

MORNING COLOR

February 18, 2021

Today's Driving Events

- **Fintech Becomes Bigger Target in Wake of Robinhood Scrutiny:** While today's House Financial Services Committee hearing is focused on the **GameStop (GME)** saga impact on the financial markets and retail investors, this episode has opened a Pandora's Box for all fintech companies as both the Democratic-controlled Congress and reinvigorated Consumer Financial Protection Bureau (CFPB) will be closely examining their business operations and adherence to fair lending laws such as the Equal Credit Opportunity Act (ECOA) with enforcement actions inevitably not far behind.
- **CMS Nominee Brooks-LaSure to Have Big Influence on Drug Pricing Policy:** With the nomination of [Chiquita Brooks-LaSure](#) to be the new Centers for Medicare and Medicaid Services (CMS) administrator, the Biden administration is putting a veteran health policy wonk in place to complement Health and Human Services (HHS) Secretary-designate Xavier Becerra, who is less well versed in the details of healthcare. Prescription drug pricing is the one area where Brooks-LaSure can advance the most policy changes via executive action but it's also notably an area where she has had less of a professional focus as her expertise lies primarily in expanding access to health insurance and payment reforms.
- **Clean Energy Hearing Marks Beginning of Democrats' Next Legislative Priority:** Today's hearing before the House Energy and Commerce Committee's Subcommittee on Energy will begin the process of setting the landscape of possibilities for Democrats' anticipated infrastructure and clean energy legislative package to follow the currently pending Covid-19 relief bill as initiatives from the bipartisan -- such as R&D investments -- to the partisan -- like a clean energy standard mandate -- are brought to light.

Robinhood's Arrow Hits Fintech's Bullseye: Today's hearing on the **GameStop (GME)** and Robinhood trading debacle will be sure to generate headlines and the cast of characters testifying will also likely elicit strong reactions from members of the House Financial Services Committee. Among those giving testimony who are likely to be in for a tough day are Robinhood Co-CEO Vlad Tenev, up to now a Silicon Valley success story who does not have a financial markets background, but

nonetheless has attempted to “disrupt” retail investing by offering a free service and claiming that he was democratizing access to financial markets. **In our view, no matter what happens next for Tenev and the other players in the GameStop saga, the broad umbrella of companies falling under the “fintech” label are going to be in for heavy scrutiny and aggressive enforcement actions from Biden-appointed regulators in the months ahead, particularly those firms that are lenders and claim that they are democratizing access to credit.** This effort will be a pincer movement with leaders in Congress, such as [Senate Banking Committee Chairman Sherrod Brown \(D-OH\)](#), [casting focus on areas of fintech that he believes could be harmful to consumers](#). This could include firms that employ bank rent-a-charter schemes with online consumer and small business lenders like **LendingClub (LC)** and **Funding Circle (FDCHF)**, companies that don’t promote financial inclusion and might even run afoul of the Equal Credit Opportunity Act (ECOA) like **Sallie Mae (SLM)**, and the separation of banking and commerce which is being blurred by companies that offer both merchant services as well as accounts and cash management services such as **Square (SQ)**. Robinhood may work in different markets from these areas of long-standing concern, but the damage from this saga to unsophisticated retail investors has alerted members of Congress and, undoubtedly, the nominee to lead the Consumer Financial Protection Bureau (CFPB), Rohit Chopra. **Once Chopra is confirmed by the Senate, we expect that he will quickly unleash his enforcement and investigations team to issue civil investigative demand letters to leading fintech companies in order to find out more about their operations and analyze their impact on consumers, particularly communities of color.**

CMS Nominee to Wield Outsized Drug Pricing Influence: The White House is expected to nominate [Chiquita Brooks-LaSure](#) to be the administrator of the Centers for Medicare and Medicaid Services (CMS). This role is the second most powerful health policy position at the Department of Health and Human Services (HHS) after the HHS secretary and it has wide remit to formulate annual payment rates for programs such as Medicare Advantage, but it also governs demonstration projects to test out ways to save money on prescription drug prices as well as the infrastructure of the Affordable Care Act (ACA). Brooks-LaSure is a veteran of both the Obama administration’s HHS as well as the House Ways and Means Committee where she helped to draft the ACA and worked closely with the man who is slated to be her new boss, HHS Secretary-designate Xavier Becerra, when he was a House member from California. With Becerra not possessing a deep knowledge of healthcare himself, we expect that he will rely heavily on Brooks-LaSure, particularly as it impacts health equity and cost savings. With the Biden administration intent to pass what we call “ACA+” as part of the Covid-19 relief package -- modest incremental changes to the ACA infrastructure helping to add around 10 million more people to the ACA rolls -- and then move onto infrastructure and green jobs for the FY22 budget reconciliation legislative vehicle, there is every chance that a public option is not considered during Biden’s term, especially if Republicans take back one or both chambers of Congress in the 2022 midterm elections. **This will**

mean that Brooks-LaSure will be responsible for Biden racking up any “wins” on healthcare via executive action, such as bringing down the cost of prescription drugs and other policies that improve access and health of marginalized populations. [Previously, Brooks-LaSure was most focused on expanding access to health insurance and payment reform for providers and insurers, rather than prescription drug policy.](#) We will be closely watching her Senate testimony and any public remarks to determine how she would approach this key policy area, particularly if President Biden and Democrats in Congress move away from prioritizing a public option before the 2022 midterm elections.

Clean Energy Investments Hearing Previews Next Legislative Push: In a hearing today before the House Energy and Commerce Committee’s Subcommittee on Energy, Democratic committee members will begin to flesh out through witness testimony the contours of their next anticipated legislative priority, a massive infrastructure and clean energy package that will rely, at least in part, on the FY22 budget reconciliation process. **As opposed to the Covid-19 relief bill that is the current focus of the Biden administration and was developed quickly by Democratic leadership to meet a tight March 14th deadline when current enhanced unemployment insurance benefits expire, President Biden and congressional Democrats will take more time to engage various stakeholders and socialize an array of proposals aimed at promoting sustainable job creation through infrastructure and clean energy spending.** Today’s subcommittee [hearing](#), titled “A Smarter Investment: Pathways to a Clean Energy Future,” is an example of the type of discussions that will continue as policymakers hear and weigh ideas from think tanks, academics, companies, trade associations, and lobbyists, just to name a few of the players that will be involved in the next major legislative undertaking. Some proposals, including in the [testimony](#) of Dr. Stephen Pacala, call for longer-discussed Democratic aims including tightening energy efficiency standards and making large investments in infrastructure such as transmission capacity and electric vehicle charging. Pacala also advocates for more bipartisan measures such as investments in clean energy research and development in areas like low-cost zero carbon fuel and lower-cost carbon capture. Investment in new technologies is most likely to gain bipartisan support since Republicans have proposed expanding tax credits to renewable and carbon capture industries before. Other measures, though, including Pacala’s mention of a clean energy standard for electricity, can expect less bipartisan support. **The concept of a clean electricity standard to be established by requiring utilities to “gradually increase the portion of electricity sales from clean sources every year, targeting an over 95 percent clean US electricity system” by 2050 has been promoted recently by Senator Tina Smith (D-MN). Smith cited a report sponsored by a progressive clean energy activist group that suggests the standard could pass through budget reconciliation, which will be critical to any measure in this next legislative proposal. The measure and others to be aired at today’s hearing and in the months to come will also need to eventually garner support from every Senate Democrat to pass via budget reconciliation, with**

moderate senators Joe Manchin (D-WV) and Kyrsten Sinema (D-AZ) posing potential obstacles. However, before measures can be culled by moderate Democrats, they first must be socialized in Congress, such as through the hearing process beginning today.

Congress

The House and Senate are not in session this week although House committees will continue to hold hearings.

White House

President Biden and Vice President Harris will receive their daily intelligence briefing at 9:45 a.m. and a Covid-19 briefing at 10:30 a.m. Harris will lead a virtual roundtable with members of Congress and female advocacy organization leaders at 11:15 a.m. to talk about Covid-19 relief and women in the economy.

Coronavirus and Coronavirus Relief Legislation

At 9:30 a.m., Washington Post Live will hold a virtual discussion with former Centers for Medicare & Medicaid Services Acting Administrator Andy Slavitt, senior advisor for the White House COVID-19 Response Team. [More information here.](#)

At 10:00 a.m., the Congressional Black Caucus Foundation will hold a virtual Health Equity Summit titled “Understanding the Impact of the COVID-19 Vaccine on the Black Community.” [More information here.](#) Expected participants include:

- Rep. Robin Kelly (D-IL)

At 11:00 a.m., the Senate Banking, Housing, and Urban Affairs Committee will hold a hearing titled “The Coronavirus Crisis: Paving the Way to An Equitable Recovery.”

At 11:00 a.m., the House Appropriations Committee Subcommittee on Labor, Health and Human Services, Education and Related Agencies will hold a hearing titled "CDC Briefing on COVID-19." Expected participants include:

- Rochelle Walensky, director, Centers for Disease Control and Prevention (CDC)
- Anne Schuchat, principal deputy director, CDC

At 1:30 p.m., Axios will hold a virtual discussion titled “Smart Take: Recovery Post-Election,” focusing on the impact of the new administration, local stimulus and

recovery efforts, as well as the fallout of the 2020 Iowa caucuses. [More information here.](#) Expected participants include:

- Senator Charles Grassley (R-IA)

Cybersecurity

At 12:30 p.m., the World Affairs Council will hold a webinar titled “Solarwinds and the Art of Cyberwar.” [More information here.](#)

At 1:00 p.m., the Government Executive Media Group will hold a webinar titled “Cyber Defenders: Securing the Supply Chain.” [More information here.](#) Expected participants include:

- Katherine Arrington, under secretary for acquisition and sustainment, Department of Defense

Energy, Environment, and Natural Resources

Today, the Renewable Fuels Association will conclude its virtual 2021 National Ethanol Conference. [More information here.](#)

At 8:00 a.m., the Institute of International Finance will hold its virtual 2021 U.S. Climate Finance Summit. [More information here.](#) Expected participants include:

- Lael Brainard, governor, Federal Reserve Board of Governors
- Rostin Benham, acting chair, Commodity Futures Trading Commission
- John Coates, acting director, Corporate Finance Division, Securities and Exchange Commission

At 11:30 a.m., the House Energy and Commerce Committee Subcommittee on Energy will hold a hearing titled “A Smarter Investment: Pathways to a Clean Energy Future.” [More information here.](#)

At 4:00 p.m., the Atlantic Council’s Global Energy Center and the University of Pittsburgh’s Graduate School of Public and International Affairs will hold a webinar titled “The Road Ahead: Pennsylvania’s Energy Future.” [More information here.](#)

Financial Services



At 12:00 p.m., the House Financial Services Committee will hold a hearing titled “Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide.” [More information here.](#) Expected participants include:

- Vlad Tenev, CEO, Robinhood Markets
- Kenneth Griffin, CEO, Citadel
- Gabriel Plotkin, CEO, Melvin Capital Management
- Steve Huffman, CEO/co-founder, Reddit

At 2:00 p.m., the Urban Institute will hold a webinar titled "How Impact Investors Can Use Policy Advocacy and Engagement to Advance the Common Good." [More information here.](#)

Geopolitical

At 10:30 a.m., the US-China Economic and Security Review Commission will hold a meeting by teleconference titled “Deterring People’s Republic of China Aggression Toward Taiwan.” [More information here.](#)

At 11:00 a.m., the Ronald Reagan Presidential Foundation and Institute will hold a virtual discussion titled “China, Targeted Decoupling, and the Economic Long War.” [More information here.](#) Expected participants include:

- Senator Tom Cotton (R-AR)

Healthcare

At 10:30 a.m., the American Enterprise Institute for Public Policy Research will hold a virtual discussion titled “What is the future of family policy after the pandemic and beyond?” [More information here.](#)

At 1:00 p.m., the Hill will hold a webinar titled “Prioritizing the Patient,” focusing on inequities in the access and delivery of health care. [More information here.](#) Expected participants include:

- Rep. Robin Kelly (D-IL)
- Rep. Larry Bucshon (R-IN)

At 2:00 p.m., the Congressional Black Caucus Foundation will hold a virtual Health Equity Summit titled “Mental Health Realities for Black America.” [More information here.](#) Expected participants include:

- Rep. Bonnie Watson Coleman (D-NJ)

Judicial

At 2:00 p.m., the House Judiciary Committee Subcommittee on Courts, Intellectual Property, and the Internet will hold a hearing titled "The Supreme Court's Shadow Docket."

At 6:00 p.m., the Hudson Institute will hold a webinar titled "Patent Litigation in China: Navigating a Changing Environment." [More information here.](#)

Real Estate

At 2:00 p.m., the Brookings Institution will hold a webinar titled "The Great Real Estate Reset: Rethinking How and What we Build." [More information here.](#) Expected participants include:

- Rep. Dan Kildee (D-MI)

Taxes

At 2:00 p.m., the House Ways and Means Committee Subcommittee on Oversight will hold a hearing titled "Free Tax Preparation Services During the Pandemic." [More information here.](#)

