



Weekly Checkup

The Next Reconciliation Bill

CHRISTOPHER HOLT | MARCH 5, 2021

This week the Senate took up the House-passed reconciliation package, otherwise known as the American Recovery Plan, with amendment votes slated to begin as early as today. Senate Democrats have made a few notable tweaks to the legislation's health policy sections, but **with passage largely a foregone conclusion, attention is already starting to turn to what comes next.**

There have been a few changes since we last reviewed the reconciliation package's health care provisions. For one thing, the [COBRA subsidy](#)—which doesn't [make much sense](#) at this point in the pandemic—is being [increased](#), from the 85 percent provided in the House-passed text, to 100 percent. This appears to have come at the behest of labor unions and will almost double the cost of the benefit, according to the Congressional Budget Office. The Senate is also adding an additional \$8.5 billion to shore up rural hospitals. Those funds are in addition to the \$175 billion already allocated for providers in past COVID-19 relief legislation, but also short of the \$35 billion hospitals were seeking. Additionally, in what looks like a small, if temporary, win for the pharmaceutical industry, changes to Medicaid's inflation penalties—which could result in drug makers being forced to pay state Medicaid plans when their drugs are used (instead of, you know, the normal arrangement where companies are paid FOR their products)—are pushed back a full year in the Senate draft. **Otherwise, however, this is largely the package we've already reviewed, [here](#), [here](#), [here](#), and [here](#).**

While there are still a few hurdles to traverse, many policy watchers are already putting this reconciliation effort in the rearview mirror and starting to speculate about what comes next for the Biden Administration's health policy agenda. The conventional wisdom at this point is that any significant health policy effort by the Biden Administration will have to come via another reconciliation bill, executive action, or a combination of both. Setting aside what is sure to be a robust focus on executive action, **what might Biden pursue legislatively?**

Biden's big goal is a [public option](#) insurance plan modeled on Medicare that would compete with private insurers on the Affordable Care Act's (ACA) health insurance exchanges. That initiative is unlikely to fly under the rules of reconciliation. While some argue that an effort to *lower* the Medicare age could pass muster, there is past [precedent](#) that you can't *raise* the Medicare age in reconciliation. In the end, **the most promising policies for qualifying under reconciliation are those already included in the current reconciliation bill: increasing the generosity of the ACA's subsidies and lifting the income eligibility cap.** But those changes are temporary due to reconciliation restrictions on increasing the deficit outside of the 10-year budget window. President Biden will almost certainly want to extend those policies beyond the two years they would last under the current proposal. But **making those changes permanent, even through reconciliation, would require offsetting the cost.**

Fortunately for Biden, Democrats have a host of policies aimed at reducing the cost of prescription drugs—and punishing drug makers for turning a profit—waiting in the wings. Not every drug policy idea would work under reconciliation, but many could. And there is broad bipartisan support for at least one [proposal](#) to substantively restructure the Medicare Part D drug benefit, which could provide some savings depending on specifics.

Despite the relative ease with which Democrats are moving the current reconciliation bill, passing legislation through reconciliation is a delicate process, and it's far from a forgone conclusion that another reconciliation bill will proceed as easily, or that the Biden Administration will choose to focus its limited reconciliation slots on health care. But **if President Biden decides to go all in legislatively on health care, the most likely package would be one that makes the ACA changes permanent and pays for it through long-sought progressive drug policy reforms.**

PODCAST

AAF's Christopher Holt dives into the current proposals surrounding the ACA as well as its trajectory as a law in the [latest episode of The AAF Exchange](#).

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