

Insights

Congress Advances Bipartisan Health Bill as Part of FY 2026 Funding Package

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House and Senate appropriations leaders have reached a bipartisan, bicameral agreement to keep the federal government funded through fiscal year 2026 while advancing several long-anticipated health care policy changes. The U.S. House of Representatives passed the funding package last week, and the legislation is expected to be considered by the Senate this week as lawmakers work to finalize a multi-bill government funding measure. The package pairs funding for the Department of Health and Human Services with targeted Medicare reforms, including extensions of telehealth and hospital-at-home authorities, initial steps toward site-neutral payments, enhanced incentives for physicians participating in alternative payment models, and new transparency requirements for pharmacy benefit managers.

Background

The legislation emerges against a backdrop of expiring pandemic-era flexibilities, ongoing pressure on Medicare reimbursement rates, and bipartisan concern about rising health care costs and access to care. Over the past several years, Congress has relied on short-term extensions and temporary waivers (particularly for telehealth and hospital-at-home programs), creating uncertainty for providers, payors, and patients alike. At the same time, lawmakers have faced increasing scrutiny over site-based payment differentials in Medicare, physician participation in alternative payment models, and the role of pharmacy benefit managers in drug pricing. The fiscal year 2026 funding process provided a vehicle for House and Senate spending leaders to address several of these issues on a bipartisan basis, even as broader reforms, including comprehensive Medicare physician payment restructuring and renewed Affordable Care Act marketplace subsidies, remain unresolved.

The legislation, negotiated by House and Senate committee leadership, combines funding for the Department of Health and Human Services with targeted Medicare and health system reforms. Many of these policies were previously included in a 2024 government funding bill but were ultimately dropped, leaving key health care priorities unresolved for more than a year. The current agreement reflects renewed bipartisan efforts to revive those proposals and attach them to must-pass government funding legislation. Following House passage last week, the funding package has now moved to the Senate, where it is expected to be considered this week as part of broader negotiations to finalize FY 2026 government funding.

Key Health Policy Provisions

The House-passed package includes the following key health policy provisions:

- **Extension of Medicare Telehealth Flexibilities.** The bill would renew Medicare telehealth coverage for an additional two years.
- **Hospital-at-Home Program Extension.** Medicare's Acute Hospital Care at Home waiver would be extended for five years.
- **Steps Toward Site-Neutral Medicare Payments.** Health systems would be required to establish separate Medicare identification numbers for outpatient departments.
- **Physician Payment Enhancements in Alternative Payment Models.** Physicians participating in Medicare alternative payment models would receive increased compensation.
- **Pharmacy Benefit Manager (PBM) Reforms.** A central feature of the agreement is a bipartisan crackdown on drug intermediaries, restructuring PBM compensation practices, increasing transparency, and limiting incentives tied to drug list prices.

Congressional negotiators have described PBM reform as a key driver of the health deal, following months of bipartisan negotiations after similar proposals were removed from a 2024 funding package.

Notably, the agreement would not revive enhanced Affordable Care Act subsidies that lapsed at the end of 2025, resulting in premium increases in the individual market.

Political Outlook and Likelihood of Passage

With House passage complete, the fate of the health provisions now rests with the Senate, where timing and amendment negotiations could influence final enactment. While the health policies reflect areas of longstanding bipartisan interest, some senators have raised broader concerns about overall spending levels and the structure of the funding package. The White House has not issued a formal position on the legislation; however, several of the included health provisions align with current administration priorities, making a veto threat unlikely absent significant changes.

Krieg DeVault will continue to monitor Senate consideration of the funding package and will update this alert as developments warrant. If you have questions about the bill, please contact Kendall Schnurpel, Meghan Linvill McNab, or your Krieg DeVault attorney.

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