

# CAPITOL STREET

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## Debt Ceiling Negotiations Touch Healthcare

### Medicare Advantage Plan Cuts & Additional Drug Negotiation Unlikely

Relevant Companies



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The heat is turned up as the Biden administration and Democratic & Republican Congressional leaders huddle to avoid a default. The X-date is June 1, with a buffer of about ten days.

### »» Our Take & Next Up

We expect an agreement by the end of the week, possibly bleeding into Memorial Day weekend. We have always said that cooler heads would prevail versus allowing US default. (1) We could see a 'patch' debt ceiling deal being passed to align with the budget cycle, or October 1, 2023. Then, a potentially broader budget agreement that could bring in all Medicare providers ~ health plans, hospitals, manufacturers, post acute providers, physicians. Another option is (2) Longer (2-year) deal could be passed along side budget austerity such as caps.

### »» Key Points

**We do not foresee Medicare Advantage plan cuts (positive for UNH, HUM, CVS, CNC, ELV, others) as a part of the current negotiations.** Despite the chatter and press reports about Medicare Advantage (MA) plan reductions being on the

table we do not see plans as being targeted at this time. GOP members support the program, as do Seniors, who love the program with ~50% penetration.

**We do not foresee additional drugs being added to the Rx negotiation list, as a debt ceiling offset (PFE, GILD, BMY, MRK, ABBV, LLY, GILD others)** 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 despite the potential for savings.

**We do not foresee Medicaid work requirements in this deal.** Democrats do not like the idea, as they see Medicaid as a safety net program. House leader McCarthy (R-CA) has touted the idea several times. but the policy generates no savings.

**Policies in the mix.** We will learn more in the coming days but more broad based policies appear to be in the discussions as of today. (1) Budget caps (2) unspent COVID funds (~\$160 B) (3) Supplemental Nutrition Assistance Program (SNAP) work requirements (4) flat agency funding e.g., FDA, NIH.

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