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Industry Outlook: Medicaid and Medicare Opportunities, Challenges and Strategies Ahead

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Today's Agenda



- High-Level Federal Landscape Overview
- OBBBA Updates
- Surveying Other Programs/Markets
- Zooming in on Medicare Advantage
- Electoral Implications & Scenarios
- Q&A

Zooming Out: The Current Federal Health Policy Landscape



- **Congress:** Impending midterm elections and partisan gridlock will limit legislative *action*, but not *discussion and debate*.
- **CMS:** Annual Medicare rules will dominate attention, alongside OBBBA implementation actions—and a broader anti-FWA effort.
- **The White House:** Drug pricing may dominate headlines, but expect a focus on program integrity—and immigration.
- **HHS:** Mixed signals on the ‘MAHA’ agenda may persist amid varied viewpoints.

Trump Administration Priorities for Health Policy




- **Combating fraud, waste, and abuse**—broadly defined—remains a focus, across both Medicaid and Medicare (*see, e.g.* CRUSH RFI, Medicaid enforcement).
- **Containing costs** remains a strong focus—with payers as partners in some contexts and targets in others.
- **Tech-enabled innovation** has received significant attention, including via dedicated models.
- **MAHA** remains a major theme, but less so in practice in the Medicare/Medicaid contexts.
- **Affordability** will be a rhetorical theme, but that may not translate into policy (outside of areas like **transparency, MFN,** and **site-neutral payment reform**)

Congressional Priorities for Health Policy



- **Midterm election politics, fundamental policy disagreements, and broader partisan gridlock** will likely **preclude** meaningful legislative action.
- Many **hearings, reports, and public discussions** will focus on health care.
 - **Republicans** will cite OBBBA as a **win** for program integrity/deficit reduction and will highlight their own **affordability** efforts.
 - **Democrats** will counter, framing GOP priorities as **bad for access/affordability** and **forecasting their future agenda** (if successful in November).
- The two chambers/sides **will need to negotiate end-of-year extenders**, but will likely opt for a **narrow/limited approach**.

Zooming In: OBBBA in Focus



- OBBBA's changes will impact dental and vision services indirectly and variably.**
- **State financing reforms** will exert major pressures on state budgets, resulting in varying forms of cutbacks.
 - **Work requirements** will exert downward pressure on enrollment.
 - **Copays:** Expansion adults will incur copays for certain services starting in FY 2029.
 - **Program integrity** requirements may constrain enrollment growth and create variable pressures on providers.
 - **Potential RHTP Support:** At least [24 states](#) included oral health-related issues in RHTP plans.

Medicaid Cuts in Context: First Four Years



2026

Net Reduction: \$17 billion

Largest Drivers: SDP caps, provider tax uniformity waiver changes, provider tax freeze

2027

Net Reduction: \$46 billion

Largest Drivers: Work requirements, SDP caps, provider tax freeze

2028

Net Reduction: \$61 billion

Largest Drivers: Work requirements, SDP caps*, provider tax freeze/phase-down**

2029


Net Reduction: \$92 billion

Largest Drivers: Work requirements, SDP caps, provider tax freeze/phase-down

*Grandfathered SDP limits begin phasing down on 1/1/2028.


**Expansion state provider tax limits begin phasing down in FY 2028.

OBBBA Implementation: A Status Update



- CMS has issued **several guidance documents** spanning numerous provisions, but **key questions/uncertainties** persist.
- **An interim final rule** for work requirement implementation is due by June.
- CMS also plans to pursue **rulemaking** for some areas initially subject to guidance.
- Staggered implementation dates will mean near-constant implementation activities.

OBBBA Implementation: Key Themes to Date



- **Statutory Fidelity:** Emphasis on adhering to the enacted statutory language (potentially limiting flexibility)
- **Targeted Accommodations for States:** Narrow flexibilities for state programs, where allowable, but not for other actors
- **Program Integrity Focus:** Efforts to align/build on law's program integrity measures, preempt/prevent gaming, etc.
- **Gradual Shift to Rulemaking:** Key areas initially subject to guidance will ultimately be addressed through formal rules.

Status of State-Level Efforts



Varied Cost Containment Approaches

- Provider Rate Cuts
- Benefit Scale-Backs
- Working Groups
- Alternative Financing Methods

Varied Implementation Strategies

- Alignment Legislation
- Pursuing Workarounds
- Preemptive Implementation
- Wait-and-See on some components

Dynamics to Track



- **No changes to the OBBBA Medicaid provisions are likely to advance** under current majorities.
- That said, **further cuts under a Reconciliation 3.0 scenario also appear unlikely**, given political dynamics.
- Under **divided government, targeted scale-backs** could come up in bipartisan negotiations, with certain issues more vulnerable to modification than others.
- Expect continued pressure on **program integrity**, including outside of OBBBA provisions—such as oversight/enforcement and other state financing methods.

Surveying the Rest of the Relevant Policy Landscape



- **Medicare Advantage:** Core supplemental benefits, including dental, should face no major headwinds in the near term.
- **Individual Market:** The impasse on enhanced APTCs will likely persist as part of a broader stalemate for Congress on this market.
 - The Administration will prioritize regulatory relief/flexibility—and program integrity.
- **Commercial Market:** Significant changes from Congress are unlikely in the near term—and the Administration backs ERISA preemption.
- **Public Health Funding:** Congress will likely disregard the President's Budget Request on health care again—and pushback on pain points will heighten.
- **Fluoride:** States will likely continue to dominate activity on this front in the near term as the EPA's review remains ongoing.

Zooming in on Medicare Advantage



Medicare Advantage: Near-Term Headwinds and Tailwinds

> Headwinds:

- > **Cost containment in FFS could continue to ratchet down MA rates**, a la proposed rate notice
- > **Prior auth/utilization management oversight** likely to persist, albeit captured in existing rules
- > **Potentially idiosyncratic M&A environment**, with assertive FTC/DOJ

> Tailwinds:


- > **Final Rate Announcement** showcases continued political support for MA in admin
- > **Major coding intensity changes unlikely**, based on light-touch unlinked chart review approach in rate announcement
- > **Regulatory relief** for plans remains admin interest, likely to surface across rules
- > **GLP-1 Bridge outside of benefit** constrains plan impacts

Electoral Implications




- **The midterm election cycle could shift the health care policy landscape substantially, particularly if one or both chambers flip.**
 - Various Trump Administration initiatives would see heightened oversight and scrutiny.
 - A Democratic majority could seek to prioritize **addressing purported MA overpayments, expanding the IRA's pricing provisions, and reversing OBBBA's Medicaid cuts**, among other items.
 - Other issues not discussed at length this Congress, such as **private equity ownership interests in health care, as well as environmental regulations for health providers**, could also come to the fore.
 - Nonetheless, a divided government could also **incentivize bipartisan negotiations** on health policies, with reconciliation no longer an option.

Assessing Election Outcome Scenarios



- **Scenario 1: House flips, Senate remains GOP**
 - **Medicaid:** House Dems push for OBBBA delays/tweaks, but with Senate inaction likely
 - **Medicare:** House Dems may pass fee-for-service dental/vision/hearing coverage, but Senate balks; Strong House Dem oversight of MA, but likely no major legislation
- **Scenario 2: Both chambers flip**
 - **Medicaid:** House Dems push for OBBBA tweaks/delays and have leverage for small changes
 - **Medicare:** Targeted MA reform more likely, but admin would balk at FFS dental/vision/hearing push
- **Scenario 3: Both chambers remain GOP**
 - **Medicaid:** Rs likely push for another reconciliation bill, potentially including more Medicaid cuts
 - **Medicare:** Status quo for MA, as Rs likely focus on site neutrality in Medicare

Assessing Election Outcome Scenarios (cont)



- **Scenario 1: House flips, Senate remains GOP**
 - **ACA Credits:** House Dems push for revival but Senate likely balks; potential for compromise, but headwinds remain
 - **Private Market:** Dems prioritize oversight; status quo, legislatively, persists
- **Scenario 2: Both chambers flip**
 - **ACA Credits:** Dems unite to restore credits and negotiate a deal with administration; procedural/political hurdles complicate effort
 - **Private Market:** Legislative reforms could face major admin pushback, but action could focus on prior auth, potential MLR changes
- **Scenario 3: Both chambers remain GOP**
 - **ACA Credits:** Status quo, but potential push for market stabilization reforms (unlikely to succeed)
 - **Private Market:** Status quo; even reform-minded members often reluctant to touch commercial insurance



Q&A

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