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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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### **Tighter Proposed Limits On Medicaid State-Directed Payments Pose New Troubles For Multiple States**

The Trump administration this week [proposed new limits](#) as of 2029 on all Medicaid [state-directed payments](#) (SDPs), the Medicare- or commercial-level rates that states can direct Medicaid managed care organizations to pay to specific types of providers to help maintain adequate provider networks. The proposed rule – which goes beyond limits set forth in last year's reconciliation law – will further imperil many states' ability to serve enrollees and impose even greater pressure on providers' finances.

Although the federal government allowed states in 2024 to use SDPs to pay providers up to average commercial rates, last year's law launched a process to ratchet them down – grandfathering existing arrangements, but limiting certain new SDPs to no more than Medicare levels for a state that had expanded Medicaid under the Affordable Care Act, or to 110 percent of Medicare levels for non-expansion states. The new proposed legislation tightens the vise further, applying the Medicare payment limits to all SDPs for all services in all states as of 2029. Coupled with the reconciliation law's limits on provider taxes, which enable states to fund SDPs and draw down more federal dollars for their Medicaid programs, the new measure will “support the Administration’s priorities to promote financial integrity and operational efficiency in the Medicaid program by being efficient stewards of taxpayer funds,” according to a [fact sheet](#) from the Centers for Medicare and Medicaid Services (CMS).

**Notable exception:** That desire for thrift notwithstanding, CMS also acted this week to [channel nearly \\$8 billion](#) to Florida hospitals for care provided to Medicaid enrollees in fiscal 2025, grandfathering that state's SDPs from the reconciliation law's crackdown as the agency has done earlier this year for [other states](#). The Florida hospitals were paid nearly double Medicare rates to provide the care. In a statement, the American Hospital Association said that the new limits proposed this week “will have very real consequences for access to care in communities across the nation.” California, for example, now faces a multi-billion-dollar federal Medicaid [funding cliff](#), threatening its use of SDPs for such purposes as making enhanced payments to clinics and practices for upgrading their infrastructure to deliver value-based care.



## **Stability Of ACA's Individual Market In Question Amid Changes In New Federal Rule**

The Affordable Care Act's individual insurance market faces further destabilization and enrollment declines in the wake of a new [federal rule](#) released late last week, insurers, policy analysts and other stakeholders warned this week. The rule comes as some APG member organizations report that the recent expiration of enhanced premium tax credits and other ACA changes are prompting sharp losses of patients as they exit ACA plans.

As previously reported in [Washington Update](#) (Feb. 1, 2026), the new rule's broad provisions will expand availability of catastrophic plans, eliminate standardized plan requirements, loosen some network and essential community provider standards on plans, and add new verification and enrollment requirements. The combined effect

appears likely to push healthier consumers into lower-premium plans with higher deductibles, while leaving sicker patients concentrated in more comprehensive plans – [worsening risk pools](#) and increasing premium pressure in the remaining ACA market. CMS itself has estimated that the policies will reduce average marketplace enrollment in 2027 by 1.2 million to 2 million people and that healthier enrollees are more likely to discontinue coverage as stronger eligibility verification requirements take effect.

**Undermining value-based care:** The changes will now unfold as insurers participating in the ACA's individual market face [thin or nonexistent average margins](#), and with multiple carriers announcing that they will [quit the market](#) in 2027. In comment letters to CMS, multiple states [warned](#) of dangers of allowing plans without provider networks to participate in the marketplaces, with state insurance commissioners [noting](#) that the payments that non-contracted providers would accept from a health plan would be “a moving target” changing “at any time, for any reason.” APG also warns that the federal rule will drastically undermine value-based care – both because uninsured individuals won't be covered under such arrangements, and because neither consumers nor states can hold providers or plans without networks accountable for the costs and quality of care.



## **Measure to Stabilize Medicare Physician Payment, Other Payment Reforms Teed Up By Key House Committees**

A [bill](#) to limit year-to-year swings in Medicare physician payment was adopted unanimously by the House Ways & Means Committee this week even as related payment measures gained scrutiny in a separate Energy & Commerce (E&C) health subcommittee [hearing](#). The actions came as efforts to redress the long-term real decline in Medicare physician payment this year gain momentum in the House of Representatives, if not the full Congress.

The bill designed to provide greater stability in Medicare physician payment would address several technical legal provisions governing the [Medicare Physician Fee Schedule](#) that, taken together, constrain policymakers from boosting physicians' fees substantially in one part of the schedule without cutting them elsewhere. It would also limit annual fluctuations in the [conversion factor](#) used to adjust the fee schedule – and therefore, overall Medicare physician payment rates – to no more than 2.5 percent. The separate E&C panel hearing examined other potential reforms in the 2015 [MACRA](#) law, including

the administrative burden imposed on providers through participation in the [Merit-Based Incentive Payment Program](#), and proposals to build a permanent annual adjustment for practice cost inflation into the fee schedule.

**Uncertain prospects:** Lawmakers from both parties have repeatedly raised concerns that relatively low Medicare payment levels and payment instability is contributing to undue financial pressure on the sector and consolidation among independent physician groups. Yet it remains unclear how much momentum major Medicare physician payment reforms will gain in the full Congress this year. As yet, no comparable measures are advancing in the Senate, and in any case, major reforms in physician payment could require costly “offsets” – payment reductions or tax increase – elsewhere in the proposed federal budget for fiscal 2027. Nonetheless, APG will continue to advocate for Medicare physician payment reforms and urge lawmakers to act, potentially in a year-end package after the mid-term elections.



## In Case You Missed It

- **Lack of transparency surrounding changes to the U.S. Preventive Services Task Force creates distrust** over the Trump administration’s commitment to evidence-based preventive care, APG warned in a statement this week after the disclosure that Health and Human Services (HHS) Secretary Robert F. Kennedy Jr. had [fired](#) the task force’s two top leaders.
- **HHS [reestablished](#) the Advisory Committee on Immunization Practices** after an [administrative lapse](#) briefly caused the vaccine advisory panel’s charter to expire, reopening questions about how the agency will structure the committee amid the legal battle over the administration’s vaccine policy changes.
- **Federal prosecutors charged 15 defendants in a Minnesota Medicaid “[fraud takedown](#)”** in an alleged scheme tied to fraudulent provision of autism and other services. **The** Justice Department also announced another expansion of its Health Care Fraud Strike Force.
- **Senate Democrats introduced a [resolution](#) calling for congressional disapproval of the CMS Innovation Center’s [WISer model](#),** designed to test AI-assisted prior authorization for a specified list of services in traditional Medicare.

- **More than 20 states [sued](#) the Trump administration over new federal student loan eligibility limits** that exclude nursing, physician assistant, and other health profession programs from higher graduate student loan caps.
- **Hundreds of senior HHS employees could lose longstanding civil service protections** under the Trump administration's planned [rollout of the new Schedule P/C employment](#) classification, potentially giving agency leadership broader authority to remove policy-influencing staff.
- **Operation Vital Signs, a July 21–22 cross-sector tabletop cyber exercise focused on health care operational continuity and recovery during a major cyber disruption**, is now open for registration. Organizations are encouraged to designate a Lead Planner and register through [H-ISAC's registration portal](#).
- **More than four in five physicians and nearly two-thirds of physician practices are now employed or owned by hospitals and corporate entities**, according to a new Physicians Advocacy Institute and Avalere Health [report](#) showing continued consolidation across both urban and rural markets through 2026.

**NOTE TO READERS: *Washington Update* will not publish next Friday, May 29 due to the APG Spring Conference in San Diego, and will resume on Friday, June 5, 2026.**



## **APG Announcements And Offerings**

- It's not too late to join us at the APG Spring Conference 2026 preconference session on May 27, ***From Awareness to Action: Preparing for the CMS Innovation Center's New Alternative Payment Models***, to explore what these models could mean in practice and how organizations are approaching participation decisions. View the full [agenda](#) for the conference — ***Delivery, Dollars, And Determination: Challenges and Opportunities In Accountable Care***, to be held May 27-29 at the Marriott Marquis San Diego Marina — and [register now](#).
- **Sponsorship is still open for the Spring Conference.** Please visit our [Spring Conference 2026 sponsor website](#) and reserve your space today.
- APG will host a sponsored webinar about the **"APG Group Purchasing Program (GPO)"** on Wednesday, June 17, at 2:00 pm ET. Four companies participating in APG's GPO — Altura,

COPE Health Solutions, Una, and Ventegra — will present on their offerings and special pricing for APG members. Please register [here](#).

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