

CAPITOL STREET

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Lame Duck (New) Outlook Is Skinny

One-Year Extension: Telehealth, Comm Health Centers, Medicaid DSH/Area Wage, Hospital @ Home as PBM Reforms Possibly Slip to 2025

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With the election looming, lawmakers are seeking a skinnier healthcare package with PBM reform -- that we have said is not detrimental to the business model -- potentially falling off the chopping block until 2025. We believe that a one-year extension of telehealth benefits will be a likely outcome (versus two-years) this year (4Q24, lame duck session of Congress). Our take on other healthcare priorities – PBM reform, hospital site neutral payments, and hospital payments (Medicaid DSH, Area wage index). Issues that will not be addressed in all likelihood this year are: clinical workforce augmentation (GME slots), extenders e.g., SUPPORT, PAHPA, as well as Rx (helpful to industry) drug reforms (IRA orphan designation fix) and addressing generic shortages. Medicare & Medicaid PBM reform may slip as lawmakers seek one additional year of sequestration and MIF (Medicare Improvement Funds) as a source of funds.

»» Key Points

With healthcare workforce, rural challenges, and other dynamics we believe a one-year telehealth extension is likely (\$2 B) versus permanent, which is also on legislators' wish list but cost-prohibitive. The House Ways & Means (Chair Smith, R-MO) marked up telehealth & rural health bills ([here](#)). On the Senate side, Senate Finance (Chair Wyden, D-OR) held a hearing on rural health in May ([here](#)). MedPAC separately has taken up the topic ([here](#)) & commissioners are generally more cautious – citing location of care, behavioral versus physical healthcare differences as they pertain to telehealth, audio-only telehealth visits.

Other thoughts on healthcare year-end policies that are now in the mix (& our take given new election dynamics predicting a GOP sweep of sorts).

- **Telehealth extension (costs \$2 B)** would allow PHE era flexibilities to last for one year, versus two-years as was the case for much of 2024 (see above).
- **Medicaid DSH (disproportionate share hospitals) and Area Wage Index update (+\$8B).** This would help hospitals across the country, rural & urban.
- **PBM as a pay-for may be falling off the agenda (positive for PBM/health plans) for 4Q but still has bipartisan support as a key policy area to address.** We have said that PBM reforms in the mix are

largely non-detrimental to the overall business model and that Medicare/Medicaid reforms (banning spread, transparency, de-linking) could pay for a larger package in Nov/Dec 2024. This may slip as lawmakers seek one additional year of extenders and MIF fund for funds.

- **Hospital site-neutral is off the table for now (positive for hospitals).** Recall that drug-only reforms are more palatable to hospital systems across the country and would generate \$2.7 B in savings. This makes it an attractive pay-for but we do not believe that lawmakers are prepared to address this now; a GOP sweep makes site neutral a 20205+ issue.
- **Hospital @ Home (+\$0-\$1 B max).** This previously contained no score to extend but this could have a slight cost. Given COVID and remote patient monitoring, etc, H@H has bipartisan support.
- **Physician pay fix (1.4% versus 2.8%) costs \$4 B** and could be included at year end. Recall that bumping primary care rates means that specialists have been reduced (last two years) given budget neutrality requirements). We could see payment restored (partial, not a full fix, if CMS finalizes 2.8% cut) to physicians at YE.
- **Community health centers (+\$4 B)** Senator Bernie Sanders (I-VT) wanted much more ([here](#)) but payments have expired and we envision a small bump to CHCs.
- **Nursing home staffing rule (\$22 B in savings) repeal would be helpful to nursing homes** but the savings may be used for something else, down the road, as it's an attractive pot of money. We think rule repeal is a matter of when, and not if, given the lack of clinical staff in the US to fill the positions to meet staff ratios put forth by CMS.

PBM Catalysts: Commercial reforms may be a topic of interest at a potential November Senate HELP (Chair Sanders, I-VT) hearing. Pay-fors may be in the mix for the topics of discussion – as a reminder the HELP committee has jurisdiction over commercial market reforms, which is concerning to PBMs. Also, we note that we do not expect to see incremental near-term FTC action on its Big 6 Study where interim results were released this summer (our take is [here](#)).

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