

# AAMC Policy and Regulatory Roundup

*Issues that impact clinical care provided by hospitals, physicians, and other providers*



## Policy and Regulatory Updates from the Health Care Affairs Regulatory Team

January 2026

### ANNOUNCEMENTS:

#### **CMS Awards RHTP Funding to All 50 States**

The Centers for Medicare & Medicaid Services (CMS) on Dec. 29, 2025, announced that [all 50 states received funding awards](#) through the Rural Health Transformation Program (RHTP). The One Big Beautiful Bill Act (OBBBA, [P.L. 119-21, PDF](#)) authorized \$50 billion for the program to address access to care issues for rural communities [refer to [Washington Highlights, July 3, 2025](#)]. States were required to submit applications to the agency by Nov. 5, with awards to be announced before the end of the year. Funding was made available to states starting Jan. 1, as required by the OBBBA. Though every state received awards, funding was not evenly distributed among all 50 states due to how applications were scored — awards ranged between \$147 million and \$281 million for fiscal year 2026. As noted in the Notice of Funding Opportunity, states will not need to reapply for each of the five years of the RHTP, but funding may be reallocated if objectives are not met by states [refer to [Washington Highlights, Sept. 19, 2025](#)]. The CMS also shared that the CMS Rural Health Summit, held during the CMS Quality Conference in 2026, will convene states annually to share lessons learned from the program. More information on each state's proposed projects and objectives can be found in the [RHTP State Project Abstract \(PDF\)](#) [RHT Program State Project Abstracts Resource \(PDF\)](#).

**STAFF CONTACTS:** Brad Cunningham, [bcunningham@aamc.org](mailto:bcunningham@aamc.org), Katie Gaynor, [kgaynor@aamc.org](mailto:kgaynor@aamc.org)

#### **Applications Open for Final Round of Section 126 Residency Distributions**

CMS on Jan. 7 opened the application for the fifth and final round of 200 full-time equivalent (FTE) Medicare-supported GME residency positions authorized by Section 126 of the Consolidated Appropriations Act, 2021 (CAA, [P.L. 116-260, PDF](#)). The CAA authorized 1,000 new FTEs, to be distributed to hospitals up to 200 per year until all positions were awarded. Four categories of qualifying hospital are eligible for distributions under Section 126: (1) rural hospitals or hospitals treated as rural, (2) hospitals that are over their Medicare GME FTE cap, (3) hospitals in states with new medical schools or branch campuses, and (4) hospitals in geographic Health Professional Shortage Areas (HPSA). The CMS prioritizes awards based on HPSA score, with hospitals reporting the highest scores in the applicant pool receiving first priority, followed by hospitals with progressively lower scores until all slots are filled. To date, the agency has awarded 800 FTE positions through the first four rounds of distributions to 206 teaching hospitals. Hospitals can access the application through the [CMS Direct Graduate Medical Education \(DGME\) website](#) under the Section 126 tab or directly through the CMS [MEARIS application portal](#). The CMS [announced the fourth round of Section 126 awards](#) in December. Information about round 4 awards can be found under the Section 126 tab on the [CMS DGME website](#).

**STAFF CONTACT:** Brad Cunningham, [bcunningham@aamc.org](mailto:bcunningham@aamc.org)

#### **CMS Releases Final Rule on Medicaid Provider Tax Waivers**

On Jan. 29, CMS issued the final rule titled "[Preserving Medicaid Funding for Vulnerable Populations - Closing a Health Care-Related Tax Loophole.](#)" The rule finalizes proposals from the proposed rule [refer to [Washington Highlights, May 16, 2025](#)] as well as codifies Section 71117 of the One Big Beautiful Bill Act (OBBBA, [P.L. 119-21](#)). The rule revises how states may request waivers of the broad-based and uniform requirements of provider taxes if they demonstrate, using a statistical formula, that the tax is generally redistributive, meaning it uses revenues from non-Medicaid services to fund the state's share of Medicaid payments. Taxes still must be broad-based, uniform, and cannot hold providers harmless. However, the final rule revises the broad-based and uniform waiver requirements in a way that eliminates eligibility for certain taxes that were previously permissible under the waiver. Specifically, this change will prohibit states from imposing higher tax rates on entities with more Medicaid business than those with more non-Medicaid business, even if they are able to pass the statistical test. For the seven states impacted by this change, CMS finalized a transition timeline for states to modify their provider taxes to come into compliance. States with waivers for Medicaid managed care organization (MCO)-based taxes approved within the last two years will have until the end of calendar year 2026, for MCO-based taxes approved two years or more before April 3, 2026, will have until the end of FY 2027, and taxes based

on all other permissible classes will have through the end of the state's FY 2028. While these transitions are shorter than the three years permitted by the OBBBA, these transitions are longer in length than what was included in both the proposed rule and CMS' Nov. 14, 2025 guidance [[refer to Washington Highlights, Nov. 21, 2025](#)]

**STAFF CONTACT:** [Katie Gaynor, kgaynor@aamc.org](#)

### **CMS Releases CY 2027 Medicare Advantage (MA) and Part D Advance Notice**

CMS released the [Calendar Year \(CY\) 2027 Advance Notice of Methodological Changes for Medicare Advantage \(MA\) Capitation Rates and Part C and Part D Payment Policies](#). The Advance Notice, issued annually, proposes updates to MA payment rates and technical updates to keep MA payments up-to-date and accurate. The agency is taking aim at MA and Part D risk adjustment models, building on recent efforts to collect stakeholder feedback [[refer to Washington Highlights, Dec. 5, 2025](#)]. The CY 2027 Advance Notice proposal provides an effective growth rate of 4.97%, but when coupled with changes to Star Ratings and risk adjustment, including changes to diagnostic sources, there is an expected average increase of 0.09%. CMS estimates this will provide over \$700 million more in MA payments to plans in CY 2027. The proposed change to the diagnostic sources allowed for risk adjustment in CY 2027 would exclude diagnostic information from unlinked chart review records. Unlinked chart review records include diagnoses that are not associated with a specific beneficiary encounter. This source of diagnostic data has been scrutinized for contributing to upcoding and overpayment in MA. CMS further outlined three principles to guide its approach to risk adjustment, which may play a role in future rulemaking. These include simplifying administrative burden for plans and providers, competition by creating value through risk adjustment for patients regardless of plan size, and payments that accurately reflect beneficiary health risk. Comments are due Feb. 25, 2026, and the final Rate Announcement for CY 2027 must be announced by April 6, 2026.

**STAFF CONTACT:** [Katie Gaynor, kgaynor@aamc.org](#)

### **CMS Seeks Feedback on Strengthening Domestic Supply Chain of Medicines and Supplies**

On Jan. 26, CMS [issued an advance notice of proposed rulemaking \(ANPRM\)](#) on strengthening the domestic supply chain of personal protective equipment (PPE) and essential medicines. The ANPRM seeks comments on how Medicare- participating hospitals can help in shoring up the production and use of American-made PPE and essential medicines. CMS seeks input on a new publicly reported "Secure American Medical Supplies" friendly designation that hospitals could earn by demonstrating a commitment to purchasing domestic products. Additionally, the ANPRM explores new payment policies to support hospitals that purchase domestic PPE and medicines, such as through a separate cost-based payment adjustment to hospitals that receive the new designation. Finally, CMS seeks comments on a potential structural quality measure in the Hospital Inpatient Quality Reporting Program through which hospitals would attest to meeting the domestic procurement designation minimum percentages for PPE and essential medicines. Comments on the ANRPM are due March 30, 2026.

**STAFF CONTACT:** [Shahid Zaman, szaman@aamc.org](#)

### **MACPAC Reviews Work Requirements, MCOs, Behavioral Health, and Prior Authorization**

The Medicaid and CHIP Payment and Access Commission (MACPAC) [met on Jan. 29 and 30](#) to discuss several topics including policy options for ensuring accountability of Medicaid MCOs, implementation of Medicaid work requirements required by the One Big Beautiful Bill Act (OBBBA, [P.L. 119-21, PDF](#)), behavioral health in Medicaid and CHIP, and automation of prior authorization in Medicaid. The findings from the analysis of behavioral health services in Medicaid and CHIP will appear in the commission's March 2026 report to Congress, while findings from the analysis of automation of prior authorization in Medicaid will appear in the commission's June 2026 report to Congress. Commissioners further discussed the need for more information and guidance on the use of automation in prior authorization. MACPAC commissioners also reviewed three policy options for ensuring accountability of Medicaid managed care organizations (MCOs) including allowing CMS to withhold, defer, or disallow the federal match for all or part of managed care capitation payments, provide guidance to support Managed Care Program Annual Reports (MCPAR) data accessibility and completeness, or issue guidance on how to effectively use available data to assess plan performance. Commissioners shared the most concerns with the first option and will vote on modified recommendations later this year. Commissioners then reviewed draft principles to guide work related to implementing Medicaid work requirements required by the OBBBA. These principles include urging CMS to provide timely federal guidance and technical assistance to states; ensuring that eligible individuals can gain and maintain coverage; prioritizing efficiency when procuring, updating, and operating state information technology systems; and using timely monitoring and evaluation data to inform policy and operations. These principles will be refined and included in the June report to Congress alongside a related policy

recommendation that reflects these principles.

**STAFF CONTACTS:** Shahid Zaman, [szaman@aamc.org](mailto:szaman@aamc.org) , Katie Gaynor, [kgaynor@aamc.org](mailto:kgaynor@aamc.org)

### **COMMENT LETTERS:**

#### **AAMC Comments on CY 2027 MA and Part D Proposed Policy and Technical Changes**

The AAMC [submitted Jan. 20 comments \(PDF\)](#) to CMS in response to the Contract Year (CY) 2027 Medicare Advantage (MA) and Part D Policy and Technical Changes proposed rule [[refer to \*Washington Highlights, Dec. 5, 2025\*](#)]. Comments supported the CMS' proposals to improve data access in MA and streamline eligibility for special enrollment periods due to provider network changes. The AAMC also urged the agency to continue to maintain adequate oversight of prior authorization practices, ensure beneficiaries are able to enroll in plans best suited for their needs, and ensure patients and beneficiaries retain access to critical information on plan performance and compliance with CMS requirements through plan Star ratings. Further, the AAMC provided feedback to the CMS in response to the multiple requests for information (RFIs) included in the proposed rule. In response to the competition and risk adjustment RFI, the AAMC urged the agency to improve payment accuracy in MA to better reflect beneficiary clinical complexity and reduce variability in coding practices. The AAMC also supported the CMS' interest in the role of nutrition and wellness in MA and suggested the agency evaluate the use of nutrition- and wellness-related supplemental benefits for impact on beneficiary health outcomes and overall health.

**STAFF CONTACT:** Katie Gaynor, [kgaynor@aamc.org](mailto:kgaynor@aamc.org)

### **LEGAL ACTION:**

#### **AAMC Joins Court of Appeals Amicus Brief as 340B Rebate Model Remains on Hold**

The U.S. District Court for the District of Maine [granted a preliminary injunction \(PDF\)](#) on Dec. 29, 2025, prohibiting the Health Resources and Services Administration (HRSA) from implementing the 340B Rebate Program, which would require 340B covered entities to purchase ten 340B drugs at list price and receive 340B pricing through a retrospective rebate instead of an upfront discount [[refer to \*Washington Highlights, Oct. 31, 2025\*](#)]. The AAMC had joined an amicus brief in the case, supporting the American Hospital Association's motion for injunctive relief [[refer to \*Washington Highlights, Dec. 12, 2025\*](#)]. Following the district court's preliminary injunction, [HRSA announced that it is pausing implementation of the 340B Rebate Program](#) to comply with the district court's decision. After HRSA appealed the district court's decision and requested a stay pending appeal, the AAMC [joined 340B Health, America's Essential Hospitals, the American Society of Health-System Pharmacists, and the Children's Hospital Association in an amicus brief \(PDF\)](#) opposing the government's motion for a stay of the district court's preliminary injunction preventing implementation of the 340B Rebate Program, which was scheduled to take effect Jan. 1. The brief, filed on Jan. 5 in the U.S. Court of Appeals for the First Circuit in *American Hospital Association et al. v. Kennedy et al.*, supports the plaintiffs' opposition to the government's motion for a stay pending appeal. The amicus brief argues that although HRSA announced the rebate model through an informal adjudication, it is still subject to the same arbitrary and capricious standard as formal adjudications or rulemaking. The [Court of Appeals subsequently denied the government's request for a stay \(PDF\)](#) on Jan. 7 and requested an expedited briefing schedule from the parties, noting it intends to resolve the appeal expeditiously. After the parties to the case agreed to drop the appeal, the [Court of Appeals subsequently dismissed the appeal on January 20 \(PDF\)](#).

**STAFF CONTACT:** Shahid Zaman, [szaman@aamc.org](mailto:szaman@aamc.org)

### **UPCOMING COMMENT LETTER DEADLINES:**

- **Due February 9, 2026:** Medicare Program; Alternative Payment Model Updates and the Increasing Organ Transplant Access (IOTA) Model
- **Due February 17, 2026:** Hospital Condition of Participation: Prohibiting Sex-Rejecting Procedures for Children Proposed Rule
- **Due February 17, 2026:** Medicaid Programs; Prohibition on Federal Medicaid and Children's Health Insurance Program Funding for Sex-Rejecting Procedures Furnished to Children Proposed Rule
- **Due February 23, 2026:** GLOBE Model Proposed Rule
- **Due February 23, 2026:** GUARD Model Proposed Rule
- **Due February 23, 2026:** RFI: Accelerating the Adoption and Use of Artificial Intelligence as part of Clinical Care
- **Due March 30, 2026:** ANPRM on Strengthening Domestic Supply Chain of Medicines and Supplies