
Issue Brief

FEDERAL ISSUE BRIEF



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January 23, 2025

Draft Options for G.O.P. Cost Cuts for Tax Bill

Here we go again. The ***New York Times*** has issued a 50-page list of potential items that is being circulated among Republicans to reduce spending in order to fund the President's tax reduction programs. Many involve Medicare and Medicaid.

Comment

Most of the items presented below are not new and have been suggested over many years to help control and reduce Medicare and Medicaid spending. Chances of them being approved now is unknown.

The following are items controlled by the House Ways and Means Health Committee.

Limit Federal Health Program Eligibility Based on Citizenship Status

Up to \$35 billion 10-year savings

Currently, many non-citizens who entered the country illegally are eligible for federal health care programs including advance premium tax credits and Medicaid. This policy would remove specified categories of non-citizens from eligibility for federal health care programs.

Eliminate Medicare Coverage of Bad Debt

Up to \$42 billion 10-year savings

Medicare currently reimburses hospitals at 65 percent of bad debt (uncollected cost-sharing that beneficiaries fail to pay), while private payers do not typically reimburse providers for bad debt. This policy brings Medicare more in line with the private sector by gradually reducing the amount that Medicare reimburses providers for bad debt.

Medicare Site Neutrality

Up to \$146 billion in 10-year savings

Currently, Medicare and beneficiaries pay more for the SAME health care service furnished in hospital outpatient departments (HOPDs) than in physician offices. The budget supports Medicare site neutral payments by equalizing Medicare payments for health care services that can be safely delivered in a physician's office.

Improve Uncompensated Care

Up to \$229 billion in 10-year savings

Medicare currently provides additional financial support to hospitals that serve a disproportionate share of low-income patients related to uncompensated care.

These payments are limited to hospitals, which fails to acknowledge the amount of uncompensated care delivered in non-hospital settings. This policy reforms uncompensated care payments by removing the payment from the Medicare Trust Fund and establishing a new uncompensated care fund that will equitably distribute payments to providers based on their true share of charity care and non-Medicare bad debt.

Prevent Dual Classification for Hospitals Under Medicare

Up to \$10 billion in 10-year savings

Prevent dual reclassifications for hospitals under Medicare to eliminate double dipping of benefits.

Other Reforms to Obamacare Subsidies

Up to \$5 billion in 10-year savings

Reform Obamacare subsidies in the individual market to: lower premiums, lower out-of-pocket costs, direct subsidies to patients over health insurers, and target Premium Tax Credits to the neediest Americans.

Reform Graduate Medical Education (GME) Payments

Up to \$10 billion in 10-year savings

Reform Medicare graduate medical education (GME) payments. Enact H.R. 8235, Rural Physician Workforce Preservation Act reported out of the Ways and Means Committee on May 8, 2024. The bill would ensure that 10 percent of newly enacted GME slots would go to truly rural teaching hospitals. Also include a policy that would decrease excess GME payments to "efficient" teaching hospitals.

Geographic Integrity in Medicare Wage Index

Up to \$15 billion in 10-year savings

Enact geographic integrity in Medicare's Wage Index calculations to reduce overpayments to urban hospitals.

Repeal DACA Obamacare Subsidies Final Rule

\$6 billion in 10-year savings

In May 2024, the Biden Administration finalized a rule that would allow DACA recipients to enroll in subsidized marketplace and basic health program (BHP) plans. The rule expands eligibility by modifying the definition of "lawfully present" to include DACA recipients.

Codify Individual Coverage Health Reimbursement Arrangement (ICHRA) Rule

No budgetary effects

Codify the Individual Coverage Health Reimbursement Arrangement (ICHRA) Treasury rule to allow companies to offer their employees defined benefit contributions towards qualified health plans . Enact H.R. 3799, the Custom Health Option and Individual Care Expense Arrangement Act reported out of the Ways and Means Committee on June 7, 2023.

Second Chances for Rural Hospitals Act (H.R. 8246)

Up to \$10 billion in 10-year costs

Increase access to rural emergency care services and facilitate better discharges to post-acute care for patients. Ensure patients can expeditiously access emergency and post-hospital care in long-term care hospitals, nursing homes, and home health programs . Enact H.R. 8246, the Second Chances for Rural Hospitals Act reported out of the Ways and Means Committee on May 8, 2024.

Eliminate Inpatient-only List

Up to \$10 billion in 10-year savings

Eliminate the inpatient-only list so more same-day surgeries and procedures can be performed in lower cost, outpatient settings .

Improve Senior Access to Innovation and Telehealth

Up to \$20 billion in 10-year costs

Enact H.R. 8261 , the Preserving Telehealth, Hospital, and Ambulance Access Act reported out of the Ways and Means Committee on May 8, 2024. Enact H.R. 2407, the Nancy Gardner Sewell Medicare Multi -Cancer Early Detection Screening Coverage Act (JCA bill), H.R. 8816, the American Medical

Innovation and Investment Act, H.R. 1691 , the Ensuring Patient Access to Critical Breakthrough Products Act of 2023, and H.R. 4818, the Treat and Reduce Obesity Act of 2023 reported out of the Ways and Means Committee on June 26, 2024.

Reform IRA's Drug Policies

Up to \$20 billion in 10-year costs

Reform the ***Inflation Reduction Act's*** prescription drug policies to discourage price setting on innovative drugs treating rare patient populations.

Reform Medicare Physician Payments

Up to \$10 billion in 10-year costs

Reform Medicare's physician payment system to encourage more predictability and certainty.

Reform Obamacare Market Plan Design and Eligibility

Up to \$10 billion in 10-year savings

Reform Obamacare market plan design and eligibility rules such as actuarial value calculations and open enrollment periods.

Recapture excess Affordable Care Act (ACA) subsidies

Up to \$46 billion in 10-year savings

Currently, an individual can receive advance payments of the premium tax credit to coincide when health insurance premiums are due each month, based on an estimate of income . If the tax credit is paid in advance, the taxpayer must reconcile the advance credit payments with actual income filed on the tax return and repay any excess tax credits. For individuals with incomes below 400 percent of FPL, any repayment amount is capped. The budget removes limits on repayments of excess premium tax credit payments so any individual who was overpaid in tax credits would have to repay the entire excess amount, regardless of income.

Block Grant GME at CPI-M

Up to \$75 billion in 10-year savings

The Federal Government spends more than \$20 billion annually in the Medicare and Medicaid programs to train medical residents with little accountability for outcomes. GME reform has been recommended by the independent Medicare Payment Advisory Commission (MedPAC) and included in past presidential budgets. This policy streamlines GME payments to hospitals, while providing greater flexibility for teaching institutions and states to develop innovative and cost-effective approaches to better meet our nation's medical workforce needs.

Repeal Obamacare Subsidies "Family Glitch" Final Rule

Up to \$35 billion in 10-year savings

The text of the **Affordable Care Act** (ACA) made it clear that individuals with affordable employer coverage (as defined in the law) are not eligible to receive Obamacare subsidies for ACA plans. The affordability standard in Obamacare specifically applied only to individuals and not to the cost of family coverage overall. The provision was written this way to reduce the Congressional Budget Office (CBO) score for this provision. In October 2022, the Biden Administration "illegally" altered the ACA by creating a new affordability standard to both employees and their dependents, running afoul of the text and Congressional intent of the law, resulting in individuals leaving employer coverage and onto ACA plans.

The following are the purview of the Energy & Commerce Committee

Reverse Executive Expansion of State-Directed Payments in Medicaid

Up to \$25 billion in 10-year savings (Informal Estimate)

The Biden Administration finalized regulations effectively removing limits on the levels of state-directed payments (SDPs) in Medicaid, which are used to artificially increase federal Medicaid matching funds. This policy would impose limits on SDPS.

Medicaid FMAP Penalty for covering Illegal Aliens with State-Only Money

TBD on Savings

This option would impose a reduction in a state's FMAP if the state uses state only funding to provide coverage to illegal aliens through the state's Medicaid program. States currently offering Medicaid coverage for illegal aliens include California and New York.

Repeal CMS Nursing Home Minimum Staffing Final Rule

Up to \$22 billion in 10-year savings

This option would repeal the final rule, "Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting." The rule was finalized in May 2024 and would impose minimum staffing standards on long-term care facilities, creating an unfunded mandate on critical health care facilities across the country, threatening provider facility closures and patient access to care.

Eliminate Prevention and Public Health Fund

\$15 billion in 10-year savings

Created under Obamacare, the Prevention and Public Health Fund (PPHF) is "the nation's first mandatory funding stream dedicated to improving our nation's public health system." In reality, the PPHF has served as a slush fund for the HHS Secretary, who has full authority to spend funds in this account on any program or activity under the Public Health Service Act the Department chooses without further congressional action. There is currently authorized \$ 1.3B for FY24 -FY25, \$1.8B for FY26-FY27 , and \$2B for FY28 and every fiscal year thereafter. This policy would repeal this fund but does not cut a specific program.

Equalize DC FMAP to What States Receive

\$8 billion in 10-year savings

This policy would base the District of Columbia's federal medical assistance percentage (FMAP) on the standard formula rather than fixed at 70 percent by statute. Under the policy, the District's matching rate would fall from 70 percent to 50 percent.

Lower Medicaid Matching Rate Floor

Up to \$387 billion in 10-year savings

There is currently a floor for states' federal medical assistance percentage (FMAP) set in statute at 50%. This option would lower the floor and allow all states' FMAPs to be set according to the formula. This option would primarily impact high-income states, like California and New York.

Equalize FMAP for ACA Expansion Population

\$561 billion in 10-year savings

The Obamacare Medicaid expansion gives preferential treatment to able-bodied adults over children or individuals with disabilities with a set 90 percent Federal Medical Assistance Percentage (FMAP) federal reimbursement for the Obamacare adult expansion population. This policy would end Obamacare's preferential treatment for adults over children by equalizing federal reimbursement of expansion adults to the normal FMAP formula.

Establish Medicaid Work Requirements

\$100 billion in 10-year savings

The policy would restore the dignity of work by implementing work requirements for able-bodied adults without dependents to qualify for Medicaid coverage, as included in the House-passed Limit, Save, Grow Act (H.R. 2811). Certain populations would be exempted, such as pregnant women, primary caregivers of dependents, individuals with disabilities or health-related barriers to employment, and full -time students.

Limit Medicaid Provider Taxes

\$ 175 billion in 10-year savings

States increase the amount of federal Medicaid funding they receive by levying taxes on providers and then increasing their reimbursement rates. This policy would lower the Medicaid provider tax safe harbor from 6% under current law to 4% from 2026 to 2027 and 3% in 2028 and after.

Repeal Biden Administration Finalized Medicaid/CHIP ACCESS Rule

\$121 billion in 10-year savings

In May 2024, the Biden Administration finalized a rule focused primarily on expanding access to Home and Community Based Services (HCBS) in both fee for service (FFS) Medicaid and in managed care plans, including by instituting worker compensation requirements.

Repeal Biden Administration Finalized Medicaid Eligibility Rule

\$164 billion in 10-year savings

In September 2023 and April 2024, CMS finalized two parts of a rule that governs protocols for states verifying Medicaid and CHIP eligibility. Among other things, the proposed rule imposed a prohibition on conducting eligibility checks more frequently than once every 12 months, elimination of the requirement for in person interviews for some populations, and minimum time allowances for enrollees to provide documentation needed.

Medicaid Per Capita Caps

Up to \$900 billion in 10-year savings

Currently, states receive open-ended Federal Medicaid matching funds based on the costs of providing services to enrollees. Under Medicaid today, for every dollar a state spends on Medicaid services, it gets \$ 1 to \$ 3 of Federal support (richer states get \$ 1, poorer states get \$ 3). States are guaranteed continued federal support for actual spending, even if those costs go up or do not achieve desired outcomes. With a per capita cap, the federal government makes a limited payment to the state based on a preset formula, which does not increase based on actual costs. States exceeding the “cap” for enrollees would thus need to find other revenues to maintain spending levels or explore innovative ways to reduce excessive costs. This policy would establish a per capita cap for each of the different enrollment populations set to grow at medical inflation.

Remove American Rescue Plan Temporary FMAP Increase

\$ 18 billion in 10-year savings

The **American Rescue Plan** included a provision that aimed to encourage non-expansion states to expand their Medicaid programs. In addition to the 90 percent FMAP available under Obamacare for the expansion population, states can also receive a 5 percent increase in their regular federal matching rate for 2 years after expansion takes effect. The additional incentive applies whenever a state newly expands Medicaid and does not expire. This policy rolls back this additional 5 percent FMAP incentive.

Standardize Medicaid Administrative Matching Rate

\$69 billion in 10-year savings

The federal government reimburses states at a different rate for some administrative activities. This policy option would standardize the Medicaid administrative matching rates at 50 percent for all administrative categories.

Medicare Site Neutrality

Up to \$146 billion in 10-year savings

Currently, Medicare and beneficiaries pay more for the SAME health care service furnished in hospital outpatient departments (HOPDs) than in physician offices. The budget supports Medicare site neutral payments by equalizing Medicare payments for health care services that can be safely delivered in a physician's office.

Unspecified Proposals to Address IRA Drug Pricing Policies

Unknown costs

Energy and Commerce provided no details on this policy option, solely stating that the policy would mitigate the "worst of innovation killing parts of IRA."

Unspecified Proposals to Reform CMMI

Unknown costs

Energy and Commerce provided no details on this policy option, solely stating that the policy would reform CMMI and cost money.

Unspecified Proposals to Post-Acute Care

Unknown costs

Energy and Commerce provided no details on this policy option, solely stating that the policy would "facilitate better discharges to post-acute care for patients" and cost money.

Unspecified Proposals to Medicare's Physician Payment System

Unknown costs

Energy and Commerce provided no details on this policy option, solely stating that the policy would include "reforms to Medicare's physician payment system" and either cost money or be budget neutral.

Unspecified Proposals to ACA Subsidies in Individual Market

Unknown

Energy and Commerce provided no details on this policy option, solely stating it would "lower premiums, lower out of pocket costs, direct subsidies to patients over health insurers, and counter the Democrats goal of subsidizing wealthy Americans premiums and further increasing ACA spending."

Unspecified Proposals to Change FMAPS

Unknown

Energy and Commerce provided no details on this policy option, solely stating it would "rebalance Federal Matching Rates to be fairer to states with more people with lower incomes."