

CAPITOL STREET

October 18, 2024

Kamala v Trump on Healthcare

Medicare Advantage, ACA Subsidies, Drug Reform, FTC, 340B, Site-Neutral

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Our take on Medicare Advantage, drug price reform, FTC, 340B, State Directed Payments, Site Neutral and MedTech/Innovation in a Trump v Kamala world. No major healthcare reforms are envisioned in the next 4 years. Instead, we see incremental reform on key issues including price transparency, PBM reform, site neutral, 340B, and telehealth. Drug negotiation is expected to largely remain with exclusions expanded under a Trump/GOP landscape, and efforts to accelerate negotiations likely under a Harris administration. The courts will continue to weigh in. Medicare Advantage (MA) is likely to continue to face scrutiny and an unfavorable rate outlook for 2026, as the Biden CMS formulates the Advanced Notice. An activist FTC is unlikely to change drastically even under a Trump administration (particularly if Lina Khan remains in place) as addressing anti-competitive practices/promoting US competition has become a populist issue with many Republicans supporting a tougher stance. These GOP followers are so-called Khanservatives ([here](#)). See Trump vs Kamala healthcare platforms [here](#) and Vance/Waltz policies [here](#). We provide 8 key takeaways below.

»» Key Points

Major healthcare legislation is unlikely 2025+, regardless of election results. As a reminder, healthcare policy issues (other than abortion) have not been a priority this election cycle. Immigration, trade, geopolitical and economic issues have been front and center for the candidates. We expect no major healthcare reforms in the next 4 years as lawmakers largely focus on immediate concerns: ACA subsidy extension that coincides with tax reform (sunset Dec 31, 2025).

Divided government means incremental reform on key topics: price transparency, PBM reform, and telehealth. Policies we see being prioritized include price transparency, MA scrutiny, PBM reform (transparency, rebate reform), mental health, and addressing fraud, waste & abuse. A key near-term priority for both sides is cutting a bipartisan deal to extend Trump tax cuts along with the current ACA subsidies. Lawmakers are increasingly looking for reforms that “cut the fat” in order to control federal healthcare spending with budget concerns & the debt ceiling looming in 2025.

1) We think ACA subsidies would be extended under a President Trump. Subsidies help the bad debt issue in red states that did not expand Medicaid, like Texas and Florida. The subsidies wouldn't be generous in a GOP

environment, but we doubt Republicans allow them to expire. As a reminder, ACA enrollment surged in red states this year with the largest increases in WV, LA, OH, ID, and TN.

2) Medicare Advantage (MA) is likely to fare worse under a President Harris but not necessarily all roses under Trump. CMS has provided two consecutive years of rate cuts, and a three-year phase in of V28.

Congress continues to raise the flag on HRAs, broker & agent conduct, marketing materials, ghost networks, prior authorization as (particularly rural) hospitals struggle. While we don't see Congress doing anything incremental near-term, we see a Republican presidency allowing many of the reforms to continue.

3) Drug price reforms (IRA drug negotiation) likely remain, even under a GOP sweep, with Part B “most favored nation” being difficult to implement. We do not expect a President Trump to repeal the IRA due to its enormous savings. However, we could see higher negotiated prices (closer to ceiling price) and more opportunities for industry interaction with CMS during the negotiation process, along with tweaks to orphan and 9-13. Under a Kamala presidency and Dem sweep, we could see a Pres. Harris accelerate drug negotiation to increase the number of negotiated drugs as she has stated on the campaign trail. Part B reform could be at play under a Trump administration; however, it is unlikely to occur as physicians will strongly oppose changes to the buy and bill model that puts their revenue at risk.

4) FTC may be incrementally better under Trump but stays the course with Kamala. The FTC had taken an increasingly activist stance under the leadership of Lina Khan and has been particularly aggressive in the healthcare sector. The agency has updated their M&A guidelines, and sued the big three PBMs (Caremark Rx, Express Scripts (ESI), and OptumRx). Vertical consolidation will likely continue to be scrutinized, and recall the agency's new merger guidelines allows almost any deal to be challenged. Even under a Trump administration, Lina Khan may continue in her role for some time and the FTC is likely to continue their activist approach as GOP have focused on pro-competition reforms.

5) 340B legislation is unlikely to pass in the near term. As a reminder, 340B ACCESS Act, introduced earlier this summer, targets large health systems in an effort to eliminate abuse of the controversial program. The bill contains some overlap with the bipartisan “Gang of Six” Senate bill from early February. We could see 340B reform progress in 2025 at the earliest. Notably, the program is seeing issues from the potential impact of IRA negotiated prices, manufacturers' conflict with the 340B rebate model, and potential Chevron impact on HRSA's ability to effectively manage the program. Current issues may push lawmakers to address 340B earlier than expected.

6) Hospital site-neutral is attractive in a Republican sweep. There is ongoing frustration and angst on hospitals buying up physician groups & surgery centers and continuing to bill at a higher inpatient rate for services administered in an outpatient setting. GOP lawmakers have been particularly vocal about the impact to federal healthcare spending. We expect that hospital site neutral will likely focus first on physician administered drugs (\$3 B in savings over 10) and small policy changes. Site neutral reforms that shutdown the entire practice produce much more savings and are attractive in a deficit reduction package, but unlikely anytime soon (\$180 B in savings).

7) State Directed Medicaid payments may be at risk if debt/deficit discussions ensue. Some payments (due to state-federal match) approach commercial rates in hospitals across the country. They seem safe for now and are a bit of a sleeper issue in DC. We think that if deficit reduction talks come to be – perhaps as a part of

the debt limit – pay could be at risk. Trump has Medicaid reforms (work requirements vs block grants) on his mind, but other entitlements are likely safe.

8) MedTech and innovation win in an all GOP landscape. Earlier this year, several innovation friendly bills passed out the House Ways and Means committee (Chair Smith, R-MI), including Medicare coverage of breakthrough devices, pan-cancer screening diagnostic tests, cognitive detection impairment detection tools, AI-enabled remote monitoring devices, and weight loss medicines coverage (limited) in Medicare. Our analysis [here](#). Improving access to innovation has been a GOP priority and we could see these bills strongly in play under a GOP sweep. VALID, SALSA, and Cures 2.0, on the other hand, we believe will likely face difficulty regardless of the election outcome.

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