Government Relations Update – February 24, 2026

Pennsylvania Issues

Miscellaneous

- **Budget Proposal:** On February 3, 2026, Governor Josh Shapiro (D-PA) presented a $53.3 billion spending plan for state fiscal year 2027, representing a 5.38% increase from the current budget. The Governor proposes to generate additional revenue from taxes on skill games and the legalization of cannabis. The Governor is also proposing to raise the minimum wage to $15 per hour.

  The budget would invest $1 million to connect medically compromised individuals with stable housing, $10 million for 988 crisis hotline operations, $5 million to maintain mental health crisis stabilization centers, $3.2 million for the Community Hospital Integration Projects Program to reduce state hospital stays, and $2.5 million for maternal health initiatives. The proposal would also transfer $100 million from the Budget Stabilization Reserve Fund to a new Federal Response Fund to allow the Commonwealth to mitigate actions taken by the federal government causing disruptions to critical services.

  As part of the proposal, the Governor announced support for a Pennsylvania False Claims Act allowing the Pennsylvania Attorney General to prosecute waste, fraud, and abuse in the Medicaid program. St. Luke's is opposed to a state false claims act since it would incentive attorneys to sue healthcare providers. St. Luke's opposes the proposal together with the Hospital & Healthsystem Association of Pennsylvania (HAP), the Pennsylvania Chamber of Commerce, and the Pennsylvania Coalition for Civil Justice Reform.

- **Pennsylvania Health Insurance Exchange Authority (Pennie):** As previously reported, Congress failed to extend enhanced premium tax credits for those purchasing health insurance through insurance marketplaces. This led premium costs to double this year, and nearly 20% of Pennsylvanians dropped coverage altogether during the 2026 open enrollment period. There was also a significant shift to lower levels of coverage. For example, bronze plan enrollment increased by 30%. Bronze plans have lower monthly premiums but often much higher out-of-pocket costs.

Federal Issues

Miscellaneous

- **Affordable Care Act (ACA) Health Insurance Marketplace:** On February 11, 2026, CMS issued proposed regulations to reduce requirements for insurers offering coverage on federal and state health insurance marketplaces. One concerning change would allow plans to become qualified despite not having contracts with providers. These plans typically have high deductibles with extraordinary out-of-pocket costs. St. Luke's will be working with HAP to submit comments opposing these proposed regulations.

- **340B:** On February 13, 2026, the Health Resources and Services Administration (HRSA) issued a Request For Information (RFI) on the potential use of 340B rebates, including the standards and procedures HRSA should use to govern the approval of manufacturer rebate plans. HRSA will use the information collected to "evaluate if a potential 340B Rebate Model Pilot Program is in the public's interest and, if so, determine a viable implementation strategy." St. Luke's will be working with HAP to submit comments on this RFI.

- **H1-B Visa Program:** On February 11, 2026, a bipartisan group of nearly 100 members of Congress sent a letter to U.S. Department of Homeland Security Secretary Kristi Noem urging the exemption of the health care sector from the Trump Administration's Presidential Proclamation imposing a $100,000 fee on employers petitioning for an H-1B visa. This change is expected to cost Pennsylvania employers $40 million annually. Pennsylvania Representatives Madeleine Dean (D-Montgomery) and Brian Fitzpatrick (R-Bucks) signed the letter. St. Luke's currently employs 22 physicians who are H-1B visa holders. Without an exemption, St. Luke's will need to limit the recruit of international physicians.