

Helping our clients address today's challenges

2025 Healthcare Outlook | How the Trump administration might impact healthcare providers and other stakeholders

Context

Earlier this year, the Trump Administration began pursuing strategies and policies that will impact the healthcare sector for years. Management teams, lenders, sponsors, and other stakeholders should anticipate the impacts from these actions to prepare their portfolio companies for success. While we can anticipate the policies the new administration would like to pursue, there is a high level of uncertainty as to timing and the ultimate results. In the interim, there are key activities, such as developing accurate short-term cash flow forecasts and improving operational efficiency with technology, that stakeholders should consider implementing today.

Key Themes

The shift in governmental priorities is expected to impact the healthcare sector related to the following areas:

1



Deregulation

- Reduced federal oversight and administrative requirements
- Reversal of Biden-era regulations in areas such as drug pricing, health equity, and transgender healthcare

2



Cost-Reduction and Transparency

- Further price transparency for hospitals and drug pricing reform
- Potential DOGE-imposed funding changes impacting Medicaid eligibility and reimbursement, contract negotiations, and financial planning

3



State and Individual Autonomy

- Encouragement of greater flexibility for states and individuals, including potentially expanding access to reproductive healthcare services, HSAs and employer-based reimbursement

4



Telehealth

- Expansion of permanent telehealth services post-COVID
- Continued access to virtual care with ongoing support from health technology groups

5



Medicaid and Public Health

- Possible reductions in areas such as vaccine policy and gender-affirming healthcare
- Potential for reduced coverage for low-income Americans

6



Domestic Production

- Strengthened domestic production reducing reliance on foreign manufacturers, especially given recently announced or imposed tariffs, and other tax policies

Patients

For some, increased access to options, more flexibility in benefits, and price transparency could improve costs and experience. For others, loss of coverage or eligibility may reduce access to services

Payors

Competition and transparency may increase due to a focus on Medicaid and Medicare reform with an emphasis on reducing federal spending and shifting funding models

Providers & Mgmt. Teams

Deregulation and cost-reduction policies may relieve administrative burdens, but **Medicaid and Medicare reform could pressure providers**, especially in rural or lower socioeconomic areas



Sponsors & Lenders

Concentrated investments could lead to increased exposure to regulatory shifts due to deregulation, Medicaid reforms, and increased competition

Pharma and MedTech

Drug pricing reform, deregulation, and the potential impact of AI could drive a need for strengthening domestic production and supply chain

Regulators

Shifting oversight on Medicaid, Medicare, and drug pricing could alter industry practices, requiring a need to balance patient safety and market stability

Next steps

Stakeholders should control what they can by focusing on the following next steps:



Providers & Management Teams

- Develop and stress-test a dynamic **3- to 5-year business plan** incorporating multiple scenarios and sensitivities such as estimating the impact of (1) a 2.83% reduction in Medicare physician payments in 2025, or (2) increased tariffs on supply costs.
- Develop and manage to a rolling **13-week cash flow forecast** to understand short-term financial position and needs, and plan for unforeseen events
- Proactively **monitor revenue cycle** for potential collection issues and **immediately act** on identified issues (e.g., increased denials)
- **Establish investment criteria, and prioritize investments** that align with your strategic plans, goals, and mission
- Negotiate maximum **flexibility into credit agreements** (e.g., covenant calculations, minimum liquidity, option to PIK interest, etc.)
- **Budget for rising compliance costs** from new transparency and pricing regulations
- **Strengthen operational efficiency** with streamlining teams, reducing inefficiencies, and leveraging technology, while complying with new regulations



Sponsors & Lenders

- **Encourage management teams to develop short- and long-term forecasts**, including sensitivities to understand capital needs
- **Develop scenario models** to assess policy impacts on Medicaid, drug pricing, and telehealth
- Stress test portfolios factoring in changes from regulatory impacts to **confirm companies can generate positive cash flow and meet debt service obligations**
- Utilize your portfolio to drive innovation across investments through **collaboration sessions with all portfolio investments**
- **Adjust valuation expectations** based on anticipated regulatory changes and increased competition