



PYA Healthcare Regulatory Roundup #94 – Washington Updates: One Big, Beautiful Webinar: Budget Battles, HHS Reorganization, & Enforcement Activities

Presented May 21, 2025 by PYA's Martie Ross and Kathy Reep | Part of the Healthcare Regulatory Roundup and Washington Updates Webinar Series

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WEBINAR SUMMARY

In this PYA Healthcare Regulatory Roundup, Martie Ross and Kathy Reep explore the sweeping implications of the One Big Beautiful Bill Act (OBBBA), a federal reconciliation bill with significant healthcare ramifications. Martie and Kathy detail policy changes affecting Medicaid, ACA coverage, rural hospitals, provider taxes, and fraud enforcement, while offering strategic guidance for providers navigating uncertainty in Washington.

Key topics include:

- OBBBA's three components: tax cuts, new spending on military and immigration enforcement, and offsets.
- OBBBA includes tax cuts from the 2017 Tax Cuts and Jobs Act, new provisions like the \$1,000 child credit, and offsets totaling \$1.57 trillion, primarily from Medicaid, SNAP, and student loan changes.
- OBBBA faces challenges in the House and Senate, with potential impacts on Medicaid, including work requirements, eligibility delays, and provider tax reforms.
- OBBBA's proposed rules on Medicaid provider taxes, CMS's new fraud detection center, and executive orders on pharmaceutical manufacturing and pricing.

WEBINAR HIGHLIGHTS AND FREQUENTLY ASKED QUESTIONS

What is the One Big Beautiful Bill Act (OBBBA), and why does it matter to healthcare providers?

- OBBBA is a budget reconciliation bill combining tax cuts, immigration/military spending, and major program cuts, especially to Medicaid.
- It's projected to increase the federal deficit by \$3.3 trillion by 2034 and significantly reduce healthcare funding.

How would Medicaid be affected if OBBBA passes?

- Key changes include work requirements, delayed eligibility reforms, biannual redeterminations, limits on provider taxes, and reduced retroactive coverage.
- These changes would reduce enrollment and provider payments.

How might rural hospitals be impacted?

- With 73% already operating at a loss, reduced Medicaid funds and increased uninsured care would further strain rural hospitals, possibly pushing many toward closure.

What's the status of the ACA Marketplace under the proposed legislation?

- OBBBA ends expanded premium tax credits in 2026, limits special enrollment periods, and tightens eligibility verification—likely increasing the uninsured population.



Are there changes to Medicare payment policies?

- Yes. The bill delays Medicaid DSH cuts to 2029, introduces REH reopening provisions, and ties Medicare physician fee updates to the Medicare Economic Index.

How is artificial intelligence (AI) addressed?

- \$25M is allocated for HHS AI fraud detection pilots.
- The bill also includes a 10-year federal preemption on state regulation of AI in healthcare.

What fraud enforcement initiatives are being introduced?

- CMS is launching a Fraud Detection Operations Center, and the DOJ has prioritized healthcare fraud in its white-collar crime enforcement strategy.

What are key takeaways from the CMS Innovation Center update?

- All new payment models will include downside risk, with possible expansion of the TEAM episodic model. Future integration with Medicare Advantage is expected.

What can providers do to influence these developments?

- Submit comments to the federal requests for information (RFIs) on administrative burden (due June 11) and digital health/data sharing (due June 16).
- Personalized input is more effective than relying on associations like AHA.

ACTION ITEMS

- Stay up to date on the new CMS Fraud Detection Operations Center and potential audits or requests for information.
- Submit comments on the request for information related to reducing administrative burden for hospitals by June 11.
- Submit comments on the request for information regarding the health technology ecosystem by June 16.
- Submit individual feedback, do not just rely on AHA.

WEBINAR OUTLINE

Introduction and Overview of the Webinar

- Martie Ross and Kathy Reep provide a summary of current events, an overview of the webinar, and discuss the title of the legislation, "One Big Beautiful Bill Act."

Overview of the One Big Beautiful Bill Act

- Martie Ross outlines the three main components of the bill: tax cuts and credits, new spending requirements, and offsets.
- She notes the bill includes tax cuts and credits from the Tax Cuts and Jobs Act of 2017 and new provisions promised by President Trump.
- Martie states the bill includes a new child credit, also known as the mega accounts, with specific rules for withdrawals.



- She emphasizes offsets include changes to Medicaid, SNAP, student loan, and Pell grant programs, totaling \$1.57 trillion.

Developments in Washington Since the Last Webinar

- Martie Ross discusses the timeline of events, including the budget resolution passed by the House and Senate on April 10.
- She notes the House Energy and Commerce Committee released provisions regarding Medicaid on May 11.
- Martie explains the bill was marked up by the House Budget Committee on May 14, with a vote along party lines to advance the bill.
- Martie Ross and Kathy Reep discuss five renegade Republicans voted no, but negotiations led to the bill being reported out of the budget committee.

Key Provisions Impacting Medicaid and Healthcare Providers

- Martie Ross discusses work requirements for Medicaid recipients between the ages of 19 and 64, not disabled, must be actively working or engaging in community activity.
- She notes delayed implementation of the eligibility and enrollment final rule through 2035.
- Martie explains states must conduct eligibility redeterminations at least every six months for the expansion population.
- Kathy Reep notes possible impact on individuals' taxes, and administrative burden.
- Martie further details provider tax and state-directed payment provisions, including prohibitions on new provider taxes and state-directed payments exceeding Medicare rates.

Impact of Medicaid Cuts on Rural Hospitals

- Martie Ross discusses the impact of Medicaid cuts on rural hospitals, noting that 73% of rural hospitals are already on negative operating margins.
- Kathy Reep notes the bill includes provisions to delay Medicaid Disproportionate Share Hospital (DSH) reductions until 2029.
- The presenters discuss that the bill prohibits Health and Human Services from enforcing the nursing home minimum staffing rules.
- Kathy notes the bill requires streamlining enrollment processes for out-of-state pediatric providers by 2029.

ACA Marketplace Changes and Artificial Intelligence Provisions

- The presenters discuss how the bill does not extend the expanded premium tax credits that expire at the end of 2025.
- They detail the bill includes provisions for income verification processes for ACA marketplace enrollees.
- They note that the bill limits the definition of lawfully present to qualify for premium tax credits.
- Martie notes the bill includes a \$25 million appropriation to HHS for AI vendors and data scientists to recoup payments from providers.

Senate Considerations and President's Budget

- Kathy Reep discusses the Senate's concerns with Medicaid cuts and the state and local tax deduction.



- She notes the Senate may address Medicare provider payments and site neutrality issues.
- Kathy explains the President's budget includes significant funding reductions for various agencies, including a 23% reduction in non-defense discretionary spending.
- She highlights that the budget does not address funding for new agencies like the Administration for a Healthy America and the Office for Inspector General.

Proposed Rule on Medicaid Directed Payment Provider Tax Reform

- Martie Ross discusses the proposed rule to address a loophole in Medicaid provider taxes, targeting seven specific states.
- She explains the rule includes subjective tests to ensure taxes are broad-based, uniform, and redistributive.
- CMS estimates the rule will save \$33 billion for the federal government between 2026 and 2030.
- States will have to comply with the final rule, with some states having a one-year transition period.

CMS Innovation Center and Fraud Detection Operations Center

- Martie Ross discusses the new strategy for the CMS Innovation Center, focusing on prevention, patient empowerment, and competition.
- The Innovation Center will structure models to always include downside financial risk for providers.
- CMS announced the creation of a new Fraud Detection Operations Center to leverage AI and machine learning to flag potentially fraudulent behaviors.
- The center aims to save over \$40 billion a year, with a focus on federal healthcare programs.

Executive Orders on Critical Medicines and Pharmaceutical Pricing

- Martie Ross discusses the executive order addressing critical medicines, including incentives to restore pharmaceutical manufacturing in the U.S.
- The order includes strategies to eliminate regulatory obstacles and expand FDA inspections of overseas manufacturing facilities.
- The most favored nation pharmaceutical pricing executive order aims to lower drug prices by tying federal health care program prices to the lowest price offered in other countries.
- Drug companies have expressed concerns that lowering prices will impact research and development funding.

Request for Information on Health Technology Ecosystem

- Kathy Reep discusses the RFI on the health technology ecosystem, focusing on digital health tools and data interoperability.
- The RFI seeks input on increasing beneficiary access to digital capabilities and improving health outcomes.
- The RFI asks for ideas on what data should be made available and how to improve digital health products for providers, including those in rural areas.
- The RFI includes questions on patient needs and the potential for personal assistants to support health needs.

Conclusion and Additional Resources

- Martie Ross and Kathy Reep conclude the webinar by encouraging attendees to stay engaged and informed with Washington Updates.