

November 6, 2024

Trump Winners and Losers

A Trump victory has wide ramifications for taxes, trade, M&A as well as for many various sectors like **healthcare, infrastructure, consumer**, and others. Republicans have won back the Senate and, as of publication, the House is too close to call.

Last night's results are also likely to impact government funding, which expires in a few weeks on December 20. We believe it's up to President-elect Trump as to whether the current Congress passes a year-long omnibus appropriations bill that funds the government through September 30, 2025, the end of the fiscal year, or whether it passes another short-term continuing resolution (CR), funding the government through ~Q1 2025, so Trump and the Republicans can have a bigger say in funding levels.

It's close, but we think Congress will pass a short-term CR into early next year. But again, if Trump wants an omnibus appropriations bill to clear the decks, Speaker Mike Johnson (R-LA) in our view, will deliver in the lame duck session. For a list of other potential items that might be considered in a lame duck, see [here](#).

The debt limit expires on January 2, 2025, but with extraordinary measures Treasury can push off the X date until probably June. However, with the Republicans in control of the presidency and Senate at least, we see little drama in Congress raising the debt limit. Republicans won't want a self-imposed debt limit crisis on Trump's watch and even if the Democrats retake the House, we highly doubt they cause any consternation over the debt limit.

Finally, for our comprehensive list of potential top officials in a Trump administration, see our note [here](#).

Trump Winners and Losers

We expect the expiring Trump tax cuts to be extended fairly easily in a sweep and give about 65% odds in a divided government scenario, namely because Democrats will demand the ACA subsidies are also extended. We see both happening in a compromise bill if there is divided government. Business tax breaks will also almost certainly be part of any tax bill as we discuss below.

On the trade front, tariffs on China and the rest of the world are likely. Mexico will also face additional tariffs/restrictions maybe even before the USMCA is eligible to be reopened on July 1, 2026. We put out a note on Trump tariff scenarios, which can be found [here](#).

With regard to M&A, we expect many more deals to be approved, though we doubt we return to the golden days of the 1980s through the early 2000s.

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On the healthcare front, with Trump likely poised to assume the White House, we see **Medicare Advantage insurers, nursing homes, and breakthrough device manufacturers** as likely to see the greatest policy tailwinds, whereas **biopharma manufacturers, Obamacare exchange plans, Medicaid insurers, and hospitals** will see renewed or ongoing tailwinds.

Fiscal Policy/Tax Cuts

- Our view on fiscal policy under a Trump win might be non-consensus, given the bond market reaction: we don't see much different in fiscal policy between Trump and Harris. Both candidates will have to pay for an extension of the tax cuts and both parties have some expensive additions to the tax bill they would like to enact. On the margins, a Trump/Republican tax bill might add more to the deficit, but keep in mind if there is a sweep, Republicans will almost certainly have to use reconciliation to pay for the tax cuts, which should mitigate the deficit impacts. A Trump tax bill will likely include business tax cuts, including the R&D tax credit, bonus depreciation and interest deductibility. A divided government could add more to the deficit than a sweep since reconciliation, which requires the bill not add to the deficit beyond the ten-year window, won't have to be used to pass the measure. Either way, the odds of *no* tax cut occurring are about 1 in 4. Discretionary spending under both parties is likely to be about the same. Finally, Trump's expected tariffs might also offset some of the spending/tax cuts. For a deeper run down on fiscal policy see [here](#).

Tariffs

- We see Trump announcing ~60% tariffs on Chinese imports within his first 100 days and imposing 10%-20% on much of the rest of the world. However, we give 1 in 3 odds that he tries to use the latter tariffs as a payoff of the tax cuts, which would delay implementation of the tariffs until maybe 2026. Trump would very likely reopen the USMCA trade deal with Mexico and Canada on July 1, 2026, or sooner. See our latest note on Trumps tariffs [here](#).

M&A

- Not surprisingly, we expect a pickup in M&A activity if Trump wins. Lina Khan will be out as FTC chair, even if she decides to remain on the commission, and Assistant Attorney General Jonathan Kanter would be out at the DOJ antitrust division. M&A would not be as free-willing as it was during the Bush presidency but would likely be materially easier, despite Vice President-elect JD Vance praises of Khan. The FTC/DOJ merger guidelines developed during the Biden administration would likely be scrapped.

TRUMP WINNERS

Medicare Advantage Insurers (HUM, UNH, ALHC, CVS, ELV, AGL)

- Insulation from more aggressive policy and antitrust headwinds, as well as a more hospitable regulatory environment, leading to more breathing room for MA insurers and their value-based care providers.
- A Trump CMS is likely to pause CY26's portion of the revised MA risk adjustment model phase-in, which we expect would increase MA benchmark rates by 2%-3% compared to expectations of a flat-to-negative rate environment.
- Longer term, CMS would likely be open to undoing the Star Rating redesign and loosening restrictions on supplemental benefits.
- We are dubious of material legislative MA spending increases, however, even if offset by certain MA policy reductions suggested by right-leaning think tanks, given more pressing fiscal priorities and general GOP support.

Nursing Homes (ENSG, PACS, Providence) and Post-Acute Care REITs (OHI, CTRE, SBRA, VTR)

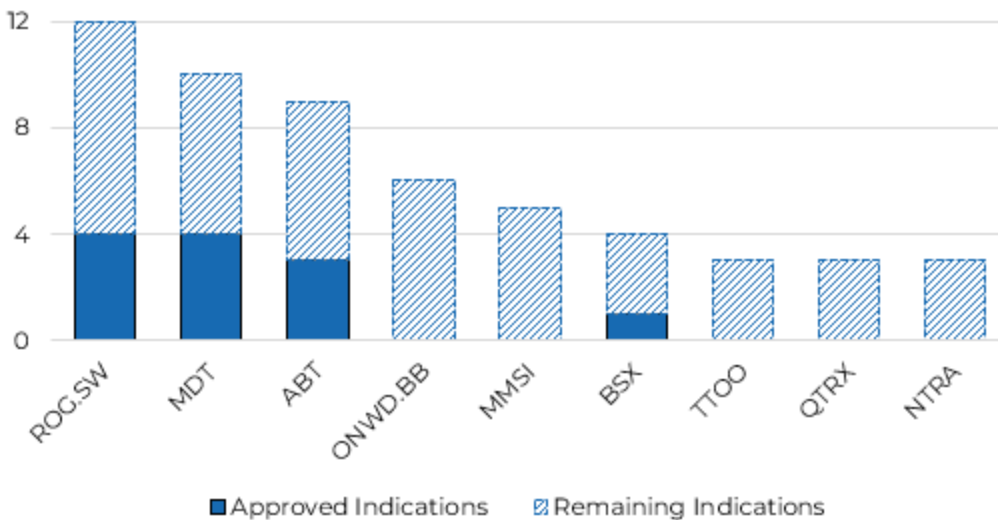
- Improved cost outlook for nursing homes, but we doubt meaningfully higher Medicare rates are in the cards for skilled nursing facilities.

- It is likely that either CMS or Congress delays / pulls the Biden CMS rule imposing minimum nurse staffing requirements over the next 3-5 years, unless current Congress acts in the FY25 spending bill as a savings offset to healthcare extenders.

Medical Devices (ROG.SW, MDT, ABT, ONWD.BB, MMSI, BSX)

- Recall that Trump's CMS issued regulations providing an automatic four years of Medicare coverage for **all** FDA-approved "Breakthrough Devices," which was later rescinded by Biden and replaced with the narrower Transitional Coverage for Emerging Technologies (TCET) pathway.
- This approach would select **up to five** applicants per year – prior to FDA approval – for early coverage policy collaboration.
- We suspect Trump would pursue a broader policy that better streamlines the path from market approval to coverage, focusing on products within clear benefit categories (e.g., implantable / insertable devices vs software).
- Any effort will likely be curtailed by agency capacity, which has struggled to exceed five coverage reviews per year.

Breakthrough Designations



Source: Capital Policy Partners

Diagnostics Firms (NTRA, MYGN, CDNA, CSTL, GH, EXAS)

- We suspect Trump would roll back the FDA's April 2024 rulemaking requiring all **new** lab developed tests (LDTs) to undergo pre-market approval / clearance by 4Q27, with **existing** tests needing to comply with registration / labeling requirements by May 2025.
- Recall that the Trump administration had previously signaled its belief that such oversight was outside the authority of the FDA.
- While repeal would reduce overall compliance costs – equating to ~2% of industry revenues – it would also eliminate a barrier to entry that we suspect would benefit larger and better capitalized firms.

INDUSTRY SIZE & COSTS	2025	2026	2027	2028	2025-2028
Phase-In Stage	Stage 1	Stage 2	Stages 3 & 4	Stage 5	TOTAL
Est. LDT Industry Size	\$22.2 B	\$23.4 B	\$24.6 B	\$25.9 B	\$96.0 B
Est. Compliance Costs	\$101 M	\$31 M	\$545 M	\$1.0 B	\$1.7 B
Compliance Cost % Industry	0.5%	0.1%	2.2%	3.9%	1.7%

Source: FDA, Capitol Policy Partners

Home Care/Home Health (AMED, EHAB, PNTG, BTSG, AVAH, ADUS)

- Overhang removed for home care regarding final Medicaid requirement that states ensure 80% of Medicaid payments are used for compensating these firms' work force, but low likelihood that Congress or Trump CMS increases Medicare skilled home health rates or that Trump promise of tax credits for family caregivers is enacted.
- It is likely that CMS or Congress rescinds or significantly revises the above Medicaid rule, which does not go into effect for 6 years.
- A Trump FTC likely minimizes the scrutiny on private equity investment / ownership and roll-ups, which are common within the home care / home health space.

Insurance Brokers, Short-Term Medical Plans, HSAs (EHTH, SLQT, HQY, WBS, Benefytt)

- More favorable environment and expanded market opportunity.
- A Trump CMS is likely to embrace looser rules and raise the commission ceiling on private brokers, particularly those that sell MA plans.
- We would also expect reversal of Biden CMS's limits on the sale of short-term medical plans and efforts to link MA / Obamacare plans with HSAs.
- We are skeptical, however, that Congress will enact material changes to expand the market for HSAs, despite GOP support.

ASCs (THC, HCA, SGRY, Amsurg)

- Expansion opportunity for more ASCs and the list of allowable procedures.
- A Trump CMS likely reinstates policy to allow significantly more outpatient procedures in ASCs.
- The FTC would likely abandon its scrutiny of mergers and acquisitions that involve private equity, many of whom have ASCs in their portfolios.

Dialysis (DVA, FMS, American Renal)

- More limited antitrust and regulatory scrutiny under Trump.
- A Trump FTC is likely to be less intent on maintaining current investigation of dialysis centers regarding their use of non-competes, reducing the risk of a broader antitrust investigation of these providers.
- CMS may try to build on regulatory flexibility and bonus payments afforded to dialysis centers in the first term while also could be open to assuming higher local ESRD costs in the Medicare Advantage benchmarks.

- A GOP Congress, where Sen. Bill Cassidy (R-LA) is the HELP Chairman, is inclined to shepherd through legislation reversing a Supreme Court ruling and prevent private health plans from discriminating against or lowering rates for dialysis.

Infrastructure/Highway (VMC, MLM, NUE, CAT, URI)

- We doubt a GOP sweep puts highway spending from the infrastructure Investment and Jobs Act (IIJA) at risk, despite some fears to the contrary. However, funds allocated in the other 46% of the bill that haven't been spent are being eyed as a payfor of the Trump tax bill.
- Current highway bill portion of the IIJA expires on Sept. 30, 2026, so another highway bill is likely under Trump.

Gig Economy Companies (UBER, LYFT, DASH)

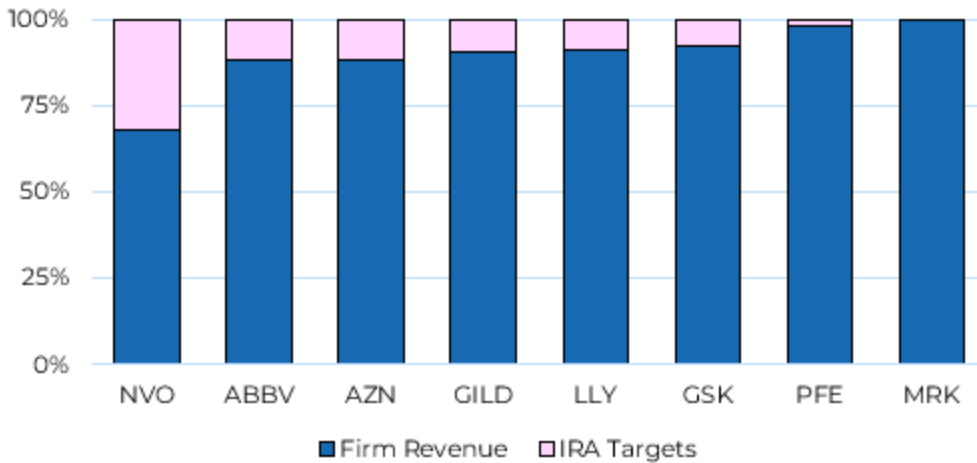
- A Trump victory very likely eliminates the federal regulatory risk for these companies. Independent contractor status for drivers is likely safe. Federal recognition of unions isn't going to happen.
- These gig economy companies could still face some regulatory hurdles on the state front, but even at that level material risk seems low.

TRUMP LOSERS

Biopharma Manufacturers (NVO, ABBV, AZN, GILD, LLY, GSK)

- The Trump CMS will likely have minimal time to make a significant impact on the next round of government negotiations under the IRA, with selected drugs due for release on Feb. 1, 2025, just 12 weeks after inauguration day.
- Our concern, therefore, stems from directives that CMS staff take a more aggressive approach to negotiations before the prices themselves are due for release by Nov. 30.
- One mitigating factor is our expectation that CMS reverses the Biden administration's policy of treating all products by the same manufacturer with the same active ingredient as a single drug; such a change would likely have the most direct implications for NVO's semaglutide-based weight loss product Wegovy compared to its diabetes indication under Ozempic.
- While there has been speculation that a GOP Senate may seek to repeal these provisions of the IRA, we remain deeply skeptical of such an outcome given that negotiation remains popular with voters writ large, it is something that Trump himself has previously supported, and its repeal would likely require ~\$100B in spending offsets.

Negotiation Targets % Revenue



Source: Company Filings, Capitol Policy Partners

Obamacare Insurers (OSCR, CNC, ELV, MOH)

- Risk of a much smaller market by shrinking, if not killing, the enhanced Obamacare premium tax credits and allowing for cheaper plan options.
- The need for savings to offset the cost of extending the Trump tax credits puts a bullseye on the enhanced Obamacare premium tax credits, which expire at the end of 2025. While many Republicans argue that it is easier / cheaper to let these subsidies lapse, we think a last-minute deal is likely, allowing a temporary extension.
- A Trump CMS would likely revive rules killed by the Biden administration regarding association health plans, short-term plans, and greater state benefit flexibility, which would lure enrollees away from ACA plans.

Medicaid Insurers (CNC, MOH, ELV)

- A renewed effort to shrink the Medicaid program and related federal spending puts greater pressure on states to control spending, which risks fewer enrollees, narrower benefits, smaller provider / insurer payments, and additional fees, even if it encourages additional Medicaid insurer contracts in the aggregate.
- A Trump CMS would likely approve state waivers that reduce / cap future spending growth, allow enrollment limits like work requirements or income-based cost-sharing, and redirect spending towards a smaller subset of people presumed most in need.
- A GOP Congress will be searching for legislative offsets, so codifying these regulatory policy restrictions could yield needed savings but would face challenges in getting through reconciliation.

Hospitals (THC, HCA, CYH, ARDT, UHS)

- Hospitals risk targeting for legislative offsets, as the GOP is not as protective as the sector as it once was, which dovetails with a desire to rein in Obamacare and Medicaid programs.
- Assuming additional state waivers that reduce Medicaid spending growth, this puts pressure on Medicaid providers and opens them up to greater bad debt.
- The slight silver lining is that CMS is likely to continue approving state Medicaid directed payment programs that enable states to draw down federal Medicaid dollars to pay hospitals and other Medicaid providers.

- We also see risk of an enhanced debate in Congress on site neutral Medicare payments among hospitals, ASCs, and physician offices, but any action would likely be incremental in design.

Pharmacy Benefit Managers (CI, CVS, UNH, ELV)

- Ongoing scrutiny of PBMs and their role in drug pricing, “double-dealing” among affiliated providers / insurers, and general vertical antitrust concerns.
- A Trump CMS is unlikely to give PBMs a pass, having specifically targeted the sector previously by seeking to limit Medicare Part D rebates.
- We expect a GOP or divided Congress to enact PBM “reforms” like greater transparency of prices, rebates / discounts, and conflicts, as well as a ban of Medicaid spread pricing and the creation of flat fees in Part D, assuming the current Congress does not enact these policies as payfors in the FY25 spending bill.

Contract Manufacturers (Wuxi AppTec, TMO, LH, LONN.SW)

- While we continue to think the Biosecure Act, designed to limit U.S. reliance on Chinese contract development & manufacturing organizations (CDMOs), is unlikely to pass during the lame duck session this winter, Trump’s victory ensures that the focus on the space will continue into next year.
- That said, as currently structured, we view Biosecure as largely toothless. This bill would limit specific project grants that involve Chinese CDMOs while otherwise leaving U.S. manufacturers free to pursue other grants without such firms, while still relying on them for manufacturing services, including for products used in the Medicare / Medicaid programs.

Green Energy Tax Breaks Under the IRA (NEE, TSLA, FSLR, ENPH, PLUG)

- We hold a non-consensus view that much more of the Inflation Reduction Act (IRA) green energy tax breaks are at risk in a GOP sweep as a payfor of the Trump tax bill. At a minimum, multiples on these stocks should contract with a GOP sweep. In a divided government, the vast majority are safe.

Semiconductor Companies/CHIPS Act (INTC, MU, TSM, SSNLF)

- We think it is 50/50 that Trump and a GOP Congress use unspent funds from the CHIPS Act to as a payfor of next year’s tax bill in a sweep scenario. In a divided government scenario, it is very unlikely these funds are used.
- With this in mind, the Biden administration is likely to disburse as much of these funds as possible before Jan. 20, 2025.

Cannabis (TLRY, ACB, CGC, CRLBF, CRON)

- Beyond rescheduling from Schedule I to Schedule III, we don’t see material pro-cannabis measures coming from the Trump administration or Congress.
- Republican congressional leaders still largely opposed to pro-cannabis legislation.

Low-End Retailers (DG, DLTR, WMT)

- Risk of food stamp cuts remain in a Republican sweep scenario, which is negative for low-end retailers. The risk of cuts in divided government scenario is very low.

An extension of the current Farm bill, where the food stamp program is funded, is expected in the lame duck session of Congress potentially through all of 2025.

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