May 7, 2024

Two Year Telehealth Extension Likely

4Q Outlook: Workforce, Site-Neutral, PBM, PAHPA/SUPPORT, Drug Shortages & Orphan Fix In Focus

Relevant Companies

Our Take & Next Up

We continue to believe that a 2 year extension of telehealth benefits will pass this year (4Q24, lame duck session of Congress). Our take on other healthcare priorities – PBM reform, site neutral payments, workforce augmentation, Extenders e.g., SUPPORT, PAHPA, drug reforms (orphan fix) and addressing generic shortages – can be found below.

Key Points

With healthcare workforce, rural challenges, and other dynamics we believe a two-year telehealth extension is likely versus permanent, which is also on legislators' wish list but cost-prohibitive.

- On Wednesday May 8 the House Ways & Means (Chair Smith, R-MO) will mark up telehealth & rural health bills (here).
- We understand Senate Finance (Chair Wyden, D-OR) plans to hold a similar mark-up next week, possibly May 16.
- MedPAC separately has taken up the topic (here) & commissioners are generally more cautious – citing location of care, behavioral versus physical healthcare differences as they pertain to telehealth, audio-only televisits.
- OUR TAKE: The nonpartisan commission doesn't necessarily approve of a blanket extension, and we think there will be guardrails, requiring some face-to-face encounters.

Highlights from House E&C Subcommittee on Health (here) (Chair McMorris-Rodgers, R-WA) discussion on a handful of telehealth bills. The Dec 31 deadline is pushing Congress to assess 15 bills (here). Five

witnesses appeared before Congress, ranging from beneficiaries to advocates to specialized physicians. We took away the following key themes.

- If Congress lets telehealth flexibilities expire, chaos will ensue in systems resulting in transport of patients to larger hospitals, thereby delaying care.
- Quality and value of telehealth services are critical to monitor.
- Telehealth is essential for mental & behavioral health.
- A more permanent telehealth policy is preferred. It would lead to hospitals and other providers making investments into telehealth infrastructure because they will have reimbursement certainty.

Other thoughts on healthcare year-end policies that are in the mix (& our take).

- **Senate Finance Committee Chair (Wyden, D-OR) wants to create 10,000 GME slots.** OUR TAKE: This is expensive and aspirational, and there would be food fights as to who gets the slots. Possible to perhaps incorporate a lower # at year-end. Note that 10,000 graduate medical education slots cost $10 B/ten.
- **Other extenders *may* be addressed in lame duck: community health centers, PAHPA, SUPPORT**. OUR TAKE: There isn't much discussion on these (expired) provisions yet but there could be action to incorporate in the lame duck some sections of the aforementioned bills.
- **Orphan Drug IRA fix?** OUR TAKE: BIO Chair John Crowley believes that the orphan drug "fix" that would exempt orphans from IRA negotiation (multiple designations) is likely at year end. While we believe this would be a common sense fix, the price tag to do so may be prohibitive (and would need to be offset).
- **Drug shortage solutions have bicameral & bipartisan support.** OUR TAKE: The Finance draft focuses on generic drugs, establishing a new Medicare program that target group purchasing organizations (GPOs), wholesalers, and providers, and could be incorporated into year-end legislation.
- **PBM as a pay for.** OUR TAKE: We have said that PBM reforms are largely non-detrimental to the overall business model and that Medicare/Medicaid reforms (banning spread, transparency, de-linking) could pay for a larger package in Nov/Dec 2024.
- **Hospital site-neutral is not off the table** OUR TAKE: Recall that drug-only reforms are more palatable to hospital systems across the country and would generate $2.7 B in savings. This makes it an attractive pay-for.

Ipsita Smolinski
Managing Director I Capitol Street
ipsita@capitol-street.com

202.250.3741 I www.capitol-street.com

900 19th St NW 6th Fl
Washington, D.C. 20006

CAPITOL STREET
