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

Table of Contents

Echoing Recent Steps Taken In Other Proposed Regulations, CMS Goes Beyond 2025 Law In Medicaid Provider Tax Crackdown

Forty-nine of the 50 states use provider taxes to help finance their Medicaid programs – and following recent precedent, the Centers for Medicare & Medicaid Services (CMS) now proposes to go beyond provisions of the 2025 reconciliation law in throttling back on the arrangements. As with other facets of the funding crackdown, the primary targets are the 41 states that expanded Medicaid to slash their uninsured rolls under the Affordable Care Act.

Before enactment of last year's law, CMS allowed states to collect provider taxes from a given provider class – for example, hospitals or nursing homes – up to six percent of net patient revenue. The law adopted a plan to phase down that so-called safe harbor for expansion states by 0.5 percent annually to 3.5 percent in 2032 and

effectively eliminated any new provider taxes after the date of the law's enactment in July 2025. With the proposed regulation, CMS tightens the noose further, specifying that the new thresholds apply to each provider class subject to a provider tax, and requiring that any existing provider tax had to have been both "enacted and imposed" by that date, among other provisions.

Squeezing states harder: By reducing provider taxes even further – and thus states' ability to use them to draw down more federal matching Medicaid dollars – the provisions would cut federal spending by $20 billion more than the $226 billion over ten years originally estimated for the underlying statute. The proposed rule also effectively clamps down on state actions to extend new provider taxes to health insurers, such as managed care organizations.

APG will continue to evaluate the proposed regulation, which would not directly affect its member groups, but will further destabilize Medicaid in multiple states, undoubtedly causing millions to lose coverage and further depressing payment to providers. Meanwhile, this week, APG also filed its comments on the separate CMS proposed rule on State-Directed Payments, arguing that it would thwart value-based care arrangements in managed Medicaid and asking the agency to revise the rule to foreclose that outcome.

Price Transparency Bills, Other Health Care Measures Clear Key Health Committees As August Recess Looms

Key House and Senate health committees advanced legislation this week focused largely on health care price transparency as Congress prepared to adjourn for its August recess and mid-term election-year campaigning. Meanwhile, the Republican-led House of Representatives adopted a blueprint for another reconciliation measure mainly focused on defense spending, and – as the fiscal 2027 appropriations process lags – voted to extend current-year spending levels into early December.

Following similar actions by the House Ways & Means Committee last week, the House Energy & Commerce committee cleared a bipartisan package of legislation that backers hope the full House can pass later this year. The bills included a longstanding measure to expand price transparency requirements on multiple types of plans and providers – including hospitals and ambulatory surgery and imaging centers – and another to speed adoption of electronic prior authorization in Medicare Advantage (MA). Additional bills

aimed explicitly or mainly at MA would require insurers to report prior authorization approval and denial rates; publish information on their claims paid versus overhead expenses; include the amount of consumer cost-sharing and payment levels for services in encounter data; and submit enrollee-level data on use of supplemental benefits beginning in 2029.

Bipartisan backing: The Senate Health, Education, Labor & Pensions Committee also adopted a bipartisan package with a somewhat different price transparency provision that would require hospitals, clinical labs, ambulatory surgery centers, health plans, and pharmacy benefit managers to publicly post their prices charged to patients in machine-readable format. Separate health care workforce measures that the panel adopted aim to alleviate a shortage of faculty in nursing schools and increase funding for health professions workforce programs.

With the House now out of town on recess, and the Senate scheduled to depart August 7, supporters' hopes that many of these bills may make it into a post-election "lame duck" legislative package clearly depend on a myriad of factors – not least the prospects for extending fiscal 2026 spending levels beyond December or enacting a year-end 2027 appropriations package. And so far, no health care cuts have surfaced, as some conservative Republicans sought in the latest reconciliation plan adopted by the House. The outcome of the midterm elections will help to determine how the current Congress decides to act versus handing the baton to the next Congress that will take office in January.

In Case You Missed It

- **Responding to a lawsuit brought against it by Democratic state attorneys general and two governors (*Washington Update*, July 10, 2026), CMS says that Congress delegated to it the responsibility** to define "medical frailty" as a condition for exemption from new Medicaid work requirements. CMS in effect proposes to expand existing definitions of the term to mean only illnesses so serious or advanced that affected individuals couldn't work, volunteer, or attend educational sessions for 80 hours per month. Echoing a statement issued earlier by APG, an amicus brief filed by the American Medical Association says that the CMS definition would effectively "[insert] physicians into the burdensome process of making unnecessary determinations for this unlawful condition" and cause millions to lose

Medicaid coverage.

- **Medicare Advantage plans will gain another $428 million in quality bonuses as CMS recalculates Star Ratings** following a federal judge's recent ruling in favor of Clover Health (*Washington Update*, July 10, 2026). Eighteen MA carriers will now receive higher bonuses, according to an analysis cited in *Modern Healthcare*. CMS has said it will appeal the ruling.

- **Exerting more election-year pressure on the blue states of California and Minnesota, CMS this week held up $1.07 billion more in Medicaid funds** over alleged fraud. More than $3 billion has now been withheld from these states pending further investigations, causing pressure on state finances and delaying payments to home care and other providers.

- **Arbitration of medical billing disputes resulted in $15 billion in payouts to health care providers last year,** triple the 2024 total, a *Wall Street Journal* analysis showed. *The New York Times* reported that the law is being "gamed" by doctors, in the view of the Trump administration.

- **President Trump threatened this week that imported generic drugs will be slapped with a 100 percent tariff as of August 2028** unless manufacturers move production to the United States. Most generic drugs consumed in the U.S. are produced overseas, primarily in India and China.

- **A Food and Drug advisory panel, now populated with multiple people with ties to the peptide industry, overruled the agency's experts** and voted to allow compounding of several of the drugs, which are often used to obtain unproven benefits such as improving injury recovery or building muscle mass. HHS Secretary Robert F. Kennedy Jr. has previously critiqued what he describes as a "war on peptides."

APG Announcements And Offerings

- APG will host a members-only **Input Session on the RFI re: Strengthening the Physician Payment System** on **Thursday, August 13, 3:00 pm - 4:00 pm ET**. Members may contact Jenifer Callahan at jcallahan@apg.org to register.
- APG will host an **Informational Session on the 2027 Proposed Rule on the Medicare Physician Fee Schedule**

and MSSP on **Tuesday, August 25, 4:00 pm - 5:00 pm ET**. Members may register for the webinar **here**.

- **Want to get more involved in APG's Federal advocacy efforts?** Join APG Advocates today.

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