

# CAPITOL STREET

---

January 4, 2026

## Health Policy Peek: Week of Jan 5-9

**Capitol Street 2026 Outlook Webinar, All Eyes on Insurers & PBMs, MA Rates Coming .... See you at JPMorgan**

### ICYMI

**CY 2026 Clinical Lab Fee Schedule (CLFS):** CMS issued the CLFS for CY 2026 in late December ([here](#)), which factors in the postponement of cuts to clinical labs (PAMA) through Jan. 30, 2026 from the recent stopgap spending bill (our take [here](#)).

**OUR TAKE:** PAMA cuts of up to 15% have been postponed five times since 2021 and the Continuing Resolution likely sets a template for further delays into 2026. Meanwhile, stakeholders are lobbying for passage of the *RESULTS Act*, which would provide a more favorable data reporting and rate-setting methodology and would institute new limits for rate increases and decreases in future years (our take [here](#)).

**Pre-Christmas MFN demos: BALANCE, GLOBE & GUARD:** CMS's Center for Innovation (CMMI) announced three mandatory models (GUARD, GLOBE, BALANCE) in late December. These models aim to implement MFN pricing in Medicare (GLOBE, GUARD) and for GLP-1s in both Medicare Part D and Medicaid (BALANCE). See our analysis of GUARD & GLOBE [here](#). BALANCE [here](#).

**OUR TAKE:** GLOBE (Part B) makes more sense to us than GUARD (Part D). Companies agreeing to MFN are likely exempt from GLOBE & GUARD. We expect the industry will lobby for deferral or cancellation of these models and may be able to get some Congressional members to weigh in on model changes. BALANCE does not impact Medicare until 2027. Another GLP-1 Part D pilot (starts July 2026, but yet to be announced) will serve as a short-term bridge & we note PDPs carry zero risk 2H26.

### WEEK AHEAD

**House Vote on Clean 3-Year EPTC Extension:** The House is expected to pass a clean, three-year extension of ACA subsidies (EPTCs).

**OUR TAKE:** We expect the bill will stall in the Senate, but still anticipate a one- or two-year EPTC extension (plus health extenders). A compromise proposal will likely include income caps, anti-fraud protections, modest cost-sharing, and a transition to a HSA-type platform (2027 at the soonest, as this is likely not feasible for early 2026 implementation) (our take [here](#)). We'll also be on the lookout for PBM reform and potential pay-fors (MA, site-neutral) on what would be a pricey package (our take [here](#)).

**All-Aboard the Minibus? Or is a CR more likely?** The GOP (Sen. Collins, ME and Rep. Cole, OK) is looking to move a minibus of five FY 2026 funding bills in early January including Transportation-HUD, Defense, Labor-HHS, Commerce-Justice-Science, and Interior ([here](#)). Recall, the last stopgap spending bill in November

included full-year funding for Ag-FDA, Leg Branch, & MilCon-VA, while funding the rest of the government at FY 2025 levels through Jan. 30, 2026.

**OUR TAKE:** Most lawmakers are hoping to avoid another government shutdown and/or a year-long CR for the remaining FY 2026 funding bills by the Jan 30 deadline. However, we expect the Labor-HHS bill (funds NIH and other health agencies) will not be resolved as easily as it's often more contentious.

**Changes to Childhood Vaccine Schedule:** HHS is planning a major update to the childhood vaccination schedule in early January to reduce the number of shots for children, bringing the U.S. more in line with countries like Denmark ([here](#)). Public health experts have warned of differences between the US and other countries in population, disease prevalence, and healthcare systems.

**OUR TAKE:** Any changes to the vaccine schedule will likely be challenged in court. In *American Academy of Pediatrics v. Kennedy*, plaintiffs including physician groups challenge recent HHS actions on vaccines and prevention, arguing that while HHS Secretary RFK Jr. has authority over ACIP and USPSTF, that power can't be used in an arbitrary or capricious way ([here](#)).

## WEDNESDAY, JAN 7

**PLEASE JOIN US: Capitol Street Webinar at 2 pm ET on the 2026 Healthcare Outlook ([Register here](#)):**

Please join team Capitol Street for a webinar to discuss sector outlooks, relevant catalysts, and key healthcare themes for 2026. We will provide an outlook for biopharma & medtech (drug pricing, tariffs, MFN, CMMI, FDA), value-based care, Medicare Advantage, Medicaid, Obamacare, and health insurance overall. There will be time for Q&A.

## MONDAY, JAN 12

**PLEASE JOIN US: Capitol Street Reception at JPM 2026 ([Harlan Records](#), [Register here](#)):** Join Capitol Street in San Francisco during the 44th Annual J.P. Morgan Healthcare Conference. On Monday, Jan. 12, 2026, from 6:30 to 9 p.m., we will host a special pop-up party at the San Francisco vintage music-themed venue Harlan Records, with food trucks and cocktails. This event is an opportunity for friends and partners of Capitol Street to connect and recharge while at JPM.

## JANUARY

**MA 2027 Advanced Notice:** The regulation is pending review at OMB ([here](#)) and will likely be out by February 4.

### OUR TAKE:

- **(1) Growth Rate:** CMS projects a FFS growth rate of ~6% from 2026 to 2027. Recent spending estimates provided to ACO participants suggest that CMS may be under-projecting spending for 2025, and that costs from 2024 to 2025 may have increased by 9%, as compared to 5% (what CMS estimated in the 2026 final rate announcement), though CMS's ACO trend correlation can't always be trusted because the office of the actuary can make many tweaks to the MA benchmarks and is often a black box. CMS may revise their estimate upward for 2027, because they would be starting from a higher base amount for

2025. This increase could be as much as 9%, but the size of this increase depends on whether or not CMS assumes *higher* spending continues into 2027.

- **(2) Risk Adjustment Model:** We believe it is unlikely that CMS will implement a new encounter data model for 2027 given that the fully phased-in three-year V28 model ends next year (2026). Also (our take [here](#)) the RFI from CMS in the 2027 Proposed Rule (before Thanksgiving) asked a number of questions about the future of risk adjustment, and CMS may want to wait for the responses to the RFI before determining any model changes. Recall, CMS had previously indicated in the 2026 advance notice they could have a model that is estimated on MA claims, or encounter data, as soon as 2027.
- **(3) Health Risk Assessments/Chart Reviews:** MA plans have been scrutinized for upcoding relative to FFS Medicare, and HRAs and unlinked chart reviews are mechanisms by which plans increase their risk scores. SCENARIOS: (a) CMS may seek to either require HRAs to have a follow-up visit to count for risk adjustment, or could (b) decide to no longer allow diagnoses from HRAs to count for risk adjustment purposes (we think (b) is less likely, and *No Upcodes* ([here](#)) is not ready for prime time). A high fee-for-service growth rate for 2027 could give CMS cover to impose new restrictions on the use of HRAs while still stating that the bottom line for plans would be 5%, roughly similar to the bottom line for 2026.

## JANUARY-FEBRUARY

**SCOTUS Decision on IEEPA Tariffs:** We believe the Supreme Court (SCOTUS) may limit the use of IEEPA tariffs, with a decision likely coming between January and February. SCOTUS officially has until the end of June to make a decision.

**OUR TAKE:** The Trump Administration could utilize another legal authority to implement tariffs (our take [here](#)). For example, 232 investigations on Pharma and MedTech could serve as a hedge should IEEPA tariffs be struck down (our take [here](#)). Recently, Trump delayed a planned tariff hike on imported furniture for one year, citing ongoing negotiations ([here](#)). Separately, Commerce cut tariffs on 13 Italian pasta exporters given the affordability crisis in the US.

## ON THE HORIZON

- SCOTUS Decision on IEEPA Tariffs (**January-February 2026**)
- FTC PBM 6B study final report (**TBD**)
- CMS BALANCE model - participation notification deadline for interested co's, stakeholders, and states (**Jan. 8, 2026**)
- End of ACA Open Enrollment (**Jan. 15, 2026**)
- MedPAC meeting (**Jan. 15-16, 2026**)
- Expiration of Continuing Resolution & Healthcare Extenders (CHCs, DSH, Telehealth, Labs) (**Jan. 30, 2026**)
- CMS Medicare Advantage (MA) Rate Notice '27 (**late January, due by Feb 4, 2026**)
- CDC ACIP meeting (**Feb. 25-26, 2026**)
- CMS pricing justification for 2027 negotiated drug list (15 Part D drugs) (**March 1, 2026**)
- MedPAC meeting (**March 2-3, 2026**)
- CMS MA Final Rates '27 (**April 7, 2026**)
- MedPAC meeting (**April 9-10, 2026**)
- CMS launch of BALANCE model in Medicaid (**May 2026**)
- USMCA joint review (**July 1, 2026**)
- CMS launch of GLOBE model in Medicare Part B (**Oct. 1, 2026**)

- CMS launch of BALANCE model in Medicare Part D (**January 2027**)
- CMS launch of GUARD model in Medicare Part D (**Jan. 1, 2027**)
- FDA PDUFA and MDUFA reauthorization deadline(**Oct. 1, 2027**)

### **CMS Coverage Decisions**

- CMS Draft NCD on Biomarker Tests for Colorectal Cancer Screening (**March 10, 2026**)
- CMS Final NCD on Biomarker Tests for Colorectal Cancer Screening (**June 8, 2026**)
- CMS Draft NCD on TAVR for Asymptomatic Patients (EW) (**June 15, 2026**)
- CMS Final NCD on TAVR for Asymptomatic Patients (EW) (**Sept. 13, 2026**)

---

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

202.250.3741 | www.capitol-street.com

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

**CAPITOL STREET**

---

### **Copyright 2026 Capitol Street.**

*This communication, including this broadcast and any attachments hereto, is intended solely for the original recipient(s) and may not be redistributed without the written consent of Capitol Street. This communication is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any financial instruments, nor is it intended as advice to purchase or sell such instruments*