

Managed Care and Facilities

What's Next for MA Policy? Takeaways from Our Conversation with Andrew Schwab, CEO of Platform Government Strategies

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We hosted a call yesterday with Andrew Schwab, CEO of [Platform Government Strategies](#) and former Head of Government Affairs for Oak Street Health, to discuss the political and regulatory outlook for Medicare Advantage, as well as implications for the upcoming election. Although Medicare Advantage regulatory scrutiny remains elevated in the near-term, it is unclear if and how this could translate into meaningful legislative or regulatory action that could impact the industry and, importantly, the upcoming elections could have a significant impact on potential next steps. Key topics in our discussion include 2025 benefit reductions and timing and implication of early voting in key swing states, Republican and Democratic views on Medicare Advantage and potential implications for 2026 MA rates/policy, impact of v28 model on value-based care providers, and regulatory focus on vertical consolidation within healthcare and Medicare Advantage transparency. For additional details on Medicare policy, see [Takeaways from Our D.C. Policy Day](#).

- Medicare Advantage benefits will be posted as early voting kicks off; who will voters blame for benefit reductions?** The benefit changes made by plans as a result of V28 and 2025 rates will become apparent to seniors at the start of annual enrollment in mid-October. Mr. Schwab believes these benefit reductions could impact seniors votes, but could be lessened for the states with early voting that begins in October. He noted that a variety of swing states will have early voting kicking off in early-to-mid October as 2025 Medicare Advantage plan details are published, but seniors may not have the time to go through details before voting (Georgia - October 15th, Florida - October 26th at the latest, Nevada - October 17th, Arizona - October 9th, and Wisconsin - no earlier than October 22nd, to name a few). It is an open question who will get the blame for anticipated benefit reductions in 2025 - will seniors blame managed care or will they blame Democrats? Additionally, it is unclear whether this issue could be significant enough to impact votes in key swing states. Mr. Schwab indicated that the GOP will likely try to pin benefit cuts on the Dems, but with voting kicking off close to when plans are released, the GOP will need to have a clear message to reach voters on this topic.
- Even if Trump wins, the 2026 Advance Notice will likely be done by the Biden administration.** Given the Presidential Inauguration is in mid-January, Mr. Schwab emphasized that the Advance Notice (which comes out in February) is usually drawn up by the previous administration. This means a new administration would likely have to wait until 2027 to implement any

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major changes in rates and/or policy. In general, we continue to believe a Republican administration would likely be more favorable for Medicare Advantage organizations than a second Biden term.

- **Our views on the upcoming election: we believe healthcare rhetoric will be mostly that; we see healthcare bark with little policy bite.** We continue to believe the election will drive rhetoric around healthcare policy but we believe real world impacts will be relatively minimal. Healthcare is not a controversial issue this cycle and we don't expect the candidates to spend much time campaigning on it; it is unlikely to win over incremental votes and both candidates positions on healthcare are well known. In terms of impacts for stocks, we believe a second Biden term would be positive for MCOs with Medicaid, and Individual exchange exposure and negative for Medicare Advantage. We also believe the M&A environment will remain constrained under Biden. We see a Trump administration being more favorable for Medicare Advantage and potentially more negative for Medicaid (work requirements and funding cuts) and the exchanges (subsidies). However, we believe there are two important differences vs. the last Trump administration. First, we suspect Republicans will be reluctant to take another run at repeal-and-replace given the political backlash from constituents and inability to get it across the line despite having a majority in both chambers. Second, our experts indicate that legislators already seem to be coalescing around the possibility of a potential ACA subsidy in exchange for TCJA extensions in 2025 which would be positive for the exchanges. That said, we see a lower likelihood of this happening if there is a Republican sweep.
- **V28 changes have created downward pressure on VBC providers, the best positioned providers are ones that are aligned with health plans.** Mr. Schwab emphasized that the shift in risk models was designed to achieve two goals: 1) to respond to accusations of "upcoding" MA patients and 2) to reduce payments to MA plans which some policy makers are earning too much on MA. The combination of this risk model change and increased utilization has created a "perfect storm" of downward pressure which, given the 3-year phase in, will continue to be a headwind in the medium-term. To manage this pressure VBC providers are looking to offset the headwind through operational improvements. Mr. Schwab believes (and we agree) that VBC providers that are aligned/integrated with health plans are best positioned and can work with plans to manage risk, although as we note these are the VBC providers under the most vertical integration scrutiny.
- **Vertical consolidation in healthcare could be a focus area for legislators, but unclear what could come of it.** Mr. Schwab noted there has been intermittent interest in D.C. around healthcare consolidation and that the topic has recently come back into focus following the Change Healthcare cyber-attack. At a high level, he believes the focus is primarily around provider consolidation with larger entities including retail pharmacies and insurers. He believes there could be some bipartisan interest in exploring impacts of vertical consolidation but it is not clear what potential next steps could look like, what the timing could be, and what the outcomes would be. Mr. Schwab noted vertical consolidation is an area of interest for the Senate Finance Committee and has also come up in House Ways and Means hearings. However, he also noted that the upcoming election could have meaningful implications for how sustainable interest in vertical consolidation is, as well as whether Congress and/or the administration could look to provide additional tools to agencies such as the DOJ or FTC to investigate or regulate consolidation.
- **CMS's Request For Information (RFI) appears to be converging towards data collection to compare Medicare Advantage and Fee-For-Service (FFS) Medicare.** CMS announced a RFI on how to increase Medicare Advantage data transparency to make the data commensurate with the data available for FFS Medicare. Based on his review of comments that CMS has received, Mr. Schwab indicated that while comments

were not always aligned, the general gist was that stakeholders are looking for data to draw more conclusive comparisons between spending under Medicare Advantage and FFS Medicare with several areas called out such as supplemental benefits, D-SNP/I-SNP, and prior authorizations. Mr. Schwab noted many legislators give a lot of weight to MedPAC reports and that interest is partially being fueled by the organizations report that Medicare Advantage spends ~\$83B more than FFS Medicare. However, he noted it is an “apples to oranges” comparison given the difference in how each program pays for services (FFS vs. risk adjusted capitation), and the RFI seeks to provide a better way to evaluate the two. While the result of this RFI may not directly impact Medicare Advantage plans, increased data transparency may shift the discourse around the role of Medicare Advantage if it helps reach conclusions on the costs/benefits of the program vs FFS Medicare.

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