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Correspondence Memorandum

Date: July 30, 2025

To: Group Insurance Board

From: Tricia Sieg, Pharmacy Benefit Programs Manager
Office of Strategic Health Policy

Subject: Recent Federal Government Actions

This memo is for informational purposes only. No Board action is required.

One Big Beautiful Bill Act
On July 4, 2025, President Trump signed House Resolution 1 (H.R.1), also known as the One Big Beautiful Bill Act (OBBBA), into law. OBBBA includes one minor provision that impacts the Group Insurance Board's (Board's) Group Health Insurance Program (GHIP) immediately. It also contains provisions that do not currently affect the GHIP but could have implications in the future.

Provision Affecting the GHIP
Beginning January 1, 2026, OBBBA increases the annual contribution limit for Dependent Care Flexible Spending Accounts (FSAs) to $7,500—an increase of $2,500, from the current $5,000 limit in 2025. This change will apply to FSA participants under the GHIP starting with the 2026 plan year.

Other Provisions
OBBBA also contained provisions related to benefits not currently included in the GHIP, and changes to Medicare and Medicaid that may have a future impact on either GHIP or the healthcare landscape in Wisconsin as a whole.

Telehealth and HDHP Coverage: Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, high-deductible health plans (HDHPs) were temporarily allowed to offer telehealth and remote care services without requiring members to first meet a deductible, while preserving Health Savings Account (HSA) eligibility. This policy expired on December 31, 2024. OBBBA reinstates this provision retroactively to January 1, 2025, and makes it permanent. The provision is voluntary; the Board's programs have not yet been modified to allow pre-deductible telehealth coverage.

Reviewed and approved by Renee Walk, Director, Office of Strategic Health Policy
Electronically Signed 07/24/2025

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Direct Primary Care Benefits and HDHP Coverage: Direct Primary Care (DPC) benefits involve a monthly fee covering services such as office visits and care for certain chronic conditions. DPC benefits, are currently not covered under an HDHP until after the deductible is met. However, starting January 1, 2026, DPC benefits that exclude general anesthesia, prescription drugs (except vaccines), and laboratory services not typically administered in an ambulatory primary care setting may be covered by HDHPs before the deductible is met. Additionally, HSA funds can be used to pay DPC monthly fees on a tax-free basis, as long as the fees do not exceed $150 per month for an individual or $300 per month for a family. While the DPC benefits are not currently part of the GHIP, they represent a growing alternative to the traditional fee-for-service model and may be something the Board could consider in the future.

Medicare: OBBBA provides a 2.5% increase in payments to medical professionals paid under the Medicare Physician Fee Schedule, effective January 1, 2026. This increase was enacted to counter the 2.93% decrease in the Medicare Physician Fee Schedule that took effect January 1, 2025. However, the law does not include provisions to extend the 2026 payment increase beyond that year. As a result, fewer medical professionals may accept Medicare patients in the future due to the fee schedule remaining low and failing to keep pace with inflation.

According to a May 20, 2025, letter from the Congressional Budget Office (CBO) to Congressman Brendan Boyle, OBBBA is projected to trigger a $490 billion reduction in Medicare spending between 2027 and 2034 under the requirements of the Statutory Pay-As-You-Go Act of 2010, unless further congressional action is taken.[1] A reduction in federal Medicare spending could result in higher costs for the Board's Medicare members and the Board itself.

In addition, OBBBA freezes the expansion of Medicare Savings Programs, which assist low-income Medicare beneficiaries with premiums and cost-sharing, until October 1, 2034. As of July 2025, there are 196 GHIP members who receive Low-Income Subsidy (LIS) payments from the Centers for Medicare & Medicaid Services (CMS).

Medicaid: OBBBA also introduces substantial changes to Medicaid funding. According to KFF, Wisconsin could face between $6 billion and $10 billion in federal Medicaid cuts.[2]

These cuts to Medicaid funding will affect hospitals across the state, but are expected to have an outsized impact on Wisconsin's 58 critical access hospitals located in rural areas which rely heavily on Medicaid reimbursements based on the populations they

[1] Swagel, Phillip Director, Congressional Budget Office, (2025, May 20), Potential Statutory Pay-As-You-Go effects of a Bill to Provide Reconciliation Pursuant to the One big Beautiful Bill Act, https://www.cbo.gov/system/files/2025-05/61423-PAYGO.pdf

[2] Euhus, Rhiannon. Williams, Elizabeth. Burns, Alice. Rudowitz, Robin. "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Senate Reconciliation Bill" (2025, July 1), https://www.kff.org/medicaid/issue-brief/allocating-cbos-estimates-of-federal-medicaid-spending-reductions-across-the-states-senate-reconciliation-bill/

serve.[3] Cuts in funding could force some hospitals to reduce services or close entirely. Such closures would require members in affected areas to travel farther for care such as emergency room visits, maternity services, and mental health support.

It should be noted that the 2025-2027 Wisconsin Biennial Budget that was signed into law on July 3, 2025, a day before the OBBBA was signed, includes a provision increasing the hospital assessment rate levied by the Wisconsin Department of Health Services.[4] The rate increased from 1.8% to the federal maximum of 6%, allowing the state to draw down the maximum federal Medicaid matching funds permitted under current law.[5] Although OBBBA freezes the federal matching rate, this change will help stabilize hospital funding throughout Wisconsin.

U.S. Supreme Court Decision on the Appointment of U.S. Preventive Services Taskforce Members

On June 27, 2025, the U.S. Supreme Court decided a case on the 2010 Patient Protection and Affordable Care Act's (ACA). The specific issue involved whether the manner in which U.S. Preventive Services Task Force (USPSTF) members were appointed was unconstitutional. If taskforce members were improperly appointed, the plaintiffs argued that insurers should no longer be required to cover its recommended services at no cost to members. Ultimately the Court concluded that the USPSTF appointment process, as overseen by the Secretary of the federal Department of Health and Human Services, was constitutional.

The ruling affirms the requirement that all U.S. health insurers must continue covering services recommended by the Task Force at no charge to members.[6]

Federal Maximum Out of Pocket Updates (MOOP)

CMS annually updates maximum out-of-pocket limits for non-grandfathered group health plans. In 2021, the Board granted ETF the authority to update the MOOP in the GHIP to align with the federal MOOP. The updated MOOP for 2026 will be $10,600 for individual coverage and $21,200 for family coverage. The only services that accrue to the federal MOOP in the GHIP are Level 3 and Level 4 drugs.

Staff will be at the Board meeting to answer any questions.

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[3] Wisconsin Office of Rural Health, Data & Maps, https://worh.org/resources/data-maps/

[4] Wisconsin State Statute §50.38 https://docs.legis.wisconsin.gov/statutes/statutes/50/ii/38

[5] Bauer, Scott, "Wisconsin Legislature passes and Evers signs the 2025-27 state budget in early morning to secure federal funds" (2025, July 3), https://pbswisconsin.org/news-item/wisconsin-legislature-passes-and-evers-signs-the-2025-27-state-budget-in-early-morning-to-secure-federal-funds/

[6] SCOTUSblog, Kennedy v. Braidwood Management, https://www.scotusblog.com/cases/case-files/becerra-v-braidwood-management-inc/