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Healthcare Extenders in FY25 Spending Bill: What Is Likely, Unlikely or Toss-Up?

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With likelihood growing that Congress focuses on emergency spending and a short-term continuing resolution funding the government into Q1 next year during this lame duck period, we expect that translates to Congress punting on nearly-annual, must-pass healthcare extenders for **physicians, hospitals, telehealth, ambulances**, and community health centers and the concomitant healthcare savings policies (**Medicare providers, nursing homes, hospices, hospital-owned physician offices,** and **PBMs**) also into next quarter as part of an FY25 government appropriations bill.

Congress has neither detailed which health-related spending items are set to expire at year-end that it plans to extend or which new health spending items it plans to attach nor spelled out which healthcare payfors it is likely to tap for offsets. We list below those healthcare policies we think are likely to be included, which are on the bubble and therefore ascribe toss-up odds, and ones that are likely to end up on the cutting room floor.

Healthcare Spending	Healthcare Savings
Likely (>55% odds) in FY25 spending bill	
Physicians: shrinking size of Medicare physician cut of 2.93% is more likely as has been previously enacted, instead of erasing and/or adding an automatic inflationary update and increased budget neutrality threshold. Estimated to cost $1B/year for the smaller cut.	**Medicare sequestration**: extending Medicare 2% provider sequestration cut for one year in 2034. Estimated $19B/10 years in deficit reduction.
Hospitals: delaying Medicaid disproportionate share hospital (DSH) bonus reductions: postponing cuts for 1-2 years as has been previously enacted, along with extending Medicare special payments for rural and low-volume hospitals. Estimated $2B/year cost.	**Nursing homes / Post-acute REITs:** repealing CMS rule for minimum nurse staffing requirements but delaying the 3-5-year implementation timeframe delay seems plan B. Estimated $22B/10 years in deficit reduction.
Telehealth: extending for two years pandemic telehealth waivers from geographic and originating restrictions, further moratorium on in-person visits for tele-mental care, and allowance of audio-only methods. Estimated $4B/2 years in federal spending.	**Hospices**: Extending the use of Medicare hospice cap to hospital inflationary formula instead of CPI-U, as has been previously enacted, for one year in 2034. Estimated $1B/10 years in deficit reduction.
PAYGO sequestration: waiving Medicare PAYGO 4% sequestration cut as Congress always does. Unclear what the cost is.	**"Slush funds"**: Reducing remaining in Medicare and Medicaid Improvement Funds and the Prevention and Public Health Fund, as Congress has done in the past, though unclear how much is left in either fund.
Medicare Advantage: codifying prior authorization requirements that restrict use in MA as well as shortening timeframes for prior authorization decisions and explanations, due to sizable bipartisan support, popular issue, and low price-tag. Estimated price-tag between negligible and $8B/10 years.	
Ambulances: extending Medicare ambulance add-on payments for 1-2 years. Cost estimated at $500M/year.	
Other federal healthcare extenders: extending funding for community health centers, National Health Services Corps, Teaching Health Centers Graduate Medical Education program, and Special Diabetes program, as routinely done, for 1-2 years. Estimated cost $4B/year.	

HCA Holdings Inc (HCA)

Price:	$335.85
52-Week High:	$417.14
52-Week Low:	$245.03

Tenet Healthcare Corporation (THC)

Price:	$153.45
52-Week High:	$171.20
52-Week Low:	$62.70

The Ensign Group Inc (ENSG)

Price:	$144.32
52-Week High:	$158.45
52-Week Low:	$104.18

Omega Healthcare Investors Inc (OHI)

Price:	$39.51
52-Week High:	$44.42
52-Week Low:	$27.53

Mednax Inc (MD)

Price:	$14.47
52-Week High:	$16.41
52-Week Low:	$6.62

RadNet Inc (RDNT)

Price:	$79.09
52-Week High:	$93.65
52-Week Low:	$31.55

Cigna Corp (CI)

Price:	$322.45
52-Week High:	$370.82
52-Week Low:	$253.95

Healthcare Spending	Healthcare Savings
Toss-up Odds in FY25 spending bill	
Oral-only ESRD drugs: delaying for two years oral-only ESRD phosphate binders and lowering treatments into Medicare dialysis bundle, despite CMS finalizing inclusion over complaints from biopharma, small dialysis centers, and rural and minority groups. CBO score appears negligible.	**Hospitals:** phasing in over four years a slight Medicare site neutrality for drug administration services at *off campus* hospital-owned departments and requiring each hospital-owned provider to have own tax ID. Hospitals and Senate Majority Leader Chuck Schumer (D-NY) have long fought narrow policy. Estimated $5.5B/10 years in deficit reduction.
Pharmacies: covering and reimbursing pharmacies under Medicare for administering vaccines and testing for flu RSV, COVID-19, and strep vaccines/treatments at 85% Medicare physician rate. This is a pet issue for incoming Senate Majority Leader John Thune (R-SD). Unknown cost score.	**PBMs**: enacting bipartisan PBM reforms that are the lowest common denominator among GOP (e.g., mandatory transparency by PBMs to customers, Medicaid spread pricing ban and setting pharmacy reimbursement limits, Medicare Part D flat fee compensation to PBMs). Estimated $3B/10 years (at least) in deficit reduction.
	Biosimilars: changing Medicare Part B coverage and 106% ASP reimbursement rate for biosimilars to Part D coverage and negotiated rate; and facilitating Part D midyear formulary changes for biosimilars. Estimated $500M/10 years in deficit reduction.
	Generic drugs: mandating transparency in generic drug applications. Estimated $1B/10 years in deficit reduction.
Unlikely (<45% odds) in FY25 spending bill	
Home health agencies: cancelling or reducing the Medicare cuts to home health rates from the negative prospective payment adjustment to the Medicare base rate for behavioral assumptions. Unknown cost score.	**Hospitals/ASCs**: imposing broad Medicare site neutrality for ambulatory services, where CMS pays for outpatient services at a rate where the treatment/service is most performed among hospital outpatient departments, ASCs and physician offices, with some of the savings being redeployed for rural and safety-net hospitals. Likely to attract loads of interest/attention as a payfor later in the year, given sizable savings and support from think tanks and insurers. Estimated $102B/10 years in deficit reduction.
Durable medical equipment: Reversing the ~25% Medicare rate cut that took place this year for previously competitively bid items [**RMD**, **PHIA.NA**, **INGN**]. Unknown cost. However, additional catalysts for the space still likely in 1H25: ▪ **April / May:** CMS expected to release proposal for next round of competitive bidding program, where we think continuous glucose monitors (CGMs) [**DXCM**, **ABT**] are less likely to be included than other targets like urinary catheters [**CTEC. LN**, **COLOB.DC**]. ▪ **1H25:** Agency likely to reconsider current coverage policy for insulin pumps in DME space [**TNDM**], though we think greater flexibilities more likely than additional restrictions.	**Hospitals**: prohibiting anticompetitive terms (patient-steering, all-or-nothing, cost-sharing alternative disclosure bans) in contracts between hospitals and insurers. Despite bipartisan support, limited debate in Congress. CBO score of $4.9B/10 years in deficit reduction.
	Biopharma: banning patent thickets, and reverse patent settlements, and limiting citizens' petitions submitted to FDA. While these policies have bipartisan support, they repeatedly are not adopted by Congress. Estimated CBO score of $3B/10 years in deficit reduction.

Source: Congressional Budget Office, Office of Management and Budget, Capitol Policy Partners

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