

# CAPITOL STREET

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August 21, 2024

## Election Outlook

Kamala Enthusiasm Bleeds to House & Senate Races as She Avoids M4A, Would Expand Rx Negotiation

Relevant Companies

ALL HEALTHCARE

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## »» Our Take & Next Up

The 2024 Democratic National Convention is this week with Kamala Harris taking the stage Thurs Aug 22 ([here](#)) and oodles of energy around her. Speakers included President Biden, former Presidents Obama and Clinton, VP pick Tim Walz. If the election were today, Schumer (hopes) Dems would hold the upper chamber, but we think the GOP takes it, with a tiny margin. House likely remains GOP. As we have previewed, Kamala Harris supports wiping medical debt from credit scores, drug negotiation & expanded drug pricing reforms (IRA). She has been vocal about expanding the IRA to the commercial market (unlikely). She isn't advocating Medicare for All despite promoting the (partial) concept during her 2020 primary run, with a potential MA type program. She strongly supports ACA subsidy extension ('25) and is passionate about women's & maternal health, as a pro-choice advocate post-Dobbs. Upcoming dates to look out for (1) Presidential debate on Sept. 10 at 9 pm ([here](#)), (2) Capitol Street "Fall Forward" Health Policy Seminar on Sept. 19. RSVP [here](#), (3) Election on November 5.

## »» Key Points

In a light policy environment for Presidential candidates, Kamala Harris continues to highlight Biden wins, focusing on issues like medical debt relief this week ([here](#)). These include IRA, capping the cost of insulin at \$35 and capping OOP expenses for prescription drugs at \$2,000 for all Americans, accelerating Medicare price negotiations over prescription drugs, advancing women's health and the FTC's crack down on the health sector (drug patents, PBMs) to increase competition and transparency.

- **We believe Harris supports the ACA wholeheartedly and would extend ACA subsidies at the end of 2025.** As a reminder, extended subsidies expire Dec 31, 2025 and line up with *Tax Cuts & Jobs Act* expiration. A permanent extension is not likely due to costs, CBO estimates that permanently extending ACA subsidies would increase the deficit by \$335 B over 10 years ([here](#)).
- **Medicare Advantage (MA) scrutiny would likely continue but we do not believe that Democrats want to decimate the program.** Rather they want to realign incentives (v28) and level set given the spending explosion, somewhat out-of-hand broker/marketing/prior auth abuses.
- **Harris supports the Inflation Reduction Act (IRA).** She supports extending the penalties for drug makers raising prices faster than inflation, including to the commercial market ([here](#)). This is unlikely to pass Congress, but her push for commercial reform aligns with more aggressive drug reform. She wants

*more* drugs negotiated (unlikely unless Dems sweep) than the IRA calls for. Currently, the law sets the number of drugs eligible to 15 Part D in 2027, 15 Part B&D in 2028, and 20 Part B&D in 2029 and beyond.

- **Harris has a history of endorsing prescription affordability and drug pricing controls.** As part of her campaign, she proposed a similar plan to Trump's Most Favored Nation Model ([here](#)) to use international reference pricing to set drug costs in the U.S., similar to other developed nations for the same medications. During her time as AG in California, she went after manufacturers that illegally inflated prices of prescription medications ([here](#)).
- **Eliminating medical debt is a campaign focus.** Her [platform](#) calls out eliminating medical debt as a major healthcare issue and highlights that she would work with states to cancel medical debt for millions of Americans and to help them avoid accumulating such debt in the future.

**Healthcare is not a major election theme this time around, and we appear to have a policy-light campaign (overall).** Economy, foreign affairs, immigration are higher priorities for both sides. There is bipartisan support for telehealth and price transparency. Drug price reforms (IRA) likely remain (and tweaked) under both Trump and Harris. The ACA is here to stay.

**Under GOP/Trump, healthcare is a lower tier priority, but we could see some new initiatives.** Again, we believe we will have a policy-light campaign from both sides, with tweets or headlines here & there.

- Likely reforms include Medicaid work requirements, Most Favored Nation, along with Medicare solvency ideas.
- Lawmakers have discussed potentially mucking with tax benefits of employer sponsored private health insurance (NOTE: lobbying has begun to take it off the table).
- Telehealth, HSA, AHPs and other "greatest hits" seen in past Republican budgets are also featured.
- We do not believe the IRA will be repealed as it generates significant revenue, and Donald Trump likes negotiation in almost any industry, getting the best possible deal.
- However, small fixes being debated (orphan, gene therapy fix) may pass.

**Both Vice Presidential picks are pro-transparency and healthcare reform (despite Walz being more progressive).** Walz championed the legalization of recreational cannabis ([here](#)), signed drug pricing transparency laws and setting UPLs ([here](#)), reformed medical debt collections ([here](#)), and banned for-profit HMOs from running Medicaid plans in MN ([here](#)). As governor, Walz signed legislation to cap out-of-pocket insulin costs to \$35 a month for eligible residents, preceding IRA reforms. JD Vance (ideologically aligned with Trump) is more pro-industry, but still supports drug reform (price, choice, domestic manufacturing). Vance is also known to tout anti-entitlement cuts, and policies to address the opioid crisis.

## HOUSE & SENATE

**SENATE:** If the election were today, we think that the GOP would prevail but it's close. In either scenario, the majority would be slim. Currently, Dems have a precarious majority in the Senate (51-49). Republicans are likely to take control, targeting several competitive races to increase their numbers which gives them a clear advantage. There are 7 competitive races (AZ, MI, NV, PA, WI, MT, OH) and Republicans are set to flip West Virginia with the retirement of independent Sen. Joe Manchin.

**Also in the Senate, GOP leadership discussions are underway with John Thune (R-SD), John Cornyn (R-TX) and Rick Scott (R-FL) in the running.** The three are united on [anti-ACA](#) and anti-IRA, and all were part of

a group of 61 Senators [urging stability for Medicare Advantage](#). The Johns serve on the Committee on Finance, which is responsible for Medicare and Medicaid. See below for thoughts as we head into the busy Fall. As a reminder Pres debate is [September 10](#) and VP debate is on [October 1](#).

**HOUSE:** If the election were today there would be a slight Republican majority in the House according to recent [polling](#). Current House is composed of 212 Democrats and 220 Republicans. There are 21 likely toss up races. We all know polling has its flaws, and that there are months before election day. We note that Democrats are winning the fundraising game. The DCCC has \$17 M more than the NRCC as of June 30. Vulnerable Democrats are far ahead of their GOP challengers.

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