CAFM Government Relations Update
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August 19, 2025

Congressional Activity

Senate Committee Passes Labor, HHS Bill

On July 31st, the Senate Appropriations Committee passed the Labor, Health and Human Services (HHS), and Education appropriations fiscal year (FY) 2026 bill by a wide bipartisan margin. The bill and report can be found here.

The bill rejects the steep health workforce cuts proposed in the President's FY 2026 budget and instead maintains level funding for most Title VII health professions and Title VIII nursing workforce development programs. However, it does include about $21 million in reductions compared to the FY 2025 full-year continuing resolution. These cuts include $3 million from the Centers of Excellence, $1 million from the Health Careers Opportunity Program (HCOP), $15 million from the Medical Student Education program, and $2 million from Nursing Workforce Diversity.

The measure also provides $128.6 million in discretionary funding for the National Health Service Corps (NHSC) and $390 million for the Children's Hospitals Graduate Medical Education Program (CHGME).

For CAFM priorities, the package includes $49.9 million for the Primary Care Training and Enhancement (PCTE) program, $2 million for the AHRQ Center for Primary Care Research, and report language supporting administrative academic units (AAUs) within medical schools.

It also strengthens rural workforce pipelines through scholarships for students from rural communities, expansion of rural residency programs, and community-based clinical rotations in underserved areas. In addition, the bill advances rural health policy by refining RUCA codes, investing in the Rural Health Outreach program, and supporting the Rural Residency Planning and Development initiative. The report further urges CMS to prioritize Graduate Medical Education (GME) slots for teaching hospitals serving rural communities.

Below you can find committee-released materials for reference:

- bill text
- committee-prepared summary

- accompanying report
- adopted amendments

Indirect Costs at NIH

The Senate Labor-HHS bill also includes language prohibiting the National Institutes of Health (NIH) from unilaterally changing its indirect cost reimbursement system. Earlier this year, the Administration imposed a 15% cost cap policy. NIH indirect costs. While the Senate report noted that Congress is open to exploring future reforms, lawmakers emphasized that such changes require congressional approval.

During committee consideration, a bipartisan group of Senators warned that a cap would undermine basic research, restrict clinical trials, and drive researchers out of the U.S. They also criticized the White House Office of Management and Budget (OMB) for overstepping its authority in trying to alter the indirect cost structure. The Committee reaffirmed that the current facilities and administrative cost system is essential to sustaining U.S. biomedical research.

CDC Nominee Approved by Senate

On July 29th, the Senate voted 51-47 along party lines to confirm Susan Monarez as the new director of the Centers for Disease Control and Prevention (CDC). A microbiologist by training, Monarez previously held senior roles at HHS and in the White House.

Democratic Letter on Rural Health Fund

On July 25th, 16 Senate Democrats sent a letter to CMS Administrator Oz noting their concern with the passage of the reconciliation bill and its impact on rural hospitals. The letter notes that, "the Republican rural health slush fund provide(s) a meager amount of funding that fails to plug the $1 trillion hole caused by the reconciliation bill. The letter also poses a series of questions about how the rural health fund will be distributed and utilized by providers.

CBO Projects New Uninsured Estimates Due to OBBB

In a letter to Congress on August 11th, the Congressional Budget Office (CBO) updated its analysis of the "One Big Beautiful Bill" (OBBB), determining that the legislation will increase the uninsured population by 10 million by 2034. The largest coverage losses come from Medicaid work requirements starting Dec. 31, 2026 (5.3 million people), alongside impacts from a moratorium on provider taxes (1.1 million people), ACA premium tax restrictions for undocumented immigrants (900,000 people), pre-enrollment verification requirements (700,000 people), and other ACA-related changes. CBO projects the poorest 10% will lose about $1,200

annually (3.1% of income), middle-income households will gain about 1% of income, and the wealthiest 10% will see a $13,600 increase (2.7% of income).

One Big Beautiful Bill Act (OBBA) BILL REPEAL

On August 4th, Senate Democrats introduced legislation to repeal the reconciliation health provisions; the bill is entitled, "The Protecting Health Care and Lowering Costs Act." The entire Democratic caucus cosponsored the bill. A bill press release can be found here.

Republican Letter on NIH Grant Awards

On July 24th, 14 Senate Republicans sent a letter to OMB Director Russ Vought, urging the disbursement of appropriated funds for the NIH. Specifically, the letter requests that the administration implement the Fiscal Year (FY) 2025 Full-Year Continuing Appropriations and Extensions Act, which contains funding to support NIH initiatives across a range of critical research areas. In the letter Senators noted, "We are concerned by the slow disbursement rate of FY25 NIH funds, as it risks undermining critical research and the thousands of American jobs it supports. Suspension of these appropriated funds – whether formally withheld or functionally delayed — could threaten Americans' ability to access better treatments and limit our nation's leadership in biomedical science."

Rural Physician Workforce Production Act

CAFM and the NRHA are conducting joint advocacy meetings on H.R. 1153, The Rural Physician Workforce Production Act. Our goal is to increase the number of cosponsors, to secure Senate bill introduction, and to meet with Committee staff to understand political or technical issues with the bill.

Resident Physician Shortage Reduction Act of 2025 Reintroduction

On July 24th, Sens. John Boozman (R-Ark.), Raphael Warnock (D-Ga.), Susan Collins (R-Maine), and Minority Leader Chuck Schumer and Representatives Terri Sewell (D-AL) and Brian Fitzpatrick (R-PA) introduced the Resident Physician Shortage Reduction Act of 2025 (S. 2439/H.R. 4731). The legislation would make 14,000 Medicare-supported GME slots available over 7 years. The bill distributes the slots to hospitals with 10% of the slots to each of the following categories of hospitals:

- Hospitals in rural areas;
- Hospitals training over their GME cap;
- Hospitals in states with new medical schools or new branch campuses; and

- Hospitals that serve areas designated as health professional shortage areas (HPSAs), with priority to hospitals affiliated with historically Black medical schools.

The revised bill no longer includes the Rural Residency Planning and Development grant language which will be introduced separately. The bill however still includes the rural definition that mirrors the one in The Rural Physician Workforce Production Act.

Title VII Reauthorization

On July 16th, the House Energy and Commerce Committee convened a hearing which included the reauthorization of Title VII which includes the Primary Care and Training Enhancement Program. Representative Jan Schakowsky has introduced H.R. 4262 which would reauthorize the program.

Administrative Activity

Administration Moving Forward with HHS Reorganization

On August 4th, Secretary Robert Kennedy stated that HHS is moving forward with its planned reorganization and the addition of a new "Administration for a Healthy America," despite the omission of the proposed reorganization from the Senate Appropriations Committee's Labor HHS funding bill. The Labor HHS appropriations bill does not include any language on the creation of AHA as HHS did not submit a formal reorganization plan to Congress and allow for six months of consideration, according to Senate Appropriations Committee Chair Susan Collins. "Right now, we were held up by a court order on the reorg, but we are going through with the reorg," Kennedy said at the August event convened by HHS and the Department of Agriculture.

Inpatient PPS Rule

CMS released the FY 2026 Inpatient Prospective Payment System (IPPS) final rule on August 4th. The rule goes into effect on October 1st. Under the rule, CMS provided clarification for its policy of calculating full-time equivalent (FTE) counts for cost reporting periods other than 12 months.

Physician Supervision in Payment Rule

On July 13th, CMS released the proposed physician fee schedule rule for calendar year 2026. The rule does not extend the pandemic-era policy allowing teaching physicians to bill for services furnished with residents when present virtually in all teaching settings. Instead, it reverts to the pre-Public Health Emergency requirement that, in metropolitan statistical areas (MSAs),

teaching physicians must be physically present during key portions of resident-furnished services for Medicare payment eligibility. The proposal does, however, maintain the rural exception established in the CY 2021 final rule. CAFM will be submitting comments.

Staff Cuts at NIH

On August 13th, a STAT article reported that the Agency for Healthcare Research and Quality (AHRQ) has been rendered functionally "incapacitated" following significant staff layoffs and retirements. The report noted that the agency is now unable to distribute grants or support the U.S. Preventive Services Task Force.

Robert Otto Valdez, who directed the agency through January, emphasized: *"None of the other science agencies in HHS — NIH, FDA, nor CDC — focus on actually improving the quality of care that Americans can receive."*

The report further highlighted that AHRQ has not approved any new grants since April 1, compared to nearly $6 million in awards during the same period last year. In addition, only $23 million in continuing grants have been awarded since April 1, versus more than $50 million during the same period in 2024.

New Administration Anti-DEI Policies

The Administration has directed all recipients of federal funding to eliminate diversity, equity, and inclusion (DEI) policies under broad new compliance requirements. On July 29, the Office of the Attorney General published a memorandum titled *"Guidance for Recipients of Federal Funding Regarding Unlawful Discrimination,"* outlining the Administration's intent to pursue action against DEI programs under its interpretation of federal nondiscrimination laws.

The memorandum advises that "entities that receive federal financial assistance or that are otherwise subject to federal anti-discrimination laws, including educational institutions, state and local governments, and public and private employers, should review this guidance carefully to ensure all programs comply with their legal obligations." The directive applies to a wide range of entities, including hospitals, universities, medical schools, and nonprofit organizations.

White House Issues Executive Order Regarding Federal Grantmaking

On August 7th, the White House issued an executive order titled *"*Improving Oversight of Federal Grantmaking." The order requires each agency to establish a process for political appointees to review new funding opportunity announcements and grant awards to ensure they align with agency priorities and the national interest. It further states that grant awards must, when applicable, demonstrate advancement of the President's policy priorities and prohibits the use of discretionary awards to fund or promote "anti-American values."

The order directs agencies to prevent awardees from drawing down general grant funds for specific projects without explicit agency authorization and a written justification for each request. It also instructs agencies to prioritize discretionary awards to institutions with lower indirect cost rates and encourages a broader distribution of awards beyond “a select group of repeat players.”

In addition, the order calls for revisions to the Uniform Guidance to require that all discretionary grants allow for “termination for convenience.” Agencies must submit a report to the Office of Management and Budget (OMB) outlining their standard grant terms and conditions, with revisions required if those terms do not already allow termination for convenience.