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THIS WEEK IN WASHINGTON

Week of June 26, 2017



This Week in Washington

We usually finish our copy for This Week on Monday night or Tuesday morning (Washington, D.C. time), and then begin to lay out the themes for the next edition on Tuesday afternoon. But we always are ready when a surprise event sends us in a different direction.

The theme for today's edition of This Week is health care. We prepared last week for the release of the draft bill, the report from the Congressional Budget Office, and deliberations building up to a vote in the Senate prior to July 2nd. We visited last week with a number of folks on the Hill, and their view was that passing the bill was going to be hard – the odds were a little less than 50-50 – but that if anyone could get it over the line, Senate Majority Leader McConnell would be the man to get it done.

The bill was released late last week and early deliberations quickly exposed concerns from Republican Senators who represent all sides of the health care issue. It was clear by Monday night that Senators McConnell and Cornyn needed more time to work with members of their caucus -- and perhaps just as clear that Republican Senators needed to get the perspective of Republican Governors.

Tuesday afternoon Senator McConnell said he would continue working with his caucus, but moved the vote to after the July 4th recess.

The theme for this week is still health care. We have elected to stay away from the details of the draft legislation for the time being because they will continue to change as the Majority Leader works to get fifty Senators on board. [Steve Gordon](#) in

ICYMI: Arizona Issues in the News

[Arizona among the top states for putting women in office](#)

[Arizona Gov. Doug Ducey seeking more wildfire funding](#)

[Flake's push for new war authorization against ISIS gains steam](#)

[Arizona Medicaid Agency Says Senate Health Bill Costs \\$7.1B](#)

Senate Republicans Unveil "Better Care" Repeal Act

Click the image below for an update on the key features of the "Better Care" Repeal Act.

What is eliminated?	SENATE PROPOSAL	WHAT'S CHANGED FROM HOUSE BILL
Individual mandate Requires everyone to purchase health insurance or pay a penalty	Penalties for going without insurance would change	Penalties would be allowed to drop to 50% of previous coverage levels
Employer mandate	The requirement for mid-sized and large	Same as Senate bill

GOP Narrowly

number of legislative issues. He also shares what he has heard on tax reform, the budget, immigration, and describes how politics impacts policy.

Steve also reports on the Arizona Association of Health Care's meetings last week in Washington, D.C. supporting Arizona's Medicaid program, and Glenn Hamer's follow-up letter. Jake Ostenson reports on two congressional hearings held last week on the topic of NAFTA/trade. [Dana Marston](#) takes a closer look at the Senate's health care proposal, at states' experiments in health care reform, budget shortfalls at the state level, and Republicans' narrow wins in recent special elections.

This Week will take a short break for the July 4th holiday, and will return to your inbox the week of July 11th. Please enjoy a safe and happy Independence Day.

Thanks for your continued interest in Washington, D.C. and for reading This Week.

Heard on the Hill

By [Steve Gordon](#), Managing Director, Total Spectrum

Healthcare – last week's view

Notes from an off-the-record Q&A last week with a member of the Senate Republican Leadership – Part 1: Health Care.

He sees 45 votes and can see 47. Where Senator McConnell will shine is if he can get to 50. Senator McConnell is the guy to do it -- but it won't be easy. He feels that Senator Cruz is pushing amendments that if the Parliamentarian accepts them (like selling insurance over state lines) so will most Senators. Eventually, he feels that Cruz will cave. If Senator Cruz caves so will Senator Johnson. He's not sure about Senator Lee. He thinks Senator Paul needs to be able to walk away with something big. He would not be surprised if Senator Collins came through because the bill only has a one year prohibition on Planned Parenthood, though Maine has a big Medicaid population. Senator Murkowski could come through because Alaska is a net winner in the bill. He is sure that Senator Heller has been given a pass if he needs to jump to get reelected. He reminded us that the bill will go through a great number of changes and unlimited amendments on the way to a vote. He expects that the Majority Leader and Senate Republican Whip John Cornyn will be working right up to the time to vote. The pitch will be 1) We need to keep the process going (same as Speaker Ryan used in the House) 2) We have been at this for seven years. It's time to bet and declare – and then get on to other business.

[Read more.](#)

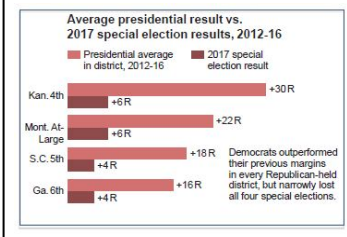
Congress, Administration Take Steps Toward Dodd-Frank Reform

By [Steve Gordon](#), Managing Director, Total Spectrum

Deb Gullett of the Arizona Association of Health Plans led a delegation from Arizona, including State Senator Kate Brophy McGee, to Washington, D.C. last week to meet with Senators John McCain and Jeff Flake. The delegation's goal was to push for continued federal support of Medicaid within the Republican health care proposal.

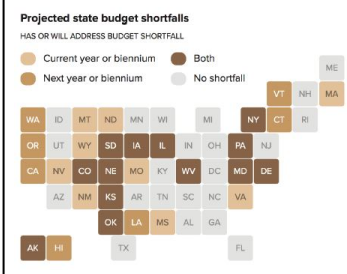
Special Elections

Click on the image below for a summary of the recent special elections.



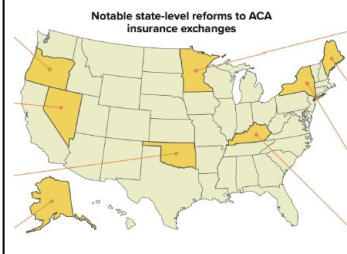
Twenty-two States Face Budget Shortfalls

Click the image below for an in-depth look at the 22 states face budget shortfalls for the current or next fiscal year or biennium.



States Experiment With Health Care Reform

Click the image below for a look at notable state-level reforms to ACA insurance exchanges.



On the Calendar This Week (All Times ET)

Tuesday
9:30 a.m.
[Senate Armed Services Readiness and Management Support Subcommittee closed markup of the NDAA.](#)
9:30 a.m.

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June 26th supporting the message of last week's meeting.

Arizona's Medicaid program – the Arizona Health Care Cost Containment System – provides both quality and cost effective care. Arizona's program utilizes private health plans, prioritizing competition and maximizing both patient choice and cost control. Reducing the federal government's financial support of Arizona's Medicaid program will cost the state of Arizona over \$7.1 billion between fiscal years 2018 and 2026 – funds the state of Arizona can ill afford.

The Republican draft bill reduces federal matching dollars, which is a \$2.9 billion hit on the state treasury. It means that Arizona would not be able to continue a hospital assessment adopted in 2013, and costing the state an additional \$2 billion. A move to a per-capita inflation system is another \$2.2 billion cost, and the proposed federal reduction in the Disproportionate Share Hospital payments would add another \$350 million hit to the state.

Yet the bill does not lessen federal benefit requirements or encourage state flexibility.

Glenn Hamer in his letter urged Senator McCain and Senator Flake to push for more time to deliberate a better health care solution to the inherent problems in the Affordable Care Act. Deb Gullet and her colleagues urged both Senators to protect Arizona's investment in the health of its citizens, and promised to continue working with both offices.

Trade/NAFTA Update

By Jake Ostenso, Total Spectrum

Newly confirmed U.S. Trade Representative (USTR) Robert Lighthizer testified before both the Senate Finance Committee and the House Ways and Means Committee on Tuesday and Wednesday of last week.

Both hearings focused on the Trump Administration's trade policy and agenda as well as its Fiscal Year 2018 Budget. In his opening statements to both committees, Ambassador Lighthizer said that his goal was to focus on NAFTA renegotiations, enforcement policy, lowering the trade deficit, and opening up new markets for U.S. companies. The majority of both hearings were focused on what a renegotiated NAFTA might look like and areas in which members of the committees wanted to be addressed by any new trade deal.
[Read more.](#)

[hearing on the Environmental Protection Agency's fiscal 2018 budget. EPA Administrator Scott Pruitt will testify.](#)

9:30 a.m.
[Senate Judiciary hearing on reauthorizing the FISA Amendments Act.](#)

10 a.m.
[House Appropriations State-Foreign Operations Subcommittee hearing on the fiscal 2018 budget for the United Nations and international organizations. UN Ambassador Nikki Haley will testify.](#)

10 a.m.
[Senate Appropriations Financial Services Subcommittee hearing on the fiscal 2018 budget for the Securities and Exchange Commission and the Commodity Futures Trading Commission. SEC Chairman Jay Clayton and CFTC Acting Chairman Christopher Giancarlo will testify.](#)

10 a.m.
[House Natural Resources continues its markup of more than 20 bills.](#)

10:30 a.m.
[Senate Appropriations Labor-HHS-Educations Subcommittee hearing on the Labor Department's fiscal 2018 budget. Labor Secretary Alexander Acosta will testify.](#)

11 a.m.
[Senate Armed Services Cybersecurity Subcommittee closed markup of the NDAA.](#)

2 p.m.
[Senate Armed Services Personnel Subcommittee open markup of the NDAA.](#)

3:30 p.m.
[Senate Armed Services Emerging Threats and Capabilities Subcommittee open markup of the NDAA.](#)

5:30 p.m.
[Senate Armed Services Strategic Forces Subcommittee closed markup of the NDAA.](#)

Wednesday
9:30 a.m.
[Senate Judiciary confirmation hearing on four nominations: Timothy Kelly and Trevor McFadden to be U.S. district judges for D.C. and Jeffrey Clark and Beth Williams to be assistant attorneys general.](#)

9:30 a.m.
[Senate Armed Services closed markup of the NDAA.](#)

10 a.m.
[House Armed Services markup of H.R. 2810, the NDAA.](#)



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House Foreign Affairs hearing on the UN. UN Ambassador Nikki Haley will testify.

10 a.m.
Senate Homeland Security confirmation hearing on two nominations: Claire Grady to be under secretary of Homeland Security for management and Henry Kerner to head the Office of Special Counsel.

10 a.m.
Senate Commerce confirmation hearing on two nominations: Steven Bradbury to be general counsel of the Transportation Department and Elizabeth Walsh to be assistant Commerce secretary, as well as director general of the U.S. Foreign Commercial Service.

Thursday
9 a.m.
Senate Commerce, Science and Transportation markup of four measures, including one (S. 1405) that would reauthorize the Federal Aviation Administration. The panel also will consider three nominations: David Pekoske to be assistant Homeland Security secretary, Robert Sumwalt to join the National Transportation Safety Board and Derek Kan to be under Transportation secretary for policy.

9:30 a.m.
Senate Armed Services continues their closed markup of the NDAA.

10 a.m.
Senate Banking hearing on housing finance reform.

Friday
9:30 a.m.
Senate Armed Services wraps up their closed markup of the NDAA.

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Trade, continued.

Ambassador Lighthizer said that NAFTA talks could begin as soon as August 16th and reassured members of both Committees that there is no time limit or deadline for the negotiations – indicating that the only deadline is to “get a good deal” for the United States. The Ambassador continued by saying that he would consult both the Senate Finance Committee as well as the House Ways and Means Committee throughout the process.

During the Senate Finance Committee hearing, both Democrats and Republicans stressed the need to address e-commerce and intellectual property rights in any new NAFTA deal. This was highlighted by Ranking Member Wyden (D-OR) when called the internet “...the shipping lane of the 21st century.” Chairman Hatch (R-UT) urged the Ambassador to focus solely on trade rather than social issues.

Democrat and Republican Senators on the Finance Committee expressed concern about using national security tools to advance the Administration’s trade agenda. Chairman Hatch stressed that the use of national security tools for trade “would risk undermining our national security capabilities.”

Ambassador Lighthizer answered a range of questions. He said that it will be the Administration’s goal in the NAFTA talks to ensure that no duties are imposed on international e-commerce trade between the U.S., Mexico, and Canada. He also said that it was his goal to combat online piracy of American intellectual property.

He said that the USTR is reviewing possible enforcement options to use against China. The Ambassador addressed the Trans Pacific Partnership (TPP) agreement, in which the U.S. is no longer participating, saying he hopes to create bilateral free trade agreements with TPP countries, but that some TPP countries such as Japan are not ready for a bilateral free trade agreement with the U.S.

Members of the House Ways and Means Committee had many of the same concerns about NAFTA renegotiation, and the Ambassador provided many of the same answers to the House committee as he did the Senate Finance Committee the previous day.

But unlike the Senate Finance Committee hearing, members of the Ways and Means Committee shifted their focus to areas of U.S. trade with specific countries. In his opening remarks Chairman Kevin Brady (R-TX) talked about the need to strengthen our current trade agreements and that any new agreements or deals must not disrupt those in currently in

headlines:

- Senate Republicans have delayed their plans to vote on repealing Obamacare
- “While the schedule may have slipped a little bit, we are intent on rescuing Americans from a failed system.” Senator. John Thune (R-SD), the chamber's number three Republican.
- Polls sponsored by the American Medical Association taken in seven states with Republican Senators show that the party’s health care packages are deeply unpopular.
- President Trump invites Republican Senators to the White House today
- Six Republican Senators opposed a procedural vote to proceed to the bill.
- The Senate's Obamacare repeal bill would leave 22 million more Americans uninsured over a decade, according to a Congressional Budget Office analysis of the legislation. That represents just a small improvement over the coverage losses that CBO estimated for the House-passed version of the repeal bill, and could further complicate Senate Republicans' dash toward a vote by the end of this week. The Senate bill would also cut the federal deficit by \$321 billion over 10 years.

Bottom line. The Majority Leader has tried to couple the two parts of healthcare – exchanges and Medicaid – to pass reform, or at least to vote it up or down so he can move the Senate to tax reform. Senator McConnell is a master negotiator, but it was clear that there is not enough support for this bill right now within the Republican Caucus for this proposal.

Notes from last week's off-the-record Q&A with a member of the Senate Republican Leadership: Part 2 - Key Legislative Issues:

Budget. The Majority Leader gave the signoff to use 2017 levels as the basis for the Fiscal Year 2018 budget.

Regulations. He said that the Administration has done really good work on regulatory reform, and gave as an example the Labor Department’s work that rescinded the Obama Administration’s guidance of ‘joint employer’.

Taxes. He doesn’t buy into the tax reduction idea – at least he doesn’t want to. He thinks the border adjustment tax (BAT) is a nonstarter, and thinks that the Finance Committee will go after deductions to make the bill revenue neutral. He thinks the stock market will not like it if nothing happens on tax reform, and said that several major companies will go on the block if they can’t get

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the U.K., adding that the United States does not need protectionism but rather needs to open up new markets for trade.

The Ambassador acknowledged that poor Mexican labor laws negatively affect the U.S., particularly in the auto industry. He added that he believes that the Mexican government recognizes the problem and is working to fix it.

Ambassador Lighthizer committed to engaging countries, such as South Korea, that dump products into the U.S.

He addressed the impact of various social and environmental issues on trade. He does not believe that a country's poor environmental rules act as a legitimate competitive advantage, and said that labor and environmental issues are economic issues.

At the end of the Ways and Means Committee hearing, Ambassador Lighthizer reaffirmed the administration's use of national security tools to address certain areas of trade.

the idea of coupling taxes and infrastructure. He discussed the meeting the President had with Apple CEO Tim Cook last week at the White House. Cook described the sourcing of parts that go into an iPhone, and said we have to stop thinking that imports come in on a boat from a foreign country. That's the thinking of 200 years ago.

Tax Reform/Reduction

Many people whisper that the prospects for tax reform go up if health care goes down. Expect a plan to be ready right after Labor Day. The first draft will come from Finance Committee Chairman Orrin Hatch, Ways and Means Chairman Kevin Brady, Speaker Paul Ryan, Senate Majority Leader Mitch McConnell, Treasury Secretary Steven Mnuchin, and Chief Economic Advisor Gary Cohn. The window for action using reconciliation in the Senate is certainly no later than March 31st of next year.

Most everyone agrees that the BAT is dead, but that leaves a \$1 trillion gap if the proposal is to be revenue neutral. A target corporate rate could then be 25 to 28 percent, rather than 35 percent. But the key is passing a budget resolution for the fiscal year 2018.

Russian Hacking

The Department of Homeland Security and the FBI have confirmed that the voter registration database in Arizona was compromised by foreign hackers prior to the 2016 election.

Immigration

Two immigration bills will come up for a vote in the House this week. One boosts the penalty for illegal immigrants who try to reenter the U.S. after being deported. The other bill goes after sanctuary cities.

Debt ceiling

We hear that the Senate will try to raise the debt ceiling in July, before they leave for August recess, rather than wait for September.

Politics

One of the truisms I have learned and relearned during 36 years in professional politics is that political achievements create both the momentum and the opportunity for legislative achievements... and that legislative achievements create both the momentum and the opportunity for political achievements. One hand washes the other.

Politics impacts Policy #1: Georgia's 6th District

Republican Karen Handel, formerly the Georgia Secretary of State, beat Democrat Jon Ossoff, a 30 year old former Congressional

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- Jon Ossoff received 48% of the vote in the 'jungle' Georgia Primary election held on April 19th
- Former Congressman Tom Price won in 2016 by 24 points, but he was running against a candidate who had next to no campaign
- Jon Ossoff was born in the district but did not live in the district (which is perfectly legal but somewhat unusual)
- Republicans were always going to decide the victor in this race
- 60% of the district is college educated
- This was the most expensive Congressional campaign in history, totaling over \$55 million when including spending by the parties and super PACs with that raised and spent by the candidates

National Democrats wanted Ossoff's campaign to tie Handel to President Trump. Many progressives were upset that Ossoff campaigned as a problem solver but didn't have his own liberal legislative agenda. National Republicans tied Ossoff – who didn't live in the district – to liberal ideas, a San Francisco agenda, Speaker Pelosi, and the out-of-state funds that cascaded into Georgia.

The Republican get-out-the-vote effort worked well. Ossoff received the same percentage of votes in the general election that he did in the primary.

Conclusions: Georgia Democrats were short of machinery and message. Republicans got a big emotional lift from winning in Georgia, and that positive energy will help this year in Washington and in next year's recruiting. And don't let anybody tell you that there is such a thing as a moral victory. People can spin themselves into the ground, but a win is still a win and a loss is still a loss.

Politics impacts Policy #2: National President Trump's job approval rating in last week's NBC/WSJ poll was 40%. Last month it was 39%. Here's what they found inside the numbers.

- Republicans support the President by 82% to 13%. Democrats disapprove of his work by 90% to 6%. Independents support the President 63% to 35%.
- 42% of the sample prefers Republicans to control Congress.
- 38% of those sampled believe the economy has improved, and that the President deserves the credit.
- 38% believe that Obamacare was a really bad idea.
- 38% believe that Obamacare should be repealed and replaced

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support of around 38%.