

Looking into the Crystal Ball: 2025 Healthcare Industry Outlook

With a (kind of) new presidential administration entering the White House in January 2025, and many other changes on the horizon, the healthcare industry is poised for significant industry transformation in the New Year.¹ This Health Capital Topics article reviews those anticipated changes from Washington that will affect the healthcare industry in 2025.

President Trump Re-Takes Washington

Donald Trump was elected to a second, non-consecutive presidential term in November 2024. Since his election victory, he has named a number of his choices to lead the nation's federal healthcare agencies, which indicate his healthcare priorities for the next four years.

President-Elect Trump has tapped Robert F. Kennedy Jr., an environmental lawyer and politician who has no healthcare or medical background, to serve as secretary of the Department of Health & Human Services (HHS). While Kennedy is a pharmaceutical industry critic and founder of a prominent anti-vaccine group, his views on Medicare, Medicaid, and the *Patient Protection and Affordable Care Act* (ACA) are largely unknown.² During his own presidential run, Kennedy discussed enforcing mental health parity laws on insurers, improving Black maternal health, and aligning U.S. drug prices with those in other developed countries.³ A list of other priorities Kennedy has mentioned include:

- “Making America Healthy Again”;
- Conducting additional studies on vaccines;
- Reexamine federal vaccine recommendations for children;
- Removing fluoride from public drinking water;
- Cracking down on food dyes;
- Removing ultra-processed food from school cafeterias; and
- Increasing access to raw (i.e., unpasteurized) milk.⁴

In addition, former cardiothoracic surgeon, Columbia University professor, television personality, and (more recently) politician Dr. Mehmet Oz has been tapped to lead the Centers for Medicare & Medicaid Services (CMS). Dr. Oz is a longtime Medicare Advantage (MA) proponent who campaigned on expanding MA to the greater population during his 2022 Senate run.⁵ He also promised to work on reducing prescription drug prices.⁶ In his statement announcing the pick, President-Elect

Trump asserted that Dr. Oz will crack down on healthcare “waste and fraud.”⁷

Notably, these appointees still must be confirmed by the Senate (which first requires the Senate Finance Committee to recommend the candidate to the Senate), unless the president-elect convinces incoming Senate Majority Leader John Thune (R-S.D) to greenlight him to make temporary recess appointments, which can substantially delay hearings, and allow the appointees to lead the departments in the meantime. Both Kennedy's and Oz's confirmation prospects are currently uncertain.⁸

Beyond his cabinet secretary appointments, President-Elect Trump has been fairly vague on his own healthcare priorities. It is safe to predict that certain Biden Administration regulations will be rolled back, including those related to public health, the ACA, and reproductive health.⁹ Industry analysts also anticipate that the incoming Trump Administration will be pro-MA. Trump was bullish on MA during his first presidential term, and may reduce the additional scrutiny MA plans received during the Biden Administration.¹⁰

Legislative Landscape

Congress failed to pass any major healthcare legislation in 2024 (likely due to it being a presidential election year), despite several bills being proposed. Significant legislation could be passed in 2025, including bills related to telehealth, the Medicare Physician Fee Schedule (MPFS), artificial intelligence (AI), and pharmacy benefit managers (PBMs).

As noted in another article in this month's issue,¹¹ Congress passed a continuing resolution on December 21, 2024. This short-term funding bill kicks the can down the road on a number healthcare priorities, providing Congress time to decide on permanent extensions to Medicare telehealth coverage, among other issues.

Many Capitol Hill observers expect 2025 may be the year that the MPFS is finally reformed. When adjusted for inflation, MPFS reimbursement has declined 29% since 2001.¹² Similarly, Medical Group Management Association (MGMA) data on physician practices indicate that total operating cost per full-time equivalent (FTE) physician increased by more than 63% between 2013 and 2022, while the MPFS conversion factor increased by only 1.7% over the same timeframe.¹³ The

2025 MPFS marks the fifth straight year of reimbursement cuts; Congress has stepped in the last four years to mitigate those cuts.¹⁴ Provider associations have been lobbying for a more comprehensive overhaul of physician payment updates, to avoid annual end-of-the-year overrides. In response, some legislative bills were introduced in 2024. The *Physician Fee Stabilization Act* would increase Medicare's budget neutrality threshold for the first time since 1992, from \$20 million to \$53 million, and automatically increase every five years thereafter.¹⁵ Another, similar proposal suggests tying the MPFS update to the Medicare Economic Index (MEI).¹⁶ With a number of physician congressmen nearing retirement, it is anticipated that they may push their colleagues to pass legislation before they leave Washington.¹⁷

In November 2024, the Senate Commerce Committee's Subcommittee on Consumer Protection, Product Safety, and Data Security held a hearing on "Protecting Consumers from Artificial Intelligence Enabled Fraud and Scams," wherein witnesses testified about how AI enables fraud and scams.¹⁸ Senators seemed focused on how federal laws can be crafted to curb these issues. During the hearing, five AI bills currently floating around Capitol Hill were discussed, including:

- The *Future of AI Innovation Act*, which would establish the Artificial Intelligence Safety Institute and create non-mandatory AI standards and guidelines;
- The *VET Artificial Intelligence Act*, which would the development of "voluntary guidelines and specifications" for AI assurance;
- The *Artificial Intelligence Research, Innovation, and Accountability Act (ARIA)*, which would authorize research on "content provenance and authentication for human and AI-generated works" and federal "statutory, regulatory, and policy barriers to the use of AI," as well as formalize standard definitions of common AI terms, require disclosures regarding the use of AI, and require certain reporting for "high-impact" AI systems;
- The *Content Origin Protection and Integrity from Edited and Deepfaked Media Act (The COPIED Act)*, which would develop standards for AI-generated content detection, establish AI disclosure requirements, and forbid the unauthorized use of copyrighted content in training AI models; and
- The *Tools to Address Known Exploitation by Immobilizing Technological Deepfakes on Websites and Networks Act (The TAKE IT DOWN Act)*, which would outlaw the publication of non-consensual intimate imagery (including some deepfakes) and require social media companies to develop processes for removing such imagery.¹⁹

Which of these bills (or some other AI bill) may move forward in Congress is currently indeterminate, but there is bipartisan support to address AI, indicating some momentum on the issue heading into 2025.

Similarly, there is strong desire among lawmakers across the aisle to break up PBMs. The short-term spending bill includes a number of provisions to increase transparency and reporting and change the way PBMs are paid.²⁰ These changes add to the mounting opposition to PBMs. President-Elect Trump recently stated his interest to remove PBMs and recently-released legislation would require companies that own health insurance plans or PBMs to divest of those assets; if passed, this would force the breakup of UnitedHealth Group, CVS Health, and Cigna.²¹

The *Tax Cuts and Jobs Act (TCJA)*, which was passed in 2017 during Trump's first term, has many provisions sun-setting at the end of 2025. A non-healthcare bill with significant healthcare impacts, the tax cut provisions in the TCJA are anticipated to be extended, although how exactly that works out remains to be seen.²² Extending the TCJA tax cuts would add almost \$4 trillion to the U.S. deficit over the next decade, unless federal funding is cut elsewhere. The president-elect has already stated that Social Security and Medicare would not be cut.²³ However, Medicaid, the next largest source of federal healthcare spending, as well as the ACA are likely targets for cuts. Trump has been silent on Medicaid to date, rendering it impossible to predict what, if any cuts, to the program may occur. As more than half of Americans support the ACA, it seems unlikely that Trump and Republicans would repeal the law, but they may cut funding related to the law's various programs.²⁴ In fact, certain ACA premium subsidies are scheduled to sunset at the end of 2025; not extending these subsidies is estimated to reduce the federal deficit by \$335 billion over the next 10 years.²⁵ It would also result in an estimated four million Americans losing health insurance coverage due to affordability issues.²⁶

Conclusion

While nothing is for certain, one thing seems clear: 2025 will be a year of change in the healthcare industry. The incoming presidential administration appears poised to shake up the government's healthcare priorities, and Congress is mulling a number of bills that would have a significant effect on the overall healthcare industry. However, the industry will have to wait and see whether and how political platitudes translate to enforceable healthcare policy.

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