Health Policy Committee
Federal Policy Update and Report

August 25, 2026

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CHC Funding

This month the Senate passed a Continuing Resolution (CR) extending stopgap government funding, including funding for CHCs, through December 11, 2026. The bipartisan CR also delays the Office of Management and Budget's proposed grantmaking rule—which would give political appointees more control over discretionary grant decisions. The measure will now return to the House for consideration after the August recess. If passed by both chambers, the CR would avert another shutdown while lawmakers negotiate full Fiscal Year 2027 appropriations.

In addition, House Republicans are attempting to pass a Continuing Resolution (CR). If successfully passed by both the House and the Senate, the CR would continue government funding at current levels through December 4, 2026.

This month on Capitol Hill Congress advanced key legislation before the August recess. The House Energy and Commerce Committee unanimously approved H.R. 9393, the Lower Costs, More Transparency Act by a vote of 45-0. This legislation would provide an additional $750 million in funding for behavioral health and nutrition services at Community Health Centers (CHCs).

340B Update

New HRSA Rebate Announcement

As expected, HRSA published a Federal Register Notice July 31, announcing a new 340B rebate pilot to take effect on January 1, 2027, covering all drugs subject to Medicare negotiated prices starting in both 2026 and 2027. In the Notice, HRSA explicitly states that FQHCs will not be carved out of the pilot. Although HRSA's 1.0 rebate was blocked by district court there is little chance the 2.0 pilot will be blocked on Administrative Procedure Act (APA) grounds.

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340B reform Bill

After more than five years of work, the bipartisan Senate 340B "Group of Six" (G6) released the text of its comprehensive 340B reform legislation, the SUSTAIN 340B Act. The G6— which currently consists of Sens. Baldwin (D-WI), Boozman (R-AR), Capito (R-WV), Hickenlooper (D-CO), Kaine (D-VA), and Moran (R-KS)— released a partial SUSTAIN draft in 2024 that addressed issues such as contract pharmacies, a neutral claims clearinghouse, and PBM "pick-pocketing." The new bill expands on the partial version by adding provisions on additional issues including:

- **Rebate model:** The bill would end any existing manufacturer rebate model within one year and require a transition to a neutral claims clearinghouse.
- **Patient definition:** The bill establishes criteria for determining when an individual is considered a "patient" of a covered entity for 340B eligibility purposes. Importantly, it also limits the circumstances under which "referral prescriptions"—prescriptions written by providers outside the CHC—would qualify for 340B pricing. As with the House SECURE Act, these provisions are concerning for CHCs.
- **Child sites:** This section, which applies only to hospitals, establishes new requirements for creating new 340B-eligible child sites. Although it does not affect CHCs, we expect it to generate significant opposition from hospitals.

While the SUSTAIN 340B Act is not a perfect bill for CHCs—particularly because of the referral prescription language—it would represent a significant improvement over the status quo in several key areas, including the rebate model, data demands, contract pharmacy restrictions, and PBM discrimination.

Medicaid (HHS Fraud, Waste and Abuse State Updates)

HHS and CMS have deferred more than $1 billion in federal Medicaid payments to California and Minnesota after focused financial reviews identified claims that require additional review before federal matching funds are released. These are payment deferrals (not permanent funding cuts) and both states will have the opportunity to provide documentation showing the claims meet federal Medicaid requirements