

CAPITOL STREET

July 15, 2024

Republican Convention in Milwaukee This Week

Healthcare Platform, VP Pick

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ALL HEALTHCARE

»» Our Take & Next Up

Most Favored Nation, Medicaid reform, ACA here to stay, with Reconciliation (Including MA, Medicaid) being very possible in a GOP trifecta. The Republican Study Committee ([here](#)) budget provides key detail on healthcare priorities. Priorities are largely non-healthcare and include geopolitical, tax reform, as well as trade and immigration. AEI speakers last week ([here](#)) opined on healthcare priorities (see takeaways below). Separately, this week we will learn Trump's Vice Presidential (VP) pick, with (a) Marco Rubio (FL) and (b) JD Vance (KY) being frontrunners, along with (c) Doug Burgum (ND Gov) and (d) Tim Scott (R-SC) in the running. but we could see a total surprise as well.

Healthcare is a lower tier priority for Republicans 2025+ but we could see a new Administration / Congress embark on some reform, primarily in Medicaid, with Part B drugs (Most Favored Nation), along with ACA subsidy scrutiny. GOP could muck 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 policy papers are also featured. Below are our thoughts on what we might see on healthcare in a Republican environment.

»» Key Points

VP PICKS

Trump announces he won't reveal his VP pick until the Republican National Convention (Mon, Jul 15 – Thu, Jul 18, 2024). but has named 4 finalists. A few candidates have made it onto the shortlist. Here are a few of the picks' stances on healthcare below:

Sen J.D. Vance (R-KY) Originally a strong Trump critic, he has since become one of his loyal defenders. He is currently serving as the junior senator from Ohio since 2023.

- Vance supports U.S. manufacturing of pharmaceuticals ([here](#))
- Vance supports Medicare drug negotiation and choice ([here](#))
- To lower drug prices, Vance supports allowing importation
- Introduced the *No Obamacare for Illegal Aliens Act of 2023* ([here](#)) into the Senate
- In 2017, Vance publicly opposed the *American Health Care Act*, the Republican replacement for the ACA, for cutting Medicaid without any alternatives and focusing too hard on tax cuts ([here](#))
- Vance no longer supports cuts to Medicare or Social Security ([here](#)), which he endorsed in 2011 ([here](#))

Sen Marco Rubio (R-FL) Also a past Trump critic, he is currently serving as senior senator from Florida since 2011.

- Rubio has consistently voted against the *Affordable Care Act*
- Senator Rubio reintroduced a bill to reform Medicaid DSH equity ([here](#)).
- Rubio expanded options for uninsured families not qualifying for CHIP and Medicaid coverage ([here](#))
- On substance use ([here](#)) sponsors *Eliminating Kickbacks in Recovery Act*, the *Sober Home Fraud Detection Act*, and the *Felony Murder for Deadly Fentanyl Act*
- Co-introduced bill to simplify and expand Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs) ([here](#))
- Supports expanding hospital-at-home program to cover observation status patients ([here](#))
- Recently introduced bill to strengthen cybersecurity in healthcare ([here](#))

Doug Burgum (ND Gov) and Tim Scott (R-SC) are also finalists going into the convention this week. Trump is using a “highly sophisticated” version of the Apprentice to vet VP candidates.

GOP HEALTHCARE & SWEEP SCENARIO

AEI, a conservative think tank, hosted a Republican healthcare forum last week. That, coupled with the RSC proposal, frame our thoughts below. We will discuss these policies at our Sept 19 Fall Forward Health Policy seminar in Washington, DC, as we have former Trump officials join us in Washington DC. RSVP and details [here](#).

Reconciliation is very possible under GOP sweep: extension of some tax cuts from Tax cuts and Jobs Act, some/no ACA subsidies, MA reforms, work requirements for Medicaid coverage. MA reforms include changes to benchmarking, risk adjustment, star ratings and alignment of MA with fee-for-service Medicare. Notably, Brian Blase, Paragon, a speaker at an AEI event ([here](#)) recommended scrapping the quality-based payment programs for MA (NOTE: this is detrimental for MA plans).

Are ACA marketplace subsidies fraudulent? 2/3 of states rely on the ACA marketplace. More than half of enrollees this year claim an income between 100-150%. According to research from Paragon ([here](#)), more people are fraudulently enrolled than eligible, with a cost to taxpayers of \$20 B. He notes that there is a political incentive to get people enrolled, not checking eligibility, unscrupulous brokers.

We think ACA subsidies could be extended in conjunction with the 2025 tax rate extension (lower income thresholds) if cooler heads prevail. *Tax Cuts & Jobs Act* expires after ten years, as the initial Trump-tax cuts were passed under budget reconciliation. Even a President Trump would want to help red states, who benefit from subsidies (bad debt/ hospitals).

Republican health insurance policy ideas overall are not new – repeal & replace ACA, Medicaid work requirements & block grants, repurpose ACA subsidies & cap ESI tax benefits. Repeal & Replace won't happen, as the party has attempted this before with no luck (no real replace plan).

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.

BIOPHARMA

On drugs, Most Favored Nation (Part B) would likely be proposed once again -- out of the gates -- but we think Trump (secretly) likes drug negotiation per IRA (despite repeal plan). 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.

340B reform is underway, gaining traction, as courts work on the issue. Ryan Long (at same AEI event last week) noted that the 340B program has ballooned and will need to be addressed. As a reminder, a Gang of 6 in the Senate is working to reform the payments, with a food fight brewing between hospitals & biopharma. However, momentum for 340B reform may not take place until after we get legal certainty from the courts with several ongoing lawsuits.

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