

Like

G+

Share

Tweet

Share this Page: +

powered by iContact

THIS WEEK IN WASHINGTON

Week of July 17, 2017



This Week in Washington

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

Our goal is to be both accurate and current – which means that last week’s review can be impacted by this week’s developments. We have come to expect the unexpected, especially on Mondays.

There was every reason to believe that health care was hanging by a thread. Health Care Proposals 1.0 and 2.0 were both opposed by two senators, and the Majority Leader needed to get every remaining Republican senator. Monday started with Senator McConnell moving back activity on health care in response to Senator McCain’s surgery, and ended when two Republican senators announced their opposition to 2.0.

[Steve Gordon](#) responded by updating this week’s edition of *Heard on the Hill* to include all of the changes that occurred yesterday and today in healthcare, and covers tax reform, the budget, and the debt ceiling. [Blake Fulenwider](#) gives us a view of what was in Health Care Proposal 2.0. There was significant activity on NAFTA/trade – including the release of our trade negotiating objectives, and [Larry Smith](#) reports on them all in his update. Agency Watch, a new column debuting today, will focus on activity in the Executive Departments and Agencies, and will be written by Jake Ostenso. [Dana Marston](#) lends a look ahead at the Hill hearing and meeting schedule, more on health care – details on Health Care 2.0, and how ACA is weighing on voters’ minds as the 2018 midterm election draws closer. She also provides insights into the opioid crisis and potential cuts in mandatory spending.

ICYMI: Arizona Issues in the News

[Trump’s ‘Made in America’ showcase: These products made the list](#)

[Phoenix fights state to form Roosevelt Row business district](#)

[McCain has surgery to remove blot clot](#)

[This country’s tourists contribute \\$2.4 billion to Arizona’s economy](#)

Poll: ACA Repeal a Major Issue in 2018 Midterms

Click on the image below for a look at Americans views on the ACA Repeal efforts.



Tweet

Share this Page:



Heard on the Hill

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

Health Care – 2.0 and Beyond

Majority Leader McConnell released Health Care 2.0 last week. It was a work in progress as he strived to find a way of appealing to the concerns of conservative Senators and Republican Governors from non-expansion states, while at the same time appealing to moderate Senators and Republican Governors from expansion states.

Senator McConnell has often spoken about the difference between talking and legislating, and used two connected thoughts in his argument to the members of the Republican caucus.

- Senators have more to fear from voting against this bill than from voting for it.
- The Republicans in the Senate and the House must be seen as able to govern, and part of governing is taking tough votes.

Total Spectrum partner [Blake Fulenwider](#) in his column provides an analysis of what was in the Better Care Reconciliation Act, what we call Health Care Reform 2.0. We have also included two graphics about the latest legislative proposal and the political impact of the health care issue. [Read more.](#)

Agency Watch

By Jake Ostenso, Total Spectrum

Department of Labor’s Overtime Rule:

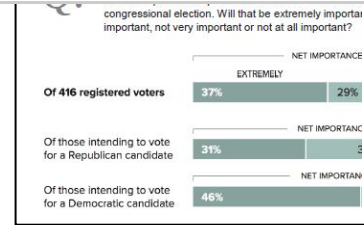
The Labor Department has formally requested feedback on an Obama-era overtime rule that more than doubled the income threshold that determines the eligibility of workers to receive time-and-a-half overtime pay. The Obama rule increased the annual salary threshold that a worker must earn before being deemed a “managerial” worker (and thus exempt from federal law requiring overtime pay) from \$23,660 to \$47,500 a year. Opponents of the Obama-era rule say that it raises costs for businesses, while supporters argue that that it gives workers higher wages or more time to spend with families. The rule was challenged in court last November by several states and business groups that argued the Labor Department does not have the authority to set these standards. A federal judge blocked the rule from taking effect until the case is resolved. Lawyers from the Trump Justice Department continue to defend the rule in court, but rather than argue that the rule is legal they are now arguing that the Labor Department had the authority to set these thresholds. The legal strategy sets up the Trump administration to issue a new rule should they win in court.

[Read more.](#)

Trade/NAFTA Update

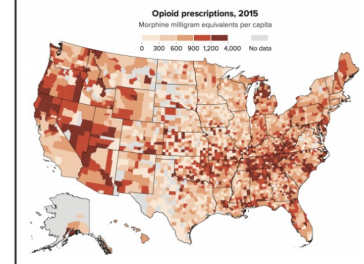
By [Larry Smith](#), President Legislative Strategies Inc and Strategic Consultant to Total Spectrum

NAFTA



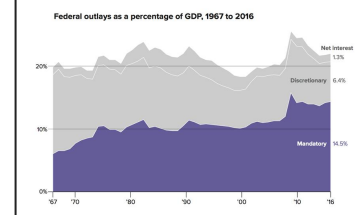
Opioid Prescriptions Still High in Areas Hardest Hit by Crisis

Click the image below for an in-depth look at the opioid epidemic across the country.



Budget Committee Eyes Cuts to Mandatory Spending

Click the image below for a look at where Congress is looking to cut spending.



Revised BCRA Cuts Many ACA Regulations, Keeps Taxes

Click the image below for a look at the ACA regulations.

Two types of plans insurers can sell under revised BCRA
Only insurers that offer on-exchange plans are allowed to sell off-exchange plans

	Features available to on-exchange plans	Features available to off-exchange plans
Low-income employees eligible for subsidies to buy premiums	✓	OPTIONAL TO INSURER
Premiums payable using tax-exempt health savings account funds	✓	✓
Counts as health insurance for continuous coverage requirement	✓	OPTIONAL TO INSURER



Tweet

Share this Page:

powered by iContact

NAFTA talks with Canada and Mexico.

While USTR has been preparing this document, both Canada and Mexico have been busy reaching out to various U. S. business interests as well as state governments to tell their side of the story that NAFTA has been good for America. Just this past weekend, Canada's Prime Minister Justin Trudeau gave a keynote speech at the National Governor's Association summer meeting held this year in Rhode Island. State and provincial level groups from both Canada and Mexico were in attendance to present a united front to U.S. State Governors that the current NAFTA agreement has been an overall success for the three signatories of the agreement.

Canada and Mexico along with a variety of U. S. business interests are going to be studying very closely the USTR NAFTA document to try to determine whether the U.S. will be going into the talks with objectives that will be impossible for Canada and Mexico to meet. One can't help but believe that the USTR goals will be vague, if for no other reason than not wanting to put all the cards on the table at the beginning of the negotiations. With President Trump's threat of withdrawing altogether from the accord unless U.S. objectives are met, the stakes will be high.

[Read more.](#)

Senate Leadership Pitches Revised Health Care Bill

By [Blake T. Fulenwider](#), Partner and Georgia Director, Total Spectrum

The House Committee on Appropriations, Defense Subcommittee is poised this week to pass out of committee its Fiscal Year (FY) 2018 defense-spending bill.

The legislation provides a total of \$658.1 billion for the Department of Defense. This includes \$584.2 billion in discretionary funding – an increase of \$68.1 billion above the FY 2017 enacted level and \$18.4 billion above the President's Defense budget request. The bill also provides \$73.9 billion in Overseas Contingency Operations (OCO)/Global War on Terrorism (GWOT) funding.

[Read more.](#)

COMMITTEE HEARINGS AND MARKUPS

Tuesday

9 a.m. Senate Finance [hearing](#) on tax overhaul.

9:30 a.m. Senate Armed services confirmation [hearing](#) on Gen. **Paul Selva's** renomination to be Joint Chiefs vice chairman.

10 a.m. House Ways and Means subcommittee [hearing](#) on the Trump administration's plan to renegotiate NAFTA.

10 a.m. Senate Banking confirmation [hearing](#) on a group of nominees for the Treasury Department, Housing and Urban Development Department and Commerce Department.

10:30 a.m. House Appropriations [markup](#) of the fiscal 2018 Homeland Security and Interior-EPA spending bills.

11 a.m. Senate Finance confirmation [hearing](#) on **David J. Kautter's** nomination to be assistant Treasury secretary for tax policy.

Wednesday

10 a.m. House Agriculture [hearing](#) on infrastructure in rural America.

10 a.m. Senate Commerce confirmation [hearing](#) on three Federal Communications Commission nominations: **Ajit Pai, Jessica Rosenworcel and Brendan Carr.**

10 a.m. Senate Homeland Security [meeting](#) to consider **David Pekoske's** nomination to be TSA administrator.

10 a.m. Senate HELP [meeting](#) to consider **Marvin Kaplan and William Emanuel's** nominations to join the National Labor Relations Board.

2 p.m. House Ways and Means subcommittee [hearing](#) on tax overhaul.

Thursday

10 a.m. Senate Banking [hearing](#) on mortgage reform. Representatives from the banking industry will testify.

This e-newsletter is produced by Total Spectrum SGA for members of the Arizona Chamber of Commerce & Industry. The views expressed herein may include subjective commentary and analysis that are the views of the editors and authors alone and do not reflect the views of the Chamber or its members. Information in this e-newsletter is obtained from sources believed to be reliable, but that cannot be guaranteed as independently investigated or verified. Information in this e-newsletter is not an endorsement, advertisement,



Tweet

Share this Page:

powered by



For more information visit
azchamber.com.

Agency Watch, continued.

Environmental Protection Agency Smog Rules:

In early June, EPA Administrator Scott Pruitt announced that the Administration would delay an Obama-era environmental rule that limited the amount of ozone to 70 parts per billion. The delay is only for one year, which gives the Administration time to determine if they want to take further action.

Administrator Pruitt praised the steps that states have already taken when it comes to eliminating air pollution and said that the EPA will continue to work with them. He added that he wants to work with state and local governments in a way that will not interfere with local decisions or weaken local economies. Administrator Pruitt said that the Obama Administration's EPA regulations increased the regulatory burdens on companies and restricted infrastructure investment as well as increasing the cost of doing business. This delay by the Administration was praised by Senate Majority Leader Mitch McConnell, West Virginia Senator Shelley Moore Capito, Arizona Senator Jeff Flake, and Texas Attorney General Ken Paxton.

EPA Final Amendments to Risk Management Program:

On June 9, EPA Administrator Pruitt signed an order that further delayed the EPA's Risk Management Program (RMP) rule amendments for 20 months, pushing the new effective date to February 19, 2019. The delay allows the EPA to reconsider the rule and allow for additional comments from interested parties. The amendments to the RMP, which are intended to reduce the risk of those working around hazardous chemicals, came after several safety failures in chemical plants around the United States. The delay comes after several business groups petitioned the EPA asking for more time for public comment. Administrator Pruitt signaled in February that he was considering extending the deadline. After the June delay, Pruitt said that the goal

Heard on the Hill, continued.

The legislative plan was to release the score from the Congressional Budget Office on 2.0 this week, and then to vote on a motion to proceed. If the motion to proceed passed, the Senate would then have started debate on the bill that passed out of the House of Representatives. A procedural vote would have been called, and if that vote was successful, the House bill would have been opened for amendments. At some juncture, the Senate bill would have been substituted for the House bill—and the Senate bill 2.0 would have been subject to amendments prior to a final vote.

The Majority Leader knew he would lose Senators Susan Collins of Maine and Rand Paul of Kentucky, so he needed every other Republican Senator. Senator McCain's unexpected surgery and necessary post-surgical recuperation moved the schedule back at least a week.

The President hosted a White House dinner Monday night with a number of conservative Senators to discuss how to pass 2.0. But Kansas' Senator Jerry Moran and Utah's Senator Mike Lee surprised everyone last night with separate statements of disapproval on the Senate bill.

Senator Moran said in part that, "we should not put our stamp of approval on bad policy. Furthermore, if we leave the federal government in control of everyday healthcare decisions, it is more likely that our healthcare system will devolve into a single-payer system, which would require a massive federal spending increase. We must now start fresh with an open legislative process to develop innovative solutions that provide greater personal choice, protections for preexisting conditions, increased access and lower overall costs for Kansans."

Senator Lee said in a separate statement that he could not support the current version of health care reform. "In addition to not repealing all of the Obamacare taxes, it doesn't go far enough in lowering premiums for



Tweet

Share this Page:

powered by

Environmental Protection Agency Fracking Rule:

The Trump administration has signaled that it is planning on repealing an Obama regulation that aimed to limit hydraulic fracking on public lands. The new proposal would allow for fracking on public lands but with stricter design standards as well as safety standards for storage tanks. The proposed change comes after the Obama-era rule stalled in the U.S. Court Of Appeals for the 10th Circuit due to legal challenges from the oil and gas industry. Lawyers for the Trump Administration said that any change in the regulation would take about a year, given the complexity of the Obama regulation. They added that they are actively reviewing the regulation and planning on taking action.

President Trump's Policy on Cuba:

In mid-June President Trump gave a speech in Little Havana Miami that presented his Administration's Cuba policy. While the new policy does not completely undo former President Obama's policy toward Cuba, there were significant changes. The most notable change is a proposal to prohibit U.S. citizens and companies from having financial transactions with Cuba's military and intelligence services, which controls a large portion of the tourism industry in Cuba. The President said that his goal is to pressure Cuba's president to allow the tourism industry to operate more freely. President Trump criticized the previous administration by saying that the old policy only enriched the Cuban regime. The President also proposed to restrict "people-to-people" travel, which would mean Americans would have to travel to Cuba through agencies with programs or companies. All of these changes will not take effect immediately given that the Treasury and State Department need to write up the actual regulations.

Trade, continued.

Whatever comes out of the negotiations, the Congress will have a say on whether the U.S. will sign or not. Both the House and the Senate will need to vote on the proposed accord in a straight up and down vote. Under the Trade Promotion Authority Act, no amendments will be in order when the trade legislation is considered by either body. But, without congressional approval, the U.S. cannot enter into the agreement. Depending upon what is in the agreement, the lobbying on Capitol Hill could be intense.

If the Congress were to disapprove the new agreement, President Trump still has the final say. He can unilaterally withdraw from the existing NAFTA agreement as he has

regulations”.

Plan B

Senator McConnell suggested Monday night that the Senate would vote as an amendment for full repeal of Obamacare with a two-year window to replace.

It's hard to see how that effort could be successful. It has been reported that the Congressional Budget Office would probably say that well over 30 million people would lose their insurance. Senators Collins, Capito (West Virginia), and Murkowski (Alaska) are almost certainly a no to proceed, and Senators Heller (Nevada) and Portman (Ohio) are listed as undecided with reservations.

The Majority Leader currently favors having a vote to put each member of the Senate on record, and wants to turn to tax reform right after Labor Day. The President tweeted today that he wants to let Obamacare die and then create a new healthcare system.

Tax Reform

Some people say that tax reform will be as difficult as health care. Maybe – but there are differences.

One main difference is that the White House will be enjoined in a way it never was on health care. The Administration's National Economic Council is headed up by Gary Cohn, and is fully staffed with strong and experienced people.

Another difference is that the White House and House and Senate Republican leadership will all get behind one bill. The basis for the bill will be written in the Senate Finance and the House Ways and Means Committees, but the National Economic Council will provide significant input. There is more unity within the Republican Party on tax reform, and there is every reason to believe the President Trump will use the bully pulpit to promote the bill. – something he never did with healthcare.

Still another difference is that unlike healthcare reform, Republicans have been doing a great deal of thinking about this subject over a long length of time. House Ways and Means Chairman Kevin Brady developed a revenue neutral proposal using the Border Adjustment Tax (BAT) as a way of offsetting reductions in rates. But the BAT cannot get through the Senate, so one possible starting place will be a blending of Ways and Means Committee Chairman Brady's package and the Tax Reform Act of 2014 – the plan published in 2014 when Dave Camp was Chairman of Ways and Means. ([Jim Miller](#) will prepare an analysis of the Dave Camp plan for a future issue of *This Week*).

Congressman Erik Paulsen (R-MN), a member of the Ways and Means Committee, told me over lunch that there is work going on every day on the draft plan. “Members of the



Tweet

Share this Page:

powered by iContact

world. More to come as things develop...

U.S. Outreach to Asia-Pacific Countries

In our last update, we reported about the 11 remaining TPP countries pushing ahead in reaching a trade agreement on their own without the United States. Those efforts have not gone unnoticed by the White House. USTR has upped its effort in reaching out to countries such as the Philippines to see whether a bilateral agreement can be reached to promote trade between the two countries. Assistant U.S. Trade Representative Barbara Weisel was recently in Manila for talks to seek ways to eliminate trade barriers and to increase bilateral trade. We expect to see similar meetings with other trading partners in the Asia-Pacific region in the coming months.

Steel Away!

There has been a lot of speculation that the Department of Commerce would recommend to the President that he either impose quotas or tariffs on imported steel and/or aluminum in an effort to protect these U.S. industries. Commerce has been reviewing these issues under Section 232 of the Trade Expansion Act of 1962. Most believers thought that the recommendation(s) would be forthcoming shortly after the G-20 summit concluded in Hamburg, Germany. Since then, the Department of Defense seems to have begun studying the issue. The latest out of the White House in terms of timetable was a statement released this weekend by a senior administrative official. "I don't know that there's any specific timeline as to when (Commerce) Secretary Ross will finalize and submit either of the two investigations."

Health Care, continued.

This latest draft is based in large part on the American Health Care Act (AHCA) that passed the House in May, as well as predecessor drafts of the Senate BCRA, with a few notable changes. First, the draft adopts a proposed amendment offered by Senators Ted Cruz (R-TX) and Mike Lee (R-UT) that would allow insurers to offer plans with leaner benefit packages that do not conform to the ACA's Essential Health Benefit (EHB) criteria intended to broaden the array of benefit packages available to consumers. This policy is not without controversy, though. While this may have the effect of reducing premiums, critics are vocal that such a benefit plan will threaten services available for sick patients.

Another key element designed to reduce premium growth of private insurance markets was the inclusion of funds for "market stabilization." The revised Senate draft would significantly increase federal funds available

for many of us (including me). We are using dynamic scoring, and it is allowing us to significantly reduce the rates. Chairman Brady is also meeting with members of the House who are not on the Committee, so he can anticipate problems, make adjustments, and keep the lines of communication open. The primary goal of tax reform is growth – and we want to have it done by December 31. The pressure will be on, but we'll work to make it work."

NAFTA/Trade

Just in time for this week: The US Trade Representative released Monday afternoon its objectives for the NAFTA negotiations. Larry Smith has included this in his report on NAFTA/Trade.

Upcoming for next week: The House Ways and Means Subcommittee on Trade held a hearing on Tuesday, July 18 to "analyze whether NAFTA has been successful for the US economy and job creation, with a focus on US manufacturing, agriculture, and the service sectors. Members will also address how NAFTA can be modernized and updated to better address issues affecting US workers, businesses, and consumers in today's economy". We'll cover the hearing and provide a report for next week's edition of *This Week*.

Budget/Appropriations

The House Budget Committee presented its budget for Fiscal Year 2018. Chairwoman Diane Black – who is leaving the House to run for Governor of Tennessee – wants presented a budget that aims to turn a \$472 billion deficit in 2018 to a \$9 billion surplus in 2027. It calls for \$621 billion in defense spending and \$551 billion in non-defense spending.

Conservatives want deeper cuts in non-defense spending – moderates want more spending. Congressman Paulsen said that what unifies most members is "if there's no budget, there's no reconciliation, and if there's no reconciliation, there's no tax reform."

Debt Ceiling

The federal government runs out of the ability to borrow money and pay its obligations in September. Majority Leader McConnell wants to bring up the debt ceiling as soon as possible – and maybe during the first two weeks of August – but more likely in September after Labor Day. Battle lines are being drawn between conservatives from the Freedom Caucus who want to tie budget cuts to raising the debt ceiling and some Republicans and most Democrats who want a clean debt ceiling increase. The Administration is torn between Treasury Secretary Steven Mnuchin who wants a clean bill and OMB Director Mick Mulvaney who prefers spending cuts or budget changes in exchange for support of the increase. Director Mulvaney, a former Congressman, is a founding member of the Freedom Caucus.



Tweet

Share this Page:

powered by

hear in future issues of Heard on the Hill.

With regard to state Medicaid programs, the bill would also transition federal funding from an open-ended formula to a Per Capita Allotment methodology that would limit Federal Financial Participation (FFP) available to states. There are a few exceptions, though, including certain vulnerable populations as well as areas of a state during a declared emergency event. In addition to transitioning Medicaid financing to a capped allotment methodology, the draft bill also would roll back the ACA's enhanced Federal Medical Assistance Percentage (FMAP) for Expansion populations within states that have expanded their Medicaid programs to cover childless adults and low-income parents. Beginning in 2021, the draft bill would phase down the ACA's 90% enhanced FMAP for Expansion-eligible enrollees through 2024, at which time the state's regular FMAP would become applicable to those enrollees.

For consumers of individual market private insurance, federal subsidies would be modified as well. The upper income eligibility limit would be reduced from 400% of the Federal Poverty Level (FPL) to 350% FPL and cost-sharing subsidies that reduce out of pocket expenses for eligible consumers would be extended for two years before being eliminated.

The draft bill would continue to require insurers to offer plans to individuals with pre-existing conditions, but with additional state flexibility. States would have the option to define the basic benefit package for plans as well as establish their own minimum Medical Loss Ratio (MLR) requirements – standards that require health insurers to pay a minimum percentage of premium collections on medical services.

The power of Health Savings Accounts (HSAs) would be ramped up, as well. While HSA funds currently cannot be used to pay health insurance premiums, the Senate draft legislation would change that requirement, allowing individuals to use those funds toward health insurance premium costs.

Furthermore, amid heightened concerns about opioid abuse across the country, the Senate draft bill significantly increases funding available to states from \$2 billion to \$45 billion to support efforts targeted at this issue. Despite the sizeable increase in federal funding, concern continues to be raised that the proposed funding level remains far short of fully addressing the issue.

Components of the bill have and will continue to evolve over the coming weeks as Leadership works to “thread the needle” to pass a bill out



Tweet

Share this Page: 



defections, the return of Sen. McCain to Washington, negotiations with the White House and Administration leaders, and public reaction to the proposed pathway forward. July will be a hot month on Capitol Hill as all eyes focus on the upcoming August recess deadline for the GOP to meet its 'repeal and replace' promises.