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Trump 2.0: Making America Healthy Again?

President-elect Donald Trump's nomination of Robert F. Kennedy Jr. (often referred to as RFK) to head up the US Department of Health and Human Services – which also includes the Centres for Medicare and Medicaid Services (CMS), the Centers for Disease Control and Prevention (CDC), National Institutes of Health (NIH), and the Food and Drug Administration (FDA) – has certainly raised some eyebrows and the Senate confirmation process may face hurdles. However, whatever the outcome of his confirmation – or otherwise – this development is already causing some volatility in the healthcare space, and this is likely to continue into the new year.



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What does RFK actually think?

So what are RFK's views on healthcare? During his short-lived presidential campaign, he primarily raised concerns regarding the ingredients or additives in many processed foods in the US. His most controversial pronouncements, however, have been around his "vaccine scepticism" and wish to revisit certain federal vaccine requirements. Indeed, after the announcement of his nomination, some brokers quickly created a "MAHA" (Make America Healthy Again) at-risk basket, comprising of two categories. 1) Food companies: these are similar to the names at risk from changing lifestyle decisions due to the rise of GLP-1 anti-obesity drugs usage. A focus on healthier living and reduced calorie consumption is a headwind to much of the packaged food industry. 2) Vaccines: RFK has stated he "wouldn't take away anybody's vaccines", yet has also advocated for "greater choice" and could push the FDA to request additional data from companies when submitting vaccines for approval.



**Embracing
Disruption**

Other than these principal topics, RFK has also mentioned vastly cutting down the size of the FDA by removing entire departments, and reforming the Prescription Drug User Fee Act due to the potential for conflict of interest – around half of the FDA’s budget currently comes from the pharmaceutical industry. The danger with either of these measures would be an underfunded or understaffed FDA, leading to longer regulatory timelines and delays, and having a disruptive effect on both pharma and biotech companies. Furthermore, RFK’s advocacy for “alternative healthcare” could see funds diverted from the NIH’s budget, drawing money away from therapeutic invocation and thus slowing down discovery and development timelines.

Taking the market’s temperature

Stock reactions to the nomination were initially negative. The key issue was concern that RFK could have a negative effect on drug pricing and negotiation, while also making it more difficult for patients in Medicare to access new obesity drugs. His view of obesity as a lifestyle choice, rather than a disease, flies against the latest medical opinion in this area. There is also currently bipartisan support growing for the Treat & Reduce Obesity Act, which could lead to Medicare prescribing drugs for obesity – RFK could certainly impact the progress of this legislation.

Having said this, the largest influence of this Act would indeed be on the Medicare/Medicaid markets, where obesity drugs are not yet reimbursable – the vast majority of reimbursements is done by commercial insurance companies, where the federal government’s sway is limited. Moreover, any challenge to specific drugs or classes of drugs would likely face serious legal hurdles, and attempts to interfere with pricing may fall foul of the Takings Clause of the Fifth Amendment.

Looking at healthcare’s various subsectors, we can make a distinction between those that face potentially lower or greater risk for any of the possible changes discussed above. On the lower risk side, medical technology, Medicare Advantage managed care organisations (MCOs), distributors, dental, and animal health are likely to be safe havens – US seniors represent a large part of Trump’s constituency, and his administration is likely to be friendly to these areas. In addition, dental care stocks may benefit if removing fluoride from tap water becomes a real topic of debate. Medtech will also likely be a relative winner, given its growth is driven by volume rather than price, while companies producing healthier products may also benefit from RFK’s advocacy.

On the other hand, pharma, biotech, Medicaid and hospitals face greater potential risks. Uncertainty at the FDA, reductions in government employees, lower NIH budgets, an increased focus on drug pricing, and the sunset of certain Obama-era subsidies under the Affordable Care Act, are all possibilities under the next Trump administration. Biotech may also suffer if we see a “higher for longer” outcome at the Fed due to inflationary policies – such as Trump’s threatened. Finally, any healthcare stocks with high government exposure may suffer from the trimming of budgets under Musk’s and Ramaswamy’s Department of Government Efficiency.

The overall outlook is thus mixed. There may be headwinds ahead for some healthcare subsectors and investors should go into the new year – and the new Trump administration – with eyes open. While much will depend on how many, if any, Republican senators break with Trump to try and block RFK’s appointment, a shake-up of the US healthcare system is likely in the coming four years.

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