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DC Quick Takes: Govt. Funding, Credit Card Swipe Fees, SNAP Program, DOGE and Crypto Legislation

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With Congress in the second week of the lame duck session and as President-elect Trump continues to make headlines, there are several issues important to investors that we want to touch base on, including:

- How might the timing of government funding impact next year's **tax bill** and the traditional **healthcare** extenders?
- Can the **Credit Card Competition Act** pass in the lame duck?
- How much authority does RFK Jr. have to change food stamp/SNAP purchases?
- How effective might the Department of Government Efficiency (DOGE) be?
- What are the odds Crypto reserve "currency" legislation is enacted next Congress?

Government Funding: Ramifications for Tax Bill and Healthcare

We continue to believe that a short-term continuing resolution (CR) to fund the government into Q1 is likely to pass before the current CR expires on Dec. 20. We see almost *no* chance of a government shutdown.

This would be a repeat of 2017 when Trump first came into office and had to deal with funding the government for the remainder FY17. It slowed down his agenda back then and we expect it will do the same this year.

With regard to the **tax bill**, the House wants to pass that bill in the first 100 days. That is going to be difficult even if government funding for the fiscal year is passed in the lame duck and will be even harder if Congress has to add funding at the top of their legislative agenda in Q1. A tax bill in our opinion is still very likely to pass next year, however, and likely to dominate the headlines for the bulk of that timeframe.

Regarding healthcare, there are a number of items that Congress will likely address. First up is the expectation and need for Congress to take up the perennial must-pass **healthcare extenders** (physicians, safety-net hospitals, physicians, telehealth, etc.) and PAYGO threats, which would likely be accompanied by a hodgepodge of healthcare savings (sequestration, nursing homes, hospices, and possibly PBMs and hospitals); our expectations are [here](#). After that, likely as part of the debate on extending the Trump tax cuts are efforts to keep the enhanced **Obamacare** premium subsidies since both policies expire at the end of 2025, which we think Congress will end up tweaking and temporarily extending *some* of the enhanced subsidies.

Additionally, as part of the tax debate, we anticipate Congress will consider **Medicaid reforms**, which would squeeze Medicaid spending or enrollment and invite pushback from **Centene** (CNC), **Molina** (MOH), **UnitedHealth**, (UNH) **HCA** (HCA), and **Tenet** (THC). Another potential legislative payfor target next year is broad Medicare hospital site neutrality, which would lower payments **to hospital outpatient departments** and **ambulatory surgery centers** [THC, HCA, **Community** (CYH), **Surgery Partners** (SGRY).

Credit Card Competition Act

Reports indicate that Senator Richard Durbin (D-IL) is trying to get his bill, the Credit Card Competition Act of 2023, passed in the lame duck session as part of either the National Defense Authorization Act or a government spending bill. His legislation would require the ~30 banks with assets over \$100 billion to offer a secondary network to process credit card transactions and at least one of those networks must be one other than **Visa** (V) or **Mastercard** (MA). We think the odds of passage in the lame duck or even next Congress are pretty low.

The bill would not only be negative for **V** and **MA** but also large banks like **JP Morgan** (JMP), **CapitalOne** (COF), **Citigroup** (C), and **Bank of America** (BAC).

SNAP Program and the RFK Jr. Risk

We believe that RFK Jr. could see *limited* success in helping to influence the Dept. of Agriculture to change their rules to stop allowing SNAP beneficiaries to use food stamps to purchase high-sugar content products or processed foods. Instead of a nationwide ban, we believe the outcome is more likely to be the Sec. of Ag approving pilot programs in a limited number of states that would restrict certain types of food that RFK Jr. is targeting. These rules will emanate out of Ag and not HHS, which RFK Jr. has been nominated to lead, and thus potentially limits how much of a sway he actually has, though he does have a megaphone. There would be considerable lobbying by **WK Kellogg** (KLG), **Kraft Heinz** (KHC), **Hershey** (HSY), **JM Smucker** (SJM), **Pepsico** (PEP) and others that would be negatively affected by the rule.

Keep in mind, however, Congress is also likely to increase the child tax credit in the tax bill next year, which could help offset any SNAP changes.

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Department of Government Efficiency (DOGE)

While DOGE will not have statutory authority—we highly doubt that Senate Democrats would allow a bill to go through to legitimize DOGE and give in governmental authority and/or power—we could see some of its idea play out in a reconciliation tax bill, which we think is very likely to pass.

However, we believe the changes will be limited due not only to restrictions on what can be in a reconciliation bill (policy changes that have limited budgetary impacts are prohibited for example) but also the political realities. For example, we don't see enough GOP Senate support to get rid of the Dept. of Education for example.

Of course, there is really no way of enacting \$1 trillion or more in savings from DOGE in a *single* year but maybe a trillion dollars over 10 years. Keep in mind that any material savings tried outside of a reconciliation bill are unlikely since Senate Democrats would surely filibuster any attempt.

Crypto Legislation: The New Reserve Currency?

Finally, we do not believe that Senator Cynthia Lummis' (R-WY) bill, which she is likely to reintroduce in the next Congress, to establish a strategic Bitcoin reserve will become law next Congress.

The bill, Boosting Innovation, Technology and Competitiveness through Optimized Investment Nationwide (BITCOIN) Act, lacks co-sponsors despite being introduced in late July 2024. While most Republicans are likely to sign on if Trump jumps

onboard, which is expected, we doubt enough Democrats do so to overcome a filibuster despite their late support of crypto during this past election cycle.

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