

Healthcare
Current Events
Forum

NJ HFMA
Healthcare Current
Events Forum (HCEF)
October 2025

NJ HFMA – Healthcare Current Events Forum

Agenda

- ✓ **National/State Issues**
 - ✓ Healthcare Update (KPMG)
 - ✓ OBBB Healthcare Business Impact (BDO)
 - ✓ Pharmaceutical Tariffs (MH)
 - ✓ CMS and Shutdown (Beckers)
- ✓ **Part A - Hospital**
 - ✓ Hospital Flash Report (Kaufman Hall)
 - ✓ Rural Health Fund Application (Rural Health)
 - ✓ Shutdown Impact on Hospitals (MH)
- ✓ **Part B - Outpatient**
 - ✓ Physician Flash Report (Kaufman Hall)
 - ✓ HOPD vs. ASC Study (Becker)
- ✓ **Payers**
 - ✓ Insurers Quitting Medicare Advantage (MH)
- ✓ **Next monthly meeting**
 - ✓ Wednesday, November 19, 2025

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✓ **National/State Issues**

✓ **KPMG Healthcare Regulation**

- ✓ CMS is set to launch a new income verification app for states to support the implementation of Medicaid work requirements, accompanied by a \$200M fund to aid states in deploying these new rules.
- ✓ A new GAO report highlights concerns about rising costs and inconsistent data reporting for Medicaid Section 1115 waivers, which hinders effective oversight.
- ✓ CMS created a Special Enrollment Period (SEP) for Medicare Advantage (MA) enrollees who relied on inaccurate provider directories, allowing them to make changes to their plan outside the usual enrollment periods.

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✓ **National/State Issues**

✓ **KPMG Healthcare Law and Policy Update**

- ✓ A federal appeals court has blocked the Trump administration's proposed overhaul of HHS, which included reorganizing agencies and terminating 10,000 employees.
- ✓ A new NIH research initiative will advance the study of the integrated function of the entire body rather than isolated organs or diseases.
- ✓ New oral alternatives to injectable GLP-1 drugs, set to be launched by several pharmaceutical companies including Novo Nordisk and Eli Lilly, aim to provide greater convenience for patients.

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✓ National/State Issues

✓ OBBB Healthcare Business Impact

- ✓ Changes in federal tax provisions and funding stemming from the recently passed reconciliation tax bill, the [One Big Beautiful Bill Act \(OBBBA\)](#), are expected to significantly impact the [healthcare industry](#).
- ✓ Medicaid Funding Cuts - Over the next few years, the OBBBA's spending reductions will impact patient access and care, as well as healthcare systems' bottom lines. Up to 16 million people are expected to lose eligibility for Medicaid by 2034, according to the Congressional Budget Office (CBO).
- ✓ Reinstatement of 100% Bonus Depreciation - Investments in property and equipment placed in service after January 19, 2025, are once again fully deductible the year they are placed in service, which could reduce tax burdens and increase investments in new technology and medical equipment for healthcare systems.
- ✓ Restored Expensing of Research Costs - Healthcare organizations no longer need to amortize research and experimentation costs and can once again expense them for tax years beginning after 2024.
- ✓ The OBBBA expands the group of individuals covered by the Section 4960 excise tax on compensation over \$1 million paid by certain tax-exempt organizations. Under the act, all employees and former employees of an organization are now subject to Section 4960 — not just the top five highly compensated employees in the current year or prior years.
- ✓ As Medicaid eligibility narrows, healthcare organizations should expect increased regulatory focus on fraud and abuse.

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✓ **National/State Issues**

✓ **Pharmaceutical Tariffs**

- ✓ The U.S. will start imposing a 100% tariff on all branded or patented pharmaceutical products as of Oct. 1, unless the manufacturer is building or has a production facility in the U.S. “‘Is Building’ will be defined as, ‘breaking ground’ and/or ‘under construction’.
- ✓ Any of the new tariffs stemming from sector-specific investigations will be added on top of President Trump’s country-specific levies.
- ✓ In recent months, drugmakers Eli Lilly, Johnson & Johnson and AbbVie have started to announce multi-billion dollar investments to bring more production to the U.S.
- ✓ Drugmakers have warned levies could increase costs and deter investments in U.S. manufacturing.
- ✓ The order exempted drugs currently under Section 232 investigation from additional tariffs and outlined potential tariff reductions for specific generic drugs and their ingredients.

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- ✓ **National/State Issues**

- ✓ **CMS and Shutdown**

- ✓ CMS will retain 53% of its staff, 3,311 employees, during the shutdown.
 - ✓ It will have sufficient funding for Medicaid to fund the first quarter of fiscal 2026, which runs through Dec. 31.
 - ✓ It will maintain the staff required to make payments to eligible states for the Children's Health Insurance Program.
 - ✓ Federal marketplace activities will continue, including eligibility verification.
 - ✓ Other non-discretionary activities, including Health Care Fraud and Abuse Control, and the Center for Medicare & Medicaid Innovation, will also continue.

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✓ Polling Question #1

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What of the following is true about pharmaceutical tariffs?

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- ✓ **The Centers for Medicare and Medicaid Services (CMS) – Part A Reimbursement**
- ✓ **Kaufman Hall October 2025 Hospital Flash Report (August 2025 Data)**
 - ✓ **Key Findings**
 - ✓ 1. Both patient volumes and operating margins have decreased this month. While margins remain positive, they've been steadily declining since January 2025.
 - ✓ 2. Bad debt and charity care continue to rise. With change to federal policy on the horizon, uncompensated care will likely continue to increase.
 - ✓ 3. Expenses have increased year-over-year, notably non-labor expenses. External forces including rising raw material costs and the uncertainty in global trade highlight the need for hospitals to maintain a resilient supply chain and explore spend management strategies.
 - ✓ **Operating Margins (Without Corporate Allocations)**
 - ✓ CYTD – 5.5% Operating Margin August 2025
 - ✓ Monthly – 3.7% Operating Margin August 2025

✓ The Centers for Medicare and Medicaid Services (CMS) – Part A Reimbursement

✓ Rural Health Fund Application

- ✓ The Program has five strategic goals, grounded in the statutorily approved uses of funds:
- ✓ • Make rural America healthy again: Support rural health innovations and new access points to promote preventative health and address root causes of diseases.
- ✓ • Sustainable access: Help rural providers become long-term access points for care by improving efficiency and sustainability.
- ✓ • Workforce development: Attract and retain a highly skilled health care workforce by strengthening recruitment and retention of health care providers in rural communities.
- ✓ • Innovative care: Spark the growth of innovative care models to improve health outcomes, coordinate care, and promote flexible care arrangements.
- ✓ • Tech innovation: Foster use of innovative technologies that promote efficient care delivery, data security, and access to digital health tools by rural facilities, providers, and patients.
- ✓ The \$50 billion program funding will be allocated to approved states over five years, with \$10 billion available each year beginning in federal fiscal year 2026. Half of the funding will be evenly distributed to all states with an approved application. The other half will be awarded to approved states based on individual state metrics and applications that reflect the greatest potential for and scale of impact on the health of rural communities.

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✓ The Centers for Medicare and Medicaid Services (CMS) – Part A Reimbursement

✓ Shutdown Impact on Hospitals

- ✓ Medicaid is dependent on federal appropriations, and it does not have a trust fund. The Centers for Medicare and Medicaid Services has confirmed there is sufficient funding for Medicaid through the first quarter of 2026, the AHA said.
- ✓ Provider payments for telehealth and virtual care ended, according to Kyle Zebley, senior vice president, Public Policy for the American Telemedicine Association.
- ✓ Telehealth physician appointments have become the norm. Virtual care has allowed health systems to build hospital care at home programs that free up bed capacity and give patients the option to receive acute level care at home.
- ✓ Health systems are dealing with the end of telehealth and virtual health Medicare payment in one of three ways. Some will stop it all together. Another group will continue telehealth and virtual services with the clear hope that Congress will retroactively pay them. And a third group will have the financial resources to ride out the shutdown₁₂ until they start getting paid again.

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✓ Polling Question #2

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Which of the following is not a strategic goal for the Rural Health Fund program?

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✓ The Centers for Medicare and Medicaid Services (CMS) – Part B Reimbursement

✓ Physician Flash Report – Q2 2025

- ✓ Net patient revenue per provider increased overall. However, revenue per provider unit of work (wRVU) decreased slightly for surgical and hospital based specialties, reflecting a shift toward more outpatient care.
- ✓ Physician productivity rose. Corresponding increases in revenue and expenses indicate that physicians are working more, and the rise in wRVUs is not solely due to the 2021 code changes.
- ✓ Medical support staff levels are decreasing in relation to wRVU generation. This may indicate ongoing hiring/retention challenges and could become a hindrance to future growth.
- ✓ Investment/Subsidy per Provider \$ 239,338 3% \$ 3%
- ✓ Investment/Subsidy per Physician \$ 317,409 6% \$ 6%

✓ The Centers for Medicare and Medicaid Services (CMS) – Part B Reimbursement

✓ HOPD vs. ASC Cost Study

- ✓ As of 2022, 41% to 52% of physicians were hospital-affiliated, 23% corporate-affiliated and fewer than 4% worked in PE-backed management services organizations.
- ✓ Hospital-affiliated physicians were least likely to use lower-cost settings, while PE-affiliated physicians were most likely to shift cases to ASCs or office-based sites.
- ✓ The facility fee vs. professional fee is the largest driver of higher HOPD costs.
- ✓ Between 2001 and 2021, facility fees grew 60% (2.4% year-over-year) compared to just 11% growth (0.5% year-over-year) for professional fees.
- ✓ ASC payments are about 42% lower than HOPD payments for same procedure.
- ✓ Across specialties, HOPD reimbursement ranged from 124% to 861% of ASC/office rates for Medicare and 111% to 1,346% for commercial payers.
- ✓ 7. Commercial insurance consistently paid more than Medicare, and the HOPD vs. ASC/office dollar gap was larger in commercial markets.

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✓ Polling Question #3

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Which of the following is true of the results if the Q2 Physician Flash Report?

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✓ Payers

✓ Insurers Quitting Medicare Advantage

- ✓ At least six insurers that offered Medicare Advantage plans this year abandoned the program for 2026 amid escalating spending, stricter regulation and narrowing margins, company and federal data show. The same number of carriers left the market ahead of the 2025 plan year, according to Centers for Medicare and Medicaid Services data analyzed by the health policy research organization KFF.
- ✓ There are 3,338 individual Medicare Advantage plans with prescription drug coverage available for 2026, 9% fewer than this year, according to an ATI Advisory analysis of CMS data. Based on insurance company projections, CMS reported last month that Medicare Advantage enrollment is expected to decline next year.
- ✓ Their decisions to exit this market mean nearly 265,000 Medicare beneficiaries in nine states — about 1% of national enrollment — will have to select new coverage for 2026.

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✓ Polling Question #4

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Which of the following is not true about insurers quitting Medicare Advantage?

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