

# CAPITOL STREET

---

April 8, 2026

## Handicapping Reconciliation in 2026

### Healthcare Affordability May Come Into Play

Relevant Companies

ALL HEALTHCARE

---

### »» Our Take & Next Up

**While healthcare isn't likely to be a main focus of a second (or third) reconciliation bill, we could see a limited set of items included (program integrity, direct subsidies, possibly MA and PBM).** GOP lawmakers are pushing to pass a second party-line bill using budget reconciliation by early July, despite the GOP's narrow majority in the House (218-213, 3 vacancies) and challenging outlook in the November elections (House likely to flip).

**There is a July 4 goal for the first 2026 reconciliation bill, which will likely focus on DHS, ICE and CBP.** Healthcare policies would likely emerge in a separate lame duck package closer to year end. Other items to watch are codification of MFN (heavier lift in the Senate, therefore less likely) and a second run at healthcare provisions that failed the Byrd Rule in the OBBBA.

### »» Key Points

**Republicans have a large laundry list of priorities for reconciliation.** In order to predict the details of reconciliation, it is important to identify the remaining GOP priorities for the year (Source: Capitol Perspectives).

- Three years of appropriated funding for Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP).
- Providing supplemental funding for defense and war operations.
- *SAVE America Act* components and money for states that enact voting reform.
- Tightening eligibility and reducing fraud for means-tested benefits.
- Reducing federal funding for sanctuary cities.
- Additional tax cuts.
- Healthcare affordability proposals, including direct subsidies to patients.

**The more policies included in a reconciliation bill, the more difficult it will be to pass.** Potential vehicles and process can be found below.

- **Concurrent Budget Resolution.** Before anything gets started, the House and Senate must pass identical budgets with instructions that committees produce reconciliation bills that meet spending targets. This is step one. Both budget committees hope to move quickly *before the end of April*. Congress can

approve either a budget for FY 2026 or FY 2027 since neither have yet passed. H.R. 1 used an [FY 2025 budget](#) as a legislative vehicle.

- **First Reconciliation Bill of Calendar Year 2026.** The first bill would likely be narrowly focused on providing three (3) years of mandatory appropriations for ICE and CBP, which were excluded from the recent Department of Homeland Security (DHS) spending deal. By focusing on small goals, the hope is the bill can move quickly. It will likely cost in the range of \$90 B to \$120 B. This will be the easier of the two bills, and the President has said that he wants it sent to his desk *by June 1, 2026*. Congress is set to [recess](#) on May 21, 2026.
- **Second Reconciliation Bill of Calendar Year 2026 (less likely).** This second bill would be much larger and thus face a much more perilous path to enactment. Most of the big-ticket policy issues that Republicans want to pass before the midterms will likely be part of a second reconciliation bill. This includes voting reform dollars, spending cuts, defense spending, and affordability measures will be pushed into the summer *before the August recess*.
- **Potential Bipartisan Spending Bill.** Given the difficulty of a second reconciliation bill this summer, Republicans could pivot and try to pass spending priorities like defense spending in a bipartisan bill before the midterms. Democrats also have spending priorities, which could be added to garner votes. It is highly unlikely that Democrats would vote for defense while the conflict in Iran continues.

**Healthcare policies are unlikely to be the main focus of a second reconciliation bill, but we are keeping our eye on a handful of areas (program integrity, PBMs, MA, & direct subsidies).** We have said a second reconciliation bill will likely center on funding for DHS/ICE and potentially a war supplemental (our take [here](#)); however, a handful of policies that address healthcare affordability could make the cut:

- **Waste, Fraud, and Abuse in Medicare & Medicaid.** The main healthcare offset being eyed is a compilation of policies to rein in waste, fraud, and abuse in Medicare and Medicaid, which was also a key component of Trump's FY27 budget request - our take [here](#).
- **Direct Subsidies to Patients.** Trump's 'Great Healthcare Plan' would provide direct subsidies to purchase health insurance rather than extending the *Affordable Care Act's* Enhanced Premium Tax Credits (EPTCs) - our take [here](#).
- **Pharmacy Benefit Manager Reform.** It's unclear what PBM reforms would be considered as lawmakers already passed a PBM reform package earlier this year and the FTC settlements are slowly trickling out - our take [here](#).
- **Medicare Advantage (MA) Upcoding.** Addressing upcoding in the MA program is possible, but less likely in our view, given CMS actions of late (e.g., punting on risk model and addressing RFI). Congress' focus is on making sure MA plans aren't gaming supplemental benefits, along with prior authorization and marketing/provider networks: *No UPCODE Act* (Sen. Cassidy, R-LA) & *Medicare Advantage Prompt Pay Act* (Sens. Cortez Masto, D-NV & Blackburn, R-TN) - our take [here](#).

**Codification of Most Favored Nation (MFN) may also be on the table for reconciliation this year, but it's likely a heavy lift in the Senate and unlikely to pass into law.** Codification of MFN was the centerpiece of President Trump's 'Great Healthcare Plan' released in January (our take [here](#)) as the 16 MFN deals were not enough. While we view codification of MFN as unlikely, we note that pharma is taking nothing for granted in light of the Administration's recently announced Sec. 232 tariff of 100% on branded pharmaceuticals and active pharmaceutical ingredients (our take [here](#)).

**Hospitals are likely safe from cuts in 2026 as One Big Beautiful Bill Act (OBBBA) reform starts in 2027-28.** Additionally, the GOP will likely attempt to fix/tweak healthcare items that did not pass the Byrd rule (Byrd

droppings) during the crafting of the OBBBA. We expect Republicans will revisit multiple health-related provisions deemed by the Senate parliamentarian to have merely incidental budgetary effects and thus requiring 60 votes ([here](#), [here](#), and [here](#)).

---

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

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

202.250.3741 | [www.capitol-street.com](http://www.capitol-street.com)

**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*