

Fast & Furious: Healthcare Policy Edition

During his first month in office, President Donald Trump's administration has rolled out edicts calling for significant changes at a fast and furious pace, with a number of healthcare agencies and programs across the U.S. Department of Health & Human Services (HHS) targeted. In an attempt to keep up with the latest actions of the legislative and executive branches of the federal government, this Health Capital Topics article summarizes recent events in Washington and the impact of these changes (both imminent and impending) on providers and patients.

Agency Workforce Reduction

Along with other federal agency workers, over 5,000 staffers at HHS and its agencies, including the Centers for Medicare and Medicaid Services (CMS), the Center for Medicare and Medicaid Innovation (CMMI), the Health Resources and Services Administration (HRSA), the Food and Drug Administration (FDA), the Centers for Disease Control and Prevention (CDC), and the National Institutes of Health (NIH), received layoff notices on February 15, 2025, following an Executive Order directing federal agencies to enact "large-scale" employee cuts.¹ According to Bloomberg, the "full scope of the cuts remains unclear"; the layoffs appear to have largely targeted probationary employees, i.e., those employed in their current position for less than one to two years.²

This significant staff reduction has raised concerns about the effect it could have on the healthcare industry. For example, industry stakeholders are concerned that staff reductions could reduce agency guidance and communication, leaving industry players unsure on how to interpret and proceed in compliance with federal regulations.³ Additionally, government workforce shortages may mean that agencies will not have the bandwidth to enforce healthcare regulations as they have previously. How reduced healthcare enforcement will affect healthcare entities, and their transactions, remains to be seen. Other possible consequences of diminishing staff resources may include:

- CMMI payment models such as the kidney care model, dementia care model, and maternal health model, being hindered;
- Enforcement of critical, time-sensitive issues such as prior authorization being undermined; and

- Approval process for new drugs and medical devices being slowed.⁴

Medicaid on the Chopping Block?

Along with the executive branch's efforts to significantly reduce federal government staff, the legislative branch is working to significantly reduce spending, including (and perhaps particularly) in healthcare. On February 12, 2025, Republicans in the U.S. House of Representatives' Budget Committee published its budget blueprint for 2025, which the House voted to pass on February 25th.⁵ The budget resolution directs the Energy and Commerce Committee (the House's primary healthcare committee) to find \$880 billion in healthcare spending over the next decade to cut.⁶ Of note, and perhaps coincidentally, Medicaid expenditures were approximately \$880 billion in fiscal year 2023.⁷ While there was no additional direction, e.g., which programs should be cut, Medicare and Medicaid are the largest federal government healthcare programs and command a large portion of the federal government's healthcare budget.⁸ President Trump has previously committed to not cutting Medicare; if that commitment remains, then Medicaid will likely experience significant cuts.⁹ The House Speaker, Mike Johnson (R-La.) has previously stated the Republican Party's intention to restrict Medicaid eligibility requirements and impose work requirements, both of which would reduce the number of enrollees and consequently decrease spending.¹⁰

Notably, the \$880 billion in cuts is less than the original proposals, wherein Republicans compiled a list totaling over \$3 trillion in healthcare cuts over the next decade, comprised of policies including but not limited to:

- Eliminating hospitals' nonprofit status;
- Eradicating hospital facility and telehealth fees;
- Implementing "site-neutral" Medicare payments for outpatient services;
- Ending Medicare funding for hospital bad debt;
- Increasing Medicare physician reimbursement;
- Slashing graduate medical education funding;
- Repealing the nursing home staffing mandate;
- Eliminating enhanced federal payments to Medicaid expansion states;
- Constricting access to health insurance exchange subsidies; and
- Slashing Medicaid.¹¹

Some of these programs will cost money to implement, meaning that deeper cuts will have to be made to fund those programs as well as other proposed tax cuts (i.e., the extension of the *Tax Cuts and Jobs Act*).

Proposed Medicaid cuts are predicted to negatively affect both providers and patients. In general, enacting Medicaid cuts, or restricting Medicaid eligibility, would reduce the number of Medicaid enrollees. This would hurt both low-income individuals, who may not otherwise be able to afford health insurance, and healthcare providers, chiefly safety-net providers, who would lose revenue – both by losing Medicaid reimbursement and by experiencing increased costs through the provision of uncompensated care. In particular, the Kaiser Family Foundation (KFF) stated that “Medicaid cuts could gut home care access” and exacerbate the current homecare workforce shortage.¹² KFF estimates approximately 4.5 million adults and children receive home care services through Medicaid.¹³ As Medicaid is jointly funded by federal and state governments (with the federal government responsible for at least 50%),¹⁴ state governments may have to fill the funding gap themselves (e.g., through raising taxes) or cut Medicaid programs such as those that pay current home care workers and recruit additional workers to ameliorate critical workforce shortages.

Whether such large cuts to Medicaid are practically, or politically, feasible is indeterminate. As Republicans saw in 2017, large cuts in health coverage can have significant, negative political ramifications.¹⁵

Deregulation

On January 31, 2025, President Trump issued a “massive” deregulation initiative, in which federal agencies were directed to eliminate “at least 10 existing rules, regulations, or guidance documents” for each new rule, regulation, or guidance document issued.¹⁶ The executive order is intended to keep agencies from enacting new regulations that will cost more money, requiring that “the total incremental cost of all new regulations, including repealed regulations, be significantly less than zero.”¹⁷

The order is expected to have nominal ramifications for CMS because most of its regulations are statutorily mandated.¹⁸ During President Trump’s first term, he issued a similar, two-for-one deregulation executive order, and it had a *de minimus* effect on healthcare regulation.¹⁹ However, there is concern this time around that CMS may attempt to compile various policies into fewer, broader rules, and issue less guidance,²⁰ which could impair healthcare providers and their professional advisors who are seeking direction in order to ensure regulatory compliance. Healthcare attorneys also anticipate that health agency rulemaking will slow.²¹

Kennedy Confirmed as HHS Secretary

On February 13, 2025, Robert F. Kennedy Jr., an environmental lawyer and politician, was confirmed as HHS Secretary.²² While Kennedy is a pharmaceutical industry critic and founder of a prominent anti-vaccine

group, his views on Medicare, Medicaid, and the *Patient Protection and Affordable Care Act* (ACA) are largely unknown.²³ During his own presidential run, Kennedy discussed enforcing mental health parity laws on insurers, improving Black maternal health, and aligning U.S. drug prices with those in other developed countries.²⁴ A list of other priorities Kennedy has mentioned include:

- “Making America Healthy Again”;
- Conducting additional studies on vaccines;
- Reexamine federal vaccine recommendations for children;
- Removing fluoride from public drinking water;
- Cracking down on food dyes;
- Removing ultra-processed food from school cafeterias; and
- Increasing access to raw (i.e., unpasteurized) milk.²⁵

Despite some skepticism from Republicans ahead of his confirmation, Kennedy was confirmed by the Senate 52-48.²⁶ Kennedy reportedly secured votes from skeptical senators by “publicly and privately pledging not to interfere with standard federal vaccine policies or science.”²⁷

In his first speech to HHS staff on February 18th, Kennedy asserted that “‘nothing is going to be off limits’ in his pursuit to reduce chronic disease.”²⁸ Among other priorities comprising his “Make America Healthy Again” agenda, Kennedy mentioned investigating electromagnetic radiation, anti-depression drugs, ultra-processed foods, and glyphosphates (an herbicide found in some foods).²⁹

Relatedly, former cardiothoracic surgeon, Columbia University professor, television personality, and (more recently) politician Dr. Mehmet Oz was tapped to serve as CMS Administrator, although his confirmation hearing has yet to be scheduled.³⁰ Dr. Oz is a longtime Medicare Advantage (MA) proponent who campaigned on expanding MA to the greater population during his 2022 Senate run.³¹ He also promised to work on reducing prescription drug prices.³² In his statement announcing the pick, President Trump asserted that Dr. Oz will crack down on healthcare “waste and fraud.”³³

Conclusion

While nothing is for certain, one thing seems clear: 2025 will be a year of unpredictability and change in the healthcare industry. The Trump Administration is making good on its promise to shake up the federal government, and Congress’s budgeting priorities are likely to have a significant effect on the overall healthcare industry. However, the industry will have to wait and see whether and how political platitudes translate to enforceable healthcare policy.

Health Capital Consultants will continue to closely monitor these developments and will provide in-depth analysis and updates in forthcoming issues of Health Capital Topics.

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