President-elect Joe Biden: Building on a legacy
In many ways, President-elect Joe Biden is proposing a return to the Obama administration’s approach to healthcare: building on the Affordable Care Act (ACA) through incremental expansions in government-subsidized coverage, continuing CMS’ progress toward value-based care and supporting modernization of the FDA.

Bolder ideas, such as developing a public option, allowing for negotiation of Medicare, handing power to a third party to help set prices for some life sciences products, and raising the corporate tax rate, could be more challenging to achieve even with slim Democratic majorities in both the House and Senate.

Biden is likely to mount an intensified federal response to the COVID-19 pandemic, enlisting the Defense Production Act to compel companies to produce large quantities of tests and personal protective equipment as well as supporting ongoing deregulation around telehealth. The Biden administration also will
likely turn to global partnerships and groups such as the World Health Organization, especially in the area of vaccine development, production and distribution.

However, healthcare executives cannot simply dust off their Obama-era playbooks. Biden will assume the presidency in a country that is very different than it was in 2009, when he became President Barack Obama’s vice president. The nation today is grappling with a pandemic that has killed more than 200,000 Americans in nine months, sickened millions more and dealt the economy a historic blow.

In 2010, the uninsured rate was heading toward 16%. By 2019, it had fallen to 9.2%. The high pandemic unemployment rate has stripped many people of their employer-sponsored coverage, causing an increase in the percentage of uninsured Americans. This blow has been partially blunted by the ACA’s individual plans and Medicaid expansion, which can offer many of the newly unemployed new options subsidized by billions in taxpayer dollars. A consumer survey conducted by PwC’s Health Research Institute (HRI) in September found that 46% expected Biden to ensure that every American has access to comprehensive, affordable healthcare.

At the same time, the health industry also is undergoing a transformation that HRI calls the “New Health Economy,” a healthcare system that revolves around consumers and is more digital, virtual, value-based, portable and open to new entrants. This shift has been accelerated by the pandemic, as millions have reached for virtual solutions to a world of lockdowns and stay-at-home orders. In the earliest months of the crisis, 5% of Americans, or 16 million people, tried telehealth for the first time, according to an HRI survey conducted in the spring.

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The same can be said of providers, who found themselves logging on to telehealth platforms for the first time by the millions. Under President Donald Trump, the government helped pave the path for a more digital future for healthcare, including publishing final interoperability regulations, setting up a Digital Health Center of Excellence and streamlining reviews for digital health tools. The Biden administration is likely to continue this trend.

The fate of the ACA once again hangs in the balance: Its survival hinges on a decision expected in the spring. The law covers vast swaths of the health industry, expanding Medicaid, establishing the insurance exchanges, laying out rules for health plans, guaranteeing consumer protections, creating an innovation center within CMS and much more. In a 2017 analysis of scenarios for repealing and replacing the ACA, HRI calculated that 32 million fewer Americans would be insured by 2025 if the law were repealed than if left intact.

For this report, HRI interviewed healthcare advisers and trade association executives to gain a clearer understanding of how Biden’s presidency could affect the industry. HRI also surveyed American consumers and executives about healthcare policy issues that may emerge under the new administration and assessed Biden’s proposals as he presented them during campaign speeches and on his campaign website (see Figure 1).

**Figure 1: President-elect Joe Biden’s healthcare proposals: likelihood and impact**

<table>
<thead>
<tr>
<th>Priority</th>
<th>Vehicle for accomplishing this priority</th>
<th>Likelihood of gaining traction</th>
<th>Impact on payers</th>
<th>Impact on providers</th>
<th>Impact on pharmaceutical and life sciences companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add public option like Medicare for purchase on the exchanges</td>
<td>Legislation</td>
<td>Low</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Increase premium tax credits for families to afford more generous plans</td>
<td>Legislation</td>
<td>High</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Limit market concentration across healthcare system</td>
<td>Regulation or guidance</td>
<td>Moderate</td>
<td>+</td>
<td>-</td>
<td>/</td>
</tr>
<tr>
<td>Allow negotiation of Medicare drug prices</td>
<td>Legislation</td>
<td>Low</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Limit drug launch prices and price increases</td>
<td>Legislation</td>
<td>Moderate</td>
<td>+</td>
<td>/</td>
<td>-</td>
</tr>
<tr>
<td>Allow drug importation</td>
<td>Regulation</td>
<td>Low</td>
<td>+</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Ramp up COVID-19 pandemic response</td>
<td>Legislation, regulation</td>
<td>High</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Onshore production of critical medical supplies and pharmaceuticals</td>
<td>Legislation</td>
<td>Moderate</td>
<td>/</td>
<td>/</td>
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</table>

Source: PwC Health Research Institute analysis of President-elect Biden’s healthcare agenda
Broadly, healthcare executives can expect an administration with an expansionary agenda, looking to patch gaps in coverage for Americans, scrutinize proposed healthcare mergers and acquisitions more aggressively and use more of the government’s power to address the pandemic. Executives also can expect, in the event the ACA is struck down, moves by the Biden administration and Democratic lawmakers to develop a replacement. Healthcare executives should scenario plan for this unlikely yet potentially highly disruptive event, and plan for an administration marked by more certainty and continuity with the Obama years.

All healthcare organizations should prepare for the possibility that millions more Americans could gain insurance under Biden. His proposals, if enacted, would mean coverage for 97% of Americans, according to his campaign website. The Kaiser Family Foundation estimates that about 11% of nonelderly Americans are uninsured and that Biden’s plan could allow 2 million Americans to gain coverage in states that have not expanded Medicaid and make coverage more affordable for the millions of Americans who forgo insurance on the exchanges because of high premiums and deductibles. It is estimated that about 12.3 million Americans with employer-sponsored insurance could obtain more affordable plans on the exchanges.8

This could mean millions of new ACA customers for payers selling plans on the exchanges, millions of new Medicaid beneficiaries for managed care organizations, millions of newly insured patients for providers, and millions of covered customers for pharmaceutical and life sciences companies. The surge in insured consumers could mirror the swift uptake in the years following the passage of the ACA.

The COVID-19 pandemic

Biden is expected to draw on his experience relating to the H1N1 and the Ebola outbreaks to address the COVID-19 pandemic with a more active role for the federal government, which many Americans support (see Figure 2).9 These actions could shore up the nation’s response in which the federal government largely served in a support role to local, state and private efforts. Three notable exceptions have been the substantial federal funding for development of vaccines against the SARS-CoV-2 virus, Congress’ aid packages and the rapid deregulatory actions taken by the FDA and CMS to clear a path for medical products to be enlisted for the pandemic and for providers, in particular, to be able to respond to it.
Figure 2: Across demographics, consumers think the federal government should increase its spending on healthcare in response to the pandemic.

<table>
<thead>
<tr>
<th>Race</th>
<th>Black</th>
<th>White</th>
<th>Other</th>
<th>Hispanic, Latinx, or Spanish</th>
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<tr>
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<td>68%</td>
<td>65%</td>
<td>61%</td>
<td>60%</td>
</tr>
<tr>
<td>Adults with cancer</td>
<td>75%</td>
<td>73%</td>
<td>71%</td>
<td>69%</td>
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<tr>
<td>Adults with complex chronic disease</td>
<td>67%</td>
<td>67%</td>
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<tr>
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<tr>
<td>Healthy adult skeptics</td>
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<td>73%</td>
<td>69%</td>
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<tr>
<td>Healthy adult enthusiasts</td>
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<td>56%</td>
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<th>Direct purchase</th>
<th>Employer plan</th>
<th>Medicaid</th>
<th>Other health insurance</th>
<th>I am uninsured</th>
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Source: PwC Health Research Institute consumer survey, September 2020
Biden is likely to support a stimulus and aid package near the beginning of his term as the pandemic extends into its second year and the economy continues to falter. He has spoken about plans to establish a renewable fund for state and local governments to prevent budget shortfalls and pay first responders; $25 billion for vaccine manufacturing and distribution, adding to the $3.1 billion invested as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act to support countermeasures and vaccines; and 100% reimbursement for COBRA coverage for Americans who lost employer-sponsored insurance during the pandemic.\(^{10}\)

Proposed actions at the agency level include his proposal to double the number of drive-through testing sites and to invest in testing to improve access to tests.\(^{11}\) The president-elect also is likely to follow the recommendations of federal public health officials and scientists and continue some of the deregulatory moves made by CMS, such as removing barriers to telehealth and supporting reimbursement parity for telehealth visits with in-person ones.

Biden has promised the establishment of a COVID-19 Racial and Ethnic Disparities Task Force to address the disproportionate impact of the pandemic on Black and Latinx Americans.\(^{12}\) That task force, he said, will eventually transition to a permanent Infectious Disease Racial Disparities Task Force. He says his administration will also issue infectious disease workplace safety standards through the Occupational Safety and Health Administration to help ensure that essential workers are protected from COVID-19.
Expansion of access to mental healthcare also is a priority identified by Biden and could help address the increased stress the pandemic has placed on many individuals. “The health pandemic has caused a mental health pandemic. We are starting to only see the beginning of it. The longer it goes on, the worse it will get,” said Matt Kudish, executive director at the National Alliance on Mental Illness of New York City.

Half of health industry executives surveyed by HRI said they have offered their employees new mental health or stress-related benefits to cope with the consequences of the COVID-19 pandemic. Additionally, 45% of consumers surveyed by HRI said they trusted Biden to increase access to care for mental health.

Biden has said he will invoke the Defense Production Act to increase the manufacture of personal protective equipment (PPE) and provide “clear, consistent, evidence-based national guidance” for communities as well as schools, small businesses and families. He also plans to reengage in international collaborations with groups such as the World Health Organization and relaunch the US Agency for International Development’s pathogen-tracking program.

The financial conditions of many healthcare providers, in particular, hang on how quickly the pandemic ebbs and whether patients who have long deferred care wind up arriving in hospitals requiring much more expensive and intensive treatment than they would have otherwise. Patients who lose their coverage because of the pandemic’s economic calamity also may seek care without the means to pay for it, leading to increases in uncompensated care and bad debt.

**Coverage and the insured rate**

During his 2020 campaign, Biden has spoken about stopping the “reversal” of the ACA and he has proposed to build on the law through new tax credits and a “public option.” He also echoed the Trump administration’s pledges to rein in drug prices, allow importation of drugs, improve price transparency across the healthcare system and bring the manufacture of medical supplies and products back to the US.

Biden has said he will seek to increase tax subsidies for health plans purchased on the ACA exchanges and to provide a public option while lowering the eligibility age for Medicare. These policies could help reverse the increase in uninsured and underinsured Americans during the last four years. In 2010, upon passage of the ACA, 15.5% of Americans were uninsured, according to US Census Bureau data. By the end of the Obama administration, that figure had fallen to 8.8%. In 2019, before the pandemic struck, 9.2% of Americans were uninsured.
Biden also has proposed the creation of a public option on the ACA exchanges to help curb growth in premiums, offer an affordable choice for those who earn too much to qualify for premium tax credits and cost-sharing subsidies, and especially help cover those living in states that still have not expanded Medicaid.

Few experts interviewed by HRI expected this proposal, which likely would need to be established through legislation, to have high probability of enactment because, as a practical matter, it would require support from some Senate Republicans, who have long opposed a public option. “Any aggressive changes will have more effect. But these things are hard to do,” Project HOPE economist and fellow Gail Wilensky, who headed Medicare under President George H.W. Bush, told HRI in an interview.

Biden’s more modest plans have a higher likelihood of adoption and could expand coverage, albeit in a more piecemeal way. “Lowering the Medicare eligibility age, offering plans in states that did not expand Medicaid to fill in the coverage gap and expanding subsidies and the richness of benefits of exchange plans,” could achieve many of the same goals as a public option, Alan Weil, editor-in-chief of the journal Health Affairs, told HRI.

While campaigning, Biden said that for individuals and families purchasing plans on the ACA exchanges, he would seek to limit the percentage of income spent on premiums to 8.5% instead of the current 9.8% for families making between 300% and 400% of the federal poverty level.
Biden also proposed eliminating the law’s income cap for insurance premium tax credits, now set at 400% of the federal poverty level, and enriching those credits, tagging them to the ACA’s more generous gold-tier plans rather than the silver-tier plans, which have higher cost sharing. The ACA offers individuals and families refundable and advanceable premium tax credits if they make between 100% and 400% of the federal poverty level, with the expansion designed to cover Americans earning too little to qualify for the ACA subsidized plans. This proposal to lower cost-sharing echoes the concerns of employers around continually increasing cost sharing for employees as a way to control premium growth, as HRI has reported.16

While these proposed policy changes likely could help middle-class Americans afford ACA coverage, much of this country’s remaining uninsured population earns lower incomes. An analysis by the Center on Budget and Policy Priorities found that uninsured rates are higher at lower income levels: 16.6% of nonelderly Americans earning 138% to 200% of the federal poverty level were still uninsured in 2017.17

Biden also has said that he supports lowering the Medicare eligibility age to 60 from 65, a move that could help reduce commercial premiums for this group, but there is uncertainty about how many Americans would be affected and the implications for payers and providers. If applied to about 6 million who do not have employer coverage, it could provide relief to states.18

If Medicare eligibility is extended to all Americans 60 to 64, it could increase Medicare coverage by up to 20 million Americans and reduce insurance costs for employers, but it also could lead to a deterioration in payer mix for healthcare providers and possibly increase payroll taxes, depending upon how it is financed, according to one analysis.19

Biden also has said that he supports lowering the Medicare eligibility age to 60 from 65, a move that could help reduce commercial premiums for this group.
Biden, along with House and Senate Democratic leaders, has advocated for a substantial economic stimulus and aid package in response to the pandemic and its ensuing economic calamity. Such a legislative package is expected to be introduced in Congress early in the new administration and could serve as a vehicle for these proposed healthcare policy changes. “Extending who is eligible or what they are eligible for is less threatening for the group of people who don’t want that much change,” Wilensky told HRI.

**Deals and consolidation**

Like Obama, Biden has said he will seek to limit consolidation and “megamergers” in the healthcare system. Under Obama, the Treasury Department focused on “inversions”—deals that allow US-based companies to merge with foreign entities to reduce their tax burden. 20

While the Obama administration’s strategy was targeted at larger pharmaceutical companies, Biden said his administration would use existing antitrust laws to review pharmaceutical, healthcare provider and payer mergers that have taken place during the Trump administration.

The Biden administration would assess whether those mergers have reduced competition, raised consumer prices, harmed workers, increased market competition or increased racial inequality and, if so, “assign appropriate remedies,” according to the president-elect’s statements. 21 A focused policy targeting consolidation of providers, in particular, could hamper deals that are struck in the wake of the pandemic, as financially struggling providers seek safe harbor in health systems looking to expand. 22

**Value-based care**

The Biden administration is expected to continue the federal government’s move toward value-based care, a paradigm shift that began under George W. Bush. “Value-based purchasing that started under Bush was continued through Obamacare and into the Trump administration. All of this is leading toward a value-based care model,” Dr. David Chin, distinguished scholar at Johns Hopkins Bloomberg School of Public Health, told HRI.
Ceci Connolly, president and CEO of the Alliance of Community Health Plans, said fee-for-service medicine has not served the nation well. “We have to stop wasting time and get to value as fast as possible. It’s our only hope we have of making the system affordable and of value for Americans,” Connolly said in an interview with HRI. “The faster you move to capitation or at least risk-bearing arrangements, the faster you have the appropriate dollars moving to the appropriate care.”

Additionally, a continuation of the transition to value-based care could also benefit providers that rely on fee-for-service, particularly those that have suffered from the loss of volume due to the pandemic. HRI’s executive survey found that 86% of providers said a continued push toward value-based care was somewhat or very important. However, any actions by the Biden administration to address the consolidation that is taking place could have negative consequences for providers.
Medicare and Medicare Advantage

The popularity of the Medicare Advantage program continues to grow, with more than one-third of beneficiaries enrolled in the privately managed plans in 2020. This could be beneficial for commercial payers but less so for providers, as Medicare Advantage plans often have narrow networks and utilization management practices such as prior authorization for some medical care (see Figure 3).27

The more generous benefits such as vision, dental and hearing care may be attracting more seniors to these plans despite Medicare beneficiary out-of-pocket costs increasing.28 The trend could put more pressure on the Biden administration to allow traditional Medicare to offer services similar to Medicare Advantage plans.

Lowering the age for Medicare eligibility, as Biden has proposed, would create millions of potential new beneficiaries for Medicare Advantage plans and traditional Medicare. However, expansions of the Medicare program could face concerns in light of funding stresses on the program and a growing national debt due to the pandemic and tax cuts enacted during the Trump administration.29

“We haven’t figured out how to pay for what we have currently promised to the existing baby boomer population,” economist Wilensky told HRI. “That’s a problem and a barrier to expanding fee-for-service Medicare benefits.”

On balance, payers could benefit if Biden’s proposals are implemented, with consumers having more spending power on the exchanges to cover premiums, a continued expansion of value-based care, and policies that would materially reduce prescription drug costs for payers. But benefits on the latter could be muted if the price reductions are limited to Medicare and not passed along to employer-sponsored commercial plans. Michael Thompson, president and CEO of the National Alliance of Healthcare Purchaser Coalitions, told HRI, “Employers are paying two to three times more what Medicare is paying as a byproduct of a system that puts no constraints on pricing.”

Figure 3: Medicare Advantage has slightly increased its share of Medicare beneficiaries under the Trump administration

<table>
<thead>
<tr>
<th>Year</th>
<th>Original Medicare enrolment</th>
<th>Medicare Advantage enrolment</th>
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</thead>
<tbody>
<tr>
<td>2016</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>2017</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>2018</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>2019</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>2020</td>
<td>64%</td>
<td>36%</td>
</tr>
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</table>

Source: PwC Health Research Institute analysis of Kaiser Family Foundation data
The public option, which appears unlikely to be enacted, could have negative consequences, by introducing competition for commercial insurers. “The public option would really be an unnecessary addition to the ACA,” David Merritt, executive vice president of public affairs and strategic initiatives at America’s Health Insurance Plans, told HRI.

**Drug pricing**

Like President Trump, Biden has proposed action on drug pricing and onshoring manufacturing of critical medical supplies. These initiatives would require support from Congress. Some of the proposed policies could have deleterious effects on pharmaceutical companies.

Biden’s plan to limit drug price increases to the consumer price index for brand and “abusively priced” generics is similar to language included in a 2019 Senate bill, the Prescription Drug Pricing Reduction Act. Because of bipartisan support, this policy may have a higher likelihood of success. An analysis by the Kaiser Family Foundation found that for 2017, 60% of drugs covered by Medicare Part D had list price increases that exceeded CPI.

Biden’s proposal to allow Medicare to negotiate with drug companies for lower prices would seem to have a lower likelihood of success; the Trump administration also embraced this policy idea but did not succeed in implementing it. Neither House nor Senate lawmakers have fully supported this policy. Additionally, multiple pharmaceutical companies have stood up COVID-19 therapeutic and vaccine efforts to address the pandemic, which could make Congress reticent to pile on new rules that would enable negotiation. “We are begging the drug industry to save us with their vaccines. They have gained the moral high ground and could push back on drug pricing,” said Niall Brennan, president and CEO of the Health Care Cost Institute, in an interview with HRI.

Biden’s proposal to allow an “independent review board” to determine the price of first-in-class drugs that lack competition also could face the same hurdles as the Trump administration’s proposal to tie Medicare reimbursement rates to an international pricing index, which President Trump called for through an executive order in September.

According to Kristen Soderberg Bernie, deputy vice president at the trade organization Pharmaceutical Research and Manufacturers of America (PhRMA), a Biden victory alongside a supportive legislature could go further than the Trump administration in utilizing foreign reference pricing and reducing pharmaceutical R&D by expanding on HR 3, known as the Elijah E. Cummings Lower Drug Costs Now Act, or HR 3-type legislation.
HR 3 is a Democrat-sponsored bill that was passed by the House in 2019 with language that would allow the Department of Health and Human Services to set price ceilings for certain drugs, including insulin and high-cost drugs with no competition with the maximum price based upon the average price of the drug in six foreign countries. This bill also includes price increase caps similar to those proposed by Biden.

Biden also has said he wants to bring medical products manufacturing back to the US by means of tax increases on revenues for foreign-manufactured products sold in the US. If enacted, this proposal could have broad implications for the pharmaceutical and life sciences industry and potential harmful effects on the availability of these products.

Some bills in the House and Senate, such as the Securing America’s Medicine Cabinet Act of 2020 and the Medical Supply Chain Security Act of 2020, support reshoring via incentives or adding transparency to the medical products supply chain. President Trump’s August executive order could be seen as laying the groundwork for a path to expansion in the domestic supply chain. While building in resiliency is what politicians on both sides desire, it will not be easy, according to Jocelyn Ulrich, PhRMA deputy vice president of policy, research and membership. Ulrich told HRI that “there were plenty of reasons for a global supply chain” and “it can’t change overnight.”

HRI’s consumer survey found support for such objectives among Americans, with 68% saying that they either strongly or somewhat agree with bringing parts or all of pharmaceutical manufacturing that is overseas back to the US.
A stimulus package could include incentives to scale US manufacture of “essential medicines” and personal protective equipment along with tax credits to support domestic manufacturing, but it’s unclear whether these tax credits would be targeted for pharmaceutical manufacturers.38

Encouraging importation of pharmaceuticals, a frequent talking point of the Trump administration and the focus of an executive order issued in September, also is a concern for Biden. This proposal faces difficulties because of the requirement that drugs be deemed safe by the FDA, so it appears unlikely, even if implemented, to have a significant impact on the industry and the medical products Americans consume. The president-elect has singled out increasing the supply of quality generics. But HRI’s analysis shows that the challenge with generics may be in dispensing, which has been flat over the past few years despite increased supply (see Figure 4).

HRI’s August executive survey found that among 124 pharmaceutical and life sciences executives surveyed, price controls were among the least supported by the industry, with only about a quarter of executives backing moves such as limits on how much companies can charge and just 18% supporting policies that would tie price increases to the consumer price index. Payer and hospital executives, on the other hand, were more supportive of these proposals.

Biden’s call for making drug development more efficient by investing in innovation and international collaborations, as well as the expectation that the FDA will continue to modernize, could be outweighed by the impacts of any price controls on companies’ bottom lines. As a result, drug companies may have to start ramping up their use of innovative payment models such as outcomes-based contracts, data strategies and organizational changes to navigate the uncertainties.39

Additionally, if the CMS administrator in the Biden administration follows through on the June proposed rule to allow changes to how Medicaid best price is calculated, it could increase the use of value-based drug pricing arrangements.
Biden’s decision on a CMS administrator could also have significant ramifications for providers at entities in the 340B drug discount program. A CMS rule authorized under the Trump administration lowered the rate at which CMS reimburses 340B hospitals by 23%, bringing it closer to the amount the hospitals pay for these discounted drugs in the first place.40 However, 340B entities are expected to use the difference between their purchase cost of the drugs and the reimbursement rate to pay for care of uninsured or underinsured as well as other services at the hospital.

The Trump administration’s policy has had negative consequences for some hospitals and, while not mentioned among Biden’s healthcare priorities, a new CMS administrator could reverse this rule.41 Hospitals in the 340B program experienced significant gains during the Obama administration when the Health Resources and Services Administration, which oversees the program, allowed the hospitals to have an unlimited number of contract pharmacies to dispense drugs purchased by patients at off-site locations. However, the Government Accountability Office found in 2018 that many of these pharmacies lack oversight, at the same time revenues from 340B drugs are increasing.42

Implications

Adapt to the profound changes underway. The US health system has been slowly transforming for years into a New Health Economy that is more consumer-oriented, digital, virtual, open to new players from outside the industry and focused on wellness and prevention.43 The COVID-19 pandemic has accelerated some of those trends.44 Once the dust from the election settles, companies that have invested in capabilities for growth and are moving forcefully toward the New Health Economy stand to gain disproportionally.

Workforce shortages may be a challenge for a while. The Trump administration made limiting the flow of immigrants to the US a priority. The associated policy changes could lead to shortages of physicians, nurses and other healthcare workers, including medical students.45

These consequences have been aggravated by the pandemic, which curtailed travel into the US. For some time, healthcare organizations, especially rural ones heavily dependent on foreign-born employees, may find themselves competing fiercely for workers, paying higher salaries and having to rethink the structure of their workforces. Rather than following outdated ways of deploying human resources, providers should consider reengineering primary care teams to reflect the patients’ health status and preferences, along with the realities of the workforce on the ground and new opportunities in remote care.46
Focus on modernizing the supply chain. Biden and lawmakers from both parties have been raising questions about life sciences’ supply chains. This focus has only intensified because of the pandemic and resulting shortages of personal protective equipment, pharmaceuticals, diagnostic tests and other medical products. According to HRI’s executive survey, 94% of pharmaceutical and life sciences executives said that improving their supply chain was a significant priority for their organization, with sourcing of raw materials the greatest concern. Across sectors, the worries over supply chain are heightened for health industry executives. PwC’s Road to Election 2020 Pulse survey found that when asked if the federal government should implement a strategy to boost domestic production of essential goods to help the US economy, 55% of health leaders strongly agreed versus 46% of all respondents.47

Cybersecurity should remain a priority. The pandemic has aggravated existing cybersecurity issues, with the health industry facing increased levels of cyber-targeting.48

Analytics and cybersecurity are needed to integrate the supply chain and will likely require investment, but these investments could pay dividends well after the pandemic ebbs. Investment in advanced analytics and cybersecurity could allow manufacturers to avoid disruptive stockouts and shortages, and deliver on the promise of the right treatment to the right patient at the right time in the right place.
Drug pricing should consider long-term strategy. Presidents and lawmakers have been talking about drug prices for decades; few truly meaningful actions have been implemented. Biden has made drug pricing reform a priority, as his predecessor did. Despite the lack of bold actions, drug manufacturers may need to start looking past the next quarter to create a new pricing strategy that maximizes access in local markets through the use of data and analytics to engage in more value-based pricing arrangements.49

New financing models may help patients get access to drugs, such as subscription models that provide unlimited access to a therapy at a flat rate. These models could be limited to one drug or include a portfolio of products that address different aspects, subgroups or stages of a disease, such as in oncology, diabetes or cardiovascular conditions.

Those models will be increasingly important as the pipeline of one-time potentially curative gene therapies grows. Companies that prepare now to establish performance metrics and data analytics tools to track patient outcomes will be well prepared to offer payers more sustainable payment models, such as mortgage or payment over time contracts, avoiding the sticker shock that comes with these treatments and improving uptake at launch.

Pharmaceutical and life sciences companies will likely have to continue to offer tools for consumers like copay calculators and use the contracting process where possible to minimize out-of-pocket costs, which can improve adherence rates and health outcomes.

Payers and providers should view interoperability as an opportunity to embrace, not a threat to avoid or ignore. While the pandemic delayed many of the federal interoperability rule deadlines, payers and providers should use the extra time to plan strategically for an interoperable future. This means viewing the new rules as a strategic puzzle to be solved, not solely a compliance and IT issue.

Payers should review business partnerships in this new regulatory environment. Digital health companies and new entrants may help organizations take advantage of the opportunities that achieving interoperability may present. However, the freer flow of information opens up new questions about data privacy, as some companies accessing the data may not be covered under HIPAA.50 Along with privacy, companies should double down on cybersecurity, as healthcare remains one of the most attractive—and vulnerable—targets for cybercriminals, with significant breaches reported regularly in hospitals, insurers and other parts of the health system.
Companies should consider the legal risks and take steps to protect their reputations and relationships with customers by thinking through issues of consent and data privacy. Healthcare organizations should review their policies and consider whether they offer protections for customers under the new processes and what data security risks may emerge. They should also consider whether business associate agreements are due in more situations.

**Plan for revitalized ACA exchanges and a booming Medicare Advantage market.** The pandemic has thrown millions out of work, generating many new customers for ACA plans just as the incoming Biden administration proposes to enrich subsidies, making more generous plans within reach of more Americans.

With the potential for more Medicare-eligible consumers and the popularity of the Medicare Advantage plans, payers in this market should consider how and where to expand their membership and appeal to those newly eligible for Medicare. Payers not in this market should consider partnerships or acquisitions as a quick way to enter the market, with the creation of a new Medicare Advantage plan as a slower but possibly less capital-intensive entry into this market.
Increased affordability for health insurance likely will also create a need for more enrollment counselors. Payers and health systems should use this opportunity to design more tailored plan options and consumer experiences to help enhance margins and improve health outcomes, which will be important as more plans and providers shift to value-based care.

However, new analytics capabilities and collaborations will be necessary to engage with consumers and address the social determinants of health. HRI has found that health companies are making strides on consumer segmentation, but payers and providers often lack a complete view of their customers without sharing data, and even with the data they have, providers often lack the analytic capabilities to make the best use of it.52

Payers with cash from deferred care and low utilization due to the pandemic could turn to vertical integration with providers as a means of investing that cash in a manner that helps struggling providers in the short term while positioning payers to improve care and reduce its cost in the long term.53 This could create more vertically integrated systems with the expectation that the Biden administration will increase the push toward value-based care and capitation, and it could serve as a lifeline for providers facing revenue shortfalls and a liquidity crisis. However, the push toward vertical integration could mean that providers have to achieve basic competency in foundational areas such as balancing risk-based and fee-for-service reimbursement, and delivering quality holistic healthcare.54
US healthcare.
You are here.

The US healthcare system is a $4 trillion behemoth that changes slowly, even under the immense pressure of a global pandemic.\(^55\) When President Trump campaigned for the presidency in 2015 and 2016, he promised bold action: repeal and replace the ACA, require transparency of provider service prices, expand use of health savings accounts, allow sale of insurance plans across state lines, allow reimportation of prescription drugs, allow Medicare to negotiate drug prices, convert federal Medicaid funding to block grants, and allow all individuals to deduct health insurance premiums on their tax returns.\(^56\) An HRI analysis found that some of this agenda has not been enacted (see Figure 5).

**Figure 5: President Donald Trump’s first-term healthcare proposals: Four years in review**

<table>
<thead>
<tr>
<th>Priority</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repeal and replace the Affordable Care Act*</td>
<td>In process</td>
</tr>
<tr>
<td>Require transparency of provider service prices</td>
<td>Accomplished</td>
</tr>
<tr>
<td>Expand use of health savings accounts</td>
<td>Partially accomplished</td>
</tr>
<tr>
<td>Allow sale of insurance plans across state lines</td>
<td>In process</td>
</tr>
<tr>
<td>Reimport prescription drugs</td>
<td>Partially accomplished</td>
</tr>
<tr>
<td>Allow Medicare to negotiate drug prices</td>
<td>In process</td>
</tr>
<tr>
<td>Convert federal Medicaid funding to block grants</td>
<td>Partially accomplished</td>
</tr>
<tr>
<td>Allow all individuals to deduct health insurance premiums</td>
<td>In process</td>
</tr>
<tr>
<td>Lower federal income taxes and allow repatriation of overseas funds for for-profit entities</td>
<td>Accomplished</td>
</tr>
</tbody>
</table>


*The individual mandate penalty, created by the Affordable Care Act, was reduced to $0 by the 2017 Tax Cuts and Jobs Act.*
US spending on healthcare grew 4.6% between 2017 and 2018 and was projected to have grown 4.5% in 2019, according to HRI analysis of federal National Healthcare Expenditure data. Spending growth projections for 2020—5.2%—could be substantially off because of the pandemic’s dramatic impact on the healthcare industry. The pre-pandemic growth in healthcare spending is in line with trends from the Obama administration (See Figure 6).

Figure 6: US spending on healthcare grew 4.6% between 2017 and 2018 and is projected to grow 4.5% in 2019. All bets are off for 2020.

More Americans are uninsured today than in 2017. At the end of the Obama administration, 8.8% of Americans were uninsured. In 2019, 9.2% were. In an analysis of Congressional Budget Office interim economic projections, Bureau of Labor Statistics current population survey data and CMS National Health Expenditure data, HRI estimated that 18 million Americans could lose employer-sponsored insurance in 2020, or roughly 10.5% of people who had such coverage before the pandemic.

Medical cost trend for employer-sponsored insurance, the projected percentage increase in the cost to treat patients from one year to the next, hovered between 5.5% and 5.7% during the Trump administration after falling from 9% to 6.2% during the Obama years, HRI has found. Because of uncertainty due to the pandemic, HRI is projecting three scenarios for trend in 2021, ranging from a high of 10% to a low of 4%.
The pandemic led to steep and sudden job losses in the US healthcare industry. In the 12 months before the pandemic struck, healthcare—ambulatory healthcare services such as in physicians’ and dentists’ offices and diagnostic labs, hospitals and nursing and residential care facilities—added 372,000 net jobs. In April alone, healthcare services shed 1.5 million jobs. Hospitals lost 126,000 jobs in April. The industry has been adding back jobs in the months since the lockdowns, especially in ambulatory healthcare services, but employment in nursing and residential care facilities continued to shrink through August.

Under the Trump administration, the FDA has approved historic numbers of generic drugs, with the aim of making more affordable pharmaceuticals available to consumers (see Figure 7). Despite increased FDA generics approvals, generics dispensed remain high but flat, according to HRI analysis of FDA data.

**Figure 7: Under the Trump administration, generic drug approvals have skyrocketed**

![Bar chart showing generic drug approvals from 2013 to 2020.](chart.png)

Source: PwC Health Research Institute analysis of FDA data

*2020 annualized data have been projected based on the actual data available through the first 8 months of the year.*
Pharmaceutical company stocks, on average, have climbed under the Trump administration, with a few notable dips due to presidential speeches criticizing the industry and the pandemic (see Figure 8).

Figure 8: Under the Trump administration, the pharmaceutical index has grown but at lower rate than the S&P 500

Providers have faced some revenue cuts, particularly in the 340B program, and many entered the pandemic in a relatively weak liquidity position.\(^6\)

The pandemic has led to layoffs, pay cuts and even closures. HRI expects consolidation as the pandemic continues to curb the flow of patients seeking care in emergency departments, orthopedic surgeons’ offices, dermatology suites and more.\(^6\)

The pandemic did compel providers to embrace telehealth as many nonemergent services were suspended in the spring, and patients and physicians were forced to meet virtually. CMS, and commercial payers, offered reimbursement on par with in-person visits, a critical removal of one of several hurdles that had long hampered adoption of telehealth. HRI found that in the first weeks of the spring lockdown, 16 million Americans used telehealth for the first time.\(^6\)
Lawmakers and politicians often use bold language, and propose bold solutions to problems, but the government and the industry itself resist sudden, dramatic change, even in the face of sudden, dramatic events such as a global pandemic. One notable exception to this would be a decision by the US Supreme Court to strike down the ACA, an event that would generate a great deal of uncertainty and disruption for Americans, the US health industry and employers.

**About this research:** For this report, HRI interviewed healthcare advisers and trade association executives. HRI also conducted desk research and economic analysis, and examined in depth the policy positions of President-elect Biden, along with his healthcare legacy.

HRI’s consumer survey was conducted online from Sept. 9 to 22 with 2,511 US adult respondents representing a cross section of the population in terms of insurance type, age, gender, income and geography. The margin of error was +/- 2% at a 95% confidence level. The survey collected data on consumer perspectives about the healthcare landscape before, during and after the COVID-19 pandemic, including respondents’ use of health services and thoughts about how they will interact with the health system in the future. HRI used these data to compare with previous polls of US adults.

HRI also surveyed healthcare executives. This poll was conducted online from Aug. 21 to Sept. 10 with responses from 153 provider, 124 pharmaceutical and life sciences, and 128 payer executives. The margin of error was +/- 5% at a 95% confidence level. HRI periodically surveys industry executives to gain insight into current business leader perspectives and experiences, as well as to track changes over time.
Endnotes


4. Ibid.

5. Ibid.


26. Ibid.


35. Ibid.


61. Ibid.

62. Ibid.

64. Ibid.

65. Ibid.

66. Ibid.


Acknowledgments

Kristen Soderberg Bernie, Deputy Vice President, Pharmaceutical Research and Manufacturers of America

Niall Brennan, President and CEO, Health Care Cost Institute

Dr. David Chin, Distinguished Scholar, Johns Hopkins Bloomberg School of Public Health

Ceci Connolly, President and CEO, Alliance of Community Health Plans

Christopher Khoury, Vice President of Environmental Intelligence and Strategic Analytics, American Medical Association

Matt Kudish, Executive Director, National Alliance on Mental Illness of New York City

David Merritt, Executive Vice President of Public Affairs and Strategic Initiatives, America’s Health Insurance Plans

Michael Thompson, President and CEO, National Alliance of Healthcare Purchaser Coalitions

Jocelyn Ulrich, Deputy Vice President of Policy, Research, and Membership, Pharmaceutical Research and Manufacturers of America

Alan Weil, Editor-in Chief, Health Affairs

Gail Wilensky, Economist and Fellow, Project HOPE

Advisory team

Igor Belokrinitsky, Principal
Omar Chane, Principal
Claudia Douglass, Principal
Stacey Empson, Principal
Rob Friz, Partner
Tiffany Gallagher, Principal
Vitaly Glozman, Principal
Rohit Kumar, Principal
Michelle Lee, Partner

Todd Metcalf, Principal
Sundar Subramanian, Principal
Paul Tenuta, Principal
Chairman Dave Camp, Managing Director
Lisa Gallagher, Managing Director
Janice Mays, Managing Director
Derek Skoog, Director
Contributors

Meghan Boudreau, Jamie Mumford, Jack Rodgers, Hindy Shaman, Bob Sullivan, Melody Wong, Patrick Crocker, Cara Clements, Elizabeth Weinstein, Chris Tepler, Jaxon Cook, Cedric Cummings

PwC Health Research Institute

Karen C. Young, Partner
US Health Industries Leader
karen.c.young@pwc.com

Benjamin Isgur
Health Research Institute Leader
benjamin.isgur@pwc.com

Sarah Haflett
Director
sarah.e.haflett@pwc.com

Trine Tsouderos
Director
trine.k.tsouderos@pwc.com

Erin McCallister
Senior Manager
erin.mccallister@pwc.com

Ingrid Stiver
Senior Manager
ingrid.stiver@pwc.com

Crystal Yednak
Senior Manager
crystal.yednak@pwc.com

Brad Deal
Research Analyst
brad.deal@pwc.com

Timur Selimovic
Research Analyst
timur.selimovic@pwc.com
To have deeper conversations about how this subject may affect your business, please contact:

Karen C. Young, Partner
US Health Industries Leader
karen.c.young@pwc.com

Gurpreet Singh, Principal
US Health Services Leader
gurpreet.singh@pwc.com

Glenn Hunzinger, Partner
US Pharmaceutical and Life Sciences Leader
glenn.hunzinger@pwc.com

Benjamin Isgur
Health Research Institute Leader
benjamin.isgur@pwc.com

pwc.com
PwC Health Industries
PwC Health Research Institute