

January 29, 2025

RFK Risks Post-Confirmation Hearing

The four hours RFK spent with the Senate Finance Committee today bolsters our view that he is likely to be confirmed as HHS Secretary. Despite investor concerns with his antipathy for corporate medicine, we think material disruptions are unlikely for both existing vaccine coverage requirements [**GSK, SNY, MRNA, BNTX, MRK**] and NIH research benefiting life science tools (LST) [**BRKR, ILMN, QGEN, AVTR, TMO, WAT**], particularly following the Trump administration's swift reversal of its spending freeze order from earlier this week. We even suspect obesity drug manufacturers [**LLY, NVO**] will see a coverage expansion in Medicare / Medicaid, though the benefits will likely be offset by Medicare price negotiations. That said, he is also unlikely to be a bulwark against anticipated Medicaid cuts [**CNC, MOH, ELV, ARDT, THC**] or PBM reforms [**CVS, CI, UNH, HUM**].

- Confirmation Odds:** With the Republicans having just a three-seat Senate majority, the only GOP Finance Committee member we count as being on the fence is Sen. Bill Cassidy (R-LA), though we would ultimately expect him to break for RFK in a close floor vote. We therefore look forward to hearing from him, Susan Collins (R-ME), and Lisa Murkowski (R-AK) when RFK testifies tomorrow before the Senate HELP Committee, given that the latter two have also expressed reservations with RFK's qualifications. With Sen. Mitch McConnell (R-KY) having publicly highlighted his own concerns, the deciding vote seems likely to come down to Cassidy, and while he engineered a clever series of questions today that seemed designed to highlight RFK's lack of familiarity with core HHS programs, he has so far given no express indication of his support or opposition.

Vaccines: Nearly every Democratic senator lambasted RFK for his previous positions on vaccine safety / efficacy, leading him to argue that he supports both their use and the childhood vaccine [schedule](#) from CDC, which is the effectuating mechanism for both mandatory insurance coverage and manufacturer liability protections.

While RFK repeatedly emphasized that he has no intention of "taking away" vaccine access, he left unaddressed is the question of *adult* utilization, but this would require him to take the virtually unprecedented step of rejecting recommendations of the CDC's Advisory Committee on Immunization Practices (ACIP). Eliminating liability protections would also likely require explicit rulemaking that we view as a relatively low priority for the Trump administration. Instead, RFK promises to bring "radical transparency" to the agency with respect to advisory board conflicts of interest and vaccine performance data, but stopped short of suggesting HHS should go much beyond that.

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GlaxoSmithKline PLC (GSK)

Price:	GBX 1,400.50
52-Week High:	GBX 1,823.50
52-Week Low:	GBX 1,282.50

Sanofi ADR (SNY)

Price:	\$52.15
52-Week High:	\$58.97
52-Week Low:	\$45.22

Bruker Corporation (BRKR)

Price:	\$54.17
52-Week High:	\$94.86
52-Week Low:	\$48.07

Illumina Inc (ILMN)

Price:	\$131.72
52-Week High:	\$156.66
52-Week Low:	\$97.36

Novo Nordisk A/S (NVO)

Price:	\$84.03
52-Week High:	\$148.15
52-Week Low:	\$78.17

Centene Corp (CNC)

Price:	\$63.91
52-Week High:	\$81.42
52-Week Low:	\$55.03

Molina Healthcare Inc (MOH)

Price:	\$304.28
52-Week High:	\$423.92
52-Week Low:	\$272.69

CVS Health Corp (CVS)

Price:	\$56.90
52-Week High:	\$80.75
52-Week Low:	\$43.56

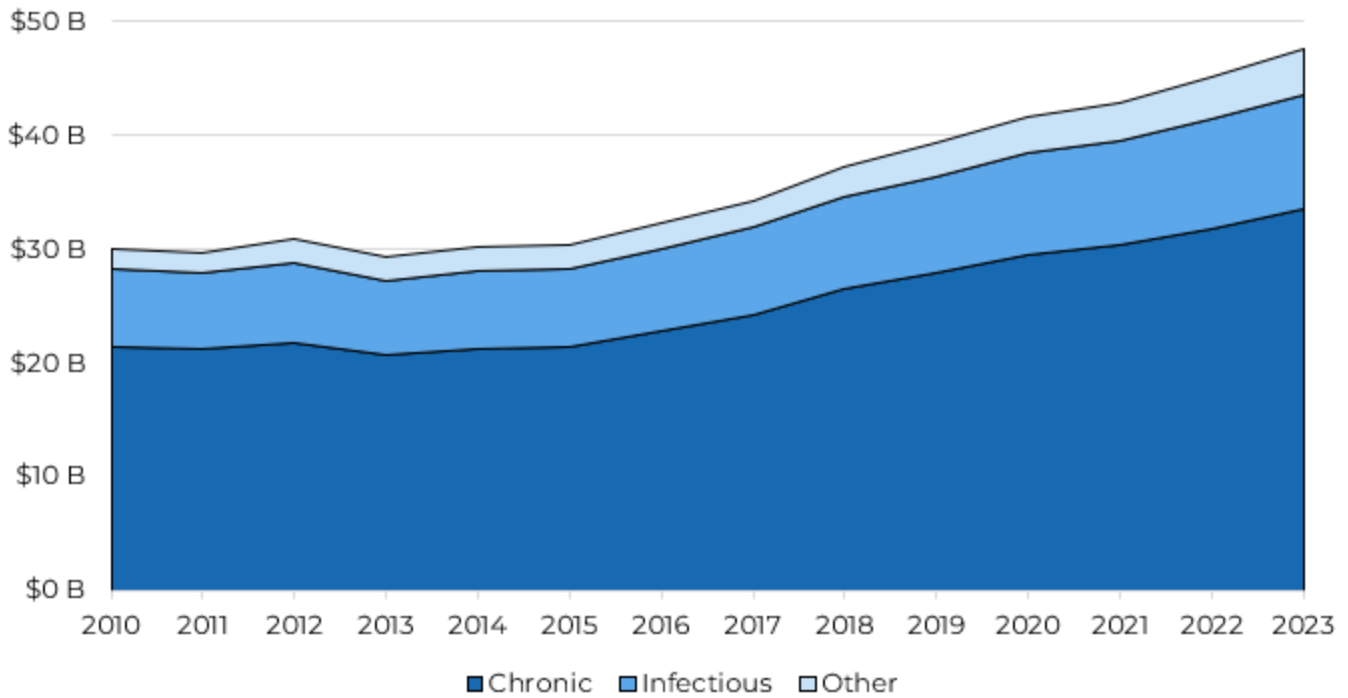
In all things, however, RFK made clear that he would be taking his cues from the President, and as this week’s – now reversed (at least for the moment) – chaos over federal funding makes clear, Trump himself remains the key wildcard for manufacturers.

LST Manufacturers: RFK was similarly measured in his comments for NIH and repeatedly indicated that his job is to enforce the laws enacted by Congress. While Trump himself could conceivably *order* the HHS secretary to withhold funding for specific programs – known as “impoundment” – we view congressional appropriations as a core constitutional principal that the courts would be unlikely to cede to the presidency, as evidenced by two separate judges this week injuncting the blanked funding freeze announced on Monday. [See our colleague’s report on the issue [here](#)]

Notably, a clear area of focus for RFK remains his desire for greater research investments into the etymology of chronic disease and its potential links to other factors, such as diet, prescription drug use, or other toxins. While this could imply a *reallocation* of research dollars, it does *not* imply an erosion of the aggregate pool available, which remains at congressional discretion, with the agency enjoying broad bipartisan support.

Moreover, we should note that 60%-70% of the NIH [budget](#) is already allocated to what most people would likely consider to be chronic disease (e.g., cancer, heart disease, diabetes).

NIH Chronic vs Infectious Disease Funding



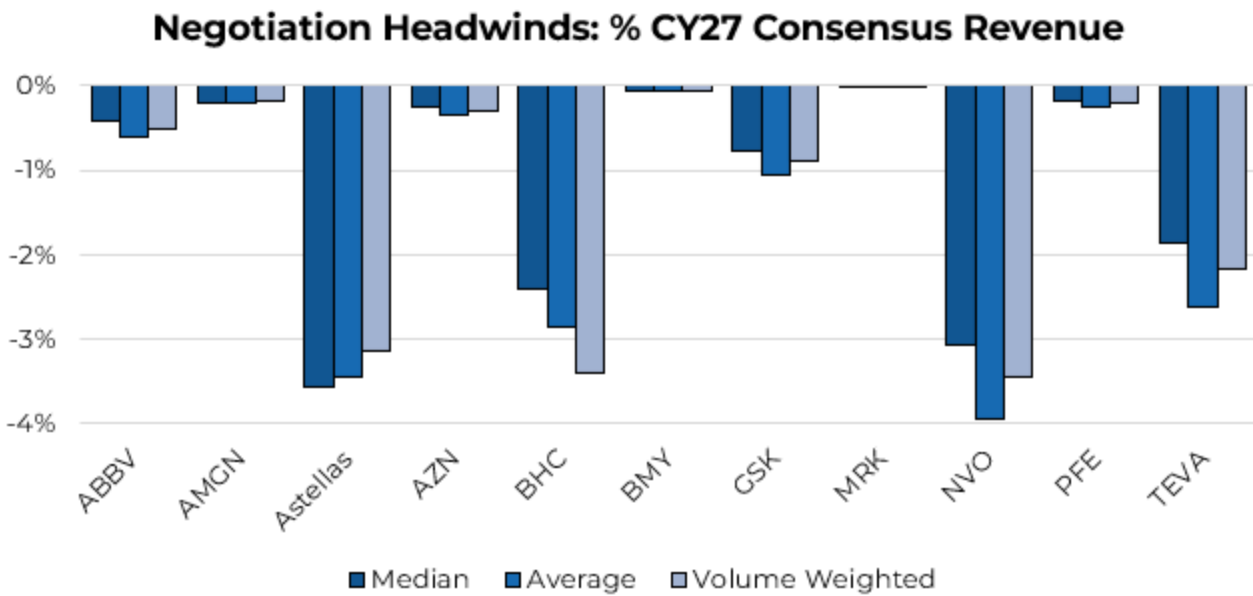
Source: NIH Appropriations

As for the funding freeze itself, numerous news organizations had published a 52-page list of specific programs that had been singled out for scrutiny [*available upon request*], and we count 10 that would have sat within NIH prior to the White House rescission. In aggregate, the review strikes us as more targeted than an indication of a blanket impoundment of *all* NIH grant activities. At the very least, we suspect the pause on *new* grant reviews would have been lifted following confirmation of a new NIH director, with the hold on *existing* grant payments lifted within several weeks.

Rx Pricing: Consistent with expectations, RFK clearly implied that he is no friend to corporate therapeutics, bolstering our view that the risk to biopharma manufacturers from the Trump administration likely skews more negative than positive relative to Biden.

In response to Democratic questions over whether he intends to cooperate with the Medicare price negotiations required by the Inflation Reduction Act (IRA), RFK highlighted a CMS [statement](#) published today noting that the administration will indeed follow the negotiation schedule for the [15 products](#) selected on Jan. 17 [**NVO, TEVA, BHC, AMGN, AZN, BMY, GSK, MRK, PFE**], and that “lowering the cost of prescription drugs for Americans is a top priority of President Trump.”

As we had [written](#) at the time of the products’ selection, we view **NVO** as the most exposed of the group via negotiation of its semaglutide products [Ozempic, Rybelsus, Wegovy], and would estimate a 3%-4% headwind relative to consensus CY27 revenues. Other notable risks accrue to **BHC** (2.5% to 3.5%) and **TEVA** (2.0% to 2.5%).

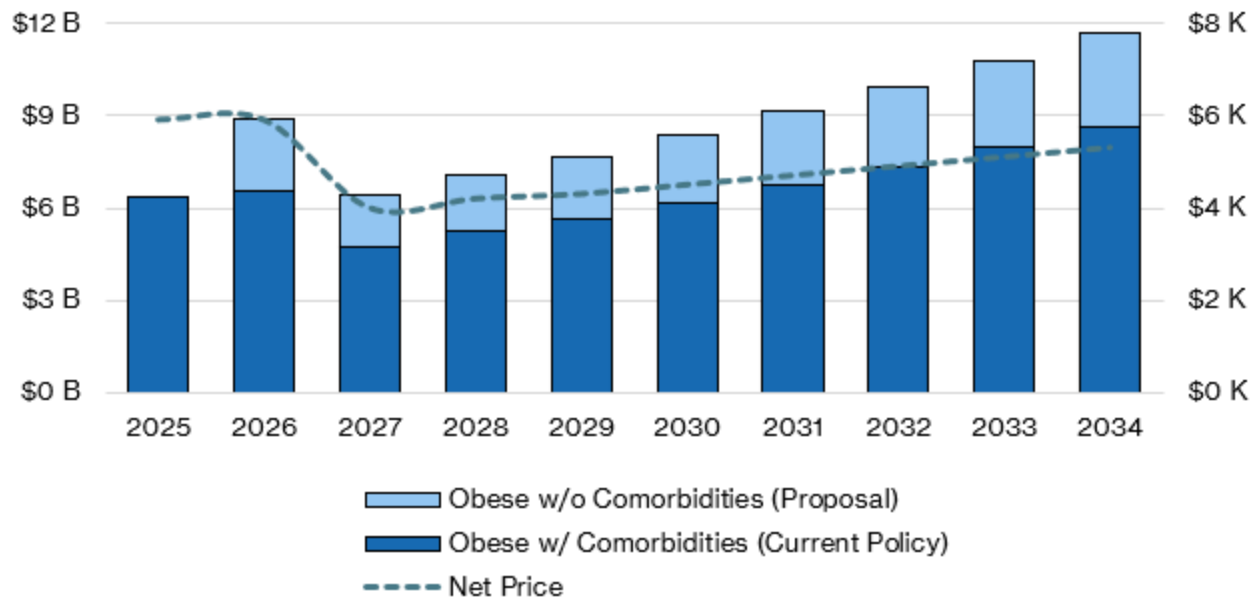


Source: CMS, Capitol Policy Partners

Obesity Drugs: Throughout his testimony today, RFK consistently referred to the prevalence of obesity as a core chronic disease that must be addressed. While he has certainly been critical of pharmaceutical interventions in the past, his acknowledgement that medication can play a role in the response bolsters [our view](#) that the Trump administration will likely finalize the Biden [proposal](#) to both allow GLP-1 coverage by Medicare Part D plans and to *require* it for Medicaid beneficiaries.

We had previously [estimated](#) that such coverage would likely generate a 2.5% to 3.5% tailwind for NVO relative to consensus CY26 revenues – assuming the rule is finalized by ~mid-April and implemented on Jan. 1 – but would note that gains in the *following* year, once IRA price negotiations go into effect, would likely mitigate those benefits.

Medicare AOM Sales & Net Price



Source: CBO, CMS, Capitol Policy Partners

Medicaid: RFK’s answers did not suggest that he would be either a help or a hindrance to GOP efforts to secure Medicaid savings for key Trump priorities (e.g., extension of the 2017 tax cuts), implying that it will be the White House and congressional Republicans that will drive the conversation. While he decried poor health outcomes and high premiums / deductibles in the program, we note that these are very uncommon in general, much more typical in Red states, and available only through explicit CMS waivers for select populations (e.g., those with higher incomes). Ultimately, we continue to believe that Medicaid will be a key savings target for a congressional tax bill.

Pharmacy Benefit Managers (PBMs): One of the few areas where RFK was in alignment with both Republicans and Democrats was PBM reforms, commending the Senate Finance Committee for bipartisan legislation from last year, even if he was unable to single out specific policy areas. He instead signaled he and President Trump’s agreement on the need to reign in all those “vested interests siphoning money from the system.” While RFK is unlikely to play a meaningful role in the congressional debate, we continue to expect Congress to enact the Senate Finance bill, either as part of a government funding measure this spring or later on this year via reconciliation.

Medicare Advantage (MA): RFK indicated that he shares the positive GOP view of this sector / option, while also floating greater use of cooperatives and health savings accounts (HSAs) as potential areas for reform. That being said, his acknowledgement of MA overpayments from inappropriate risk adjustment coding suggests the issue would be on HHS’s radar. Regardless, we expect the final CY26 MA benchmark rates to reflect an increase from the Advance Notice’s 2.3%.

Obamacare: In response to questions about whether he supports extending the enhanced subsidies that expire at YE25, RFK unsurprisingly deflected. That said, we continue to believe that Congress is likely to reach a middle ground that can extend these subsidies for a more targeted population of recipients.

Inpatient Behavioral Health (UHS, ACHC): While RFK signaled his intention to work with Congress on a repeal of the current prohibition on Medicaid coverage of inpatient behavioral treatment, this has previously been scored as costing tens of billions of dollars. We therefore remain skeptical of the prospects of enactment.

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