



H&K Health Dose: January 29, 2025

A weekly dose of healthcare policy news

The Office of Management and Budget (OMB) rescinded the memorandum issued to federal agencies on Jan. 29, 2025, which directed them to pause disbursements and obligations of federal financial assistance pending review. This memorandum was a key factor in the complaint that led a federal judge to issue an injunction blocking its implementation just before it was set to take effect. However, based on recent White House press announcements, this remains highly fluid. The White House press secretary just reaffirmed that President Donald Trump's executive orders (EOs) remain in effect and suggested they will continue to be enforced. Notably, two of these EOs – focused on reviewing federal funding related to energy and foreign assistance – were the basis for the OMB memo and remain in place. The White House press secretary just reaffirmed that the president's EOs remain in effect and suggested they will continue to be enforced. The rescission notice instructs agency personnel to consult with their own general counsel regarding the implementation of the EOs.

House Republicans also held their annual retreat in Miami this week. Discussion on the reconciliation process and what a reconciliation package will contain remain ongoing.

Holland & Knight will continue to closely monitor announcements from the Trump Administration. In the interim, important items for healthcare stakeholders are outlined below as another busy week of health happenings in Washington, D.C., unfolds.

Hearings

President Donald Trump's nominee to lead the U.S. Department of Health and Human Services (HHS), Robert F. Kennedy Jr., appeared before the U.S. Senate Committee on Finance on Jan. 29, 2025 for his [nomination hearing](#). Mr. Kennedy answered questions from members for several hours on his viewpoints on healthcare policies, such as vaccine efficacy and safety, addressing chronic disease, innovation in medicine and federal funding for Medicaid. Mr. Kennedy also responded to questions regarding how he would work to implement President Trump's policy goals if confirmed, including access to mifepristone, the 'Make America Healthy Again' agenda, and other priorities.

Mr. Kennedy will appear before the Health, Education, Labor and Pensions Committee for a [courtesy hearing](#) on Jan. 30, 2025. Holland & Knight will monitor the hearing closely and provide more throughout updates to clients as needed. The Finance Committee will ultimately vote on whether Kennedy's nomination is advanced to the Senate floor.

Mr. Kennedy's [financial disclosure form](#) was released on Jan. 22, 2025, by the Office of Government Ethics (OGE) as part of the nomination process. His disclosure form details Mr. Kennedy's financial situation including assets, compensation and investments. Notably, Mr. Kennedy made significant investments in companies with business before the U.S. Food and Drug Administration (FDA) as well as other healthcare agencies, which raises questions about how conflicts of interest may be handled if he is confirmed to lead the HHS.

Retirements

Sen. Gary Peters (D-Mich.) announced on Jan. 28, 2025, that he would not seek re-election in 2026. Sen. Peters has represented Michigan in the Senate since 2015 and currently serves as the ranking member of the Senate Committee on Homeland Security and Governmental Affairs (HSGAC), which played a leading role in developing legislation regarding drug shortages and other supply chain issues. The race to replace him is expected to be competitive.

Administrative Updates

Personnel

Donald Dempsey is expected to join the OMB as associate director and is expected to oversee all healthcare programs at OMB.



Dr. Heidi Overton is expected to join the Domestic Policy Council, covering healthcare issues. She previously worked at the White House during President Trump's first term.

President Trump has also named several acting leaders who will lead executive agencies until nominees are confirmed by the Senate to run them. Acting leaders include:

- Dr. Sara Brenner as acting commissioner of the FDA
- Dr. Susan Monarez as acting director of the Centers for Disease Control and Prevention (CDC)
- Dr. Matthew Memoli as acting director of the National Institutes of Health (NIH)

Other

Bill Gates has recently reported that he and President Trump had an extended dinner a few weeks ago, with Mr. Gates saying that the meeting went longer than three hours. The dinner was limited to Mr. Gates, CEO and managing partner of Gates Ventures Larry Cohen, President Trump and President Trump's Chief of Staff Susie Wiles. The conversation was "wide ranging" and apparently piqued the interest of both parties. They discussed various global public health issues, including President Trump's supposed support of COVID-19 public health measures, an early stage potential HIV cure and the impetus of continued polio vaccinations.

LEGISLATIVE UPDATES

Graduate Medical Education (GME) Conversation Persists

Last week, a leading association of academic medical centers released comments on a GME discussion draft bill from Sens. Bill Cassidy (R-La.), Catherine Cortez Masto (D-Nev.), John Cornyn (R-Texas) and Michael Bennet (D-Colo.), which signals continued interest from both the physician community and congress on this issue. As a March 2025 spending package and reconciliation negotiations take shape, a more comprehensive approach to addressing the shortage may be in the conversation.

Bill Reversing Current Across-the-Board Medicare Cuts to be Reintroduced

A bill to reverse the current 2.83 percent reduction in payments from Medicare for physicians is expected to be reintroduced in the U.S. House of Representatives in the weeks ahead. The bill, titled the "Medicare Patient Access and Practice Stabilization Act of 2025," reverses the current payment reduction in place for physicians and provides a 2 percent payment update for 2025. The bill will be reintroduced by a bipartisan group, including Reps. Greg Murphy (R-N.C.), Mariannette Miller-Meeks (R-Iowa), John Joyce (R-PA), Carol Miller (R-W. Va.), Claudia Tenney (R-N.Y.), Jimmy Panetta (D-Calif.), Kim Schrier (D-Wash.), Raul Ruiz (D-Calif.), Ami Bera (D-Calif.) and Raja Krishnamoorthi (R-Ill.).

Funding

Congressional leaders continue to have ongoing conversations about setting the "topline" numbers for fiscal year 2025 (FY 2025) appropriations bills. In tandem, Republicans continue to discuss what will be included in a reconciliation bill – namely, how much money they need to find offsets for. The contours of the plan will come into better focus as the March 14, 2025, funding deadline approaches. Republican healthcare policy proposals will continue to evolve until there is unity on cost. President Trump has largely been non-committal about the specific healthcare policies he would like to see included, and proposals released in the interim by Congressional leaders should primarily be viewed as the starting point for negotiation within the Republican caucus.

Healthcare policies included in reconciliation must meet both real and political requirements – namely create cost savings – have broad support within the Republican caucus and pass muster with the parliamentarian. Policies that only meet one of those factors will likely face a steeper climb to be included.



Executive Order Update

The Trump Administration has continued to release wide-ranging EOs. Holland & Knight has compiled these EOs and is providing ongoing analysis on [its website](#).

REGULATORY UPDATES

FTC Releases Second Interim Report on PBMs

The Federal Trade Commission (FTC) [released their second Interim Staff Report on Prescription Drug Middlemen](#) on Jan. 14, 2025. The report found that the three largest pharmacy benefit managers (PBMs) marked up numerous specialty generic drugs dispensed at their affiliated pharmacies by thousands of percent, and many others by hundreds of percent.

Additionally, they filed a lawsuit on Jan. 23, 2025, against the three largest prescription drug benefit managers and their affiliated group purchasing organizations (GPOs).

CMS Releases January 2025 Report to Congress on COVID Response

The Centers for Medicare & Medicaid Services (CMS) [released their report](#), "The Centers for Medicare & Medicaid Services' COVID-19 Public Health Emergency Response and Use of Section 1135 Waivers and other Flexibilities." Pursuant to Section 1135(f) of the Public Health Service Act, the HHS secretary must provide a report to Congress within one year of the end of the emergency under which Section 1135 authorities were invoked. Notably, the 108-page report highlighted that "Telehealth waivers and state flexibilities were critical for maintaining access to care, supporting health equity, increasing workforce capacity, and supporting financial viability of health care organizations and providers."

JUDICIARY UPDATES

The CMS has formally withdrawn its appeal of lawsuit filed against it by a major Medicare Advantage (MA) insurer. A group of health plan subsidiaries previously sued Medicare, arguing Medicare had wrongfully lowered quality ratings for certain MA plans. CMS uses a scale to rate the quality of MA plans ranging from one to five, with five being the highest. Plans receiving higher quality ratings receive financial bonuses as an incentive to provide high-quality care. Some of the largest MA plans in the country were set to lose significant revenue if the ratings were to stand.

While the HHS said the withdrawal is part of the communications freeze ordered by the White House, it is unlikely this will be the last instance where the Trump Administration changes course regarding a case brought by the previous administration. Cases before the U.S. Supreme Court should also be watched closely for any changes in the government's position. Though the nominee for U.S. Attorney General, Pam Bondi, said during her nomination hearing that she would follow the law, the Trump Administration could potentially choose to no longer defend the case due to differences in opinion.