

# Manchin: Drug Reform Needed

## ACA Subsidy Extension Offset by Drug Reforms In Reconciliation By 9/30

- **We still think that ACA Subsidies + Drug Reform may actually pass stand alone in 2022.** The enhanced subsidies, enacted through the \$1.9 T COVID relief bill, sunset Dec 31, 2022. We think that for election purposes, both parties will want to see the subsidies extended to 2023. Drug pricing reforms offset subsidies evenly (see below), and it could be a legislative win ahead of the November election. Recall Reconciliation instructions expire as of Oct 1, 2022 (the start of the Gov't FY23).
- **Sen. Joe Manchin (D-WV) noted his interest in Drug Pricing reform not only at Davos, but again this week (Tuesday) in his home state of West Virginia ([here](#)), speaking at a forum hosted by AARP.**
  - At the World Economic Forum's annual meeting in Davos, Switzerland Manchin noted his interest in addressing inflation, drug pricing and climate change, with an emphasis on fossil fuels
  - Manchin listed three major priorities: (1) inflation and deficit reduction, (2) lowering drug prices, and (3) energy/climate
  - Speaking at an AARP hosted event in WV Tuesday 5/31 Manchin said he believes that the Congressional drug reforms in BBB do not go far enough
  - Points made by Manchin (1) Pharma blames PBMs and middlemen blame big Pharma (2) Veteran's Affairs negotiation is an alternative solution (3) Pharmacy DIR redefines negotiated price and eliminates the retroactive nature of clawback fees; legislation to reform [here](#) (4) Supports the insulin copay cap bill at \$35 per month (5) Supports importing drugs from Canada (6) Medicare Trust fund solvency relies on things like drug price/spend reform.
- **Sen. Manchin has said repeatedly that BBB drug reforms do not go far enough & that the overall Reconciliation bill should be deficit-reducing.** He supports Medicare negotiation of drugs. The WV Senator believes that the Rx pricing reforms could go deeper. Manchin supports unwinding Trump tax cuts, but we do not envision that happening this year, given Sen. Sinema's (D-AZ) lack of support for tax hikes. While Manchin would still like to raise the corporate tax rate from 21% to 25%, he knows Sinema is opposed and may settle for establishing a domestic minimum rate of 15%.
- **A 'clean' way to pay for ACA subsidies is drug pricing reforms.** One roughly offsets the other:
  - ACA subsidies made permanent cost over \$200 B ([here](#)) and \$25 B/ten (for one year, 2023)
  - Drug reforms in the prior version of *Build Back Better Act* save about \$170 B/ten
    - CPI (Inflationary) rebates generates \$80 B/ten
    - Part D restructuring generates \$2 B/ten
    - Limited Part B&D drug negotiation saves \$83/ten
- **Why this could happen: Drug reforms are bipartisan and discussions have dragged on (for years).**
  - **3 M Americans lose insurance if ACA enhanced subsidies go away Dec 31, with a disproportionate amount of African American, young adults & residents of Southern States impacted.** There are 14 M enrolled today via Marketplace plans (source: KFF). Both Republicans and Democrats would like for those who obtained insurance during COVID to keep it, hence election politics may not matter here. HHS estimated in March ([here](#)) 3 M people will lose coverage past Dec 31, nearly 9 M would receive lower subsidies and 1.5 M would lose

their subsidies entirely (but remain insured). A Robert Wood Johnson estimate notes that a disproportionate share of young adults, low-income, Black Americans and residents of Southern states will lose coverage if Congress doesn't extend enhanced *Affordable Care Act* subsidies.

- **Thinking ahead to 2023, as Medicaid redeterminations ensue with PHE unwind, there is little appetite for Americans to be punted to expensive Marketplace plans.** As a reminder the additional subsidies allowed Americans to be less price sensitive as \$0 premiums are available on state based exchanges, as well as the federal marketplace. Expensive marketplace insurance products for those rolling off Medicaid would lead to likely higher uninsured rates, as folks may decide not to enroll in a new, more pricey Marketplace plan.
- **NEXT STEPS:** Congress is currently working on gun reform legislation, FDA User Fee Bills as well as Mental Health legislation; we think the latter two will pass on a bipartisan basis this fall. Conventional wisdom is that ACA + Drug Price reforms (plus anything on Climate + Tax) would have to be completed by July 4 recess. The FY22 Reconciliation instructions expire 9/30 so theoretically bill passage is possible after August recess, but would be complicated given proximity to Nov 8 mid-term election.

## BACKGROUND

- **CMS announced in March a special enrollment period (SEP) will be available for low income Americans, providing government dollars for insurance coverage.** Today, on the *Affordable Care Act's* 12<sup>th</sup> anniversary, the Biden Administration announced that subsidies to access low or \$0 premium care will be available for those <150% FPL.
- **The new policy is helpful to plans such as CNC, MOH, UNH, HUM, as well as others.** Americans with incomes less than 150% of the federal poverty level -- \$19,320 for an individual and \$39,750 for a family of four -- can select policies via Healthcare.gov through a SEP, the Centers for Medicare and Medicaid Services announced Monday, after previewing the policy to CNN this morning ([here](#)).
- **Free coverage for Americans during a SEP that lasts through Dec 31, 2022.** Most people will be able to select plans with no premiums, while others may have to pay a few dollars. CMS is launching advertising and outreach campaigns about the new special enrollment period, which lasts for the rest of the year. The effort will also target those experiencing certain life changes, such as losing job-based coverage, getting divorced or aging out of a parent's policy, which have always allowed them to sign up for Obamacare policies during the year.
- **As a reminder, longer term "Medicaid Gap" funding waits in the wings.** As a reminder, BBB would have provided coverage to those 12 holdout states. With BBB stalled, given Manchin & Sinema commentary, as well as Biden low approval during a significant geopolitical situation, we note that the coverage band aid announced today is helpful.
- **American Rescue Plan subsidies have boosted enrollment during the public health emergency (PHE).** CMS has worked to expand health care coverage to a record 14.5 M people through the Health Insurance Marketplaces, encouraged states to extend Medicaid coverage for a full 12 months after childbirth, and expanded access to home and community-based services for seniors and people with disabilities.
- **ARP related sign-ups were particularly strong in States that have not expanded Medicaid to low-income adults.** It has been popular among those with lower incomes nationwide: Some 4.6 M consumers who earned up to 150% of the poverty line enrolled in 2022 coverage, a 21% increase from the prior year.