

CAPITOL STREET

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Newly-Elected Leader John Thune on Healthcare

PBM & 340B Reform, IRA, Medicare Advantage, ACA, Rural Health

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»» Our Take & Next Up

Sen. John Thune (R-SD) was elected Senate leader today and will be a reasonable voice on most issues, including healthcare, in the upper chamber as he contends with the Trump White House & House (GOP slim majority is likely). On healthcare, Thune supports rural healthcare & telehealth (which benefits rural South Dakota), PBM transparency & reform, and minor modifications to the ACA including aggressive oversight of insurers and brokers. See his take on other issues below. With the Senate returning to Republican control (53-47) following three years of a Democratic majority, and a red sweep across the White House and the House, Thune will have the authority to advance other GOP priorities such as border security, taxes, and national security. The Senate is responsible for confirming Trump's Cabinet nominees (via a simple majority vote), making Thune essential to the Trump administration ahead of his second & final term. Next up, Thune will set GOP priorities for the upcoming Reconciliation package, where the ACA and tax will be addressed.

»» Key Points

Today, the Senate voted via secret ballot to elect John Thune as the next Senate majority leader. He succeeds Mitch McConnell (R-KY) who held the position for 18 years.

We predicted Thune would be elected leader. His healthcare priorities include the following:

- **Expanding/extending telehealth** – Thune wants to permanently remove restrictions on telehealth use based on geography or the classification of providers in Medicare (*Connect for Health Act*).
- **IRA's drug reforms** – Thune is against Inflation Reduction Act (IRA) drug negotiation, noting that "it will curtail medical innovation and the development of new medications." The orphan exemption and 9-13 parity fixes have been introduced and could move in 2025. The orphan "fix" is more likely to pass with some bipartisan support given pressure from patient communities. A repeal of the IRA is possible; however, the bill's savings means that drug-related pay-fors must be found to offset a repeal. Recall that the negotiation provisions save \$98 B over ten years.
- **PBM transparency & reform** – Thune is against the vertical integration of the big 3 PBMs and has called for more competition and transparency in the PBM market. His championed reforms are relatively minor compared to other proposed anti-PBM reforms. He introduced the *Strengthening Pharmacy Access for Seniors Act* which addresses patient steering, and the *PBM Reporting Transparency Act* which requires MedPAC to report on trends in agreements between PBMs and plan sponsors.

- **Physician payment reform** – Thune has called for reforms to the Medicare physician fee schedule as a member of the Senate Finance Committee. He is a part of the Medicare payment reform working group and pro-value-based care as he sponsored an extension of Medicare Alternative Payment Models (APMs) payment incentives in 2023. We believe that physicians will receive some additional payment at year end 2024 to restore cuts provided by the final CMS physician fee schedule.
- **340B reform** – Despite being a part of the Gang of 6, we do not expect Thune to target a major overhaul as it financially benefits hospitals, but transparency and enhanced oversight are likely. *Chevron* may also impact the outlook for 340B
- **ACA** – Increasing federal oversight of subsidy and participation. In 2017, Thune voted to repeal the ACA, which ultimately failed to pass. He likely aligns with other GOP members who are looking to increase oversight of the marketplace and of insurers and brokers.
- **Medicare Advantage (MA)** – Medicare Advantage may continue to face headwinds. We note that GOP Senators have taken issue with MA network and prior authorization practices. MA plans have been criticized for excluding hospitals and providers (a practice that is prevalent in rural states) and for implementing restrictive prior authorization methodologies. As a result, prior authorization, HRA, and other network policies are in play in 2025+. We could see MA being targeted in a Reconciliation bill, if these policies produce a budgetary impact.
- **High-deductible health plans (HDHPs)** – Thune is supportive of increasing flexibility to high-deductible health plans (HDHPs) as it promotes patient control of individual medical spending. He sponsored the *Chronic Disease Management Act* which facilitates access to chronic disease management for HDHPs prior to a beneficiary reaching their plan deductible.
- **Individual coverage health reimbursement arrangements (ICHRA)** – Thune has not explicitly supported ICHRAs, which allow employers to provide employees with a monthly, tax-free allowance to purchase health insurance on the individual market. Generally speaking, the GOP is a fan of market-based solutions that give employees choice.

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