CHILDREN'S HOSPITAL ASSOCIATION

Highlights of the FY26 Labor-HHS Bill and Health Care Extenders Package

On Monday, January 20, 2026, House and Senate Appropriators released the text of a bipartisan and bicameral FY 2026 funding "minibus," including, Labor-HHS, Defense and Transportation, and a related health care extenders package. Linked is the **full bill text**, the **Labor-HHS explanatory statement**, and the **extenders package.**

Key Wins for Children's Health

- Inclusion of the Accelerating Kids' Access to Care Act (Sec. 6101 of Health Care Extenders)
- Continuation of the elimination of Medicaid DSH cuts through FY27 (Sec. 6105 of Health Care Extenders)
- CHGME funded at $395 million, a $5 million increase above FY25 funding (L-HHS bill)

LHHS Bill Highlights

Overall HHS Budget

- $116.8 billion for HHS, a $210 million increase over FY25 funding

CHGME/Workforce

- $395 million for CHGME, a $5 million increase over FY25 funding
- $10 million for the Pediatric Specialty Loan Repayment program, same funding level as FY25
- Approximately $888 million for Title VII (health professions) and VIII (nursing) workforce programs

Mental Health

- $13 million for the Pediatric Mental Health Care Access program, same funding level as FY25
- $19.605 million for project LAUNCH

Pediatric and Disaster Preparedness

- $24.33 million for the Emergency Medical Services for Children, same funding level as FY25
- $7 million for Pediatric Disaster Care program, same funding as FY25
- $25 million for the Regional Pediatric Prevention Network (PPN) program, same funding as FY25

Pediatric Research

- $48.716 billion for the National Institutes of Health, a $415 million increase above FY25 funding
- $1.769 billion for the National Institute of Child Health and Human Development, a $10 million increase above FY25 funding
- $31 million for the *All of Us* Research Program
- Includes language regarding indirect costs:

- **Bill Text:** Sec. 224. In making Federal financial assistance, the provisions relating to indirect costs in part 75 of title 45, Code of Federal Regulations, including with respect to the approval of deviations from negotiated rates, shall continue to apply to the National Institutes of Health to the same extent and in the same manner as such provisions were applied in the third quarter of fiscal year 2017. None of the funds appropriated in this or prior Acts or otherwise made available to the Department of Health and Human Services or to any department or agency may be used to develop or implement a modified approach to such provisions, or to intentionally or substantially expand the fiscal effect of the approval of such deviations from negotiated rates beyond the proportional effect of such approvals in such quarter.
- **Report Language:** *Indirect Cost Rates*—The agreement recognizes that indirect cost recovery has been essential for supporting research at universities, nonprofit laboratories, medical centers and other entities eligible for Federal research awards and is key to sustaining U.S. leadership in scientific research and technological innovation. The agreement acknowledges that there is room for improvement in the system used to identify and recover indirect cost rates under the Uniform Grant Guidance, particularly with respect to the need for greater transparency into these costs. Various models have been suggested to achieve these improvements, including the Financial Accountability in Research (FAIR) model advanced by the Joint Associations Group on Indirect Costs (JAG), which the Committees believe merit further consideration. Therefore, the agreement directs the departments and agencies funded in the Act to engage in discussions with the Committees on proposals to achieve these improvements, including on the FAIR model. Under this agreement, neither NIH, nor any other department or agency, may develop or implement any policy, guidance, or rule, including publication of a notice of proposed rulemaking, that would alter the manner in which negotiated indirect cost rates have been implemented and applied under NIH regulations, as those regulations were in effect during the third quarter of fiscal year 2017.

The Defense Appropriations bill also includes language on indirect costs:

- **Bill text:** Sec. 8146. In making Federal financial assistance, the Department of Defense shall continue to apply the negotiated indirect cost rates in section 200.414 of title 2, Code of Federal Regulations, including with respect to the approval of deviations from negotiated indirect cost rates, to the same extent and in the same manner as such negotiated indirect cost rates were applied in fiscal year 2024: Provided, That none of the funds appropriated in this or prior Department of Defense Appropriations Acts, or otherwise made available to the Department of Defense may be used to develop, modify, or implement changes to such fiscal year 2024 negotiated indirect cost rates.
- **Report Language:** Indirect Costs —The agreement acknowledges that there is room for improvement in the system used to identify and recover indirect cost rates under the Uniform Grant Guidance, particularly with respect to the need for greater transparency into these costs. Various models have been suggested to achieve these improvements, including the Financial Accountability in Research

(FAIR) model advanced by the Joint Associations Group on Indirect Costs (JAG), which the Committees believe merit further consideration.

Health Care Extenders Package

Highlights

- Inclusion of the Accelerating Kids' Access to Care Act (Sec. 6101)
- Continues the delay of scheduled Medicaid DSH cuts through FY27 (Sec. 6105)
- Extends Medicare telehealth flexibilities until December 31, 2027 (Sec. 6209)
- Extends Hospital at Home until September 30, 2030 (Sec. 6210)
- Extends review vouchers for rare pediatric diseases (Sec. 6604)
- Extends the Program for Pediatric Studies of Drugs (Sec. 6504)
    - Allocates $25 million for each fiscal year 2026 through 2028
- Prematurity Research Expansion and Education for Mothers who deliver Infants Early (PREEMIE) Reauthorization Act of 2025 (Sec. 6507)
    - This bill funds essential programs to address preterm birth, including through research, information sharing, and promoting effective preventative interventions.
- Dr. Lorna Breen Health Care Provider Protection Act through 2030 (Sec. 6508)
    - The Dr. Lorna Breen Act provides grants to support health workers' mental health and wellbeing.
- Mikaela Naylon Give Kids a Chance Act (Sec. 6601)
    - This bill allows children to access cutting-edge clinical trials and combination drugs to treat pediatric cancer.
- Includes language regarding Medicaid state plan requirements for determining residency and coverage for military families (Sec. 6103)
    - Beginning in 2030, states must treat relocating active-duty military families as residents for Medicaid eligibility, preserve their HCBD waiting-list status, ensure continuity of comparable services, and use new federal funding to support these requirements.
- Modifies Certain Limitations on Disproportionate Share Hospital Payment Adjustments Under the Medicaid Program. For purposes of calculating the Medicaid hospital-specific DSH limit, this section alters the definition of Medicaid shortfall to mitigate the negative impact on some hospitals that treat high levels of Medicare and Medicaid patients. (Sec. 6106)
- Organ Procurement and Transplantation Network (Sec. 6502)
    - This section authorizes the Secretary of HHS to collect registration fees from any member of the Organ Procurement and Transplantation Network (OPTN) for each transplant candidate such member places on the list and to distribute these fees to support the operation of OPTN, for three years.
- Requires each off-campus hospital outpatient department to be assigned a separate unique health identifier from its provider as a condition of payment under Medicare and to submit an attestation that the off-campus HOPD is compliant with current provider-based regulations (Sec. 6225).

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