

# Health Care Policy Update

## Biden Administration Releases FY2025 Budget Proposals

Government Regulations

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**FY2025 Budget Proposals** – Today, the Biden Administration released its FY2025 budget proposal. The budget's healthcare proposals call for expanding drug pricing reforms to the commercial market, as well as expanding healthcare coverage in the Medicaid coverage gap and extending ACA enhanced premium subsidies permanently, as they are now set to expire in 2025. Other proposals focus on behavioral health, public health programs, long-term care, and biodefense funding. **However, while the budget proposals provide an outline of Administration priorities, most are effectively "dead on arrival" in Congress.** We also note that Congress has not yet completed its work on FY2024 spending levels, with an upcoming deadline of March 22.

- **Expanding Drug Pricing Reforms:** The budget calls for expanding Medicare drug price negotiations (by increasing the number of drugs subject to negotiation), and extending inflationary rebates and out-of-pocket limits on drugs/insulin in the commercial market (estimated savings of \$200 billion over 10 years). Other proposals call for limiting Medicare Part D cost sharing on certain generic drugs at \$2, allowing for biosimilar substitution without an FDA determination of interchangeability, and allowing HHS to negotiate Medicaid supplemental rebates on behalf of states.
- **Healthcare Coverage:** The budget proposes several efforts to extend and expand healthcare coverage, including permanently extending enhanced ACA premium subsidies at a cost of \$274 billion over 10 years. Current enrollment on exchanges is at an all-time high of 21 million in 2024. The Budget also includes coverage for individuals in the Medicaid coverage gap (estimated at more than 2 million) in states that have not expanded Medicaid (est. cost of \$200 billion over 10 years).
- **Long-Term Care/Home Care Proposals:** The budget includes \$150 billion over 10 years in additional federal funding to states for Medicaid home and community based services (HCBS), as well as increased transparency, oversight and penalties for long-term care facilities.
- **NIH/ARPA-H & Biodefense funding:** Budget includes modest increases in NIH funding of \$47.9 billion in FY2025, up slightly from \$47.6 billion in FY2023, after including \$1.5 billion in ARPA-H funding. The budget also calls for \$2.7 billion in additional biodefense funding for NIH (part of a larger \$20 billion biodefense proposal). Biodefense funding would include NIH research and development of vaccines, diagnostics, and therapeutics against high-priority viral families, biosafety and biosecurity, and expanded laboratory capacity and clinical trial infrastructure.

### Other Healthcare Proposals

Other proposals in the budget include extending surprise billing protections to ground ambulance services, banning "facility fees" for telehealth and certain outpatient services in commercial health plans, and increased oversight of Medicare Advantage plans. In addition, the budget includes a range of behavioral health proposals to expand Medicare coverage and increase funding to community mental health centers.

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HHS: Department of Health and Human Services

CMS: Centers for Medicare and Medicaid Services

FDA: Food and Drug Administration

NIH: National Institutes of Health

ARPA-H: Advanced Research Projects Agency for Health

ACA: Affordable Care Act

HCBS: Home and Community Based Services

# Disclosures

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