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[PBMs, Cancer Screening, Medicare Advantage] A Few Surprises in the Healthcare Spending Package but Otherwise Mirroring Prior Compromise

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Following Tuesday night's release of a short-term continuing resolution (CR) funding the government through March 14, we outline some key differences from previously-reported iterations of the healthcare extenders package, involving PBMs [**CI, CVS, UNH, ELV],** multi-cancer screening tests [**GRAL, EXAS, GH**], and Medicare Advantage insurers [**HUM, UNH, ALHC, CVS**], which were different from previously-reported versions of the healthcare extenders package.

- **PBMs [CI, CVS, UNH, ELV]:** Mandate 100% pass-through of drug manufacturer rebates / discounts related to utilization, outside of bona fide service fees paid by PBM customers in the ERISA commercial market, starting 30 months post-enactment. While negative on its face, we suspect PBMs would respond by charging higher bona fide service fees and/or premiums, as assumed in prior CBO analysis, thereby potentially limiting the hit to PBMs or the savings advantage for enrollees from lower drug costs. This policy is on top of the other previously discussed PBM reforms [*see here*] but does not demand a ban on spread pricing in the commercial markets, which was part of the Senate HELP Committee's marked-up legislation.

- **Multi-Cancer Early Detection (MCED) [GRAL, EXAS, GH]:** Allow – but not require – Medicare to cover FDA-approved MCED screening tests starting in 2029, subject to criteria to be established under a National Coverage Determination (NCD). Reimbursement would be capped at ~$500 from 2029-2030, before being based on the commercial payment rates. Moreover, eligibility for coverage starts with those aged 50-65 (~13% of beneficiaries), with the top end increasing by one year annually. This implies that the majority of Medicare patients would be ineligible for coverage until ~2037 [*full note*].

- **Medicare Advantage (MA) [HUM, UNH, ALHC, CVS]:** Does not include statutory language that would have codified regulatory prior authorization requirements or mandated speedier responses to prior authorization requests to MA plans. This is a surprise, given the public clamor against insurers' usage of prior authorization denials and delays. However, the spending bill does include a provision for greater transparency about provider networks, which was expected

With the exception of the above, other healthcare policies largely mirror the compromise discussed late last week regarding additional PBM reforms (mandatory disclosures, Medicare Part D delinking of compensation from drug price and Medicaid spread pricing ban), partial physician fee fix, Medicaid disproportionate share hospital delay, telehealth, Medicare and Medicaid extenders, SUPPORT and PAHPA Act reauthorizations, extension of the 2% Medicare provider sequestration and hospice cap indexing in the outyears, reduction of the Medicare Improvement Fund, among others. The spending measure also seems to include a waiver of the

Cigna Corp (CI)

Price:	$265.59
52-Week High:	$370.83
52-Week Low:	$262.03

CVS Health Corp (CVS)

Price:	$44.04
52-Week High:	$83.25
52-Week Low:	$43.93

GRAIL, LLC (GRAL)

Price:	$23.62
52-Week High:	$24.92
52-Week Low:	$12.33

EXACT Sciences Corporation (EXAS)

Price:	$60.37
52-Week High:	$79.62
52-Week Low:	$40.62

Humana Inc (HUM)

Price:	$233.89
52-Week High:	$475.00
52-Week Low:	$213.31

UnitedHealth Group Incorporated (UNH)

Price:	$485.52
52-Week High:	$630.73
52-Week Low:	$436.38

statutory PAYGO scorecard, which would mean that the maximum 4% cut to Medicare provider reimbursements is averted, as Congress has done in the past.

Still left on the cutting room floor from last week were: (1) the GOP's desired savings offset from repealing CMS's nursing home minimum staffing rule, which we still think is likely be tapped by the incoming Congress in 2025, providing relief to **nursing homes** and **post-acute care REITs**; and (2) the Democrats' requested extension of the enhanced Obamacare subsidies, which we continue to believe will be at least partially extended late next year.

Rather than allow the subsidies to expire, we believe Congress will tweak and refocus the payments toward lower-income enrollees, which are the bulk of ACA enrollees, for the purchase of **Obamacare plans**, with the extension to last 1-2 years.

The below chart should provide investors with a cheat sheet of the myriad healthcare policies included in the legislation.

FEDERAL SPENDING	
Providing Medicare doc fix	2.5% increase in Medicare physician spending for 1 year (nearly offsetting the scheduled 2.93% cut for CY25 so net change is 0.43% cut to conversion factor)
Increasing Medicare alternative payment model bonus	Increased 3.53% bonus for 1 year
Delaying Medicaid disproportionate share hospital bonus cuts	2-year delay
Extending telehealth waiver rules	2-year extension of telehealth waiver and telehealth coverage in high-deductible health plans
Extending other Medicare payment policies (rural hospitals, hospital-at-home, ambulances)	Included (depending on policy, 1-2 years with hospital-at-home for 5 years)
Requiring Medicare Advantage updated provider directories	Includes requirement for updated provider directories, but no language about speedier prior authorization decisions
Codifying and furthering healthcare price transparency	Insurer price transparency included, not hospital price transparency
Medicare coverage of multi-cancer early detection (MCED) screening tests	Allow CMS to cover MCED tests for ~13% of Medicare beneficiaries starting CY29, increasing annually. Rates capped at $509 for 2029-2030 before being based on commercial payments
Funding community health centers (CHC)	$4.5B for FY25 and $4.6B for FY26
Reauthorizing SUPPORT Act	5-year extension
Reauthorizing Pandemic and All Hazards Preparedness Act	2-year extension
Reauthorizing FDA's pediatric priority review voucher	5-year extension
Waiver of PAYGO	Included, but not in the healthcare section
FEDERAL SAVINGS	
Reforming PBMs	COMMERCIAL -Mandatory PBM transparency to employer/insurer clients on detailed data on Rx spending - Mandatory 100% rebate and discount pass-through, excluding bona fide service fees, to employer/plan customer MEDICARE PART D -Medicare Part D delinking of compensation from drug price -Medicare Part D standardized pharmacy terms and codifying any-willing pharmacy MEDICAID -Medicaid spread pricing ban -Medicaid pharmacy payments based on Natl Avg Drug Acquisition Cost
Extending Medicare 2% sequestration cut	6-month extension (last 4 months of FY32 and first 2 months in FY33)
Hospital site neutrality	Requirement for tax ID numbers for all off-campus hospital outpatient departments, but no Medicare site neutrality reimbursement changes

Medicare hospice changes	Extending application of hospital market basket to hospices' cap by one year through 2034
Reduction of Medicare Improvement Fund	Reduces fund from $3.197B to $1.8915B
Ban on patent thickets	Included

Source: House of Representatives, Capitol Policy Partners

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