

ONE HUNDRED NINETEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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May 11, 2025

MEMORANDUM

To: Committee on Energy and Commerce, Members and Staff
From: Committee on Energy and Commerce Majority Staff
Re: Full Committee Markup on May 13, 2025

I. INTRODUCTION AND OVERVIEW

The Committee on Energy and Commerce has scheduled a markup on **Tuesday, May 13, 2025, at 2:00 p.m. (ET) in 2123 Rayburn House Office Building**, and subsequent days as necessary, to consider the Committee's legislative recommendations for budget reconciliation. The Committee will consider four committee prints drafted as individual subtitles relating to: (1) Energy; (2) Environment; (3) Communications; and (4) Health.

On April 10, 2025, the House of Representatives agreed to the Senate amendment to H. Con. Res. 14, a concurrent resolution setting forth the congressional budget for the United States Government for fiscal year (FY) 2025, setting forth the appropriate budgetary levels for FY 2026 through FY 2034, and providing reconciliation instructions. The resolution included the following budget reconciliation instructions for the Committee: *The Committee on Energy and Commerce shall submit changes in laws within its jurisdiction to reduce the deficit by not less than \$880,000,000,000 for the period of fiscal years 2025 through 2034.*

II. ITEMS FOR CONSIDERATION

- **Committee Print, Title IV—Committee on Energy and Commerce, Subtitle A—Energy, providing for reconciliation pursuant to H. Con. Res. 14.**
- **Committee Print, Title IV—Committee on Energy and Commerce, Subtitle B—Environment, providing for reconciliation pursuant to H. Con. Res. 14.**
- **Committee Print, Title IV—Committee on Energy and Commerce, Subtitle C—Communications, providing for reconciliation pursuant to H. Con. Res. 14.**
- **Committee Print, Title IV—Committee on Energy and Commerce, Subtitle D—Health, providing for reconciliation pursuant to H. Con. Res. 14.**

III. SECTION-BY-SECTION EXPLANATION

SUBTITLE A—ENERGY

Section 41001. Rescissions relating to certain Inflation Reduction Act programs.

This section would rescind the unobligated balance of any amounts made under the following sections of the Inflation Reduction Act (IRA).

- a. **State-Based Energy Efficiency Training Grants** – This would rescind the unobligated balance of any remaining amounts made under section 50123 of the Inflation Reduction Act, the State-Based Energy Efficiency Training Grants. This program was intended to provide training assistance and education for the implementation of the IRA’s Home Energy Whole-House Rebate Program (Sec. 50121) or the High-Efficiency Electric Home Rebate Program (Sec. 50122) for additional home energy efficiency upgrades and retrofits.
- b. **Funding for Department of Energy Loan Program Office** – This would rescind the unobligated balance of any amounts made under section 50141 of the Inflation Reduction Act, Funding for Department of Energy Loan Program Office. This provided funding to cover the cost of credit subsidies associated with loan guarantees made under Section 1703 of the Energy Policy Act of 2005, which authorized loans for unproven technologies.
- c. **Advanced Technology Vehicle Manufacturing** – This would rescind the unobligated balance of any amounts made under section 50142 of the Inflation Reduction Act, Advanced Technology Vehicle Manufacturing. This funding covered the cost of credit subsidies to provide loans for vehicle and vehicle supply chain manufacturing facilities.
- d. **Energy Infrastructure Reinvestment Financing** – This would rescind the unobligated the balance of any amounts made under section 50144 of the Inflation Reduction Act, Energy Infrastructure Reinvestment Financing. The IRA established this program to provide funds to cover the cost of loan guarantees under another new loan program known as the Energy Infrastructure Reinvestment Financing program. Unlike projects in the traditional Department of Energy (DOE) loan programs focused on new, innovative technologies, this program authorized loans for retooling, repowering, or replacing energy infrastructure that has ceased operations.
- e. **Tribal Energy Loan Guarantee Program** – This would rescind the unobligated balance of any amounts that were supposed to be made available under section 50145 of the IRA for the Tribal Energy Loan Guarantee Program. These funds covered credit subsidies under the Tribal Energy Loan Guarantee Program, which the Energy Policy Act of 1992 authorized.
- f. **Transmission Facility Financing** – This would rescind the unobligated balance of any amounts made under section 50151 of the Inflation Reduction Act, Transmission Facility Financing. This program was intended to pay direct loans to non-federal borrowers for transmission facilities designated under Section 216(a) of the Federal Power Act, in a National Interest Electric Transmission Corridor (NIETC). While a small number of NIETCs were designated, no loans were awarded from this program.

- g. **Grants to Facilitate the Siting of Interstate Electricity Transmission Lines** – This would rescind the unobligated balance of any amounts made under section 50152 of the Inflation Reduction Act, Grants to Facilitate the Siting of Interstate Electricity Transmission Lines. This program provides grants to transmission siting authorities (state, local and tribal governments) to facilitate siting and permitting for certain interstate and offshore electricity transmission lines.
- h. **Interregional and Offshore Wind Electricity Transmission Planning, Modeling, and Analysis** – This would rescind the unobligated balance of any amounts made under section 50153 of the Inflation Reduction Act, Interregional and Offshore Wind Electricity Transmission Planning, Modeling, and Analysis. The program intended to cover expenses associated with interregional and offshore wind electricity transmission planning, modeling, and analysis.
- i. **Advanced Industrial Facilities Deployment Program** – This would rescind the unobligated balance of any amounts made under section 50161 of the Inflation Reduction Act, Advanced Industrial Facilities Deployment Program. This program was meant to provide financial assistance—grants, direct loans, rebates, or cooperative agreements—to industrial or manufacturing facilities to subsidize technology installations with the stated intent of reducing greenhouse gas emissions.

Section 41002. FERC certificates and fees for certain energy infrastructure at international boundaries of the United States.

Notwithstanding any requirements or statutory obligations under federal and state law, including siting, environmental and safety reviews, and permitting, Section 41002 requires an application for a certificate of crossing for cross-border energy infrastructure to include a \$50,000 payment, and directs the Federal Electricity Regulatory Commission to issue the certificate. No person may construct, connect, operate, or maintain a cross-border segment for the import or export of designated energy products, or the transmission of electricity, without first obtaining the certificate of crossing. This fee structure does not apply to cross-border segments that were previously approved by a Presidential permit.

Section 41003. Natural gas exports and imports.

Under Section 41003, applications to the Secretary of Energy to export natural gas from the United States to a non-free trade agreement country shall include a \$1,000,000 user fee paid by the applicant. Upon receipt of the application and collection of the fee, the Secretary of Energy shall deem the application in the public interest. This Section does not alter or impact the applicant's existing obligations and requirements under the Natural Gas Act or the Federal Energy Regulatory Commission's authorities.

Section 41004. Funding for Department of Energy loan guarantee expenses.

Section 41004 appropriates \$5,000,000 to the Department of Energy to remain available for 5 years to carry out section 116 of the Alaska Natural Gas Pipeline Act (15 U.S.C. 720n).

Section 41005. Natural Gas Act expedited permitting.

Section 41005 allows applicants for an authorization under Section 3, or a certificate of public convenience and necessity under section 7 of the Natural Gas Act, to participate voluntarily in an expedited permitting process upon the payment of \$10,000,000 or one percent of the project's projected capital cost.

Within one year of payment of the fee, each Federal, State, interstate, or Tribal agency with relevant authorities shall review and approve Federal authorizations, subject to any conditions determined necessary to comply with the underlying statute by the agency. For States, this includes their authorities to impose conditions for any certifying authorities delegated to States by federal law. Following such approval, the Federal Electricity Regulatory Commission (FERC) shall review the application and approve the application subject to any conditions determined necessary by FERC.

The Commission may extend this timeline by a period of 6 months if granted consent by the applicant. Should the authorization not be approved under the applicable deadline, it shall be deemed approved, notwithstanding any procedural requirements of the underlying law.

No court shall have jurisdiction to review a claim under this section except for a claim brought by the applicant or a person who has suffered, or likely and imminently will suffer, direct and irreparable economic harm from the approval. An organization may only bring a claim on behalf of one or more of its members if each member of the organization or association has suffered, or likely and imminently will suffer, harm. Courts shall apply clear and convincing evidence as the standard of review for such claims. The United States Court of Appeals for the D.C. Circuit shall have original and exclusive jurisdiction over any claim alleging the invalidity of the process or that the federal authorization is beyond the scope of authority granted by the federal law to such agency.

Section 41006. Carbon dioxide, oil, and hydrogen pipeline permitting.

Pursuant to Section 41006, applicants for carbon dioxide, oil, or hydrogen pipeline projects, as defined by section 60102(i) of title 49 of the U.S. Code, may apply for a license authorizing the project to be considered in the same manner, and in accordance with the requirements of, an application for a certificate of public convenience and necessity under section 7 of the Natural Gas Act, including a fee of \$10,000,000.

Section 41007. De-Risking Compensation Program for qualified energy projects.

Section 41007 would appropriate \$10 million, to remain available through September 30, 2034, for administrative costs for the Secretary of Energy to establish a De-Risking Compensation Program at the Department of Energy. The program would provide compensation to sponsors of federally permitted energy projects that enroll in the program for unrecoverable capital losses caused by subsequent federal actions that revoke permits or approvals, or cancel, delay, or render the project unviable. The program would be available to applicants who invest in energy projects relating to coal, critical minerals, oil, natural gas, or nuclear energy and are valued at no less than \$30 million. The sponsors would pay 5 percent of their projected share of

capital contribution to the project and an annual premium into a Treasury Department fund. Upon demonstration of unrecoverable losses due to subsequent federal actions that caused the losses, the Secretary of Energy would compensate the project sponsor for up to the full amount of the loss from the available funds.

Section 41008. Strategic Petroleum Reserve.

Section 41008 appropriates \$2,000,000,000 to the Department of Energy for fiscal year 2025 for activities related to the Strategic Petroleum Reserve. Of this amount, \$218,000,000 is appropriated for repairs to the caverns, and \$1,321,000,000 is appropriated for the acquisition of petroleum products for storage in the Strategic Petroleum Reserves. The remaining funding is appropriated to the Department of Energy to buy back the sales mandates by Section 20003 of Public Law 115-97.

Section 41009. Rescissions of previously appropriated unobligated funds.

Section 41009 would rescind the previously appropriated unobligated balances from the base appropriations for the following programs; Office of Inspector General, Office of Clean Energy Demonstrations, Office for Human Capital, Federal Energy Management Programs, State and Community Energy Programs, Office of Minority Economic Impact, Office of Energy Efficiency and Renewable Energy, Office of General Counsel, Office of Indian Energy Policy and Programs, Office of Management, Office of the Secretary, Office of Public Affairs, and the Office of Policy at the Department of Energy. These rescissions do not include funds appropriated under the Inflation Reduction Act, Infrastructure Investment and Jobs Act, and any funds from emergency appropriations. Amounts rescinded in this section do not include current, FY 2025, base year appropriations.

SUBTITLE B—ENVIRONMENT

PART 1—REPEALS AND RECISSIONS

Section 42101. Repeal and rescission relating to clean heavy-duty vehicles.

This section repeals section 132 of the Clean Air Act and rescinds any unobligated balance made available under section 132. This portion of the IRA established a program to grant awards for purchasing electric vehicles.

Section 42102. Repeal and rescission relating to grants to reduce air pollution at ports.

This section repeals section 133 of the Clean Air Act and rescinds any unobligated balance made available under that section. This section of the IRA created a competitive grant and rebate program for the purchase of zero-emission port equipment or technology.

Section 42103. Repeal and rescission relating to grants to the Greenhouse Gas Reduction Fund.

This section repeals section 134 of the Clean Air Act and rescinds any unobligated balance made available under that section. This section of the IRA appropriated funds to the Environmental Protection Agency (EPA) to establish grant programs commonly referred to as “Green Banks.”

Section 42104. Repeal and rescission relating to diesel emissions reductions.

This section repeals section 60104 of Public Law 117-169 and rescinds any unobligated balance made available under that section. This portion of the IRA appropriated additional funds to the Diesel Emissions Reduction Act for use only in certain communities.

Section 42105. Repeal and rescission relating to funding to address air pollution.

This section repeals section 60105 of Public Law 117-169 and rescinds any unobligated balance made available under that section. This provision appropriated additional funds for air monitoring.

Section 42106. Repeal and rescission relating to funding to address air pollution at schools.

This section repeals section 60106 of Public Law 117-169 and rescinds any unobligated balance made available under that section. This section of the IRA provides grants for monitoring and reducing air pollution in schools, technical assistance, and design, construction and renovation standards for school buildings.

Section 42107. Repeal and rescission relating to low emissions electricity program.

This section repeals section 135 of the Clean Air Act and rescinds any unobligated balance made available under that section. This portion of the IRA appropriated money for consumer related education, technical assistance, industry related outreach, intergovernmental outreach related to the reduction of emissions from domestic electrical generation.

Section 42108. Repeal and rescission relating to funding for Section 211(o) of the Clean Air Act.

This section repeals section 60108 of Public Law 117-169 and rescinds any unobligated balance made available under that section. This provision of the IRA does not fund the EPA’s administration of the program. Rather, the funding is for data collection of greenhouse gas emissions and testing the environmental impact of biofuels.

Section 42109. Repeal and rescission relating to funding for implementation of the American Innovation and Manufacturing Act.

This section repeals section 60109 of Public Law 117-169 and rescinds any unobligated balance made available under that section. This section of the IRA does not amend or alter the

American Innovation and Manufacturing (AIM) Act, it merely provides funds to assist with AIM Act implementation and compliance.

Section 42110. repeal and rescission relating to funding for enforcement technology and public information.

This section repeals section 60110 of Public Law 117-169 and rescinds any unobligated balance made available under that section. This provision of the IRA provides funding to update software used by EPA and states to track environmental compliance actions.

Section 42111. Repeal and rescission relating to greenhouse gas corporate reporting.

This section repeals section 60111 of Public Law 117-169 and rescinds any unobligated balance made available under that section. This provision of the IRA provided funding for enhanced standardization and transparency for corporate climate action commitments.

Section 42112. Repeal and rescission relating to environmental product declaration assistance.

This section repeals section 60112 of Public Law 117-169 and rescinds any unobligated balance made available under that section. This section of the IRA provided funding to create environmental product declarations advertising the environmental impact of products.

Section 42113. Repeal of funding for Methane Emissions and Waste Reduction Incentive Program for petroleum and natural gas systems.

This section repeals subsections (a) and (b) of section 136 of the Clean Air Act and rescinds any unobligated balance made available under that section. These repeals and amendments extend by 10 years the date by which the charge associated with the Methane Emissions Reduction Program shall begin to be imposed and collected.

Section 42114. Repeal and rescission relating to greenhouse gas air pollution plans and implementation grants.

This section repeals section 137 of the Clean Air Act and rescinds any unobligated balance made available under that section. This section of the IRA establishes a slush fund for states, local governments and Tribes to use for “Climate Change Action Plans” and environmental justice initiatives.

Section 42115. Repeal and rescission relating to Environmental Protection Agency efficient, accurate, and timely reviews.

This section repeals section 60115 of Public Law 117-169 and rescinds any unobligated balance made available under that section. This section of the IRA funds the hiring and training new staff and conflict with EPA’s initiatives to create a more effective and efficient workforce, along with President Trump’s executive orders to reduce government spending and waste. The

funding does not address the root causes of permitting delays and conflicts with EPA’s current directives.

Section 42116. Repeal and rescission relating to low-embodied carbon labeling for construction materials.

This section repeals section 60116 of Public Law 117-169 and rescinds any unobligated balance made available under that section. This provision of the IRA provided funding to administer a program that would identify and label construction materials and products with low greenhouse gas emissions life cycles.

Section 42117. Repeal and rescission relating to environmental and climate justice block grants.

This section repeals section 138 of the Clean Air Act and rescinds any unobligated balance made available under that section. This section of the IRA funds programs designated as environmental justice programs.

**PART 2—REPEAL OF EPA RULE RELATING TO
MULTI-POLLUTANT EMISSION STANDARDS**

Section 42201. Repeal of EPA rule relating to multi-pollutant emissions standards.

This section repeals the final rule issued by the Environmental Protection Agency relating to “Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles.”

PART 3—REPEAL OF NHTSA RULE RELATING TO CAFE STANDARDS

Section 42301. Repeal of NHTSA rule relating to CAFE standards for passenger cars and light trucks.

This section repeals the final rule issued by the National Highway Traffic Safety Administration relating to “Corporate Average Fuel Economy Standards for Passenger Cars and Light Trucks for Model Years 2027 and Beyond and Fuel Efficiency Standards for Heavy-Duty Pickup Trucks and Vans for Model Years 2030 and Beyond.”

SUBTITLE C—COMMUNICATIONS

PART 1—SPECTRUM AUCTIONS

Section 43101. Identification and auction of spectrum.

Subsection (a) would require the National Telecommunications and Information Administration (NTIA) and the Federal Communications Commission (FCC), not later than 2 years after enactment of this Act, to identify at least 600 megahertz (MHz) of commercial or

federal spectrum in the covered band to be auctioned by 2034. It would also require the President, acting through the Assistant Secretary for Communications and Information, to withdraw or modify the assignments to Federal Government stations of spectrum identified, and notify the Commission not later than 30 days after completing any necessary withdrawals or modifications. It includes a rule of construction to ensure that nothing in this section changes the respective authorities of the NTIA or the FCC with respect to spectrum allocated for Federal use, non-Federal use, or shared Federal and non-Federal use.

Subsection (b) would require the FCC to auction the spectrum identified in subsection (a) on an exclusive, licensed basis for mobile broadband services, fixed broadband services, mobile and fixed broadband services, or a combination thereof. Specifically, not later than 3 years after the date of enactment, the FCC would be required to auction at least 200 MHz of the identified spectrum under subsection (a), and not later than 6 years after the date of enactment, auction the remaining spectrum identified under subsection (a).

Subsection (c) would require auction proceeds to cover 110 percent of federal relocation or sharing costs as required under section 309(j)(16)(B) of the Communications Act of 1934.

Subsection (d) would reauthorize the FCC's spectrum auction authority through September 30, 2034.

Subsection (e) defines key terms. Specifically, it defines the "covered band" as the band of frequencies between 1.3 gigahertz (GHz) and 10 GHz, inclusive, excluding the band of frequencies between 3.1 GHz and 3.45 GHz and the band of frequencies between 5.925 GHz and 7.125 GHz.

PART 2—ARTIFICIAL INTELLIGENCE AND INFORMATION TECHNOLOGY MODERNIZATION

Section 43201. Artificial intelligence and information technology modernization initiative.

Subsection (a) would appropriate \$500,000,000 to the Department of Commerce for fiscal year 2025, to remain available through September 30, 2035, for the purpose of modernizing and securing federal information technology systems through the deployment of commercial artificial intelligence, automation technologies, and the replacement of antiquated business systems.

Subsection (b) states that the Secretary of Commerce shall use these funds to support the replacement and modernization of legacy business systems with state-of-the-art commercial artificial intelligence systems and automated decision systems, the adoption of artificial intelligence models that increase operational efficiency and service delivery, and improve the cybersecurity posture of Federal information technology systems through modernized architecture, automated threat detection, and integrated artificial intelligence solutions.

Subsection (c) states that no state or political subdivision may enforce any law or regulation regulating artificial intelligence models, artificial intelligence systems, or automated decision systems during the 10-year period beginning on the date of the enactment of this Act.

Subsection (d) provides definitions for key terms used in the Act, including “artificial intelligence”, “artificial intelligence model”, “artificial intelligence system”, and “automated decision system”.

SUBTITLE D—HEALTH

PART 1—MEDICAID

SUBPART A—Reducing Fraud and Improving Enrollment Processes

Section 44101. Moratorium on implementation of rule relating to eligibility and enrollment in Medicare Savings Programs.

This section requires the Department of Health and Human Services (HHS) to delay implementation, administration, or enforcement of the final rule titled “Streamlining Medicaid; Medicare Savings Program Eligibility Determination and Enrollment” until January 1, 2035.

Section 44102. Moratorium on implementation of rule relating to eligibility and enrollment for Medicaid, CHIP, and the Basic Health Program.

This section requires HHS to delay implementation, administration, or enforcement of the final rule titled “Medicaid Program; Streamlining the Medicaid, Children’s Health Insurance Program, and Basic Health Program Application, Eligibility Determination, Enrollment, and Renewal Processes” until January 1, 2035.

Section 44103. Ensuring appropriate address verification under the Medicaid and CHIP programs.

This section requires states to establish processes to regularly obtain beneficiary address information from reliable data sources, including by requiring state Medicaid programs to collect address information provided by beneficiaries to managed care entities (where applicable). In addition, this section requires HHS to establish a system to prevent individuals from being simultaneously enrolled in multiple State Medicaid programs by no later than October 1, 2029. States would be required to submit to the system the Social Security Number of the individual enrolled under the State plan to identify when Social Security Numbers for individuals enrolled in Medicaid are identified concurrently in two or more States at the same time.

Section 44104. Modifying certain state requirements for ensuring deceased individuals do not remain enrolled.

This section requires state Medicaid programs to check the Social Security Administration’s Death Master File on at least a quarterly basis to determine whether Medicaid enrollees are deceased and to disenroll individuals who are determined to be deceased from Medicaid coverage.

Section 44105. Medicaid provider screening requirements.

This section requires states to conduct monthly checks of databases or similar systems to determine whether HHS or another state has already terminated a provider or supplier from participating in Medicaid and to also disenroll them from the state's Medicaid program.

Section 44106. Additional Medicaid provider screening requirements.

This section codifies the requirement that state Medicaid programs check, as part of the provider enrollment and re-enrollment process and on a quarterly basis thereafter, the Social Security Administration's Death Master File to determine whether providers are deceased and enrolled in the state's Medicaid program.

Section 44107. Removing good faith waiver for payment reduction related to certain erroneous excess payments under Medicaid.

This section requires HHS to reduce federal financial participation (FFP) to States for errors identified through the ratio of a State's erroneous excess payments for medical assistance, by the Office of the Inspector General, or by the Secretary are directly attributable to payments to ineligible individuals or for ineligible services.

Section 44108. Increasing frequency of eligibility redeterminations for certain individuals.

This section requires States to conduct eligibility determinations for Expansion population adults every six months. Current law currently requires such determinations to occur on every twelve months.

Section 44109. Revising home equity limit for determining eligibility for long-term care services under the Medicaid program.

This section establishes a ceiling of \$1,000,000 for permissible home equity values for individuals when determining allowable assets for Medicaid beneficiaries that are eligible for long-term care services. This section also prohibits the use of asset disregards from being applied to waive home equity limits.

Section 44110. Prohibiting federal financial participation under Medicaid and CHIP for individuals without verified citizenship, nationality, or satisfactory immigration status.

This section prohibits FFP in Medicaid for individuals whose citizenship, nationality, or immigration status has not been verified, including during reasonable opportunity periods when an individual has not yet verified citizenship, nationality, or immigration status. Current law permits states to enroll individuals in coverage immediately and then provide 90-day reasonable opportunities that allow individuals to immediately begin receiving coverage and then wait up to 90 days before verifying citizenship or immigration status, all while receiving FFP during this period. This policy permits states, at the state's option, to provide coverage during a reasonable opportunity period in which an individual may not yet have provided evidence of citizenship,

nationality, or immigration status, so long as the state does not request FFP until citizenship, nationality, or immigration status have been verified.

Section 44111. Reducing expansion FMAP for certain states providing payments for health care furnished to certain individuals.

This section reduces by ten percent the Federal Medical Assistance Percentage (FMAP) for Medicaid Expansion States who use their Medicaid infrastructure to provide health care coverage for illegal immigrants under Medicaid or another state-based program.

SUBPART B—Preventing Wasteful Spending

Section 44121. Moratorium on implementation of rule relating to staffing standards for long-term care facilities under the Medicare and Medicaid programs.

This section requires HHS to delay implementation, administration, or enforcement of the final rule titled “Medicare and Medicaid Programs; Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting” until January 1, 2035.

Section 44122. Modifying retroactive coverage under the Medicaid and CHIP programs.

This section limits retroactive coverage in Medicaid to one month prior to an individual’s application date. Current law provides retroactive coverage for up to three months before an individual’s application date.

Section 44123. Ensuring accurate payments to pharmacies under Medicaid.

This section requires participation by retail and applicable non-retail pharmacies in the National Average Drug Acquisition Cost (NADAC) survey. The NADAC survey measures pharmacy acquisition costs and is often used in the Medicaid program to inform reimbursement to pharmacies.

Section 44124. Preventing the use of abusive spread pricing in Medicaid.

This section bans “spread pricing” in the Medicaid program, which occurs when pharmacy benefit managers retain a portion of the amount paid to them (a “spread”) for prescription drugs.

Section 44125. Prohibiting federal Medicaid and CHIP funding for gender transition procedures for minors.

This section prohibits FFP for specified gender transition procedures to individuals under the age of 18.

Section 44126. Federal payments to prohibited entities.

This section prohibits Medicaid funds to be paid to providers that are nonprofit organizations, that are essential community providers that are primarily engaged in family planning services or reproductive services, provide for abortions other than for Hyde Amendment exceptions, and which received \$1,000,000 or more (to either the provider or the provider's affiliates) in payments from Medicaid payments in 2024.

SUBPART C—Stopping Abusive Financing Practices

Section 44131. Sunsetting eligibility for increased FMAP for new expansion states.

This section sunsets the temporary five percent enhanced FMAP afforded to states under the American Rescue Plan Act that opt to expand Medicaid. This provision would apply prospectively, not affecting states currently receiving an enhanced federal match under this authority.

Section 44132. Moratorium on new or increased provider taxes.

This section freezes, at current rates, states' provider taxes in effect as of the date of enactment of this legislation and prohibits states from establishing new provider taxes.

Section 44133. Revising the payment limit for certain state directed payments.

This section directs HHS to revise current regulations to limit state directed payments for services furnished on or after the enactment of this legislation from exceeding the total published Medicare payment rate. This section would not affect total payment rates for state directed payments approved prior to this legislation's enactment.

Section 44134. Requirements regarding waiver of uniform tax requirement for Medicaid provider tax.

This section modifies the criteria HHS must consider when determining whether certain health care-related taxes are generally redistributive. Under this section, a tax would not be considered generally redistributive if, within a permissible class, the tax rate imposed on the taxpayer or tax rate group explicitly defined by its relatively lower volume or percentage of Medicaid taxable units is lower than the tax rate imposed on any other taxpayer or tax rate group explicitly defined by its relatively higher volume or percentage of Medicaid taxable units. The tax would also not be considered generally redistributive if, within a permissible class, the tax rate imposed on any taxpayer or tax rate group based upon its Medicaid taxable units is higher than the tax rate imposed on any taxpayer or tax rate group based upon its non-Medicaid taxable unit.

If a State has a health care-related tax waiver that meets at least one of these criteria as of the date of enactment of this legislation, the waiver must be modified to comply with these requirements. This section provides a transition period for non-compliant programs, after which

a State whose health care-related taxes do not adhere to all federal requirements would be penalized by the sum of those revenues received by State.

Section 44135. Requiring budget neutrality for Medicaid demonstration projects under section 1115.

This section provides budget neutrality requirements for demonstration projects under section 1115 of the Social Security Act. HHS would be required to certify that the total expenditures for FFP do not exceed what would otherwise have been spent under Title XIX absent the demonstration project. HHS must also develop methodologies for applying savings generated under a project as allowable costs to be spent in a project's extension.

SUBPART D—Increasing Personal Accountability

Section 44141. Requirement for states to establish Medicaid community engagement requirements for certain individuals.

This section requires states to establish community engagement requirements for able-bodied adults without dependents. An individual can meet the community engagement requirements during a month by working at least 80 hours, completing at least 80 hours of community service, participating in a work program for at least 80 hours, enrolling in an educational program for at least 80 hours, or a combination of these activities for at least 80 hours.

The requirements of this section would not apply to the following individuals: pregnant women, individuals under the age of 19 or over the age of 64, foster youth and former foster youth under the age of 26, members of a Tribes, individuals who are considered medically frail (which includes, but is not limited to, individuals who are blind or disabled, who have a chronic substance use disorder, who have a serious and complex medical condition, or who have a condition, as defined by the State and approved by the Secretary, as meeting the definition of medically frail), individuals who are already in compliance with the work requirements under the Temporary Assistance for Needy Families (TANF) program or Supplemental Nutrition Assistance Program (SNAP), individuals who are a parent or caregiver of a dependent child or an individual with a disability, or are incarcerated or recently released from incarceration within the past 90 days. This section also provides short-term hardship waivers for natural disasters and for counties where the unemployment rate is greater than eight percent or greater than 150 percent of the national average.

Compliance with community engagement requirements would be verified by states no less frequently than for the month preceding an individual's enrollment in Medicaid and in a month preceding the individual's eligibility redetermination and verified as part of an individual's overall eligibility determination or redetermination. States would be required to provide regular, advanced notice and outreach to make individuals aware of the requirements, would be required to streamline and simplify processes to verify compliance to reduce burdens on individuals, and to establish due process procedures for individuals before denying coverage or removing individuals from coverage.

Section 44142. Modifying cost sharing requirements for certain expansion individuals under the Medicaid program.

This section requires states to impose cost sharing on Medicaid Expansion adults with incomes over 100 percent of the federal poverty level (FPL). This cost-sharing may not exceed \$35 per service—rather than the current \$100 per service limit. Cost sharing may not exceed five percent of the individual’s income, which is the current out-of-pocket limit for Medicaid beneficiaries. This section would not permit cost-sharing on primary care, prenatal care, pediatric care, or emergency room care (except for non-emergency care provided in an emergency room).

PART 2—AFFORDABLE CARE ACT

Section 44201. Addressing waste, fraud, and abuse in the ACA exchanges.

This section would institute eligibility and income verification processes for Patient Protection and Affordable Care Act (ACA) enrollees. In addition, it would roll back income-based special enrollment periods in the federally-facilitated and state ACA exchanges. This section would also make technical changes to health plans offered via the ACA exchanges. It would institute ACA reenrollment guardrails for enrollees in zero-dollar premium health plans. Additionally, this section would prohibit gender transition procedures from being included as an essential health benefit (EHB), and it would amend the definition of “lawfully present” for the purposes of qualified health plan enrollment. This section would also permit issuers to require enrollees to satisfy debt for past-due premiums as a prerequisite for effectuating new health coverage. The provisions within this section would take effect for plan years beginning on or after January 1, 2026.

PART 3—IMPROVING AMERICANS’ ACCESS TO CARE

Section 44301. Expanding and clarifying the exclusion for orphan drugs under the drug price negotiation program.

This section makes technical corrections to current law by permitting product sponsors to have one or more orphan drug indication in order to be exempt from the Drug Price Negotiation Program in statute. Current law limits exemptions from the Drug Price Negotiation Program to one rare disease indication. This section also revises the start of the timeline in which a manufacturer would be eligible for negotiation until an orphan drug receives its first non-orphan indication.

Section 44302. Streamlined enrollment process for eligible out-of-state providers under Medicaid and CHIP.

For purposes of improving access to necessary out-of-state care for children enrolled in Medicaid and the Children’s Health Insurance Program (CHIP), this section requires states to establish a process through which qualifying pediatric out-of-state providers may enroll as participating providers without undergoing additional screening requirements.

Section 44303. Delaying DSH reductions.

This section delays the Medicaid Disproportionate Share Hospital (DSH) reductions, currently \$8 billion reductions per year that are set to take effect for fiscal years 2026 through 2028, to instead take effect for fiscal years 2029 through 2031. This section also extends funding for Tennessee’s DSH program, which is set to expire at the end of this fiscal year, through fiscal year 2028.

Section 44304. Modifying update to the conversion factor under the physician fee schedule under the Medicare program.

This section amends current law by replacing the split physician fee schedule conversion factor set to take effect on January 1, 2026, with a new single conversion factor based on a percentage of medical inflation, or the Medicare Economic Index (MEI).

Section 44305. Modernizing and ensuring PBM accountability.

This section requires Pharmacy Benefit Managers (PBMs) in Medicare Part D to transparently share information relating to business practices with Medicare Part D Prescription Drug Plan Sponsors, including information relating to formulary decisions and prescription drug coverage that benefits affiliated pharmacies. The policy also prohibits PBM compensation based on a drug’s list price, limiting compensation to fair market bona-fide service fees. Lastly, the legislation requires the Centers for Medicare and Medicaid Services to define “reasonable and relevant” contracting terms for the purposes of enforcing Medicare Part D’s “any willing pharmacy” requirements.

IV. STAFF CONTACTS

If you have any questions concerning this markup, please contact Jessica Donlon at Jessica.Donlon@mail.house.gov and Sarah Meier at Sarah.Meier@mail.house.gov.