

Not over til it's over - US lawmakers plan new health programme restraints



[Jonathan Gardner](#)

They say that when a door closes, a window opens. Collapse of US lawmakers' efforts to replace the Affordable Care Act (ACA) has come in the same week as another bid to seek savings from US health programmes in the form of a budget blueprint for 2018.

That spending plan assumes enactment of an ACA replacement, and the \$119bn reduction in federal expenditures that would accompany it, so its sponsors could find their ambitions curtailed. Nevertheless, the biopharma sector should find some solace in the budget blueprint in its call for a reduction in corporate tax rates even as it also constrains health spending.

Advise and dissent

On ACA repeal, another seemingly immovable barrier emerged yesterday as Senate Republican leaders were unable to come up with the 51 votes necessary to even begin debate. Republican dissenters were split between those who thought the leadership's plan did not fully repeal the ACA, known as Obamacare, and those worried about declines in health insurance coverage.

Notably, the final defector was Sen Shelley Moore Capito of West Virginia, who stated she did not want to see the state lose Medicaid coverage for low-income people under its expanded plan ([Spotlight - Fastest-growing US drug spender Medicaid in danger of cuts, July 14, 2017](#)).

After it appeared that there would be no vote, President Donald Trump suggested that he would "let Obamacare fail" to force legislators to resuscitate the replacement plan. Senate Republicans said they plan to hold a procedural vote early next week.

Another shot on goal

In a sign that plans to restrain spending growth in federal health programmes are alive and well, the Senate budget committee's blueprint, which will face debate today, assumes that the Medicaid limitations contained in the ACA repeal will occur, which the Congressional Budget Office estimated would reduce enrolment by 14 million over a decade. Given the inaction of the Senate this is not a safe assumption, and it could rein in lawmakers' ambitions.

It also proposes a transition to a "premium support" system for the Medicare programme for the elderly and disabled, in which the government would set per-enrollee spending limits; Republican-led Congresses in the 1990s attempted a very similar plan.

The budget blueprint contains placeholder wording for tax reform, including a reduction in the corporate tax rate as well as instructions to move to a "more competitive system of international taxation". This suggests a move to territorial taxation, in which US companies would not face a levy on profits from overseas sales, something that would be beneficial to biopharma companies.

As the blueprint only sets spending targets and not specific policies, much of the work to meet those targets will need to be done through additional legislation. Given that Medicaid was a flashpoint in the collapse of the ACA replacement legislation, it could be equally difficult to move a new bill that proposes Medicaid cuts - the knock-on effect could be that plans to increase defence spending are limited.

The many moving parts in the congressional tax, budget and healthcare plans have complicated biopharma's political calculus this year. Without spending cuts tax reductions might not happen. Though if healthcare programmes are axed, the long-term price will always be fewer paying customers.

To contact the writer of this story email Jonathan Gardner in Virginia at jonathang-us@epvantage.com or follow [@ByJonGardner](#) on Twitter

