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[OSCR, CNC, HCA, THC, WELL] Optimistic on ACA Subsidies, But Watching Other Risks

While investors in **insurers** and **providers** seem most concerned about the fate of the expiring enhanced ACA subsidies, which we still expect to be revised but ultimately extended later this year, other – albeit smaller – risks are brewing that could crimp enrollment and revenue flow for **insurers (OSCR, CNC, ELV, MOH), hospitals / surgery centers (HCA, THC, ARDT, CYH, SRGY), and indirectly medical office REITs (WELL, DOC, HR).**

Against a backdrop of the 2025 exchange enrollment reaching its highest levels of at least 24.3 million, according to CMS, we have compiled a list of potential legislative and regulatory threats that inject uncertainty into Obamacare, including those referenced in President Trump’s “day one” executive orders or a recently reported House Republican menu of budgetary savings options.

POLICY	LEGISLATIVE / REGULATORY	PERMITTED UNDER RECONCILIATION	EST. SAVINGS
Require recapture of all excess ACA premium subsidies based on actual income filed on tax return	Legislative	Likely	Up to \$46B/10 years
Repeal the “family glitch” fix rule and redefine affordability to apply only to individual-based coverage	Legislative or regulatory	Maybe	\$40B/10 years
Limit federal health program eligibility (ACA, Medicaid) based on citizenship status	Legislative	Likely	Up to \$35B/10 years
End silver-loading practice that lets insurers include expenses of cost-sharing reductions (CSR) into silver plan premiums	Legislative or regulatory	Maybe, but disallowed in 2017	\$29B/10 years
Repeal rule allowing DACA participants to get ACA subsidies	Legislative or regulatory	Maybe	\$6B/10 years
Cap benchmark for calculating premium subsidy at 125% of the national average	Legislative	Likely	Unknown likely savings
Reform / lower actuarial values of ACA metal plans	Legislative	Unlikely	Unknown likely savings
Trim essential health benefits required in ACA plans	Legislative	Unlikely	Unknown likely savings
Divide single risk pool and allow for high-risk pools	Legislative	Unlikely, unless through state grants / high risk pools	Unknown
Provide federal reinsurance for high-risk enrollees	Legislative	Yes	Unknown
Expand short-term medical plan duration and renewal	Legislative or regulatory	Unlikely	Unknown
Redefine employer and commonality of interest for association health plans	Legislative or regulatory	Unlikely	Unknown
Codify individual coverage health reimbursement accounts (ICHRA)	Legislative	Unlikely	Unknown

Source: Politico, CRFB, Paragon Health, CBO, Capitol Policy Partners

Some of these were previously promulgated during Trump’s first term, such as expanding short-term medical plans and reinstating broader use of association health plans, with their resurrection widely expected, and we would not expect these to meaningfully erode ACA enrollment. Others, however, seem less well appreciated by investors but could nevertheless narrow the exchange markets and reduce the attractiveness of Obamacare enrollment.

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Oscar Health Inc (OSCR)

Price:	\$15.65
52-Week High:	\$23.79
52-Week Low:	\$10.70

Centene Corp (CNC)

Price:	\$63.66
52-Week High:	\$81.42
52-Week Low:	\$55.03

Elevance Health Inc (ELV)

Price:	\$389.22
52-Week High:	\$567.26
52-Week Low:	\$362.21

HCA Holdings Inc (HCA)

Price:	\$318.47
52-Week High:	\$417.14
52-Week Low:	\$278.68

Tenet Healthcare Corporation (THC)

Price:	\$134.43
52-Week High:	\$171.20
52-Week Low:	\$79.00

Ardent Health Partners, Inc. (ARDT)

Price:	\$14.21
52-Week High:	\$20.72
52-Week Low:	\$13.64

Welltower Inc (WELL)

Price:	\$133.67
52-Week High:	\$140.75
52-Week Low:	\$85.40

Healthpeak Properties Inc (DOC)

Price:	\$21.12
52-Week High:	\$23.26
52-Week Low:	\$16.02

At this point, they all merit watching, as it is too early to fully assess their enactment odds. However, we think those policies aiming to address overpayments or inappropriate sign-ups (e.g. excess premium recapture, limit enrollment to citizens) or allowing for cheaper alternatives (e.g. short-term plans, association health plans) have broader appeal than those that risk slashing enrollment or raising premiums (e.g. family glitch or high-risk pools).

Enhanced ACA Subsidies

As we have [written](#) previously, we continue to believe that Congress will reach a middle ground on the enhanced ACA subsidies set to expire at yearend, likely within a reconciliation package, despite the need for additional budgetary offsets. Such a potential compromise likely maintains the bulk of enrollment, mitigating the threat of higher uninsured levels / bad debt and reduced enrollment.

Specifically, we think enough Republicans – given their narrow majorities – will balk at seeing their constituents losing subsidized coverage / higher premiums should the enhanced tax credits expire and revert to prior levels. The most likely path to compromise, in our view, would therefore include the following:

- Reinstates a subsidy cliff (i.e. the income ceiling for subsidy eligibility) at either the original 400% of the federal poverty line (FPL) or a lower amount (e.g., 350% FPL), which resembles the income threshold of 2017 ACA repeal-and-replace. We note that ~80% of 2024 enrollees have incomes up to 300% FPL, ~10% with incomes 300%-400% FPL, and the remaining ~10% with incomes greater than 400% FPL, according to CMS figures.
- Adjusts the maximum threshold for enrollee premium contributions, which is currently set at 8.5% of household income. That ceiling had previously been set at 9.83% in 2021 before the statutory enhancement.
- Provide zero-premium plans for those with incomes up to 100-150% of FPL, in-line with current law.

One sleeper idea to consider that could be incorporated into the above mix is to lower the upper income threshold for Medicaid expansion from the current 138% FPL to 100% FPL. This would potentially shift this population from Medicaid to Obamacare and could result in reduced federal spending. The right-leaning Paragon Health previously recommended this change, among others, but so far, we have not seen much in the way of public support GOP lawmakers.

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