

ARTICLE

What health system leaders need to know ahead of the 2026 midterm election

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As the midterm election approaches, healthcare is a meaningful issue shaping candidate posture and voter perspective.

Consumer surveying suggests that healthcare cost is a critical issue facing many households. Three-quarters of people say that cost of care and insurance is one of the top three healthcare issues today—and 42% say it is the top issue, far outstripping any other. Furthermore, 55% of people are somewhat or very concerned about not being able to afford health insurance over the next year, and 59% express concern that they will have difficulty paying a medical bill.

Polling shows healthcare cost is the No. 1 healthcare issue for 51% of all voters leading into the midterm elections.

Although voter attention on healthcare remains strong and many candidates are highlighting healthcare issues in their campaigns, **we expect the midterm election itself may drive only limited impact on the direction of several key federal and state healthcare policies—many of which are already starting to impact health systems.**

In the most likely scenarios, the election will result in a divided federal government, leaving few levers to materially alter the significant reductions H.R. 1 has already set in motion or several other expected policy changes. Moreover, the persistent issue of healthcare cost growth shows no sign of abatement. As a result, we anticipate both parties will continue focusing on healthcare affordability at the federal and state levels, well beyond the November ballot.

Federal midterm election: Three possible outcomes and what they mean for healthcare

No change More change

Republicans retain both chambers

No change

House Senate

What it would take

Republicans would need to hold the House and the Senate.

Implications for healthcare

Republicans control Congress and the White House, but the 60-vote Senate rule still blocks a sweeping partisan health bill through any avenue other than reconciliation. Only narrow, budget-related, or bipartisan measures could advance. An ACA subsidy extension is least likely here, so elevated Marketplace premiums would likely persist.

Democrats flip the House

Some change

House Senate

What it would take

Democrats would need to gain a net of three House seats while Republicans would keep the Senate.

Implications for healthcare

Congress stays divided, so neither party can enact its own healthcare agenda. Flipping control of the House means Democrats would have more voice in congressional oversight of federal healthcare agencies and more influence over the annual funding bills. This may be the most realistic path to a bipartisan deal, such as extending ACA subsidies.

Democrats flip both chambers

More change

House Senate

What it would take

Democrats would need to keep every seat they currently defend and gain an additional three House seats and four Senate seats.

Implications for healthcare

Even with full control of Congress, Democrats face the same structural constraints: The presidential veto and the 60-vote Senate threshold are barriers to material legislative change, such as repeal of the 2025 law. Instead, Democrats would gain maximum oversight of the agencies, influence over funding, and the strongest position to press for an ACA subsidy extension and shape the 2028 presidential election.

Note: A fourth outcome, Democrats winning the Senate but not the House, is omitted as nearly impossible. The Senate is much harder for Democrats than the House, so any wave large enough to flip the Senate would most likely also flip the House first.

Policy levers: The mechanisms behind healthcare policy and what the 2026 midterms would shift

Policy lever

What the election would change

Relevance to healthcare

Policy lever

Reconciliation

The process Congress uses to pass new healthcare law when one party controls both chambers and the White House. This is how H.R. 1 passed in 2025.

What the election would change

The election will determine whether new healthcare law remains possible through 2028 (Republican trifecta) or closes until 2029 (Democratic flip of either chamber).

Relevance to healthcare

Congress passed a major healthcare law in 2025 via H.R. 1. If Republicans maintain control, they could pass a second package by end of 2026. If Democrats flip Congress, no further changes to that law are possible until 2029 at earliest.

Policy lever

Appropriations

Annual funding bills and the policy rules or restrictions attached to them, which set agency budgets and shape how programs operate

What the election would change

The party that writes the appropriations bills influences funding levels and rules. A Democratic flip shifts toward divided negotiation, risking shutdown and continuing resolutions instead of full-year funding.

Relevance to healthcare

Congress votes on funding for health agencies (e.g., NIH, CDC, community health centers) every year. These votes are where Congress adds rules about how that money is spent. The fall 2026 funding vote is the first major healthcare pressure point, regardless of who wins the midterms. Importantly, Medicaid and Medicare payments are automatic and don't go through this annual vote.

Policy lever

Agency

Federal regulations, guidance, and enforcement actions that determine how existing law is implemented and applied

What the election would change

Federal agency direction is set by the administration. Major changes would not happen until after 2028, but a flipped chamber could slow or spotlight decisions through oversight and subpoena authority. The Senate also confirms agency leaders.

Relevance to healthcare

CMS will spend 2026–2028 writing detailed rules for how the 2025 healthcare law actually works. This is where the real impact will take shape for health systems, especially through Medicaid.

Policy lever

Judicial

Court rulings and injunctions that interpret the law, resolve challenges, and can pause or reshape implementation

What the election would change

Most judicial activity is insulated from the 2026 midterm election. The midterms shift three narrower dimensions: (1) The pace of circuit and district court confirmations, which the Senate majority controls; (2) the volume of new litigation that follows from any new statutes Congress passes; and (3) the activity of state attorneys general.

Relevance to healthcare

Courts are already hearing cases about 340B rebates, student loans, and state payment rules. Rulings are expected through 2027. Expect more lawsuits as new rules roll out through 2028.

Policy lever

State

State statutes, waivers, and implementation decisions that determine how federal healthcare law lands within each state, in addition to state law

What the election would change

State elections determine which party controls implementation in each state. Governorships and state legislatures in play in 2026 will shape the direction for each given state.

Relevance to healthcare

States run their own Medicaid programs, set rules for insurance companies and hospitals, and decide how to implement federal law. State decisions often matter as much as federal ones—especially in the next 2–3 years while new federal rules roll out.

What is at stake for healthcare in the midterm election

Regardless of the midterm election outcome, it is unlikely to dramatically alter the most significant policies and issues shaping healthcare delivery and economics in the coming year. Most notably, Congress is unlikely to pass major new healthcare laws before the next presidential election. Any partisan bill would face a 60-vote threshold in the US Senate or presidential veto.

That said, we do anticipate that if Democrats flip the US House of Representatives or both chambers, this election outcome could impact how existing healthcare policies are funded and implemented over the next 2 years. Equally important, states will substantially impact policy through actions like Medicaid design and provider regulation. For most health systems, state-level policy moves will be as consequential as federal ones.

Eight policies in motion that will most significantly impact healthcare in 2027

Health systems will need to prepare for several concurrent and intersecting changes from recent policies. They should also seek to shape the dialogue in their communities and states, which in turn will influence policy implementation and impact.

While by no means a comprehensive list of everything in motion, we highlight below several critical policy domains that will meaningfully impact health systems in the year ahead, particularly as it relates to financial performance.

H.R. 1 Medicaid coverage loss

What is changing: New work/community-engagement requirements and more frequent eligibility verification begin in 2027. Coverage losses will reflect both new requirements and the challenges of documenting or verifying continued eligibility.

What will determine how the impact unfolds: State implementation approach will be central. The magnitude and timing of coverage losses will depend heavily on how states implement the new requirements, including their use of automated versus manual verification, beneficiary outreach, administration of exemptions, systems readiness, and implementation timing.

Election watch: State election outcomes could affect implementation choices, including approaches to verification, outreach, exemptions, and the level of administrative investment.

How to understand health system exposure: Exposure will be greatest for health systems with a significant Medicaid population and a larger safety-net role, particularly in states where implementation results in greater coverage loss or churn.

H.R. 1 Medicaid financing cuts

What is changing: New limits on provider taxes constrain how states finance their share of Medicaid, while tighter caps on state-directed payments constrain how much additional Medicaid funding can flow to providers. Together, these changes reduce state flexibility to sustain current Medicaid funding levels.

What will determine how the impact unfolds: State exposure and response will drive the magnitude and timing of the impact. Key factors include how heavily states rely on provider taxes today, whether they can replace lost financing through other state funds or redesigned mechanisms, and the size and transition rules of existing state-directed payment programs.

Election watch: State election outcomes could influence whether states replace lost financing, redesign Medicaid payments, or allow reductions to flow through to providers.

How to understand health system exposure: Exposure will be greatest for health systems in states that rely heavily on provider-tax financing and supplemental Medicaid payments, particularly where Medicaid represents a meaningful share of system revenue.

ACA Marketplace subsidies

What is changing: Enhanced Affordable Care Act (ACA) premium tax credits expired at the end of 2025, increasing net premiums for many Marketplace enrollees and contributing to lower enrollment in 2026. Marketplace enrollment fell by nearly 3 million, or 12%, between 2025 and 2026. Enrollment declines were smaller in states that offset some or all of the lost federal assistance.

What will determine how the impact unfolds: The trajectory will depend on whether Congress revisits enhanced federal subsidies, the size and duration of any renewed assistance, and whether states maintain or expand their own subsidies. Premium growth and insurer participation will also shape affordability, enrollment, and the stability of local Marketplace coverage.

Election watch: Federal election results could affect whether Congress revisits the expired enhanced subsidies and, if so, the scope and duration of renewed assistance. State election outcomes could also affect whether states fund or expand their own subsidy programs.

How to understand health system exposure: Exposure will be greatest for health systems serving markets with a meaningful Marketplace population and larger enrollment losses, particularly where patients have limited alternative coverage options.

340B payment and program changes

What is changing: The Centers for Medicare & Medicaid Services (CMS) has proposed materially lower Medicare payment for 340B-acquired drugs beginning in 2027, while separately accelerating an existing reduction to payments for other outpatient services. A new federal rebate model would also shift selected 340B drugs from upfront discounts to post-purchase rebates.

What will determine how the impact unfolds: The impact will depend on whether and how the proposed Outpatient Prospective Payment System (OPPS) changes are finalized, the scope and implementation of the rebate model, and the outcome of litigation.

Election watch: Federal election results are unlikely to alter the in-flight 2027 changes directly, but congressional control could affect broader 340B policy over the longer term.

How to understand health system exposure: Exposure will depend on both the importance of 340B economics to the health system and the interaction between drug-payment reductions, other outpatient payment changes, and the operational demands of a rebate-based model.

Site-neutral payments

What is changing: Medicare is continuing to narrow payment differences across outpatient settings. Lower payment for drug administration in certain off-campus hospital departments took effect in 2026, and CMS has proposed extending that approach to imaging without contrast in 2027. States are also increasingly restricting hospital facility fees and exploring broader site-neutral payment approaches in the commercial market.

What will determine how the impact unfolds: The impact will depend on whether CMS finalizes additional site-neutral policies, which services and hospital types are included or exempted, and how broadly the policy expands over time. At the state level, the pace and scope of facility-fee restrictions and commercial site-neutral payment policies will create additional variation across markets.

Election watch: Federal election results are unlikely to materially alter near-term rulemaking already underway, while state election outcomes could influence whether states advance or expand facility-fee restrictions and other commercial site-neutral reforms.

How to understand health system exposure: Health system exposure will vary based on the size and composition of the hospital-based outpatient footprint, the volume of services affected, and the extent to which current reimbursement depends on site-of-service differentials.

Tariffs and supply costs

What is changing: Tariffs on imported drugs, medical devices, and other healthcare supplies could raise input costs for hospitals and health systems. Medicare and other fixed or prospectively set payment rates may not adjust quickly or fully to offset those increases, creating additional margin pressure.

What will determine how the impact unfolds: Supply origins and available alternatives will shape the magnitude and timing of the impact. Key factors include which products and countries are subject to tariffs, the size and duration of the duties, and the extent to which suppliers pass those costs through to providers. The availability of domestic or alternative sources, along with the degree to which higher costs are reflected in future Medicare, Medicaid, or commercial payment updates, will also shape the effect.

Election watch: The president remains the primary near-term driver of tariff policy. Changes in congressional control could increase oversight or efforts to modify tariff authority but would not automatically change tariffs already in place.

How to understand health system exposure: Health system exposure will vary based on purchasing mix, service intensity, sourcing flexibility, and the ability to absorb or offset higher input costs.

Federal research funding

What is changing: Federal funding for research remains uncertain, with proposed reductions to NIH funding and changes to how research grants and indirect costs are funded. NIH is currently operating under a continuing resolution at FY2026 funding levels, while final FY2027 appropriations remain unresolved.

What will determine how the impact unfolds: The impact will depend on final congressional appropriations, the treatment of NIH indirect costs, how funding is distributed across institutes and research priorities, and the timing and terms of grant awards.

Election watch: If FY2027 funding remains unresolved going into the new Congress, congressional control could materially affect FY2027 and future NIH appropriations, as well as the legislative response to proposed grant and indirect-cost changes.

How to understand health system exposure: Health system exposure will vary based on the scale and mix of federally funded research and the extent to which research economics depend on indirect-cost reimbursement.

State commercial payment constraints

What is changing: Selected states are increasingly using rate caps, reference-based pricing, and other payment limits to constrain hospital commercial prices or price growth. Some states are also incorporating affordability and pricing considerations into broader health-system oversight, including merger and acquisition (M&A) review.

What will determine how the impact unfolds: State trends will determine the impact, including how states design these policies, which hospitals, services, and payers are covered, where payment limits are set relative to current rates, and how quickly changes take effect. The pace of adoption across additional states, and whether existing policies are expanded, will also shape the overall effect.

Election watch: Gubernatorial and legislative outcomes could affect whether states advance, expand, or modify commercial payment constraints and broader affordability oversight.

How to understand health system exposure: Health system exposure will vary based on where the system operates, how current commercial rates compare with applicable caps or benchmarks, and how much financial performance depends on continued commercial rate growth.

Health systems should prepare for sustained affordability pressure

Whatever the election outcome, health systems should not expect meaningful relief from the policy actions already underway to address healthcare costs—and should plan for the financial exposure those actions may create. Beyond November, leaders should continue to assess where emerging policy changes create risk, take steps to mitigate their impact, and make necessary adjustments to their business and care models.

Health systems also should be deliberate about their voice and positioning with policymakers at the federal, state, and local levels—not simply advocating for their interests but proactively helping shape credible solutions to the affordability challenge. Doing so will put health systems in a stronger position to influence how the next wave of policy takes shape.

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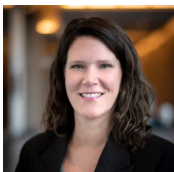
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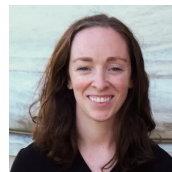
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