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GOP Health Plan: Winners, Losers & Who Knows.

Investors trying to get a handle on how to play the GOP's long-awaited proposal for replacing the **Affordable Care Act** appear to have been left with more questions than answers.

Called the **American Health Care Act**, the legislation unveiled Monday phases out key parts of the 2010 law known unofficially as Obamacare. The legislation ends a requirement to have coverage, but creates a new tax credit aimed at helping Americans buy insurance if they don't get it at work. Meanwhile, the law eliminates many of the taxes used to fund the ACA and winds down the expansion of Medicaid over the next few years, [which bodes badly for some hospital chains and small insurer that specialize in that niche market.](#)

In a recent note, analysts at **Morgan Stanley** weighed in on some investment implications surrounding the Medicaid market, medical devices, drug prices, and even the municipal bonds (as both Moody's and S&P recently noted, [the bill is a credit negative for hospitals](#)).

Munis – The bills are a credit negative for hospitals. But cheaper valuations means investors may be overestimating the degree of these negatives and the odds of timely implementation. 1) The transition from federal subsidies for the exchanges' insurance plans to tax credits based on age and income potentially increase the out-of-pocket cost of insurance for individuals. 2) The pullback of Medicaid expansion and move to per-capita caps in 2020 are de facto cuts, as we have previously written. However, as the muni hospital spread to the main muni index continues to widen, and with proposed cuts that are not as deep or immediate as some had feared, muni hospitals may look appealing to investors seeing yield.

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