

Centene warns Republicans against cutting Medicaid or letting ACA subsidies expire

Cuts to federal health spending could challenge Centene's promises to deliver higher profit margins

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Executives at the health insurance behemoth Centene on Thursday had a clear message to Republicans who are about to take control of the federal government: Think twice before you cut health care programs.

The political messaging reflects how Centene's executives are in preservation mode, because the company's entire business is dependent on taxpayers. Two of the company's biggest lines of business, Medicaid and the Affordable Care Act's marketplaces, could face cuts next year, challenging the company's promises to deliver higher profit margins in 2025 and beyond.

Some of Centene's prepared remarks during its investor day could be mistaken for the kinds of political ads that might run if Republicans pursue Medicaid cuts or don't extend subsidies for ACA plans, often called Obamacare plans.

Failing to extend enhanced subsidies for ACA enrollees "is tantamount to raising taxes on hard-working, low-income Americans across the country and limiting their access to health care," Centene CEO Sarah London said Thursday. She added that people in rural areas would be hurt most.

"When it comes to health care, the Republican MAGA coalition of voters are more dependent on government subsidies for affordability than ever before," said Jon Dinesman, Centene's top lobbyist. If lawmakers allow ACA subsidies to expire at the end of 2025, "the uninsured rate will not

only rise, but many who lose coverage will be Republican constituents and Trump supporters,” he said.

Cutting Medicaid through policies like block grants have been “hard sells politically” in the past, Dinesman added. “With such a slim margin in the House, the way forward for these alternate funding mechanisms will be incredibly difficult.”

Republicans historically have wanted to slash spending for state Medicaid programs, which cover the poor. The first Trump administration made it easier for states to enact Medicaid work requirements. And although Republicans have not instituted Medicaid block grants in the past, it remains a high priority in conservative policy circles. Cutting Medicaid could help fund tax cuts that President-elect Trump has said he wants to extend.

The most immediate concern for Centene is the renewal of expanded ACA subsidies. Those enhanced tax credits, signed into law by President Biden, go to more middle-income families to help lower the cost of health plans sold on the ACA marketplaces.

If the subsidies are not renewed by the end of next year, people will be exposed to more of the costs of those ACA insurance plans, and many of them likely will drop the coverage as a result. Centene expects to lose up to 30% of its membership in that scenario, or more than 1.3 million of Centene’s 4.5 million ACA enrollees.

Centene is projected to bring in \$160 billion of revenue this year, and just about all of that (97%) comes from Medicaid, Medicare Advantage, and the ACA. The company’s stock has declined 24% this year, due in large part to people getting more care than expected, forcing the insurer to pay out a lot more in medical claims.

Hospitals and insurers continue to hold out hope that Republicans will extend ACA subsidies in some fashion, but doing so would cost the government \$335 billion over the next decade, according to the Congressional Budget Office.

The GOP threat to Centene’s business didn’t stop the company from praising the party. Dinesman called Trump “one of the most impactful

political figures of our lifetime.” He lauded the goals of the Department of Government Efficiency, or DOGE, the meme-based, quasi-governmental body led by billionaire Elon Musk and biotech investor Vivek Ramaswamy.

“Quite frankly, governors and state legislators have long been taking on the goals of DOGE and with great success,” Dinesman said.
