

MORNING COLOR

September 26, 2023

Today's Driving Events

- **It Takes Two to Tango:** The White House has spent significant time and effort on diplomatic envoys to China this summer, and it appears that those may be starting to pay off and be reciprocated by Beijing.
- **Sizing Up the Impact of Obesity Drugs:** Supporters of legislation to require Medicare to pay for obesity drugs have broadened their focus to also include changing the Congressional Budget Office's scoring process in order to demonstrate how long-term savings can still result from high up-front initial preventative care spending.
- **Not Time to Say Bye-bye:** Despite persistent concerns among Democrats about President Biden's re-election bid, he is showing no signs of stepping aside and abandoning his campaign for a second term.

US-China Diplomacy's Green Shoots: The US-China relationship has improved dramatically in recent months (admittedly from close to its nadir since the two countries first established diplomatic ties), and there is a chance the momentum will accelerate before the end of the year. This growth would mark a significant shift after tensions rose in the wake of the surveillance balloon incident earlier this year and reflect positively on the Biden administration's diplomatic outreach this summer. Few tangible results have come from this effort yet, but one of the first is the start of a [new economic dialogue](#) between the two superpowers. While this is not likely to lower trade barriers between the two countries, creating these ties and channels of communication reduces the risk of miscommunication that could escalate friction and result in a new cycle of retaliatory actions between the US and China. **Perhaps more notable for the White House is that there are signs that Beijing may also be looking to improve relations. One change has been the apparent removal of Chinese Defense Minister Li Shangfu, who has gone missing from public view recently and is [reportedly under investigation](#) for corruption. Li has been viewed as a hurdle to resuming military-to-military contacts, and with his supposed firing, there [could be an opening](#) for these to begin again.** Chinese President Xi Jinping may have driven the firing as he [was allegedly upset](#) when he learned the

surveillance balloon was derailing a visit by Secretary of State Antony Blinken. The balloon program has [reportedly been suspended](#) since this incident. **Another indication of China's openness was [a speech last week](#) by Xie Zhenhua, China's special envoy for climate change, stating that he had told John Kerry, the special presidential envoy for climate, that he was willing to travel to a third country or the US to meet.** Kerry was one of the first US officials to travel to China this summer, and climate is an area perceived to have a high potential for mutual benefit, making collaboration at least theoretically possible. Such a bilateral meeting could take place later this year when Kerry and Xie [co-chair the first local climate summit](#) at the UN climate meeting in Dubai, COP28. There is unlikely to be confirmation of such a meeting until closer to the event in late November and early December, but the timing would make sense. **A conversation between the two at COP28 may hinge on if President Biden and Xi have a meeting on the sidelines of the Asia-Pacific Economic Cooperation (APEC) Leaders' Summit earlier in November.** This summit has received much attention as the US is hosting the Leaders' Summit in San Francisco, and the Biden administration hopes Xi will attend in person, marking his first trip to the US since visiting Mar-a-Lago in 2017. Given the White House's focus on ensuring this visit happens, it may take a reserved approach to confronting China in the next seven weeks. **Biden cannot avoid de-risking policies entirely without opening a domestic political vulnerability, but he can tailor how his administration responds to incidents to minimize the odds they spiral and risk Xi not coming to the US in retaliation.** What he cannot control is the congressional reaction and what kind of pressure this may lead to, which could ultimately force his hand, similar to what happened with the surveillance balloon incident. The key will be to ensure that any cries for action do not grow beyond hawkish lawmakers. This pressure can largely be addressed with continued effort, which, if well-telegraphed, should not upset the improving US-China relationship. **Later today, we will publish a Spotlight Report with a more in-depth analysis of the status and trajectory of the US-China relationship as well as the array of currently pending US policy actions that could impact that trajectory.**

Congress Weighs In on Medicare Coverage of Obesity Drugs: There is a prohibition on Medicare Part D paying for any drug related to obesity, which dates back to when the program was [established in 2003](#). This ban means that seniors can only access the increasingly popular products from **Eli Lilly (LLY), Pfizer (PFE), and Novo Nordisk (NVO)** by paying out-of-pocket. Members of Congress have introduced bicameral and bipartisan legislation, the [Treat and Reduce Obesity Act](#), to end this prohibition and require Medicare to pay for these drugs. The bill is co-sponsored by Senators Tom Carper (D-DE) and Bill Cassidy (R-LA) and Reps. Raul Ruiz (D-CA) and Brad Wenstrup (R-OH). **As part of their efforts to drum up support for the bill, the co-sponsors and other sympathetic members of Congress are also focused on changing how the Congressional Budget Office (CBO) assigns cost estimates to legislation, which is called "scoring" in DC parlance. This is particularly the case as it relates to spending on preventative**

healthcare, which would help the bill's co-sponsors show that initial investments in health spending can create long-term savings via reduced interventions such as surgery and hospitalizations. Despite this hope, researchers at [Vanderbilt University Medical Center](#) have written that if Medicare paid for the new weight loss products and if only 10 percent of eligible Medicare beneficiaries utilized them, this change could cost Part D \$26.8 billion per year, dramatically increasing Medicare premiums. An opposing view comes from a [study from USC](#), which states that these drugs can actually save billions in healthcare costs. **The problem with this study, as well as what members of Congress are looking to change, is that these concepts of preventative care look at health spending over the course of a patient's life, whereas the CBO only looks at spending for one program, Medicare, and only over a 10-year window.** If a patient starts taking one of these drugs in their 30's and never accumulates all the health damage that they otherwise would have once they reach Medicare age, then there may be a case to be made that the drugs can reduce costs that would have shown up later from cardiovascular diseases, diabetes, etc. **If joining Medicare at age 65 is the first time that a patient will utilize the product, then a significant amount of damage is likely already done, and there may be less chance that the drug saves money for the program by preventing hospitalizations, surgeries, etc.** This debate was echoed at a [House Energy and Commerce Committee Health Subcommittee](#) hearing last week. **The Treat and Reduce Obesity Act was discussed along with several dozen other pieces of legislation, but the most important takeaway was the focus on changing how CBO conducts its scoring.** Rep. Michael Burgess (R-TX), who is also a physician and head of the [House Budget Committee's health care task force](#), admitted that these new treatments for obesity and diabetes are a substantial upfront cost, but he believes they are also a long-term benefit. Burgess has also co-sponsored legislation, the [Preventative Health Savings Act](#), which would "direct the CBO to more accurately reflect the long-term, cost-saving potential of preventive healthcare initiatives...It would instruct CBO to extend its analysis beyond the existing 10-year budget window to two additional 10-year periods to provide a fuller analysis of the potential impact of preventive health legislation." **We do not believe that the legislation to change Medicare's treatment of weight loss drugs will pass this Congress, although it could be marked up in the House Energy and Commerce Committee as part of a larger package, nor do we believe that changes to how CBO scores legislation are in the offing.** Our main rationale is that many Republicans preach about personal responsibility and fiscal responsibility and would be loath to pay tens of billions of dollars for something that they think people should do on their own, and a revenue or spending offset of that size would be challenging to find. Certain Democrats may also be concerned with the cost implications for Medicare's fiscal solvency and inevitable premium increases in an election year. **In regard to changing how CBO scores legislation, there is a greater chance that Congress could pass legislation to require a different approach or a longer time horizon, but this is likely dependent on Republicans having unified control of the House, Senate, and White House as a result of next year's elections.** Finally, in addition to congressional action, [Ozempic may be](#)

[included in the next round of drug price negotiations](#) with Medicare based on the Inflation Reduction Act. The Food and Drug Administration approved Ozempic to treat type 2 diabetes in 2017, and the higher-dose Wegovy for weight loss in 2021. As Ozempic is prescribed more and more, it could reach into the highest spending category for Medicare and be included in the next 10 drugs that are up for negotiation by 2027.

Biden Is In It to Win It: President Biden is taking one of his biggest steps yet in his re-election bid today by [walking a United Auto Workers picket line](#) in Michigan, the biggest presidential affirmation of a strike in recent memory. In light of his age and his poor favorability numbers, Biden's re-election campaign has raised concerns among those who would prefer to see him step aside. **Despite the speculation about Biden's future, we do not expect him to give up on his bid for a second term unless there is an unanticipated health issue.** Recent weeks have brought unfavorable headlines for the Biden 2024 campaign. Rep. Dean Phillips (D-MN) [mused](#) on a podcast that aired yesterday that he could run for the White House himself (never mind that the last member of the House to be directly elected president was James A. Garfield in 1880). A CNN poll earlier this month [found](#) that two-thirds of Democrats would like an alternative candidate. **If a viable intra-party challenger to Biden (or to former President Trump, for that matter) were to emerge, it would not likely be through the presidential primary process.** The primaries are controlled by the Democratic and Republican parties, which are themselves dominated by Biden and Trump, respectively. No serious challengers to Biden have emerged. A bid from a rising star governor, such as Gavin Newsom (D-CA) and Gretchen Whitmer (D-MI), could have given the president a run for his money, but they passed. A threat to Biden could come in the form of a third-party candidate, such as a No Labels presidential nominee. A third-party bid makes it easier for a candidate to break out than a quixotic attempt to wrest the nomination from Biden, though winning the general election is practically impossible. The only result would be to serve as a potential spoiler. Despite Biden's age being cause for concern among Democrats, the party leadership [has coalesced](#) around him, and according to the latest [RealClearPolitics polling average](#), the president leads his nomination rivals Robert F. Kennedy Jr. and Marianne Williamson by 50 points. Moreover, Vice President Harris is unlikely to be dropped from the ticket either. Though some have doubted her strength as a candidate on a national ticket, Harris is being seen internally by many as finally catching her stride in the administration and was [recently named](#) to lead the White House's new office for gun violence prevention. **The 2024 general election is likely to be close.** A much-discussed [Washington Post/ABC News](#) poll conducted in mid-September found Trump with a 10-point lead over Biden, though the Post itself described it as an outlier. Most other polls have shown Trump and Biden running close to each other. **National polls are not especially meaningful at this point, though, because the Electoral College outcome is likely to come down to just a handful of key swing states.** These include Arizona, Georgia, Michigan, Pennsylvania, and Wisconsin, which flipped from red to blue between 2016 and 2020. Nevada, New Hampshire, and North

Carolina have also had slim margins in recent elections and will be battlegrounds next year. This is why Biden is heading to Michigan today, as blue-collar union members in the Midwest are an essential voter demographic that he needs to win for another four years in the White House. **Biden is already positioning himself for the general election.** After Michigan, he's [headed](#) to California for campaign fundraisers scheduled for today and tomorrow and then on to Arizona for another fundraiser on Thursday. His campaign has also started attacking Trump more directly. A communications adviser [criticized](#) Trump by name for "rooting for a government shutdown" in a statement to The Hill last week. Without a competitive primary, the Biden campaign is likely to continue pivoting to an expected general election rematch against Trump in the weeks and months to come.

House

The House will convene at 2:00 p.m. and is expected to consider noncontroversial measures under suspension of the rules. The chamber is also expected to vote on the FY24 Defense Appropriations bill. Roll call votes will be postponed until 6:30 p.m.

Senate

The Senate will convene at 3:00 p.m. and will resume consideration of the Securing Growth and Robust Leadership in American Aviation Act, which will serve as a shell bill for a continuing resolution. At 5:30 p.m., the chamber will hold a procedural vote on the bill.

White House

President Biden will receive his daily intelligence briefing at 9:00 a.m. At 9:55 a.m., the president will leave the White House to travel to Wayne County, MI where he is scheduled to arrive at 11:35 a.m.. At 12:00 p.m., Biden will join a picket line with members of the United Auto Workers. At 2:35 p.m., the president will leave Michigan to travel to San Francisco, CA, where he is scheduled to arrive at 6:55 p.m. At 9:30 p.m., the president will participate in a campaign reception.

Macroeconomic

At 11:00 a.m., the Peterson Institute for International Economics will hold a virtual discussion titled "Global Economic Prospects: Fall 2023." [More information here.](#)

Agriculture

At 9:00 a.m., the Farm Foundation will hold a virtual forum titled "What to Expect from the

2023 Farm Bill Now." [More information here.](#)

Cybersecurity

At 9:00 a.m., Washington Post Live will hold a virtual discussion titled "The Next Generation of Cyber Threats." [More information here.](#) Expected participants include:

- Lisa Monaco, deputy attorney general, Department of Justice

At 11:00 a.m., the Henry L. Stimson Center will hold a virtual discussion titled "The UN Cybercrime Treaty: Is it a Crime?" [More information here.](#)

Defense

At 12:00 p.m., the Center for Strategic and International Studies will hold a discussion titled "Strengthening the US Industrial Base." [More information here.](#) Expected participants include:

- William LaPlante, undersecretary for acquisition and sustainment, Department of Defense

At 3:00 p.m., the House Veterans' Affairs Committee Subcommittee on Technology Modernization will hold a hearing titled "Examining VA.gov."

Energy, Environment, and Natural Resources

At 11:00 a.m., the Henry L. Stimson Center will hold a discussion titled "Least Responsible, Most at Risk: Responding to Climate Threats in Coastal Developing Countries." [More information here.](#) Expected participants include:

- John Kerry, special presidential envoy for climate

At 4:00 p.m., the Center for Strategic and International Studies will hold a discussion titled "Purchasing for Impact: Making Procurement Work for All," focusing on support of localization and Sustainable Development Goals. [More information here.](#)

Geopolitical

At 9:00 a.m., the Brookings Institution will hold its 2023 Knight Forum on Geopolitics. [More information here.](#)

At 10:00 a.m., the Arab Center Washington DC will hold a conference titled "Democracy in Crisis: Geopolitical Shifts and US Challenges in MENA (Middle East/North Africa)." [More information here.](#)

At 1:00 p.m., the Middle East Institute will hold a discussion titled "Assessing Biden's Middle East Policy Approach, 2021-2023." [More information here.](#)

At 2:00 p.m., the Carnegie Endowment for International Peace will hold a discussion titled "One Year Later, What is the Status of the US Strategy Towards Africa?" [More information here.](#) Expected participants include:

- Molly Phee, assistant secretary for African affairs, State Department
- Judd Devermont, senior director for African affairs, White House National Security Council
- Johnnie Carson, special presidential representative for US-Africa leadership summit implementation, State Department

Healthcare

At 9:45 a.m., the Department of Health and Human Services will host its inaugural Hispanic Health Summit. [More information here.](#) Expected participants include:

- Xavier Becerra, secretary, Department of Health and Human Services
- Rep. Andrea Salinas (D-OR)
- Rep. Nanette Barragan (D-CA)
- Tom Perez, senior adviser, White House

Housing

At 1:30 p.m., the Federal Reserve will hold a community development research seminar titled "FedCommunities - Keys to Opportunity in the Housing Market: Research on Strategies for Preserving and Expanding Rental Housing Affordability." [More information here.](#) Expected participants include:

- Michelle Bowman, governor, Federal Reserve Board

Judicial

At 12:00 p.m., the Federalist Society for Law and Public Policy Studies will hold a discussion titled "Supreme Court Preview: What Is in Store for October Term 2023?" [More information here.](#)

At 4:00 p.m., the R Street Institute will hold a discussion titled "Patent Abuse, International Trade Commission Reform and the Advancing America's Interests Act." [More information here.](#)

Political

At 12:30 p.m., the Economic Club of Washington DC will hold a discussion with Governor Glenn Youngkin (R-VA) on "top policy priorities, including the recent passage of a bipartisan budget, and the upcoming 2023 Virginia elections." [More information here.](#)

At 2:00 p.m., the Bipartisan Policy Center will hold a virtual discussion titled "Is the Republican Party Becoming the Party of Populism?" focusing on pro-labor conservatives. [More information here.](#)

Tech-Media-Telecom

At 8:30 a.m., the National Institute of Standards and Technology will hold its CHIPS R&D Standards Summit for plenary and panel sessions. [More information here.](#)

Trade

At 10:00 a.m., the Hudson Institute will hold a discussion titled "Assessing US Trade Policy." [More information here.](#)



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