

# CAPITOL STREET

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November 13, 2025

## EPTC Outlook: We Think Sanity Likely Prevails, Scenario Analysis

Senate HC Cost Hearing Nov 19 & Bipartisan Working Group Commences

Relevant Companies



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### »» Our Take & Next Up

**With an EPTC vote set for December, we still believe a one- or two-year extension with income caps is a likely outcome (our take [here](#)) that includes a transition to a FSA-type platform (2027 at the soonest).** The President signed legislation ending the 43-day government shutdown. The CR funds the gov't at current levels (full-year funding for Ag-FDA, Leg Branch, & MilCon-VA) with health extenders through Jan. 30, 2026 ([here](#)).

**A Thune-appointed Senate bipartisan working group was created to address EPTCs, and a Congressional hearing on healthcare costs is scheduled Nov 19 in Senate Finance ([here](#)).** Senate Finance (Chair Crapo, R-ID) is set to hold a hearing on healthcare costs Wednesday, November 19 at 10 AM. We expect EPTCs to be discussed along with other healthcare priorities. We will attend.

### »» Key Points

**Our take on scenarios for enhanced premium tax credits (EPTCs) from most to least likely are below.**

- Subsidies would continue as they stand now (with income caps at 400%-600%) for 2026.
- If 2026 is funded with limits; we could also see a modified 2027 program (2-year fix), reflecting a FSA/HSA structure for subsidy distribution as that aligns with Trump & GOP leaders' preference for tax-free accounts that allow Americans to spend on healthcare as they choose (of course, selecting non-ACA compliant plans is also a consideration such as catastrophic or short duration plan, which negatively impacts Exchange enrollment).
- Subsidies would sunset after one year or altogether which, for the latter, we see as low/single digit % odds.

**We do not think that “subsidy freedom accounts” (FSA-model) will be do-able until 2027, at the soonest given the regulations and structure needed.** President Trump insists that subsidies ought to be given directly to Americans (via FSA/HSA) rather than insurance companies, per Sen. Bill Cassidy's (R-LA) idea ([here](#)).

**Recall that most MCOs have priced in EPTC expiration in 2026 per plan design.** Subsidy extension passage by Congress likely leads to CMS creating a special enrollment period (SEP) in 1Q26, but many of those – particularly younger / healthier Americans – who forgo insurance due to ‘rate shock’ now, will be hard to recapture. Still, upside persists should a 1- or 2- year deal ensue.

**Sweeteners? EPTC agreement could include other policies to get the bill across the finish line in a December package: Think PBM.** The CR adheres to the agreement between Senate Republicans and a group of eight centrist Senate Democrats on Nov. 9 (our take [here](#)). The bill keeps funding flat for the NIH and most other agencies and renews Health Extenders through Jan. 30, 2026, including:

- Maintaining pandemic-era telehealth flexibilities in Medicare,
- Funding Community Health Centers,
- Extending the ‘Hospital at Home’ program,
- Delaying cuts to clinical labs (related to PAMA legislation),
- Delaying cuts to Medicaid Disproportionate Share Hospitals (DSH),
- Reducing funding for the Medicare Improvement Fund,
- Extending Medicare sequestration by one month in the out-years.

## SENATE

**GOP members to watch.** Majority Leader Thune (R-SD) announced that a working group will seek a compromise on the enhanced tax credits. On the Democratic [side](#), Dems are optimistic about reaching a bipartisan subsidy extension in the next few weeks. Senate Minority Leader Schumer (D-NY) is expected to lead ACA discussions along with Sens Shaheen (D-NH) and Wyden (D-OR).

- **Sen. Crapo (R-ID):** Crapo has opposed extending the tax credits, refusing an extension. He generally views Obamacare as a “failed premium [system](#)” and cites the success of Part D and MA as [examples](#) of programs that leverage choice and competition to expand coverage.
- **Sen. Marshall (R-KS):** Marshall has been [vocal](#) about HSAs, proposing that funds currently used for subsidies be redirected from insurance companies to individuals via HSAs, particularly for the 24 M ACA enrollees with incomes under 400% FPL. He has introduced [bills](#) to support telehealth and improvements to prior authorization in MA plans.
- **Sen. Rounds (R-SD):** Rounds has supported ACA subsidies in the [past](#), favoring a one-year extension followed by a one-year phasedown to pre-pandemic [levels](#). However, he believes it may be too late in the year for significant [changes](#), since open enrollment has already started. He advocates for making insurance programs, including Medicaid, more efficient while still protecting rural constituents.
- **Sen. Sullivan (R-AK):** Throughout the shutdown, Sullivan has engaged in small-group Senate GOP discussions to [develop](#) an independent proposal for extending the tax credits, separate from the Dem proposals. He has explored various ways to reduce fraud while still keeping the subsidies intact, such as setting a new minimum for out-of-pocket premiums. He is also devoted to protecting rural health.
- **Sen. Scott (R-FL):** Senator Scott strongly [criticizes](#) the ACA but supports programs like Medicare Advantage and PACE (Program of All-Inclusive Care for the Elderly). He is also a proponent of the HSA proposals currently being floated by Republicans.

## WHITE HOUSE

**Watch Trump: The President holds the cards on the future of ACA subsidies.** Per usual, the President will be the one to watch on EPTCs. He has most recently asked for subsidy dollars to go into the hands of beneficiaries versus insurance companies. Trump has not said 'No' to an extension, nor has he issued a threat or ultimatum to Republicans, which we view as a marginally positive signal.

## HOUSE

**What happens in the House?** While there is no similar vote assurance from House Speaker Johnson (R-LA), we believe enough House Republicans would support scaled-back subsidies with new limits and various program integrity guardrails (our take [here](#)). Proposals have emerged, including:

- [Three-year discharge petition](#) appears unlikely, and is aspirational at best per Whip Rep. Clark (D-MA).
- A "[statement of principles](#)" from Reps. Bacon (R-NE), Suozzi (D-NY), Hurd (R-CO), and Gottheimer (D-NJ), which includes a two-year extension of EPTCs, income cap phased out between \$200,000 - \$400,000, and guardrails to prevent improper payments of EPTCs.
- The "[Fix it Act](#)" from Reps. Kevin Kiley (R-CA) and Sam Liccardo (D-CA), which includes a two-year extension of EPTCs, an income cap at 6x the federal poverty limit, paid for by the "[No UPCODE Act](#)," which saves between \$125B - [\\$260 B/10](#) (our take [here](#)).

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