

# CAPITOL STREET

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## Republicans on Healthcare

Most Favored Nation, Medicaid Reform, ACA Here To Stay, Capping ESI Tax Exclusion

Relevant Industries

All Healthcare

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### »» Our Take & Next Up

**The Republican Study Committee ([here](#)) budget provides key detail on healthcare priorities should we see a GOP sweep of some sort.** The blueprint seeks to bring back federal spending “fiscal sanity.” Priorities are largely non-healthcare and include geopolitical, tax reform, as well as trade and immigration. Healthcare is a lower tier priority but we could see a new Administration/Congress embark on some reform, primarily in Medicaid, with Part B drugs (Most Favored Nation) along with potentially mucking with tax benefits of employer sponsored private health insurance (NOTE: lobbying has begun to take it off the table), along with Medicare solvency ideas. Telehealth, HSA, AHPs and other “greatest hits” seen in past Republican budgets are also featured. We do not believe the IRA will be repealed as it generates significant revenue, and Donald Trump likes negotiation in almost any industry, getting the best deal. Below are our thoughts on what we might see on healthcare in a Republican environment.

### »» Key Points

**International affairs (China/Middle East, Ukraine), tax/trade and border security feature prominently for Republicans in 2025+.** The RSC budget proposes measures to counter threats from China and ensure transparency and accountability in aid to Ukraine, and creates tax reforms aimed at stimulating growth and promoting US manufacturing. It also aims to rescind “green giveaways” and tax increases imposed by the Biden administration. The budget promotes America First energy policies and aims to unleash American energy to power Europe. On immigration, the budget would end open border policies, enact the *Secure the Border Act*, and strengthen enforcement.

**Republican health insurance policy ideas are not new – repeal & replace ACA, Medicaid work requirements & block grants, repurpose ACA subsidies & cap ESI tax benefits.** Notably, calls for the repeal of the ACA are prevalent, which the budget criticizes for expanding Medicaid to cover all adults below a certain income threshold. This, the RSC argues, has led to increased federal spending without significantly improving health outcomes for beneficiaries.

**Repeal & Replace won't happen, as the party has attempted this before with no luck (no real Replace plan).** The GOP has tried before and failed, and with a lack of replacement once again, any attempt to rehash this idea will be unsuccessful. However, the RSC document does focus on the ACA, in addition to major Medicare reform.

**We think ACA subsidies will be extended in conjunction with the 2025 tax rate extension.** *Tax Cuts & Jobs Act* expires after ten years, as the initial Trump-tax cuts were passed under budget reconciliation.

**Capping ESI is a proposal that the RSC endorses to overhaul the current private health care system.** Capping the tax exclusion for health benefits (saves approximately \$300 B/year) that is currently available for employer-based plans and extending the same level of credits to all Americans regardless of where they buy their coverage. Employer groups are worried that capping the tax exclusion for health insurance offered by plans as a revenue raiser will be in the mix, and are already lobbying Capitol Hill. A letter ([here](#)) signed by 70 advocacy and stakeholder groups states, "We are deeply concerned about proposals that will jeopardize the affordability and accessibility of health coverage. In addition to broad societal benefits and underpinning the stability of our health care system, the current tax-favored treatment of employer-provided health coverage delivers critical value for employers, workers and their families, and the federal government itself."

**On drugs, Most Favored Nation (Part B) would likely be proposed once again, but we think Trump (secretly) likes drug negotiation per IRA (despite repeal plan below).** The Part B policy – presented by President Trump in his first term but never implemented – will likely be back if the former President is elected. We think it could be released, out of the gates, with the 2025 tax reauthorization/ACA subsidies deadline (Dec 31, 2025). Recall that prices of Part B therapies would be pegged to 50 OECD countries.

**Other healthcare priorities focus on telehealth, HSAs, AHPs, and deregulation of health insurance, generally.** Included is a promise for regular congressional reviews to repeal outdated and onerous regulations on providers and insurers on a regular basis. These policies mostly aim at increasing insurance affordability, but 340B and telehealth are also mentioned.

### Republican 2025 Healthcare Priorities\*

Category	What is it?	Details
<b>Medicaid Reform</b>	Block grants, 50/50 match, remove provider taxes	<ul style="list-style-type: none"><li>• Proposes combining Medicaid funding for children and CHIP funding into a single block grant, which would allow states to provide insurance for all low-income children without an income floor. This approach is intended to give states more flexibility in addressing the needs of children who might not qualify for Medicaid but still need assistance to obtain health insurance.</li><li>• Adjusting the federal-state funding split from the average 64.6% to a 50/50 split to ensure states prioritize mandatory benefits for vulnerable populations.</li><li>• Removing provider taxes, which are seen as a way for states to increase federal funding without improving patient care.</li></ul>
<b>Medicare Solvency</b>	Raising the age, premium support	<ul style="list-style-type: none"><li>• Emphasizes the need to ensure the solvency of Medicare, proposing measures such as raising the eligibility age and implementing premium support for future beneficiaries.</li></ul>
<b>Expand Health Savings Accounts</b>	Expanding access to HSAs	<ul style="list-style-type: none"><li>• Eliminate requirement that Health Savings Accounts be tied to a high-deductible plan.</li><li>• Increases maximum contributions.</li></ul>

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		<ul style="list-style-type: none"> <li>Expand scope of eligible healthcare expenditures, such as Direct Primary Care arrangements.</li> </ul>
<b>Legalize Association Health Plans</b>	Allowing small businesses to pool together for insurance leverage	<ul style="list-style-type: none"> <li>Allow small businesses to pool together to leverage lower cost health insurance on behalf of their employees, forming a larger insurance pool.</li> <li>Long-time Republican policy.</li> </ul>
<b>Interstate Health Insurance Plans</b>	Buying health insurance across state lines	<ul style="list-style-type: none"> <li>Budget ensures consumers are able to purchase health insurance across state lines. Encourages competition and increase access to more affordable options.</li> </ul>
<b>McCarron-Ferguson Repeal</b>	Restoring antitrust laws to health insurance	<ul style="list-style-type: none"> <li>McCarron-Ferguson exempts health insurance business from federal regulation, leaving it up to the states.</li> <li>Supports Rep. Paul Gosar's (R-AZ) Competitive Health Insurance Reform Act, which restores the application of federal antitrust laws to health insurance.</li> <li>The budget sees the Act as anticompetitive.</li> </ul>
<b>Telehealth</b>	Expanding rural broadband, devices for remote patient monitoring	<ul style="list-style-type: none"> <li>Reduce federal regulations that stifle private investment in rural broadband in areas that need telehealth.</li> <li>Allow federal health program to provide patients with telehealth technology, including remote patient monitoring, wearables, diagnostics, tests, software as medical device (SaMD).</li> <li>To increase access to primary care and limit emergency room visits.</li> </ul>
<b>Oppose Inflation Reduction Act Price Controls</b>	Repealing IRA price controls	<ul style="list-style-type: none"> <li>Calls out "socialist price controls" of the IRA that "limit access to life-saving drugs."</li> <li>A part of IRA repeal plan.</li> </ul>
<b>340B Reform</b>	Ensuring delivery to at-risk patients	<ul style="list-style-type: none"> <li>Supports 340B reform to ensure drug discounts are being used as intended.</li> </ul>

Source: [RSC](#), Capitol Street, 2024

\*Having trouble viewing this table? [View in browser](#)

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