

CAPITOL STREET

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Debt Ceiling Deal & Votes This Week

No MA Cuts, No Medicaid Work Requirements, Rx Negotiation Expansion Out

Relevant Companies



»» Our Take & Next Up

No cuts to MA plans, no new Medicaid work requirements or additional drugs for negotiation ('26+) are contained in the debt limit deal announced this weekend. The budget agreement gets us past the 2024 Presidential election, with a debt limit suspension through January 1, 2025. House Rules Committee will meet Tuesday on the debt limit bill (summary [here](#)) that minimally impacts healthcare but does impact discretionary FDA/NIH funding levels. Leaders are working their parties to obtain needed votes for the *Financial Responsibility Act (FRA)*. As part of an agreement to garner votes for his speakership, House Leader McCarthy (CA) had placed three conservative Republicans on the Rules panel – Reps. Tom Massie, Ralph Norman and Chip Roy (two oppose the deal).

We have always said that cooler heads would prevail versus allowing US default (June 5 deadline), with either a 'patch' debt ceiling deal being passed to align with the budget cycle, or a longer (2-year) deal alongside budget austerity such as caps.

»» Key Points

This is a two-year deal that minimally impacts healthcare. Flat spending for FY24 and 1% spending cap increase for FY25.

- No budget caps beyond 2025.
- Nonmilitary spending would be roughly flat for the 2024 fiscal year from this year, after factoring in some appropriations adjustments.
- Veteran's benefits and healthcare would not be impacted in this timeframe.
- 1% cap on spending increases for the 2025 fiscal year.
- Forces a 1% cut in government spending if all 12 appropriations bills are not passed by the end of this year.
- Agencies that are funded via discretionary funds – think FDA and NIH – are impacted.
- Military spending in FY 2024 would be roughly at the level of Pres Biden's 2024 budget request, which would amount to ~3% increase.

Cancer advocates are already ringing the bell. Given that FDA and NIH are funded via discretionary means, flat '24 spending and 1% cap impact basic science, and the approval of new drugs, devices and biologics/diagnostics. Recall the User Fee ("UFA") bills provide additional funding to the FDA for FYs '23-27 (passed in 2022).

Other impacts: COVID dollar clawbacks, SNAP restrictions, TANF.

- COVID fund clawback. The deal would utilize unspent money that Congress passed to battle the pandemic. The amount is estimated to be about \$29 B (\$5 B would be retained for COVID vaccines and therapy).
- SNAP Temporarily raising the age of people who must work in order to receive food aid through the Supplemental Nutrition Assistance Program, or SNAP. Able-bodied, low-income adults without dependents between the ages of 18 - 54 would have to work to receive food aid, up from the current top age of 49. Currently, these adults can receive benefits for no more than three months within a three-year period, unless they are working or enrolled in a work program.
- TANF Five state pilot and reporting of work outcomes in the Temporary Assistance for Needy Families (TANF) program.

No cuts to Medicare Advantage plans (positive for UNH, HUM, CVS, CNC, ELV, others), which is what we had previewed. Despite the chatter and press reports about Medicare Advantage (MA) plan cuts last week we said we do not envision MA as being targeted at this time. GOP members support the program, as do Seniors, who love the program with ~50% penetration. Plans are adapting to a new v28 risk adjustment program that will be phased-in over three years.

No additional drug negotiations (PFE, GILD, BMY, MRK, ABBV, LLY, GILD others), which we said was off the table. We said we do not foresee additional drugs being added to the Rx negotiation list, as a debt ceiling offset. In fact, some House Republicans have held hearings looking to reverse *the Inflation Reduction Act* negotiation clause. While that's incredibly unlikely under a divided Congress and Democratic White House, we cannot see incremental drugs being added to the fray (right now) despite the potential for savings.

No new Medicaid work requirements in this package, another GOP "ask" we felt would not be included in the final deal. Democrats never did like the idea, as they see Medicaid as a safety net program. House leader McCarthy (R-CA) had touted the idea several times. but the policy generates no savings, therefore always unlikely in our view.

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