

January 18, 2019

Washington Update

This Week In Congress

House – The House passed: H.R. 268, “Making supplemental appropriations for the fiscal year ending September 30, 2019, and for other purposes;” H.R. 150, “To modernize Federal grant reporting, and for other purposes;” H.J. Res. 30, “Disapproving the President's proposal to take an action relating to the application of certain sanctions with respect to the Russian Federation;” and H.J. Res. 27, “Making further continuing appropriations for fiscal year 2019, and for other purposes.”

Senate – The Senate passed: H.R. 259, to extend the Medicaid Money Follows the Person Rebalancing demonstration, to extend protection for Medicaid recipients of home and community-based services against spousal impoverishment; and H.R. 251, to extend by 15 months the Chemical Facility Anti-Terrorism Standards Program of the Department of Homeland Security.

Next Week In Congress

House – The House may consider: H.R. 439, National FFA Organization’s Federal Charter Amendments Act; H.R. 624, Promoting Transparent Standards for Corporate Insiders Act; H.R. 56, Financial Technology Protection Act; and H.R. 428, Homeland Security Assessment of Terrorists’ Use of Virtual Currencies Act.

Senate – The Senate may consider S.1, Strengthening America's Security in the Middle East Act of 2019.

TAX

Senate Finance Chairman Grassley Explains 2019 Tax Agenda

Key Points:

- *Senate Finance Chairman Grassley (R-IA) indicates that tax extenders and IRS restructuring bill are first on the agenda for the committee.*
- *Chairman Grassley said he hopes to make permanent the short-line regional railroad track maintenance credit as well as tax incentives for biodiesel and renewable diesel fuel.*

Senate Finance Committee Chairman Grassley (R-IA) said tax extenders will be the first piece of major tax legislation that his committee will take up this year. According to Grassley, the momentum for extenders, as well as a separate

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Internal Revenue Service (IRS) restructuring bill, should build relatively quickly as both issues received bipartisan support in the previous Congress.

Further commenting on the tax extenders, Grassley indicated that he would prefer to make permanent the short-line regional railroad track maintenance credit as well as tax incentives for biodiesel and renewable diesel fuel.

Finally, Chairman Grassley stated on the Senate Floor that he would not support undoing changes implemented through tax reform, raising rates on passthrough businesses or corporations, or accessing tax returns “for political purposes.”

Senate Finance member Cardin (D-MD) said the noncontroversial tax provisions addressing retirement savings (referencing legislation from last Congress such as [RESA](#)) and IRS improvements could be included with the tax extenders in a broad package that could be moved early in the Congress. However, he noted that any action depends on how Chairman Grassley and House Ways and Means Committee Chairman Richard Neal (D-MA) work together.

Congressional Budget Office to Release Budget and Economic Outlook

The Congressional Budget Office (CBO) announced that it will release its annual [Budget and Economic Outlook](#) at 10:00 a.m. on Monday, January 28. The report will include economic and budget projections for the next decade. The office’s [most recent economic projections](#) were released last August, and the agency’s [most recent budget projections](#) were released last spring.

CBO Director Keith Hall will make brief remarks and will then answer questions about the report from 11:00 a.m. to 12:00 p.m. following the document’s release.

House Ways and Means Fills Leadership Positions, Adds One More Democrat and Three Republicans

Key Points:

- *Representative Mike Thompson (D-CA) will chair the Select Revenue Measures Subcommittee (formerly Tax Policy) and Representative Adrian Smith (R-NE) will be the ranking member.*
- *The Human Resources Subcommittee has been renamed the “Worker and Family Support Subcommittee.”*

At the start of the week, House Democrats added an eleventh new Democratic member to the Ways and Means Committee, Rep. Jimmy Gomez (D-CA). The House Republicans added three members to the Committee: Reps. Jodey Arrington (R-TX), Drew Ferguson (R-GA) and Ron Estes (R-KS).

In total, that increases the size of the committee by two, with a total of forty-two members, twenty-five Democrats and seventeen Republicans.

Later in the week, the Ways and Means Committee formally organized and Committee Democrats and Republicans separately filled out the leadership and membership of the subcommittees. One notable decision is that Representative Mike Thompson (D-CA) will chair the renamed Select Revenue Measures Subcommittee (formerly Tax Policy), and Representative Adrian Smith (R-NE) will be ranking member of that subcommittee which handles some aspects (such as hearings, but not markups) of tax policy issues. Given the indication that Chairman Neal will plan many

hearings on the TCJA, that subcommittee could be busy this year.

In addition, Representative Earl Blumenauer (D-OR) has been named the Trade Subcommittee chair over Representatives Ron Kind (D-WI) and Bill Pascrell (D-NJ), who had both expressed interest in that position. For the Republicans, Representative Vern Buchanan (R-FL) will be the ranking member of the Trade Subcommittee.

The majority Democrats have also renamed the Human Resources Subcommittee as the “Worker and Family Support Subcommittee.” The Subcommittee rosters for the Democrats can be found [here](#) and the Republican rosters can be found [here](#).

Hearing on Government Shutdown Tentatively Scheduled for January 24

Key Points:

- *House Ways and Means Committee Chairman Richard Neal (D-MA) invited Treasury Secretary Steven Mnuchin to testify in front of the Committee on the ongoing government shutdown.*
- *The Treasury recently released an IRS contingency plan that calls for more than 45,000 of the agency’s furloughed employees to return to work without pay.*

House Ways and Means Committee Chairman Richard Neal (D-MA) [invited](#) Department of Treasury Secretary Steven Mnuchin to testify before the committee on Thursday, January 24, at a hearing entitled “The Shutdown’s Impact on the Treasury Department and American Taxpayers.” Mnuchin, on Thursday, declined this request.

Earlier this week, IRS Commissioner Rettig canceled a briefing with the Committee on the same issue. The IRS recently announced that

tax filing season will begin on January 28, and that the issuing of tax refunds will move forward despite the ongoing shutdown. The Treasury, earlier this week, released an IRS contingency plan that calls for more than 45,000 furloughed IRS employees to return to work without pay for the filing season.

For more information about tax issues you may [email](#) or call Christopher Hatcher at 202-659-8201. Henry Homans contributed to this section.

FINANCIAL SERVICES

Chairwoman Waters Outlines Agenda for the House Financial Services Committee

Key Point:

- *Chairwoman Waters stated that her priorities include oversight of financial regulators, bank industry oversight, GSE reform, homelessness, diversity, sanctions, and reauthorization of the NFIP, TRLA, and Export-Import Bank.*

On January 16, in a [speech](#) before the Center for American Progress, Chairwoman Maxine Waters (D-CA) outlined her agenda for the House Financial Services Committee. Some of the issues she mentioned as part of the agenda include:

1. CFPB oversight and legislation.
2. Oversight of all financial regulators “to make sure that they are carrying out their statutory duties, including holding bad actors accountable, and promoting financial stability.”
3. Big bank oversight, including “holding many hearings” on them and their activities.
4. Oversight of fintech, recognizing the opportunities that can be opened to those with limited access to credit but also ensuring there are “strong protections for consumers... and that

- abusive payday lending practices must not be allowed.”
5. Credit reporting bureaus – “shift the burden of removing mistakes from credit reports onto the credit bureaus” and to put “limits on credit checks for employment purposes, reduce the time period that negative items stay on credit reports,” and other reforms.
 6. Tackling homelessness by providing more funding
 7. Reform the housing GSEs, Fannie Mae and Freddie Mac, with the following principles:
 - “maintaining access to the 30-year fixed rate mortgage;
 - ensuring sufficient private capital is in place to protect taxpayers;
 - providing stability and liquidity so that we can withstand any future financial crisis;
 - ensuring a smooth transition to a new finance system;
 - requiring transparency and standardization in a way that ensures a level playing field for all financial institutions, especially credit unions and community banks;
 - maintaining access for all qualified borrowers that can sustain homeownership and serving homeowners of the future; and
 - ensuring access to affordable rental housing.”
 8. Rigorous enforcement of fair housing laws.
 9. Diversity and inclusion – Promoting better workforce and supplier diversity, and oversight to ensure that implementation and enforcement of laws promoting racial, ethnic and gender equality. The creation of the Subcommittee on Diversity and Inclusion will be dedicated to looking at these issues under the Committee’s jurisdiction.
 10. International Affairs – Focus on the World Bank, regional development banks, and IMF to ensure that poverty alleviation and economic stability are advanced.
 11. Sanctions – Monitor all developments on Russia sanctions “to hold the Administration accountable for its actions..., and to ensure that the strongest possible sanctions against Russia are implemented and remain in place.”
 12. Bipartisanship and Reauthorizations – Chairwoman Waters emphasized that she would continue to find areas to work in a bipartisan manner, including on the upcoming reauthorizations of the National Flood Insurance Program (NFIP), Terrorism Risk Insurance Act (TRIA), and the Export-Import Bank.

House Financial Services Committee Announces New Members

Key Points:

- *The Democrats and Republicans announced their recommendations for new members of the House Financial Services Committee.*
- *The recommendations must still be approved by the House Democratic Caucus and the House Republican Conference.*

This week the House Financial Services Committee Majority and Minority announced their new appointments to the Committee. In the 116th Congress the Committee roster will include 35 Democrats and 26 Republicans, compared to 34 Republicans and 26 Democrats in the 115th Congress. On January 16, the

Democrats issued a [press release](#) announcing that the following members had been appointed to the Committee:

Representative Alma Adams (D-NC)
 Representative Cindy Axne (D-IA)
 Representative Sean Casten (D-IL)
 Representative Madeleine Dean (D-PA)
 Representative Tulsi Gabbard (D-HI)
 Representative Jesús García (D-IL)
 Representative Sylvia García (D-TX)
 Representative Al Lawson (D-FL)
 Representative Ben McAdams (D-UT)
 Representative Alexandria Ocasio-Cortez (D-NY)
 Representative Dean Phillips (D-MN)
 Representative Katie Porter (D-CA)
 Representative Ayanna Pressley (D-MA)
 Representative Michael San Nicolas (D-Guam)
 Representative Rashida Tlaib (D-MI)
 Representative Jennifer Wexton (D-VA)

They replace Representatives Michael Capuano (D-MA), Gwen Moore (D-WI), Keith Ellison (D-MN), Daniel Kildee (D-MI), John Delaney (D-MD), Kyrsten Sinema (D-AZ), and Ruben Kihuen (D-NV).

On January 15, the Republicans issued a [press release](#) announcing that the Republican Steering Committee had recommended the following members to join the Committee.

Representative Anthony Gonzalez (R-OH)
 Representative John Rose (R-TN)
 Representative Bryan Steil (R-WI)
 Representative Lance Gooden (R-TX)
 Representative Denver Riggleman (R-VA)

They replace Representatives Jeb Hensarling (R-TX), Ed Royce (R-CA), Stevan Pearce (R-

NM), Randy Hultgren (R-IL), Dennis Ross (R-FL), Robert Pittenger (R-NC), Keith Rothfus (R-PA), Luke Messer (R-IN), Bruce Poliquin (R-ME), Mia Love (R-UT), Dave Trott (R-MI), Thomas MacArthur (R-NJ), and Claudia Tenney (R-NY).

The appointments to the Committee must still be finalized by the House Democrat Caucus and the House Republican Conference, respectively.

Senate Banking Committee Announces Subcommittee Assignments

Key Point:

- *The Committee announced the subcommittee memberships and the Chairs and Ranking Members for their subcommittees in the 116th Congress.*

On January 17, the Senate Banking Committee announced its subcommittee assignments for the 116th Congress. The subcommittee chairmen and ranking members are listed below:

Housing, Transportation, and Community Development

Senator David Perdue (R-GA), Chairman
 Senator Robert Menendez (R-NJ), Ranking Member

Financial Institutions and Consumer Protection

Senator Tim Scott (R-SC), Chairman
 Senator Elizabeth Warren (D-MA), Ranking Member

Securities, Insurance, and Investment

Senator Pat Toomey (D-PA), Chairman
 Senator Chris Van Hollen (D-MD), Ranking Member

National Security and International Trade and Finance

Senator Ben Sasse (R-NE), Chairman
 Senator Mark Warner (D-VA), Ranking Member

Economic Policy

Senator Tom Cotton (R-AR), Chairman
 Senator Catherine Cortez Masto (D-NV), Ranking Member

Upcoming Hearings and Events**January 28**

Fixed Income Market Structure: The SEC will hold a meeting of its Fixed Income Market Structure Advisory Committee (FIMSAC). The agenda for the meeting includes updates and presentations from subcommittees. This event may be affected by the partial government shutdown, as the SEC is operating with only essential staff.

For more information about financial services issues you may [email](#) or call Joel Oswald at 202-659-8201. Alex Barcham and Rebecca Konst contributed to the articles.

HEALTH**CMS Announces New Payment Model for Medicare Part D*****Key Points:***

- *The Centers for Medicare and Medicaid Services announced two new payment models for Medicare Advantage and Medicare Part D aimed at better aligning incentives to choose drugs with lower list prices and find new ways to meet the unique health care needs of specific populations.*
- *Both demonstrations will be voluntary and begin in the 2020 plan year.*

On January 18, the Centers for Medicare and Medicaid Services (CMS) Center for Medicare and Medicaid Innovation (CMMI) announced a new payment model for Medicare Part D and Medicare Advantage plans. Department of Health and Human Services Secretary Alex Azar said “expanding choices for patients, aligning incentives, and providing new flexibility for insurers in Medicare Advantage and Medicare Part D will deliver better value from these programs.”

For Medicare Advantage, the new model updates the Value-Based Insurance Design model first introduced in 2017. The changes will test a series new delivery approaches beginning with the 2020 plan year including allowing plans to provide reduced cost-sharing and additional benefits to enrollees in a more targeted fashion; bolstering incentive plans can offer beneficiaries to take steps to improve their health; and increasing access to telehealth services. Beginning in 2021, the model will also test allowing Medicare Advantage plans to offer Medicare’s hospice benefit. Participation by plans in the model is voluntary and now available in all 50 state and territories.

For Medicare Part D, the Payment Modernization Model seeks to advance President Donald Trump’s blueprint to lower prescription drug prices. Beginning in 2020, the model will test the impact of a modernized Part D payment structure which creates new incentives to choose drug with lower list prices. Plans approved to participate will take two-sided risk for CMS’ federal reinsurance subsidy to allow performance-based payments to plan sponsors or to CMS based on spending. The plan will also offer new programmatic flexibility such as Part D Rewards and Incentives programs to promote engagement between plans and enrollees and improve beneficiary education on their benefit and prescription options. CMS will be releasing a

request for applications for eligible standalone plans to participate in the first year of the model.

Both models will run through plan year 2024. Read more about the Medicare Advantage model [here](#) and the Medicare Part D model [here](#).

Upcoming Hearings and Events

January 23

Single Payer: The Rand Corporation will hold a briefing on “What are the Potential Impacts of Single-Payer Health Care?”

January 24

Mental Health: The Bipartisan Policy Center will hold a briefing on “Integrating Clinical and Mental Health in the U.S.”

Research: The National Academy of Medicine will hold a webinar on “The Future of Health Services Research: Advancing Health Systems Research and Practice in the United States.”

For more information about healthcare issues you may [email](#) or call Nicole Ruzinski Bertsch or George Olsen at 202-659-8201.

TRADE

Government Shutdown Affecting Trade Operations

Key Point:

- Many employees from the Office of the U.S. Trade Representative (USTR), Commerce Department, U.S. International Trade Commission (ITC), and Customs and Border Protection (CBP) have been furloughed.

With the government shutdown set to reach the 1-month mark shortly, many employees at agencies critical to trade have been furloughed and related trade processes have stopped. Commerce’s Bureau of Industry and Security (BIS) and International Trade Administration (ITA) are no longer reviewing Section 232 exclusion requests. The 232 exclusion program, when operating had already been the target of frequent criticisms from companies and lawmakers who believe the process is too long, burdensome, and opaque. USTR furloughed all but 79 of its 265 employees on Monday, making it significantly more difficult for it to process Section 301 exclusion requests. The USTR is also supposed to be leading intensifying negotiations with China, a task that arguably requires a fully functioning staff at USTR and supporting agencies.

Senate Finance Chairman Grassley (R-IA) told reporters that trade negotiations with Japan and the EU, which can begin late January/early February, based on earlier notifications to Congress, will likely be delayed. The ITA and ITC are also unable to move forward with ongoing countervailing duty cases because of the shutdown. Perhaps even more importantly, the ITC report on the USMCA agreement (NAFTA replacement) potentially will be delayed by the shutdown.

USTR Releases EU Negotiating Objectives

Key Points:

- USTR included agriculture in its [summary of objectives](#) for a trade deal with the EU; EU Trade Commissioner Cecilia Malmström has previously said the EU will not discuss agriculture in negotiations.
- An EU trade minister explained EU negotiators are watching Section 232 tariffs on Canada and Mexico closely to see whether the U.S. is willing to be flexible in trade negotiations.

USTR released its summary of EU trade deal negotiation objectives Friday. Despite EU Commission President Jean-Claude Juncker and Commissioner Malmström's previous statements that "agriculture [will] not be part of such a trade agreement," USTR's summary called for the EU to reduce or eliminate agriculture tariffs, provide reasonable adjustment periods for U.S. import-sensitive agricultural products, and eliminate "practices that unfairly decrease U.S. market access opportunities," including non-tariff barriers and restrictive tariff rate quotas. EU Minister Jesus Zorrilla said the inclusion of agriculture in the USTR's objectives will not stop negotiations, though the EU is only open to harmonizing standards and regulations, not eliminating its tariffs. Zorrilla added that the EU is waiting to see whether the U.S. will remove tariffs on steel and aluminum from Canada and Mexico as part of the U.S.-Mexico-Canada Agreement (USMCA), which would be a sign that the Trump Administration can be flexible on trade. He also stressed the potential damage that could be caused from tariffs on automobiles and auto parts as a result of the Section 232 report due in February.

Senate Finance Chair Grassley (R-IA) apparently adjusted his general opposition to tariffs in one respect, noting that the possible threat of tariffs under Section 232 against auto imports may have some value in bringing the EU to the negotiating table more quickly. Chairman Grassley has been insistent that the US-EU talks cover agriculture, while the EU has resisted that course, which may explain his modified position on possible auto tariffs.

Ways & Means Trade Subcommittee Finalizes Leadership

Key Point:

- *As noted above in the Tax section, subcommittee leadership positions were determined this week.*

Representative Earl Blumenauer (D-OR) was tapped to chair the House Ways & Means Committee's Trade Subcommittee this week. Representative Blumenauer faced challenges from Representatives Bill Pascrell (D-NJ) and Ron Kind (D-WI), but was ultimately chosen by the subcommittee's seniority-based selection process. Representative Pascrell told reporters he would "think about" appealing the decision. Representative Vern Buchanan (R-FL) was chosen as the Ranking Member.

For more information about tax issues you may [email](#) or call Christopher Hatcher at 202-659-8201. Riyad Carey contributed to this section.

This Week in Congress was written by Rebecca Konst.