Government Relations Update – November 4, 2025

Pennsylvania Issues

Legislation

- **Pennsylvania State Budget:** On February 4, 2025, Governor Josh Shapiro (D) delivered his proposal for the 2025-26 state budget, including $51.4 billion in spending and representing an 8% increase compared to the 2024-25 state fiscal year. Since that time, budget negotiations have been in a prolonged impasse. On July 29, 2025, the Office of the Budget outlined projected shortfalls within the Department of Human Services (DHS) resulting from the impasse, preventing DHS from distributing over $500 million for behavioral health services, the prescription drug monitoring program, maternal and child health services, county health departments, county child welfare payments, homeless assistance, opioid response, and Area Agencies on Aging.

- **Senate Government Committee Hearing on Medical Malpractice Venue Rules Change:** In 2002, the General Assembly established the Interbranch Commission on Venue, which recommended venue rules adopted by the Pennsylvania Supreme Court in 2003. These rules required that claims against health care professionals and hospitals be filed in the county where treatment was rendered. This reform was widely seen as the most important step in Pennsylvania's efforts to address its medical liability insurance crisis.

  On August 25, 2022, the Pennsylvania Supreme Court reset the rule effective January 1, 2023 so that medical malpractice claims may be filed in any county in which care occurred or where a defendant conducts business, which is broadly defined. On October 27, 2025, St. Luke's Chief Medical Litigation Officer Mark Zolfaghari testified at the Senate Government Committee Hearing on the current medical malpractice climate in Pennsylvania and how the rules change negatively impacts doctors, hospitals, and patient access to care.

Federal Issues

Legislation

- **One Big Beautiful Bill (H.R.1):** On July 3, 2025, Congress passed the One Big Beautiful Bill, primarily along party lines. The Act sets budgetary spending levels for federal fiscal years 2026 through 2034 and calls for Affordable Care Act (ACA) marketplace insurance coverage reductions, Medicaid enrollment limitations, and caps on Medicaid supplemental funding. The most immediate change will become effective on January 1, 2026, when Federal subsidies for ACA enrollees with incomes below 150% of the Federal poverty line expire, increasing monthly premiums for those enrollees by up to 75%. Up to 50% of the 270,000 enrollees in Pennsylvania are expected to become uninsured. St. Luke's projects the reimbursement reduction to the network could exceed $40 million annually.

  Beginning January 1, 2027, adults seeking Medicaid on a basis other than disability will be required to work, engage in community service, or be enrolled in an education program for a minimum of 80 hours each month. The Commonwealth is estimating that roughly 10% of the three million Pennsylvanians currently enrolled in Medicaid will become uninsured. St. Luke's projects the reimbursement impact to the network could exceed $20 million annually.

  Starting in 2028, the Act will limit state directed payments for inpatient hospital services. St. Luke's receives approximately $40 million annually from this program, which is used to supplement services provided to Medicaid patients. The Hospital & Healthsystem Association of Pennsylvania estimates that St. Luke's will forfeit $4.5 million in reimbursements in 2028, gradually increasing to $31.8 million by 2033. On a positive note, the Act includes a temporary payment increase under the Medicare Physician Fee Schedule of 2.5% for services provided in 2026, which is estimated to provide $4.5 million in additional revenue for St. Luke's.

Miscellaneous

- **Federal Government Shutdown:** On September 30, 2025, House Democrats voted almost in unison to defeat a bill to fund the government through November 21, 2025 and avoid a government shutdown. Democrats have agreed to fund the government only if Republicans agree to extend health insurance premium subsidies under the ACA that are due to expire and restore nearly $1 trillion in Medicaid cuts. Given the stalemate, the federal government remains in a shutdown.