

CAPITOL STREET

February 26, 2024

Healthcare (Still) Likely Minimal in CR

PBM, Hospital Site-Neutral Likely Out with Doc Pay Fix & DSH Cut Likely Averted

Relevant Companies

All Healthcare

»» Our Take & Next Up

The March spending bill is expected to be released early this week with a very tight passage timeline. With the President meeting with Congressional leaders tomorrow, we should know more Tues/Weds. We predicted the continuation of current extenders: (1) community healthcare centers (CHCs), (2) Medicaid disproportionate-share hospital (DSH) pay cut delays, and (3) a 1.75% (or even 1.25%, which would be better for physicians) partial doc fix restoration from the 3.4% reduction. House & Senate leadership have struggled to cobble together a comprehensive spending package and passage of another short-term funding patch to the end of the FY is likely (Doc fix through CY).

»» Key Points

Budget negotiations are focusing on averting timely cuts and leaving PBMs, site neutral, and price transparency likely to 4Q 2024. The Senate returns today 2/26, and the House comes in on Wednesday 2/28. As a reminder, a partial government shutdown (Agriculture, VA, Housing, Transportation) would start Friday, March 1, if a spending package or a funding patch fails to pass. One week later, Commerce, Justice; Defense; Financial Services and General Government; Homeland Security; Interior, Environment; Labor, Health and Human Services, Education; Legislative Branch; and State expire (March 8).

NIH would be better off with a CR (versus a 1% reduction) Shutdown buzz continues. We think Congress will beat the buzzer. If there is a partial shutdown, we believe it would be short-term and followed by a spending deal for the remainder of the FY.

A partial doc fix of 1.75% (possibly 1.25%) is expected to be included. However, the fix is likely not to be retroactive but would be through Dec 31 (versus through Sept 30 for the remainder of the spending deal). The partial fix addresses immediate payment concerns for physicians as Congress seeks longer-term solutions. On January 1, CMS implemented -3.37% physician payment cut as finalized in the Physician Fee Schedule.

PBM, site neutral, and price transparency are very likely out (for now). We look to lame duck for action on anti-PBM policies (including transparency) that progressed in both the Senate and the House committees. Last year, both the House and Senate worked to advance PBM reform including Medicaid spread pricing ban, de-linking, DIR fee reform, and Medicare transparency requirements. The [Lower Costs More Transparency Act](#) which included PBM reform, site neutrality, and other pricing transparency passed the House in December 2023.

We also expect to see another delay for Medicaid DSH cuts for hospitals (but CMS tightens reimbursement oversight) for the duration of any CR. Last week, CMS finalized a [rule](#) on recalculating the disproportionate share hospital payments. The rule restricts reimbursement for beneficiaries for whom Medicaid is their primary insurer.

Ipsita Smolinski
Managing Director | Capitol Street
ipsita@capitol-street.com

900 19th St NW 6th Fl
Washington, D.C. 20006

202.250.3741 | www.capitol-street.com

CAPITOL STREET

Copyright 2024 Capitol Street.

This communication, including this broadcast and any attachments hereto, is intended solely for the original recipient(s) and may not be redistributed without the written consent of Capitol Street. This communication is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any financial instruments, nor is it intended as advice to purchase or sell such instruments