changes by [overhauling computer systems](#) and contemplating the effects of dwindling Medicaid rolls. But newly published analysis suggests that states will have considerable ability to moderate projected Medicaid coverage losses in the specific actions that they take to implement the new policies.

**States' choices:** In a newly released [report](#) from the Urban Institute, researchers estimated that anywhere from 4.9 million to 10.1 million people could lose Medicaid coverage in 2028 as a result of work requirements and more frequent eligibility determinations – a potential two-fold difference in the coverage impact. The difference will come down to whether states adopt what the researchers labeled "high mitigation" strategies or not. These would include such steps as making extensive use of automatic data-matching among existing computer data bases to determine whether beneficiaries are meeting the new requirements – actions that would enable them to retain their Medicaid coverage without having to submit extensive paperwork. Another key intervention would be adopting an [expansive definition of "medical frailty,"](#) given that the 2025 law exempts medically frail individuals from having to meet the new work requirements.

Multiple APG members caring for Medicaid enrollees are now exploring ways that they can assist patients in complying with work requirements, such as using AI-enabled systems to assist them in understanding the requirements and filing needed documentation. The topic will be discussed at a planned session of APG's Medicaid and Dual Eligibles Coalition meeting at its

forthcoming spring conference. Please watch APG's conference registration website for more details.



## In Case You Missed It

- **The Trump administration's [fiscal 2027 budget request](#) recycles multiple proposals that were rejected by Congress last year**, including reorganization of much of the Department of Health and Human Services, \$5 billion in cuts to the National Institutes of Health budget, \$356 million in cuts to the pandemic-fighting Administration for Strategic Preparedness and Response, and elimination of the poverty-fighting [Community Services Block Grant](#) (described in the budget document as a “slush fund for woke Community Action Agencies”).
- **As previously reported second budget reconciliation package that could revisit Medicaid, ACA, and Medicare policies as potential spending offsets to pay for the Iran war, and other Republican priorities.** Early discussions include changes to ACA subsidies, Medicare Advantage payment and coding policies,
- **Applications are open for the Long-term Enhanced ACO Design (LEAD) Model, launching January 1, 2027**, with a May 17, 2026 deadline, following CMS's release of the Request for Applications ([RFA](#)). ([Washington Update](#), December 19, 2026).
- **CMS will allow certain Innovation Center model participants to begin offering a new [Substance Access Beneficiary Engagement Incentive \(BEI\)](#) starting April 1, 2026, enabling clinician-guided access to eligible hemp-derived products** for select patients. The optional incentive is available in models including ACO REACH, and the Enhancing Oncology Model and the LEAD model starting in 2027 and allows up to \$500 annually per beneficiary.
- **A California court has dismissed the California Hospital Association's legal challenge to the state's health care cost-growth benchmarks, finding the group failed to demonstrate imminent harm**, though the case may continue as CHA considers refiling—keeping uncertainty around enforcement and future litigation in play, according to a Health Affairs Forefront [article](#).

- **The Trump administration will impose tariffs of up to 100% on certain brand-name drugs to pressure manufacturers into pricing and domestic production agreements,** exempting companies that have already negotiated with the administration.
- **CMS has proposed a new hospice scoring system and transparency measures to identify potential fraud and inappropriate utilization, expanding oversight of hospice providers** under the FY 2027 Proposed Medicare Hospice [Rule](#). The proposal would use claims-based metrics to flag providers for potential review and increase transparency for beneficiaries and regulators.
- **Children’s Health Defense and allied plaintiffs are appealing a federal court decision that blocked changes to the federal childhood vaccine schedule** and advisory process, extending legal uncertainty around vaccine policy and implementation.
- **A bipartisan group of senators is urging CMS to further tighten Medicare Advantage payment rules and advance provisions of the No UPCODE Act** in a new [letter](#) to the agency, warning that current policies may still allow billions in excess federal spending tied to upcoding practices.
- **The FDA has approved Eli Lilly’s oral obesity drug orforglipron (to be marketed as Foundayo), introducing a new pill-based competitor to Novo Nordisk’s Wegovy** The approval sets up intensified competition on pricing, convenience, and effectiveness, as both companies expand into the emerging market for oral weight-loss treatments.
- **CMS may face pressure to expand quality measurement in the Long-term Enhanced ACO Design (LEAD) Model to better capture care coordination, diagnostic timeliness, and patient burden,** as gaps emerge between the model’s longitudinal design and current metrics, according to a Health Affairs Forefront [analysis](#).
- **Medicare Physician Fee Schedule changes have not increased the share of payments going to primary care physicians—which declined from 2017 to 2023—**raising questions about whether current payment updates are sufficient to address primary care workforce challenges, according to a Health Affairs Forefront [analysis](#).
- **The Electronic Frontier Foundation is suing CMS to force the release of information about how AI is being used in Medicare coverage decisions under the WISeR program.** The group is seeking details on the algorithms, vendor

arrangements, and how CMS is evaluating accuracy and potential bias, arguing that limited transparency raises concerns about inappropriate denials or delays of care as the use of AI expands.



## 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](#).
- **Sponsorship is also now open for the Spring Conference.** Please visit our [Spring Conference 2026 sponsor website](#) and reserve your space today.
- **The Trusted Messenger Program will host a live webinar on April 10 focused on how clinicians are using social media to engage patients and families.** The session will feature physicians with large online followings sharing practical strategies on what is working now to reach and communicate with patients. Click [here](#) to register.
- APG will host the following webinars, forum meetings, and other sessions in the coming weeks:
  - **A members only webinar on important CMS CMMI LEAD model updates on Wednesday, April 15, 2:00 pm - 3:00 pm ET.** Hear directly from CMS Innovation Center (CMMI) leaders about the model and get your questions answered. APG members may contact Jenifer Callahan at [Jcallahan@apg.org](mailto:Jcallahan@apg.org) to register.
  - **A Pediatric Care Forum Meeting on Thursday, April 16, 2026, 12:00 pm - 1:00 pm ET.** This forum explores the evolution of a multi-year telemedicine enabled transitions of care program designed to stabilize the most fragile and complex patients as they move from the high-touch neonatal intensive care environment to the community ambulatory care setting. **Please register [here](#).**
  - The next **Emerging Trends in Health Care** webinar on **Thursday, April 16, at 4:00 pm - 5:00 pm ET.** Please join Valinda Rutledge and her guest Amy Gleason, Acting Administrator of U.S. DOGE Service and Strategic Advisor to the Centers for Medicare & Medicaid Services (CMS) for a discussion on the Health Tech Ecosystem. **Please register [here](#).**

- **An AI in Value-Based Care webinar on Tuesday, April 26, 2026, 2:00 pm - 3:00 pm ET.** Speakers will address specific insights and experiences in the application of AI tools and frameworks to address claims and denials, encounter billing, and prior authorization. **Please register [here](#).**
- A members-only sponsored webinar presented by Merck: **“Help Prevent RSV Lower Respiratory Tract Disease in Infants in their First RSV Season”** on Tuesday, April 28, 3:00 p.m. ET. APG Members may contact Lura Hawkins at [Lhawkins@apg.org](mailto:Lhawkins@apg.org) to register.
- Want to get more involved in APG’s Federal advocacy efforts? [Join APG Advocates today](#).

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