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Editor's note

This series is produced by KPMG Healthcare and is intended to be short and succinct, less than 360 words, to provide a weekly digestible bite of healthcare regulatory, policy, and industry news relevant to our clients. Links are provided to source material (proposed and final regulations, agency guidance and press releases, reports, research, etc.) when available. Please share this email with colleagues and other interested individuals, and encourage them to subscribe to our mailing list here.

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Healthcare regulatory news

CMS issued a proposed rule requiring ACA Exchanges to establish a pre-enrollment verification system by August 1, 2027, prohibiting the distribution of premium tax credits and cost-sharing subsidies until applicant eligibility is confirmed. The regulation also eliminates passive auto-reenrollment into subsidized plans for consumers who do not actively affirm their eligibility criteria.

The Trump administration is repealing Biden-era regulations that mandated electronic health record vendors to provide "model cards" explaining the development, testing, and clinical intent of health AI tools. While federal officials and developers defended the rollback as a necessary measure to eliminate burdensome rules and foster innovation, hospital groups warned the decision may compromise clinical transparency and safety.

A new transparency rule finalized by the Department of Labor taking effect in July 2027 mandates PBMs to disclose compensation, rebate, and spread-pricing data to self-insured employer plans. Regulators project the biannual disclosure and annual audit framework would lower prescription drug expenditures for self-funded employers and employees by $22B over ten years.

HHS and the ONC finalized the HTI-5 rule, deregulating the Health IT Certification Program by removing 14 criteria and revising seven to generate an estimated $1.5B in compliance savings. The agency, however, postponed proposed revisions regarding autonomous AI and information blocking exceptions, deferring those policies for potential inclusion in future rulemaking.



Healthcare law and policy news

A federal district court enjoined HHS from enforcing its June Interim Final Rule's medical frailty exemptions, which exclude Medicaid enrollees with qualifying disabilities, mental disorders, or serious or complex medical conditions from upcoming Medicaid work requirements outlined in H.R. 1, across 25 states and Washington, D.C., ruling the additional requirement violated the Administrative Procedure Act. The court simultaneously instituted a six-month enforcement stay on frailty determinations to grant states sufficient time to adjust their verification infrastructure.

Aetna filed suit against CMS challenging the inclusion of 28 measures used in calculating its 2027 Medicare Advantage star ratings, alleging the agency exceeded its statutory authority and violated the Administrative Procedure Act. Following similar legal actions by Centene and Alignment Healthcare rooted in the earlier Clover Health precedent, Aetna estimates the suppressed quality ratings will result in a $2B reduction in 2028 quality bonus payments and rebate retention.

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