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2026 midterm elections: What they could mean for US healthcare



Key takeaways

US healthcare is in the midst of a structural transformation heading into the 2026 midterms. Funding reductions, deregulation, coverage changes and drug pricing policies will likely continue to reshape the market regardless of the 2026 midterm outcome, shifting greater responsibility to states, the private sector and consumers. Outcomes of the 2026 midterm elections will help provide greater directional clarity for executives around the policy environment ahead. Four dynamics will be particularly important:

- **The midterms will provide strategic visibility into legislative priorities**. Congressional control will determine the potential for new legislation, while executive action will likely continue to reinforce current Federal healthcare priorities and their impact to the broader operating environment. Narrow majorities or divided government would likely mean greater reliance on must-pass legislation, oversight and targeted bipartisan action, with potential convergence on health legislation such as cybersecurity, AI, drug development modernization, and prior authorization.
- **State elections will further shape the regionalization of healthcare policy.** With unified party control increasingly common at the state level and 39 governor seats up for election states may have greater ability to advance healthcare priorities independently, accelerating state-level action and widening differences in coverage, financing and regulation across markets.
- **Affordability will remain a defining pressure point**. Commercial medical cost trend is projected to reach 9% in 2027, the highest level in nearly two decades[1]. This is intensifying affordability pressures and increasing the urgency for payers, employers, and policymakers to address the underlying drivers of healthcare costs. Over the next two years, that pressure may translate into proposals for larger policy changes that could take shape ahead of the 2028 presidential election.
- **Policy exposure will vary across the health industry**. Payers and providers face the greatest potential impact from congressional and Medicaid policy changes and impacted funding, while drug pricing, trade and regulatory policy will remain key for pharma. Medtech is less directly tied to the election outcome, with tariffs and FDA action likely to matter more.



What this means for healthcare organizations

While the 120th Congress may produce select legislative reforms, the next phase of healthcare operations will be equally defined by how organizations navigate a more fragmented and volatile operating environment with sustained margin pressures. Across the healthcare sector, lower federal spending, tighter drug pricing programs, greater state variation, continued executive action and heightened affordability scrutiny will increasingly shape market strategy, growth, and investment.

Ultimately, regardless of the midterm outcomes, we expect these dynamics to sharpen the industries focus on priorities already reshaping the industry including reducing costs, improving efficiency, enhancing patient experience, mitigating risk (including cybersecurity), and speeding innovation to market.

Payers:

- Prior authorization and price transparency remain key areas for congressional action, while CMS continues implementing Medicaid work requirements, program integrity and state-financing changes.
- Marketplace coverage losses and tighter Medicaid eligibility will continue to pressure enrollment and risk pools, while Medicare Advantage payment policy balances federal spending restraint with beneficiary choice and plan participation.
- The No Surprises Act (NSA) Independent Dispute Resolution (IDR) process may emerge as an area of congressional oversight, as lawmakers examine rising arbitration awards - providers and facilities won 85% of payment determinations in the last half of 2025[1] - and their potential impact on healthcare costs.[3]
- Medicare Advantage margin compression is likely to continue, with over 70% of plans operating at breakeven or below amid risk-model, Star ratings, and Part D headwinds worth $90+ per member per month.[2]

Payers: On the horizon in the next 6 to 12 months

	Momentum	Business Impact	Vehicle for Action
Pace and direction could shift following the midterms through legislative action			
Cybersecurity	●●●	↓ Increase in admin burden and tech infrastructure costs	Executive action; legislation possible
Price Transparency	●●○	↑↓ Increase admin burden; greater pricing intelligence	CMS implementation and potential legislation
Utilization Management	●●○	↓ Increase admin burden	CMS requirements and voluntary commitments
Independent Dispute Resolution (IDR)	●●○	↑↓ Higher disputes; reimbursement uncertainty	Congressional oversight and hearings; agency rulemaking
ACA Subsidies**	●●○	↑↓ Shifts in coverage	Congressional action with possibility for Presidential veto
AI Coverage Decisions / WISeR***	●●○	↓ Greater oversight of coverage decisions	CMS implementation and potential legislation
Vertical Integration	●●○	↓ Greater antitrust exposure; continued momentum on PBM reform	Congressional oversight, potential legislation and continued involvement of the Federal Trade Commission
Implementation in progress; continuing at pace regardless of midterm outcome			
Medicaid Eligibility / Financing (OBBBA)****	↔	↓ Higher admin burden; funding pressure	Executive branch likely to continue current agenda
Medicare Advantage (MA) Payment	↔	↑↓ Revenue; margin volatility	Annual CMS rate setting and payment policy; executive driven
Fraud, Waste and Abuse	↔	↓ Higher audit exposure; member roll-off risk	Executive branch likely to continue current agenda

Momentum Key: ●●● High potential to accelerate ●●○ Medium potential to accelerate ↔ Continuing at pace

Business Impact Key: ↑ Positive impact ↓ Negative impact Both marks shown together indicate offsetting effects.

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** Marketplace subsidies: Affordable Care Act premium tax credits that lower Marketplace premiums and influence enrollment. *** WISeR: the Wasteful and Inappropriate Service Reduction Model, a CMS pilot testing AI-enabled prior authorization to reduce low-value care. **** OBBBA: One Big Beautiful Bill Act, 2025 reconciliation law making significant Medicaid eligibility, financing and payment changes.

Payers: A double click into each policy

Payer policy activity spans bipartisan legislative priorities and executive action, with the pathway for reform varying by congressional control.

Cybersecurity

Even incidents that do not directly touch connected devices can be viewed as patient safety and supply continuity risk. Bipartisan interest on hill for mandatory minimum standards frameworks for health IT and hospital infrastructure.

Price Transparency

Congressional action is possible as this is a low-controversy, high-visibility add-on where both parties can claim success. It has also been a priority under both Trump administrations, with rules for providers and payers intended to lower costs by exposing negotiated prices, though compliance has been limited by low penalties and unusable data files.

Utilization Management

Federal prior authorization reform has tightened decision timelines and public reporting requirements for government programs through the 2024 final rule, but commercial plans remain largely untouched. A voluntary industry pledge has produced only an 11% reduction in volume. Two bipartisan bills would codify stricter timelines with financial penalties and Star Rating consequences.

Independent Dispute Resolution (IDR)

The No Surprises Act IDR process is drawing growing congressional scrutiny as dispute volumes and arbitration awards raise questions about healthcare cost impacts. While broader legislative reform remains uncertain, bipartisan interest in improving implementation could support targeted changes. The administration continues to refine eligibility, batching, fees and other IDR operations.

ACA enhanced advanced premium tax credits (eAPTC)

Premiums have more than doubled for millions of enrollees, a House-passed 3-year extension has stalled in the Senate, and the coverage losses (projected at 4.8 million uninsured) are becoming a central midterm accountability issue with no consensus on a legislative fix.

AI in Coverage Decisions

The 120th Congress may combine cybersecurity and AI reform into one conversation. At least 14 state level laws enacted in 2026 alone converging on human review of denials, individualized clinical grounds, and AI use disclosure. WISeR CMMI model is current congressional flashpoint.

Vertical Integration

Scrutiny of vertical integration historically focused on point in time when deals were made. Recent government activity has shifted to scrutinizing existing integrated structures through direct conduct suits, behavioral settlements that force business model changes, and ongoing market surveillance. Democratic House is likely to hold hearings calling attention to scrutiny.

Medicaid financing and eligibility

The OBBBA's Medicaid changes are now in executive branch implementation, with restrictions on supplemental payment programs and provider tax arrangements representing the most structurally significant financing shift, while work requirements and eligibility redeterminations move towards implementation phases.

Medicare Advantage Payment

With Medicare Advantage enrollment above 50%, federal payment policy increasingly requires CMS to balance payment accuracy and spending restraint with plan stability and beneficiary choice. Annual rate setting and risk-adjustment changes will continue to shape plan economics, benefit design and market participation, with the 2027 policies reflecting continued focus on program integrity and long-term sustainability.

Fraud, Waste, and Abuse (FWA)

FWA enforcement has shifted from a post-payment recovery model to a screen-and-prevent approach, where the government cuts off funding and asks questions later, with state and federal attorney generals both increasingly active and DOJ FCA recoveries reaching a record $6.8 billion in FY2025, the largest in history, with 83% in healthcare.



Providers:

- 340B reform, price transparency and cybersecurity remain key areas of congressional action, while NIH funding decisions continue to impact research revenue and pressuring cost structures at academic medical centers.
- Medicaid financing changes and fraud, waste, and abuse initiatives are likely to increase reimbursement and compliance pressure, as CMS continues implementing changes to state payment practices and program integrity.
- The NSA IDR will remain an important reimbursement issue, as policymakers oversee dispute volumes and arbitration outcomes.

Providers: On the horizon in the next 6 to 12 months

	Momentum	Business Impact	Vehicle for Action
Pace and direction could shift following the midterms through legislative action			
Site Neutral Payments	●●●	↓ *Lower reimbursement; margin pressure*	CMS action and potential legislation
Cybersecurity	●●●	↓ *Increase in admin burden and tech infrastructure costs*	Executive action; legislation possible
Price Transparency	●●○	↑↓ *Increase admin burden; greater pricing visibility*	CMS rulemaking and bipartisan legislation
Utilization Management	●●○	↑ *Lower admin burden; faster care access*	Existing regulations and voluntary commitments
Independent Dispute Resolution (IDR)	●●○	↓ *Payment recovery risk; reimbursement uncertainty*	Congressional oversight; potential targeted legislation; agency implementation
340B Reform	●●○	↑↓ *340B savings at risk; cash-flow pressure*	HRSA*/CMS action and potential legislation
Vertical Integration	●●○	↓ *Greater antitrust and public scrutiny*	Congressional oversight, continued involvement of the Federal Trade Commission
Implementation in progress; continuing at pace regardless of midterm outcome			
Medicaid Eligibility / Financing (OBBBA)***	↔	↓ *Coverage losses; higher uncompensated care*	Executive branch likely to continue current agenda
Tariffs / Trade Policy	↔	↓ *Higher supply costs; sourcing shifts*	Executive branch likely to continue current agenda
Fraud, Waste and Abuse	↔	↓ *Higher audit exposure; payment risk*	Executive enforcement via existing authorities

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* HRSA: Health Resources and Services Administration, the HHS agency that administers the 340B Drug Pricing Program and oversees participating covered entities and manufacturers.

*** OBBBA: One Big Beautiful Bill Act; 2025 reconciliation law making significant Medicaid eligibility, financing and payment changes.

Providers: A double click into each policy

Site Neutral Payments

CMS is expanding payment equalization incrementally while litigation is possible challenging CMS's authority. Congress is building the data infrastructure for broader reform through mandating unique NPIs for off-campus departments. As savings generators, site neutral payment policies are strong candidates for inclusion in a year-end spending package or health extenders deal.

Cybersecurity

Even incidents that don't directly touch connected devices can be viewed as patient safety and supply continuity risk. Bipartisan interest on hill for mandatory minimum standards frameworks for health IT and hospital infrastructure.

Price Transparency

Congressional action is possible as this is a low-controversy, high-visibility add-on where both parties can claim success. It has also been a priority under both Trump administrations, with rules for providers and payers intended to lower costs by exposing negotiated prices, though compliance has been limited by low penalties and unusable data files.

Utilization Management

Federal prior authorization reform has tightened decision timelines and public reporting requirements for government programs through the 2024 final rule, but commercial plans remain largely untouched. A voluntary industry pledge has produced only an 11% reduction in volume. Two bipartisan bills would codify stricter timelines with financial penalties and Star Rating consequences.

Independent Dispute Resolution (IDR)

Growing IDR volumes and awards are increasing congressional scrutiny of the process and its impact on healthcare costs. Broader reform remains uncertain, while continued agency implementation creates uncertainty for providers around out-of-network reimbursement and payment recovery.

340B Reform

Pressure is mounting to narrow the volume of discounts given through the program. This is coming from manufacturers, Congress and market erosion, though states are pushing back with contract pharmacy protections. Cassidy (Senate HELP) might be looking to push 340B legislation during lame duck; current bill text is fairly positive for pharma.

Vertical Integration

Scrutiny of vertical integration historically focused on the point in time when deals were made. Recent government activity has shifted to challenging existing integrated structures through direct conduct suits, behavioral settlements that force business model changes, and ongoing market surveillance. A Democratic House is likely to hold hearings that call attention to the scrutiny.

Medicaid Financing & Eligibility

The OBBBA's Medicaid changes are now in executive branch implementation, with restrictions on supplemental payment programs and provider tax arrangements representing the most structurally significant financing shift, while work requirements and eligibility redeterminations move towards implementation phases.

Tariffs/Trade Policy

Tariffs and trade policy are a central pillar of the government's economic policy and are not expected to vary based on midterm elections.

Fraud, Waste, and Abuse

FWA enforcement has shifted from a post-payment recovery model to a screen-and-prevent approach, where the government cuts off funding and asks questions later, with state and federal attorney generals both increasingly active and DOJ FCA recoveries reaching a record $6.8 billion in FY2025, the largest in history, with 83% in healthcare.





Pharma:

- Drug development modernization and US–China decoupling policies have the strongest potential for congressional action. Drug pricing policy is also likely to remain an area of continued attention, with IRA drug negotiations proceeding on their existing trajectory alongside some CMS refinement. Separately, the administration's tariff-linked MFN drug-pricing deals, now covering 26 manufacturers, serve as near term risk management.
- FDA efforts to modernize and accelerate drug development amid growing international competition, including from China,[4] and international benchmarking programs both remain key factors shaping the operating environment, while tariffs and administration efforts to onshore manufacturing and development reshape capital allocation and supply-chain strategy.

Pharma: On the horizon in the next 6 to 12 months

	Momentum	Business Impact	Vehicle for Action
Pace and direction could shift following the midterms through legislative action			
Drug Development Modernization	●●●	^ *Speed to market; lower R&D cost*	FDA action and user fee agreement 'must pass' legislation
U.S.-China Restrictions	●●○	v *Supply-chain disruption; partner restrictions*	Legislation and national security authorities
340B Reform	●●○	^ *Increase transparency; potential to less rebates*	HRSA**/CMS action and potential legislation
Implementation in progress; continuing at pace regardless of midterm outcome			
Tariffs / Trade Policy	↔	v *Higher import costs; onshoring pressure*	Continued executive action
CMMI Models***	↔	v *Pricing and launch strategy pressure*	CMS model development and implementation
Drug Pricing	↔	v *Pricing pressure*	Continued CMS implementation with tweaks via rulemaking
Advertising	↔	v *Promotional constraints; channel shifts*	FDA rulemaking expected by end of 2026

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* IND: Investigational New Drug application, the FDA submission required before a new drug can begin clinical testing in humans.

** HRSA: Health Resources and Services Administration, the HHS agency that administers the 340B Drug Pricing Program and oversees participating covered entities and manufacturers.

*** CMMI: CMS' Innovation Center; increasingly used to test drug pricing models affecting manufacturer pricing, rebates and access.

**** IRA: Inflation Reduction Act; established Medicare drug price negotiation and other prescription drug pricing reforms affecting manufacturer pricing and reimbursement.

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Pharma: A double click into each policy

Drug Development Modernization

Interest on the Hill as well as at agencies to bring innovation and development back to the US. Much of the activity may simply smooth various IND steps in effort to speed First in Human trials here in the US. Reforms which incentivize industry to be closer to the early-stage basic research may be monitored for impact to industry.

U.S.-China Biotech Restrictions

Connects to broader cybersecurity and national security conversations and may garner bipartisan support in the new year. Acknowledgement by some on the hill that BIOSECURE was not that impactful right at the same time that folks are realizing just how much of early-stage innovation and even clinical trials are conducted in China.

340B Reform

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CMMI models

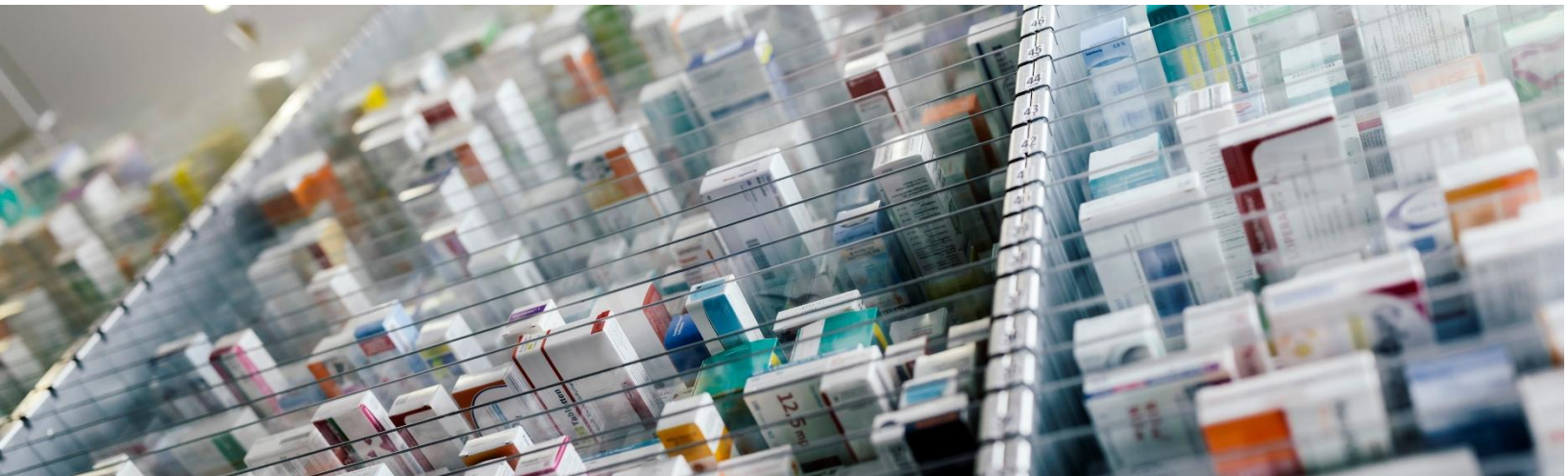
These pricing models turn global pricing strategy into a single, tightly coupled system rather than separable regional decisions. Current legal battle on CMMI's authority. Statute is based on testing innovative models, pharma argues GUARD and GLOBE are mandatory and not a test.

Drug pricing

Senate democrats are teeing up for the next round of drug pricing policies; These are likely to become active debate closer to 2028. They released their proposals this summer to start building momentum.

Advertising

Currently, TV ads can list only major risks and direct consumer to a website for additional information via the "adequate provision". Unified agenda included proposed rule which could close this option and require a 'brief summary' of all side effects. Planned release of proposed rule is set to go out before the end of the year according to the Unified Agenda.



Medtech:

- Legislative exposure is the lowest of the four subsectors in any scenario, with trade/tariff policy and FDA regulatory action, both executive-branch driven, mattering more than which party holds Congress. Possible legislative activity on site neutral policies may impact site-of-care economics and device utilization patterns.
- Medicaid financing changes and broader reimbursement pressure on providers could also constrain capital budgets and purchasing power for medical devices and equipment, creating an indirect channel through which congressional policy changes could affect medtech demand.

Medtech: On the horizon in the next 6 to 12 months

	Momentum	Business Impact	Vehicle for Action
Pace and direction could shift following the midterms through legislative action			
Site Neutral Payments	●●●	▲▼ *Accelerate site of care shift.*	CMS action now; broad expansion needs legislation
U.S.-China Restrictions	●●○	▼ *Supply-chain disruption; partner restrictions*	Legislation and national security authorities
Cybersecurity	●●○	▼ *Higher compliance costs*	FDA requirements and guidance; legislation possible
Implementation in progress; continuing at pace regardless of midterm outcome			
Tariffs / Trade Policy	↔	▼ *Higher import costs; onshoring pressure*	Executive action under trade authorities

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Who could control Congress after the 2026 midterms?

With Election Day nearing, Washington is entering the final stretch of the 2026 midterms. Congress has cleared a continuing resolution through December 11, removing the threat of an October shutdown and giving lawmakers greater space to campaign. On paper, the election is broad: all 435 House seats and 35 Senate seats are on the ballot. In practice, control will be decided by a much smaller group of races. Just 37 House seats are rated Lean or Toss Up, while the Senate battlefield is concentrated in nine races, including six Toss Ups. Democrats need a net gain of three House seats to win control of the chamber and four Senate seats to flip the Senate, assuming each party retains previously held open seats.

History favors the party out of power. The president's party has lost House seats in 20 of the past 22 midterms, and many forecasters now see Democrats as well positioned to flip the House. In the Senate, Democrats chances of winning the upper chamber have increased. The primaries have highlighted vulnerabilities within both parties. Affordability remains a central voter concern, creating pressure for Republicans as they increasingly rely on a working-class coalition, while Democrats continue to struggle with internal divisions over leadership, messaging and policy direction.



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Contact us



Glenn Hunzinger

Health Industries Leader, PwC US

Email



Tamil Sriram

Principal, Health Industries Risk & Regulatory, PwC US

Email



Michelle Horton

Risk & Regulatory Clients & Markets Leader, PwC US

Email



Kelly Griffin, PhD, RAC

Director, Health Policy and Intelligence Institute, PwC US

Email

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