Healthcare Current Events Forum

NJ HFMA Healthcare Current Events Forum (HCEF) December 2025

NJ HFMA – Healthcare Current Events Forum

Agenda

- ✓ **National/State Issues**
  - ✓ Healthcare Update (KPMG)
  - ✓ Provider Taxes and Medicaid (HFMA)
  - ✓ FDA Drug Policy Update (Becker)
- ✓ **Part A - Hospital**
  - ✓ Hospital Flash Report (Kaufman Hall)
  - ✓ AHA Sues HHS over 340B Program (Beckers)
- ✓ **Part B – Outpatient**
  - ✓ Status of Physician Groups (Becker)
  - ✓ Hospital Outpatient and ASC Rates (MH)
- ✓ **Compliance**
  - ✓ Stark Law Concerns (Beckers)
- ✓ **Payers**
  - ✓ Star Ratings are Modified (MH)
- ✓ **Next monthly meeting**
  - ✓ Wednesday, January 21, 2026

NJ HFMA – HCEF

National/State Issues

KPMG Healthcare Regulation

- CMS released the CY 2027 MA and Part D Proposed Rule, which includes proposals to revise MA Star Ratings measures by removing 12 metrics, introduce a new special enrollment period for enrollees impacted by provider termination, and ease certain requirements for dual eligible special needs plans.
- CMS introduced the ACCESS Model, a voluntary Medicare Part B payment model that reimburses providers for using telehealth and other digital tools such as wearables and mobile apps to manage patients with certain chronic conditions. The first performance period begins July 1, 2026.
- A new GAO report found persistent fraud risks in the ACA's Advance Premium Tax Credit program, after its investigators were able to get numerous fraudulent applications approved and subsidies paid to ineligible individuals.

NJ HFMA – HCEF

- **National/State Issues**
  - **KPMG Healthcare Law and Policy Update**
    - The Trump administration is appealing a federal court ruling that struck down CMS's 2023 MA Risk Adjustment Data Validation rule, which was intended to use extrapolated audits to recoup billions in plan overpayments.
    - Although senators have reached bipartisan agreement on healthcare price transparency and PBM reform, they remain at an impasse over how to handle the expiring ACA premium tax credits.
    - CDC's Advisory Committee on Immunization Practices (ACIP) voted to overturn the policy recommending universal hepatitis B vaccination for all newborns, limiting the birth dose instead to infants born to mothers who test positive for the virus, with others advised to consult providers.

NJ HFMA – HCEF

- **National/State Issues**
  - **Medicaid Provider Taxes**
    - OBBBA language will curb provider taxes as a Medicaid funding mechanism through which states can increase their allotment of federal matching dollars that, in turn, are disbursed to providers as supplementary funding.
    - Under the OBBBA, implementation of new or increased provider taxes is effectively prohibited in all states. Whereas a Medicaid non-expansion state can maintain the applicable tax percentage it had for ongoing arrangements when the legislation was signed, expansion states are subject to a reduction. The drop from the currently allowed percentage of 6% to a new 3.5% cap will be phased in over a five-year period starting in FY28.
    - In the guidance, CMS clarified that tax percentages are frozen for all states effective Oct. 1, 2026, based on taxes in place as of July 4, 2025. A higher rate can be implemented in the meantime but would be rolled back next October.
    - CMS says the biggest concern in this area applies to Medicaid managed care organizations (MCOs) rather than providers.
    - CMS asserts that MCO tax arrangements must close the loophole by the end of state FY26, while taxes applying to hospitals and other providers have until the end of state FY28. The agency may choose to provide additional time in some instances.

NJ HFMA – HCEF

- **National/State Issues**
  - **FDA Drug Policy**
    - In a series of high-impact moves, the FDA is reshaping how it approves and regulates drugs, including accelerating reviews, revising vaccine standards and simplifying biosimilar development.
    - 15 drugs selected for FDA's fast-track program - The agency has awarded national priority vouchers to 15 therapies under a pilot program aimed at cutting review timelines to as fast as two months.
    - Biosimilar guidance updated to cut costs, speed approvals - On Oct. 29, the FDA eliminated routine comparative efficacy studies and eased requirements for biosimilars to gain interchangeable status.
    - New pricing rules tie U.S. costs to global benchmarks - he biosimilar guidance supports a broader strategy led by HHS to enforce "most favored nation" pricing.
    - Path introduced for 'plausible mechanism' approval - A new regulatory framework outlined Nov. 12 would allow bespoke therapies for rare diseases to be approved without traditional randomized trials.
    - FDA official proposes vaccine approval reforms after internal review - In a Nov. 30 internal memo, FDA Vaccine Chief Vinay Prasad, MD, attributed 10 pediatric deaths to myocarditis from COVID-19 vaccines and proposed stricter approval standards for all vaccines. The claims were criticized by the Infectious Diseases Society of America as lacking transparency and risking public trust.

NJ HFMA – HCEF

- ✓ Polling Question #1

To Join the Poll – Slido.com

Participant #5412943

Password – oamccn

Click on Poll on Top

Which of the following is true about the status of provider taxes?

NJ HFMA – HCEF

- **The Centers for Medicare and Medicaid Services (CMS) – Part A Reimbursement**
- **Kaufman Hall December 2025 Hospital Flash Report (October 2025 Data)**
  - Key Findings
    - 1. Volumes remained strong in October while average length of stay declined, translating to a dip in net revenue per discharge. ED visits also decreased, coinciding with lower patient acuity.
    - 2. Bad debt and charity care continue to rise. This is likely due to natural demographic changes and the ongoing effects of state redeterminations of Medicaid enrollment; in 2026 and beyond, the looming Medicaid provisions of H.R.1 may likely drive this higher.
    - 3. Volume-adjusted labor expenses are experiencing some decline. While labor efficiency is up, the number of full-time employees is down, which indicates tight staffing levels and potential workforce burnout.
  - Operating Margins (Without Corporate Allocations)
    - CYTD – 6.3% Operating Median Margin October 2025
    - Monthly – 6.1% Operating Median Margin October 2025

NJ HFMA – HCEF

- **The Centers for Medicare and Medicaid Services (CMS) – Part A Reimbursement**
  - **AHA Sues HHS about 340B Program**
    - The lawsuit was filed Dec. 1 in the U.S. District Court for the District of Maine and challenges the HHS' plan to implement a new rebate-based model for 340B starting Jan. 1, 2026. Under the planned change, safety-net hospitals and clinics would be required to pay full market price for drugs up front and seek reimbursement.
    - The AHA argues the new structure would saddle hospitals with "hundreds of millions" in added annual costs, extensive administrative burdens and no benefit to patients.
    - In 2022 alone, 340B hospitals provided nearly $100 billion in community benefits, according to the AHA — including free or discounted medications, behavioral health services, opioid treatment and food pantry support.

NJ HFMA – HCEF

- ✓ Polling Question #2

To Join the Poll – Slido.com

Participant #5412943

Password – oamccn

Click on Poll on Top

Which of the following is not true for the current Hospital Flash Report?

NJ HFMA – HCEF

- **The Centers for Medicare and Medicaid Services (CMS) – Part B Reimbursement**
  - **Status of Physician Groups**
    - In 2024, 42.2% of physicians were working in private practice, a significant drop from 60.1% in 2012, according to the American Medical Association's "Physician Practice Benchmark Report," published May 29. Private practice now represents less than half of physicians in most medical specialties, with participation ranging from 30.7% in cardiology to 46.9% in radiology.
    - According to the AMA, the top reasons that physicians decided to sell their practices included a lack of negotiation power over payer contracts, the cost of necessary resources and managing administrative requirements.
    - For many independent physicians, reimbursement cuts remain the most immediate threat to survival. On Oct. 31, CMS issued its final policy changes for Medicare payments under the Physician Fee Schedule — including a 3.77% increase from the current conversion factor.
    - UnitedHealth Group's Optum reportedly employs 9,000 physicians and affiliates with around 90,000 and holds about 2.7% of the national primary-care market in 2023, according to a recent Government Accountability Office report.
    - Additionally, about 6.5% of physicians worked in PE-owned practices in 2024 (4.5% in 2022).

NJ HFMA – HCEF

- **The Centers for Medicare and Medicaid Services (CMS) – Part B Reimbursement**
  - **Hospital Outpatient and ASC Rates**
    - Medicare reimbursements for hospital outpatient and ambulatory surgical center services will rise 2.6% in 2026.
    - The Centers for Medicare and Medicaid Services also established new hospital price transparency and "site-neutral" payment policies.
    - CMS did not finalize an abbreviated claw back period for 340B Drug Pricing Program overpayments.
    - Under the site-neutral payments policy in the regulation, hospital-owned outpatient facilities will receive the same fees as physician offices to administer medications.
    - CMS will phase out the Inpatient-Only List of procedure codes over three years, enabling outpatient providers to bill Medicare for those services. The agency is beginning with 300 musculoskeletal codes next year.

NJ HFMA – HCEF

- ✓ Polling Question #3

To Join the Poll – Slido.com

Participant #5412943

Password – oamccn

Click on Poll on Top

Which of the following is true about the status of physicians?

NJ HFMA – HCEF

- **Compliance**
  - **Stark Law Concerns**
    - 1. No major regulatory changes have been issued in the past four years, and enforcement actions have been limited.
    - 2. The Stark law remains in effect as a strict liability statute with a six-year lookback period. This means providers can still face penalties for violations even during periods of reduced enforcement.
    - 3. Key compliance risks persist, including inaccurate fair market value assessments for physician payments, unsigned or missing contracts and improper financial relationships between physicians and entities receiving referrals.
    - 4. The report advises providers to use this period of relative quiet to audit and strengthen compliance programs, particularly those involving physician arrangements and designated health services.
    - 5. The Stark law prohibits physicians from referring Medicare patients for certain designated health services to entities with which they have a financial relationship. These services include laboratory, therapy and imaging services, as well as durable medical equipment, prescription drugs and hospital services.
    - 6. The law contains more than 40 exceptions, each with detailed documentation and administrative requirements. Compliance depends on correctly applying these exceptions. https://content.next.westlaw.com/Glossary/PracticalLaw/Ie4e617d8a5ad11eabea3f0dc9fb69570?transitionType=Default&contextData=(sc.Default)
    - 7. Common pitfalls for providers include paying physicians above fair market value, maintaining incomplete or missing contracts, structuring arrangements based on referral volume or value, and allowing improper physician ownership or investment.
    - 8. To reduce risk, providers should identify all direct and indirect physician relationships, conduct fair market value reassessments, and audit contracts and documentation processes.
    - 9. Experts expect enforcement to pick up again.

NJ HFMA – HCEF

- **Payers**
  - **Star Ratings are Modified**
    - The Centers for Medicare and Medicaid Services aims to cancel a Medicare Advantage Star Ratings program health equity metric slated to kick in next year.
    - The agency also proposed eliminating 12 administrative and compliance measures.
    - Health insurance companies have pleaded with CMS to relax the Star Ratings program as their quality scores have fallen.
    - Under the proposed rule, CMS would eliminate 12 plan administration and compliance Star Ratings metrics it deems aren't useful because the disparity between "low-performing" and "high-performing" plans is so narrow. Medicare Advantage insurers generally do well on those measures, many of which are heavily weighted in the overall ratings.

NJ HFMA – HCEF

- ✓ Polling Question #4

To Join the Poll – Slido.com

Participant #5412943

Password – oamccn

Click on Poll on Top

Which of the following is not an accurate stark law concern?

Healthcare Current Events Forum

MJM Advisory and Educational Services

CEO and Founder

Michael McLafferty CPA, MBA, FACMPE, FACHE, FHFMA

michael@mjmaes.com

https://mjmaes.com

Cell 732-598-8858