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Obamacare EPTC Deal in The Works

CVS, UNH, CI, ELV & Blue Shield of CA CEOs Testify in Congress on Jan 22

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The Senate is crafting a bipartisan deal on Obamacare subsidies, as it does not have the votes to pass the House 3-year subsidy extension being voted upon today. While the three-year subsidy extension – based on the House’s discharge petition – is unlikely to advance in the Senate, the Collins–Moreno framework appears to be taking the lead, buttressed by Senate Leader Thune’s comments on ACA reform requirements.

Separately, health insurance CEOs testify on January 22 (UNH, CVS, CI, ELV, Ascendium - BSCA). As Trump indicated at his final MFN event in December ([here](#)) the scrutiny transitions from drugmakers to health insurers and PBMs for commitments around healthcare costs. Health insurance CEOs are scheduled to testify before both the House Energy & Commerce (Chair Guthrie R-KY) and Ways & Means Committees (Chair Smith R-MO) on January 22, underscoring bipartisan frustration with insurers as Americans cope with ongoing affordability and healthcare cost concerns. We expect the Senate Finance Committee (Chair Crapo R-ID) to hold a separate hearing with CEOs, as well.

»» Key Points

The House is expected to pass a clean, three-year ACA subsidy extension (costs \$81 B) today. CBO new scores calculate that the extension would cost \$81 B/10. While the bill is not likely to clear the Senate, the Senate is working toward a compromise measure. House Minority Leader Jeffries (D-NY) introduced the discharge petition for a vote on a clean 3-year extension in November 2025, after Speaker Johnson (R-LA) declined a vote on subsidy extension. The petition gained four moderate GOP signatures and reached the 219-signature threshold.

The Senate is unlikely to pass the House-passed bill. Notably, yesterday nine House Republicans voted with Democrats to advance the House bill including Reps. Bresnahan (R-PA), Fitzpatrick (R-PA), Kean (R-NJ), LaLota (R-NY), Lawler (R-NY), Mackenzie (R-PA), Miller-Meeks (R-IA), Salazar (R-FL), and Valadao (R-CA), marking a significant step toward resolving the EPTC lapse and signaling bipartisan concern over market disruption.

Senate deal negotiations are ongoing and likely to culminate in a late January vote, with the Moreno-Collins proposal taking the lead. Senators Moreno (R-OH), Collins (R-ME), and Shaheen (D-NH) are advancing a bipartisan framework that reportedly includes:

- A two-year extension of EPTCs
- Income cap set at 700% of the federal poverty level
- Elimination of \$0 premium plans in favor of a \$5 monthly minimum premium
- Direct unused subsidy dollars placed into health savings accounts (HSAs) during the second year
- Penalties for insurers associated with phantom enrollees
- Extension of open enrollment through March 1, 2026

Bill text is likely to be released next week. The Senate framework closely aligns with Rep. Fitzpatrick's House proposal, which also centers on a two-year extension paired with income caps, modest cost-sharing, enhanced anti-fraud provisions, PBM reforms, and HSA flexibility. The current Moreno-Collins draft reflects concessions from their previous proposal, including lowering the minimum premium from \$25 to \$5. Majority Leader Thune (R-SD) said any bipartisan health care deal that can pass the Senate must include minimum premium payments and eligibility restrictions, a pathway to expanded HSAs, and abortion funding limits consistent with the Hyde Amendment.

CSRs and PBMs may be in the mix. Cost-sharing reductions (CSRs) are also likely part of the deal, intended to help silver-plan enrollees under 250% FPL and lower out-of-pocket costs. Appropriated CSR funding would likely be phased-in during year two of the extension (our take here). PBM federal reform is also likely by the end of Jan, if Congress moves on the CR + health extenders. PBMs – saving \$2-3 B / ten – would offset the health extenders (CHCs, DSH, Telehealth, Labs).

We have been more bullish on a compromise. As we have previously noted, (our take here and here) a two-year extension with income caps in the 400–600% FPL range, or a one-year extension paired with HSA or FSA reforms beginning in 2027, remains the most politically feasible outcome. The White House's priorities include reducing fraud and encouraging HSA use, potentially allowing enrollees to redirect unused premium tax credits into tax-advantaged accounts when selecting lower-cost plans. A broader transition to HSA- or FSA-style models is unlikely before 2027.

Hyde amendment. It is unclear whether the current Collins–Moreno draft includes Hyde-compliant language. This week, President Trump's comments on Hyde flexibility were criticized by pro-life leaders, including Speaker Mike Johnson (R-LA), signaling growing frustration within the party. Increased White House involvement appears likely as continued delay risks negative political optics for Republicans.

As we have said previously, HSAs and cost-sharing reductions are not operationally feasible before 2027. Republican insistence on Hyde language, combined with these logistical challenges, makes a clean or minimally conditioned short-term extension the most practical near-term solution to stabilize the individual market for 2026.

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