

**LAME DUCK OR BLAME DUCK?**

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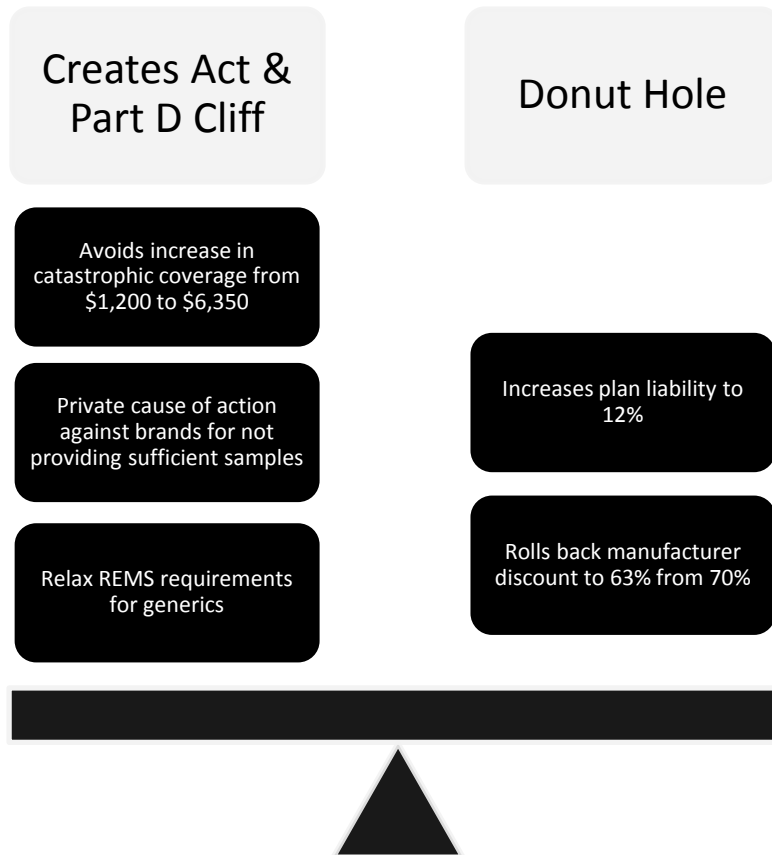
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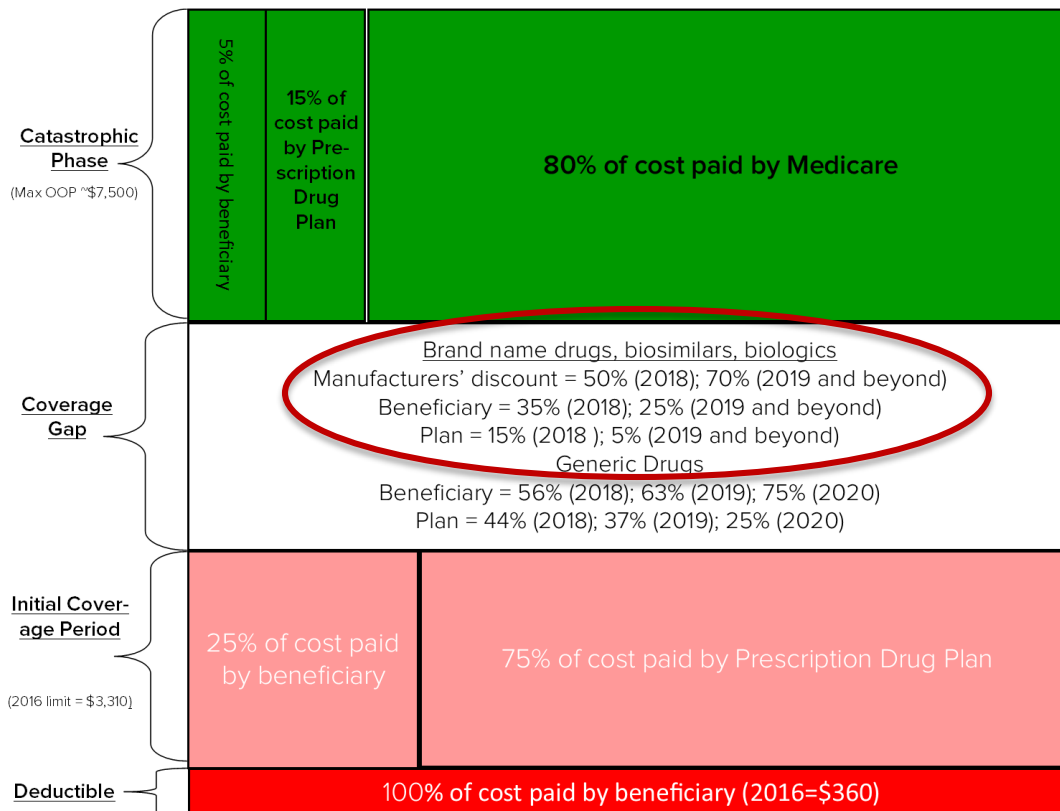
# CREATES ACT & PART D CLIFF

## TRADE OFF FOR PART D CHANGE



# MEDICARE PART D DONUT HOLE

## PHARMA WANTS TO ROLL MANUFACTURERS DISCOUNT BACK TO 63%



# OTHER POSSIBILITIES

## HOUSE-PASSED LEGISLATION

### Save American Workers Act

- Expands HSAs to working Medicare eligible individuals
- Increases contribution limits
- Establishes “copper” plan

### Increasing Access to Lower Premium Plans

- Delays Cadillac Tax until 2023
- Re-defines full time as 40 hrs, eliminates employer mandate until 2023
- Ends excise tax on tanning services

### Protect Medical Innovation Act

- Repeals Medical Device Tax

# OTHER POSSIBILITIES

## LESS LIKELY

### Extension of Medicare as Secondary Payer for Dialysis Treatment

- Almost included in opioid bill
- Opposed by insurance industry and employer groups

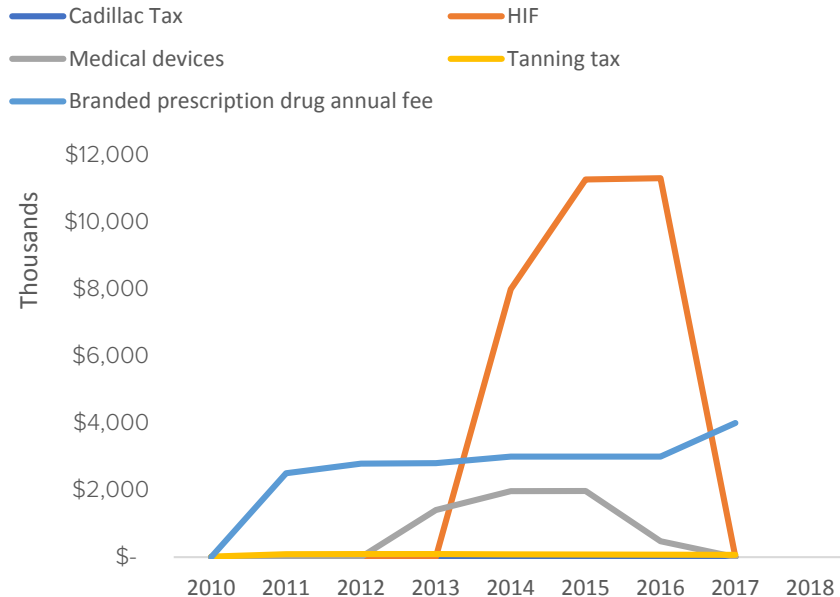
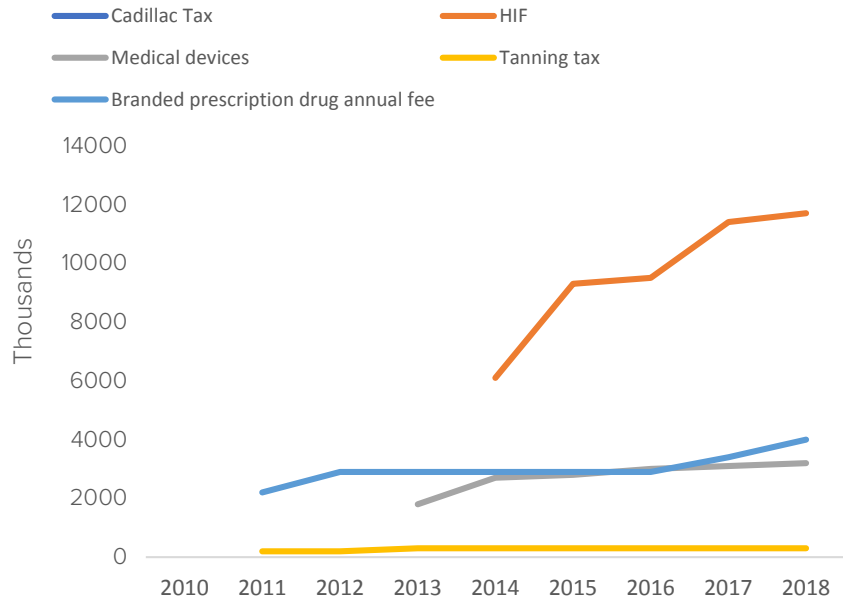
### End Surprise Billing Act

- Requires notice with estimate or charges prohibited

### Transparency in All Health Care Pricing Act

- Requires all entities offering health care products and services to disclose wholesale, retail and discounted prices on the internet

# ACA INDUSTRY TAXES – ACTUAL V PROJECTED



## JCT PROJECTIONS - 2010

- Projected collections for 2010 through 2017 = \$71B

## ACTUAL COLLECTIONS

- Actual collections 2010 through 2017 - \$54B
- Only taxes on tanning services and branded drugs have been consistently applied



# LEGISLATIVE PATH IF THE FARM BILL PASSES

## LOW-THC/INDUSTRIAL HEMP; THC < 0.3 PERCENT

Best Case Scenario = 18 to 24 months

### Farm Bill of 2018 (assume passage Nov-Dec 2018)

Amends CSA to exclude industrial hemp from definition of marijuana

Adds to crop insurance program  
Expands oversight of hemp production to include states & tribal authorities

### Drug Enforcement Agency

Decontrol or reschedule by rule

Develop and issue regulations on THC levels; state cooperation

Develop and issue regulations under CSA

Develop and issue regulations on interstate commerce

### Department of Justice

Revise sentencing guidelines

Revise guidance to state AGs

### Treasury Department

Revise banking regulations and anti-laundering regulations  
FinCEN guidance

### Food & Drug Administration

Develop and issue regulations on food/drug approval depending on reschedule or decontrol

- If the Farm Bill passes in the 2018 lame duck session – and that is a BIG if – then regulatory agencies would have to harmonize new law with regulation.....

- ...And address a lot of unknowns:

- Would industrial hemp be rescheduled or decontrolled?
- How will imports be regulated?
- What changes will be made to banking regulation?
- What is the impact on treaties?
- How will FDA regulate?

# THESE ARE THE KNOWN UNKNOWN

Will Industrial Hemp be rescheduled or decontrolled?

How will imports and exports be regulated?

How will bill affect banking regulations?

What is impact on treaties?

Will FDA regulate as food additive or drug?

# REGULATORY PATH IF THE FARM BILL DOESN'T PASS

## LOW-THC/INDUSTRIAL HEMP; THC < 0.3 PERCENT

Best Case Scenario = 4 to 5 years

### Farm Bill of 2018 (Doesn't Pass)

Created definition of Industrial Hemp D-9 THC < 0.3%  
Allowed universities and Ag depts to supervise or grow  
Applies to states that permit Industrial Hemp cultivation

### Drug Enforcement Agency

Re-interpret 2014 law  
De-control or re-schedule Industrial Hemp  
Revise internal guidance  
Revise CSIA guidance

### Department of Justice

Revise sentencing guidelines  
Revise guidance to state AGs

### Treasury Department

Revise banking regulations and anti-laundering regulations  
Revise 280e regulations  
FinCEN guidance

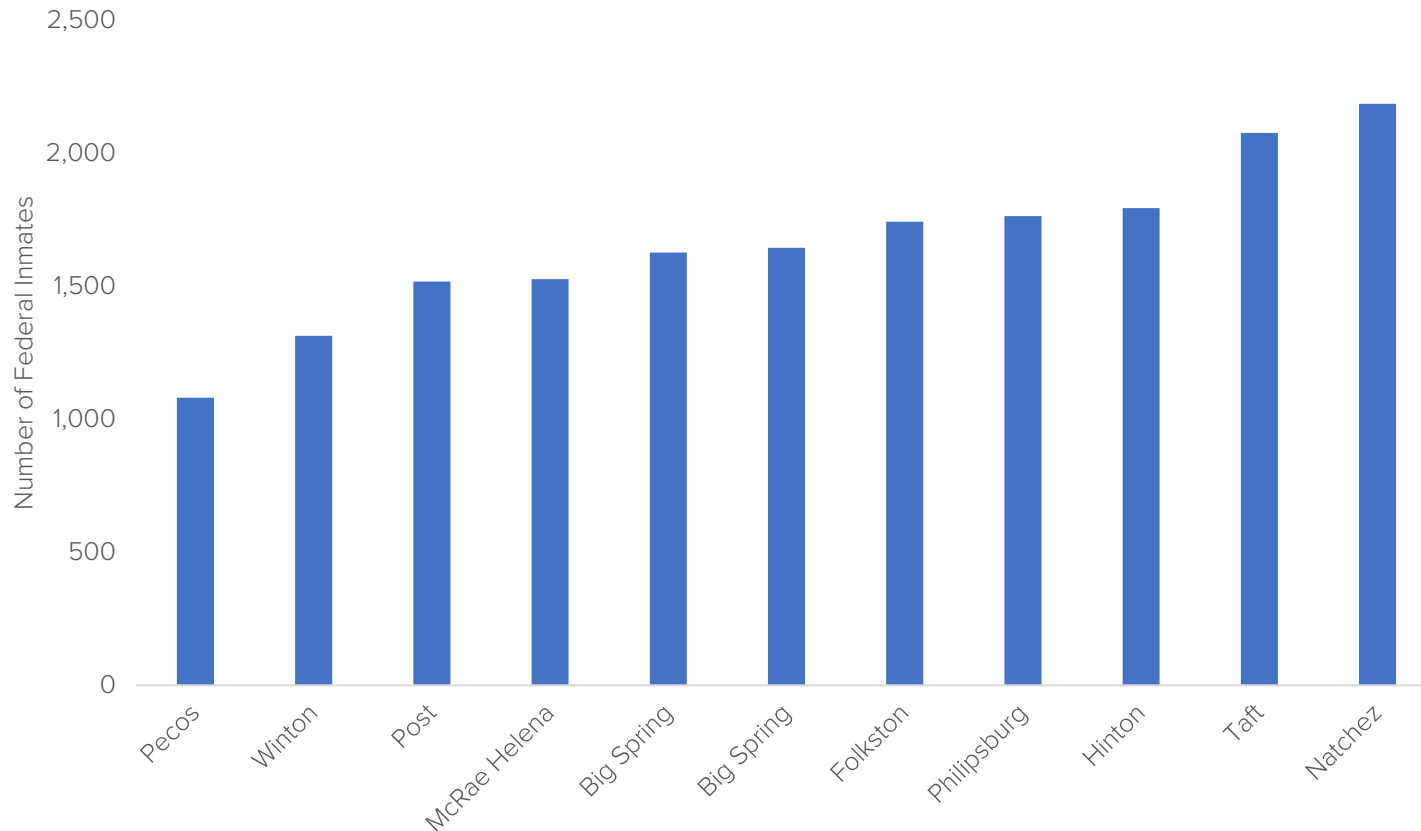
### Food & Drug Administration

Develop and issue regulations on food/drug approval depending on reschedule or decontrol

- This is the best of the worst case scenarios
- If the Farm Bill doesn't pass there are still regulatory path to getting something done at the federal level.
- At every step of the way, lawyers could find immovable obstacles in CSA/CSIA, etc.
- Predicated on White House being supportive, which has not been the case to-date.

# CRIMINAL JUSTICE REFORM

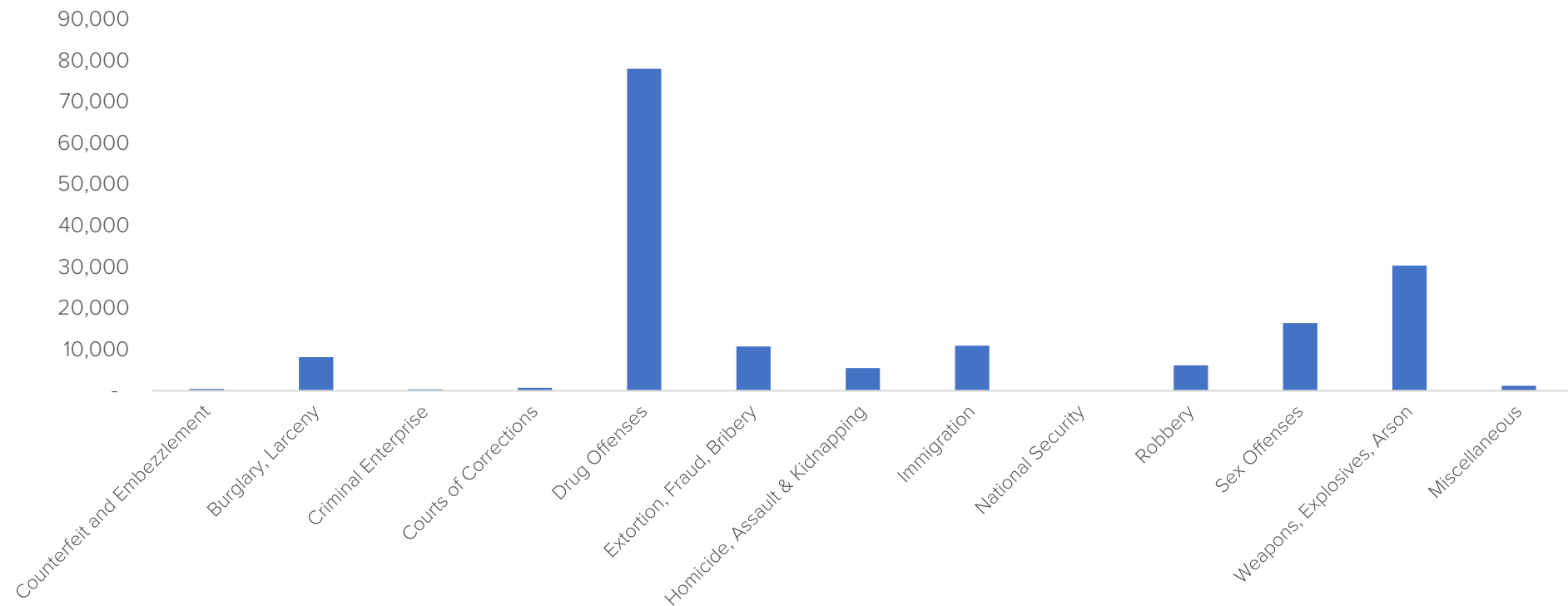
## PRIVATELY OPERATED FACILITIES



There are about 20,000 Federal offenders in privately managed facilities

- GEO operates the majority of the facilities and houses about 10,000 Federal offenders
- CXW operates two facilities – Natchez, MS and McRae Helena, GA – with about 3,700 inmates

# CRIMINAL JUSTICE REFORM



## DRUG OFFENSES DOMINATE FEDERAL PRISON POPULATION

- Almost half of all Federal offenders are incarcerated on drug offenses
- Next largest group are weapons offenders

# CRIMINAL JUSTICE REFORM

1

## WILL REDUCE CURRENT PRISON POPULATIONS

- Relies on anti-recidivism programs
- Includes compassionate care releases based on risk assessment
- Provides for alternative incarceration like home detention

2

## WILL LIMIT GROWTH OF PRISON POPULATIONS

- Reduces three strike penalty from life imprisonment to 25 years; 20 year minimum reduced to 15 years
- Triggering offenses for three-strike penalty reformed to be limited to serious drug and serious violent felonies
- Excludes from the definition of “serious drug felony” non-violent drug felonies for which sentence was completed more than 15 years ago
- Expands judicial “safety valve”

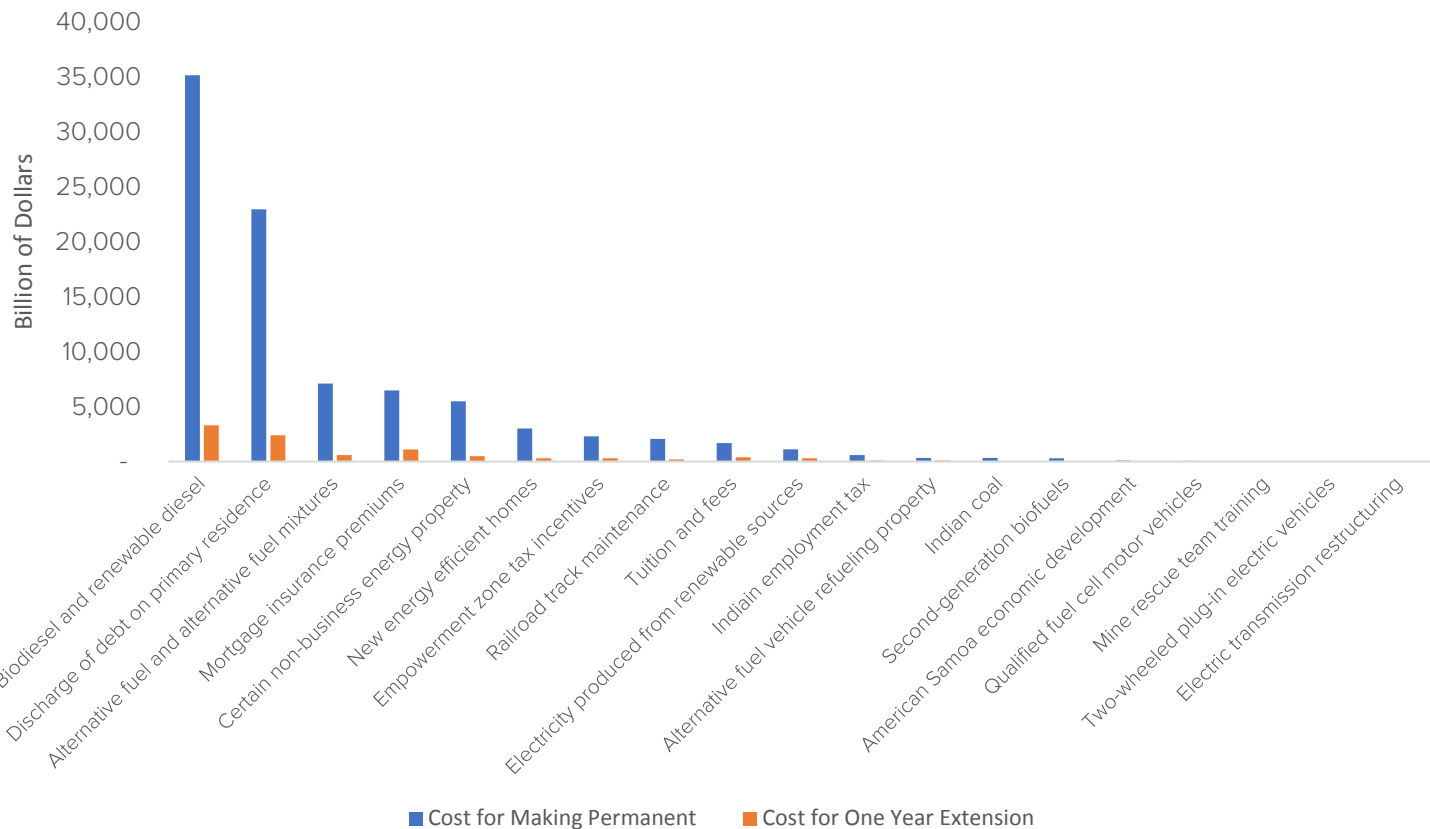
3

## IMPROVES PRISON CONDITIONS

- Requires prisoner to be located in facility close to primary residence
- Expands markets for prison industries
- Prohibits juvenile solitary confinement

# TAX EXTENDERS

## PROVISIONS NOT AFFECTED BY TAX REFORM LEGISLATION



Nineteen provisions were not implicated by 2017 tax reform legislation

Provisions can be extended, eliminated or made permanent

Cost for making all of them permanent is \$90 billion

One year extension is about \$9.6 billion

Another seven provisions relate largely to expensing and may be eliminated as redundant

# INTERNAL REVENUE SERVICE REFORMS

- 1 EXPAND TAXPAYER RIGHTS PROVISIONS**
- 2 REFORM LAWS GOVERNING IRS EMPLOYEES**
- 3 ENHANCE SCRUTINY OF IRS AUDIT CRITERIA**
- 4 PREVENT IDENTITY THEFT AND TAX REFUND FRAUD**



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