Providers Beware: The Government Shutdown Has Reset Medicare Telehealth Flexibilities

On October 1, 2025, the U.S. federal government entered a partial shutdown after Congress failed to pass either a full-year appropriations package or a continuing resolution. Among the many ripples from this lapse in funding is a sudden rollback of the expanded telehealth flexibilities under Medicare that providers and beneficiaries have now utilized for many years.

While Medicare is classified as a mandatory program, and thus core functions of Medicare remain funded during a shutdown, the temporary telehealth authorities were subject to explicit legislative extension which did not occur, resulting in their rollback.

The following is an overview of what healthcare providers need to know.

What Changed for Medicare Telehealth

During the COVID public health emergency and in subsequent legislated extensions, Congress authorized a wide array of "temporary" telehealth waivers for Medicare Part B.

These included:

- Waiving the usual geographic restrictions (i.e. allowing telehealth even for beneficiaries in non-rural areas)
- Allowing homes to be an originating site (allowing patients to receive telehealth services from home, not just in designated facilities)
- Expanded clinician eligibility (more provider types were permitted to bill Medicare via telehealth)
- Coverage of audio-only telehealth in certain contexts
- Delays or exemptions of the in-person visit requirement for behavioral health services
- Authorizing Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) to serve as distant-site telehealth providers
- The "Acute Hospital Care at Home" waiver
- Other related flexibilities tied to remote supervision, telemental health, etc.

These flexibilities were tied to periodic congressional action (e.g. being included in continuing resolutions, spending bills, or standalone telehealth-extender provisions). And, for several years, Congress repeatedly took action to continue the expanded telehealth flexibilities. However, in the absence of a new appropriation or legislative extension, the default telehealth laws revert to the pre-COVID rules. As a result of the shutdown and the failure to extend those telehealth authorities, Medicare's telehealth coverage has largely reverted to its pre-pandemic framework.

As a result, beginning on October 1, 2025, the following items are again the law:

- Geographic and originating site constraints return. Telehealth generally is again limited to beneficiaries in certain rural areas, and the patient must be in an approved "originating site" (such as a clinic, hospital, or other designated facility) rather than their home.
- Audio-only telehealth (except for behavioral health) is no longer reimbursable.
- Certain telehealth-eligible clinician types and provider settings lose authorization. For example, FQHCs/RHCs can no longer act as distant-site telehealth providers for non-behavioral services, and the expanded roster of clinicians under the temporary waivers is curtailed.
- "Hospital at Home" authority ceases, as the waiver permitting certain acute inpatient care in the home via telehealth has lapsed.
- CMS has instructed Medicare Administrative Contractors (MACs) to temporarily hold claims (e.g. for up to 10 business days) to avoid reprocessing if the legislative situation changes. Providers may still submit claims, but payments may be delayed.
- Some of the telehealth flexibilities for mental health (e.g. delayed in-person requirements) might continue under separate legislative authority (e.g. via behavioral health statutes), but even those are under pressure.

Legal and Operational Impacts for Providers and Beneficiaries

Provider Impact

- ***Claim denials / compliance risk:*** Providers who continue to offer telehealth to Medicare beneficiaries under the expired rules risk nonpayment or recoupment. Moreover, they must evaluate whether to issue Advance Beneficiary Notices (ABNs) to patients when noncoverage is likely.
- ***Cash-flow stress from claim holds:*** Even valid claims may be withheld under CMS's instructed payment hold, tightening providers' working capital.
- ***Operational disruptions:*** Clinics that built workflows, technology, scheduling, and staffing around telehealth models must scramble to re-engineer operations – or risk delivering services that may not be reimbursed. This is likely to result in significant disruption to daily patient schedules.
- ***Liability / fiduciary risk:*** Particularly in value-based contracts, providers may still face obligations to deliver certain services; losing telehealth reimbursement could increase their cost burden on care delivery.
- ***Uncertainty / risk of retroactive changes:*** If Congress eventually reinstates telehealth flexibilities retroactively, providers may need to reprocess or reopen claims, which can be administratively burdensome.

Beneficiary Impact

- ***Access disruption:*** Patients in urban or non-rural areas have, at least temporarily, lost the ability to see clinicians virtually from home. As a result, those with transportation challenges, mobility issues, or chronic conditions with risk of infection will be disproportionately impacted.
- ***Increased travel burden / delays:*** Care is likely to revert to in-person settings, creating logistical challenges for patients and caregivers.
- ***Reduced continuity of care:*** For conditions that were being monitored or managed virtually (e.g. chronic disease, follow-up visits), interruptions may degrade care quality or lead to avoidable complications.
- ***Surprise billing risk:*** If providers issue ABNs or charge out-of-pocket when noncoverage is expected, patients may face unexpected costs and the difficult decision to either incur the financial cost or accept delays in their care.

Likely Paths Forward and Policy Solutions

Given that much depends on congressional action, several plausible scenarios and solutions could emerge in the coming weeks:

Congress Passage of a Continuing Resolution or Omnibus Spending Package that Retroactively Reinstates Telehealth Flexibilities

This is the most direct fix. In past government funding lapses, Congress has often enacted retroactive relief, restoring funding and program authorities back to the effective date of the shutdown. If that happens, providers would be able to revalidate claims submitted during the shutdown and resume operations under the more generous telehealth rules.

Congress may choose to tie the reinstatement of telehealth authorities to the larger funding legislation, thus restoring the pandemic-era flexibilities without needing separate telehealth-only bills.

Permanent Legislative Reform of Medicare Telehealth

A long-term policy solution would be for Congress to pass a robust telehealth reform, making many of the pandemic-era flexibilities permanent under the Medicare statute rather than contingent on periodic reauthorizations. This would reduce the repeated disruptions and "stop-gap politics" experienced in recent years.

Several proposals, such as the "CONNECT for Health Act," have been floated in prior sessions to make many of these telehealth reforms permanent. This approach allows telehealth to be decoupled (at least partially) from general appropriations. Given that changes in Medicare policy often set the tone for private payers and Medicaid, such reform could cascade into more stable telehealth ecosystems across the health sector.

Nevertheless, as these bills have yet to be enacted into law, and the clear focus of Congress is currently on other political issues, it is unlikely Congress will come together to pass such a bill before the government shutdown is first resolved.

Advocacy, Coalition Pressure, and Stakeholder Engagement

Given the normalization and overall success of telehealth in recent years, stakeholder groups (provider associations, patient advocacy organizations, health systems, etc.) are likely to pressure Congress, publicize adverse effects, and push for swift reinstatement or permanent reform. The hope is that these political dynamics will help accelerate legislative action. However, in the current climate, it is hard to be optimistic that any focus will be given in the short term to the telehealth flexibilities.

Practical Recommendations for Providers and Health Systems (While the Dust Settles)

While providers and their organizations await resolution of this issue, there are a number of steps that should be considered:

- Audit your active telehealth services and identify which may now be non-reimbursable under the reverted rules.
- Issue Advance Beneficiary Notices (ABNs) to Medicare patients when noncoverage is expected.
- Hold (or delay) submission of questionable telehealth claims rather than risk outright denial until clarity emerges.
- Triage telehealth services to the highest-priority or lowest-risk to the provider of nonpayment (e.g. behavioral health visits, which may remain safe)
- Update scheduling, patient communication, and workflow protocols to reflect the rollback.
- Coordinate with legal, compliance, and billing teams to manage recoupment risk, appeals, and audit exposure.
- Track and plan for retroactive reinstatement – if Congress restores flexibility, you may need to reprocess claims.
- Engage with payers and Medicare Advantage plans to confirm whether those plans will continue broader telehealth coverage independent of fee-for-service Medicare.
- Document patient harms or access gaps (with appropriate privacy safeguards) to support advocacy and legislative arguments for reinstatement.
- Remain nimble and ready to re-expand telehealth offerings if the law is restored, rather than re-engineering later from scratch.

Conclusion

The government shutdown's abrupt rollback of Medicare telehealth flexibilities underscores the significant risk to patient care created by tying critical healthcare delivery methodologies to episodic political appropriations. For Medicare patients – and their healthcare providers – who grew reliant on telehealth, this shift threatens to unravel progress toward more accessible, patient-centered care.

In the near term, the most likely solution to this problem is a legislative reinstatement (via continuing resolution or omnibus funding bill) of the lapsed telehealth flexibilities, potentially with retroactive effect. Over the medium to long term, durable legislative reform is needed to embed telehealth more securely into Medicare rather than subjecting it to periodic reauthorization battles.

Providers and their organizations must act quickly to navigate the operational turbulence, protect themselves from financial and compliance risk, and press for stable telehealth policy that withstands political cycles. In the meantime, they should consult with legal counsel, stay alert for CMS guidance, and maintain flexibility in care delivery planning.

Our Healthcare team will continue to monitor these issues and will keep you advised accordingly. Please contact the author of this Alert with questions or to discuss your specific circumstances.

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