



The future of healthcare: Trump, policy and innovation

Is the healthcare sector ready for transformation amidst uncertainty? Investment Analyst Wilson Nghe explores the current state of the healthcare sector, highlighting the impact of Trump's policy initiatives and the surrounding political noise. Wilson explains that increased uncertainty in the sector adds to higher volatility and regulatory risk, which is crucial in assessing the healthcare sector's outlook and risks. Despite these challenges, there are significant opportunities in healthcare innovation, with companies like Stryker at the forefront of medical technology advancements, and with the rise of GLP-1 therapy development.

Could you discuss some of President Trump's policy initiatives and the related developments from his party, and how these impact our investment thesis in the healthcare sector?

The healthcare sector tends to be quite volatile leading up to a US election, especially with a new administration. This is because healthcare policies and politics are closely linked, a common scenario worldwide, including in Australia. With the new Trump administration, the current uncertainty is elevated compared to previous periods. This is driven by unorthodox appointments to key healthcare regulators, such as Robert Kennedy Jr., known for his anti-vaccine stance, and an Emmy Award-winning TV host poised to lead the Centers for Medicare and Medicaid Services (CMS). Additionally, there's a lack of clarity on key policies like Medicare and Medicaid, on which millions of Americans rely for healthcare access.

Furthermore, the healthcare sector is affected by other Trump administration pursuits, such as proposed tax cuts that need funding, with healthcare spending being a significant part of the US government budget. There are also potential impacts on the sector from tariff changes.

Considering all of this, does this change your perspective on the outlook and risk assessment for the healthcare sector?

Increased uncertainty adds to volatility, making regulatory risk higher than usual, which is a crucial factor when assessing risk for healthcare companies. It's important to consider the extent of potential policy changes. On the positive side, US healthcare regulations and policies might be harder to change than they initially appear. For example, during President Trump's first term, fears about the Affordable Care Act being completely overhauled did not materialise as expected.

Additionally, potential tariff rises pose significant risks to the healthcare sector. It's essential to determine whether the proposed tariffs will be implemented or used as bargaining tools for other strategic aims. These tariffs affect the sector because many inexpensive generic drugs, which help lower overall healthcare costs, are imported from other markets.

Where are you seeing opportunities given there is not a uniform response from the market on how this healthcare sector is performing?

In the healthcare sector, we focus on companies that are key innovators in care delivery, emphasising high-quality and efficient patient outcomes. This approach helps insulate us from regulatory risks, as these companies are less likely to be targets of regulation. Stryker is a prime example, being one of the world's largest medical device companies. They have developed a robotic arm that improves patient recovery rates and speeds up surgery times in overcrowded hospitals with limited bed capacity.

We also consider broader parts of the healthcare sector where products or services are paid for out-of-pocket by consumers or have a focus on commercial payers. This strategy diversifies our risk compared to companies that rely heavily on government spending for revenue. While uncertainty and volatility are high, there are interesting opportunities and entry points available, provided we conduct thorough due diligence.

Given your previous discussions on Magellan Minutes and our podcast on GLP-1s, could you provide an updated perspective on the weight loss drug market? How do you view this industry moving forward, and what are you currently focusing on?

The impact of weight loss drugs is expected to be massive, marking one of the most interesting developments in healthcare in a long time. Currently, the market is still in its early stages. Key factors to watch include reimbursement in the US and the evolving cost of these drugs. This year, pivotal clinical trial readouts from leaders Eli Lilly and Novo Nordisk are anticipated, showcasing the next generation of injectables and oral pills that promise even greater weight loss for patients. The new oral options, being easier to manufacture, add to the excitement.

Reimbursement policies in key markets like the US continue to evolve. The Biden administration initiated the process of reimbursing weight loss drugs for obesity, and now it is up to the Trump administration to decide on reimbursement and pricing. This market is shaping up to be very interesting, with a large patient population expected to use these drugs over the long-

term, and significant innovation from the leading companies.

[Magellan Minutes series 8: Innovations shaping the global healthcare universe](#)


[Magellan In The Know: The weight loss drug shaping up as a gamechanger](#)

[Magellan In The Know: Insights from the US: An update on the Impacts of GLP-1 on healthcare systems](#)

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