



[Auto Casualty](#), [Workers' Comp](#)

# The Implications of Trump's Health Care Executive Order for Workers' Compensation and Auto Insurers

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On April 15, 2025, President Donald Trump signed a significant health care executive order aimed at reducing health care costs and providing substantial benefits to the pharmaceutical industry. While the order promises innovation and cost savings in the long run, it presents immediate challenges for workers' compensation and auto insurers.

As the first in a two-part series, this article examines the immediate impacts of President Trump's health care executive order on these insurers. The second piece, [available here](#), will explore how insurers can leverage advanced bill review technologies to navigate these changes effectively.

## **Key Changes Introduced by the Executive Order**

The executive order introduces three major changes to the health care landscape.

1. Extends the timeline for Medicare to negotiate prices for small molecule drugs from nine years to thirteen years, aligning the negotiation period with that of biologic drugs.
2. Eliminates the "pill penalty" established under the Inflation Reduction Act, which has been criticized for hindering innovation in small molecule drugs. This change aims to encourage investment in these drugs, which are generally more affordable and treat larger patient populations.
3. Imposes significant tariffs on pharmaceutical imports, particularly targeting drugs from Canada, Mexico and China, with the intention of bringing drug production back to the United States. Due to the variability and the dynamic changes affecting tariffs, we will address tariffs in a separate and more focused article.

## **Impact on Workers' Compensation Payers**

Workers' compensation payers are likely to face several challenges due to these changes. The delay in Medicare drug price negotiations and the timing of tariffs may lead to higher drug prices, potentially increasing overall expenses for insurers who cover the cost of medications for injured employees. Additionally, bringing drug production back to the U.S. can lead to supply chain disruptions, resulting in temporary shortages or delays in the availability of certain medications.

However, the elimination of the "pill penalty" could spur innovation in small molecule drugs, potentially leading to new and more effective treatment options for injured employees. While this presents a positive outlook for the future, it's important to note that the benefits of these innovations may take time to materialize.

## **Impact on Auto Payers**

Auto insurers who cover medical expenses from car accidents may face similar challenges to workers' comp payers. The delay in price negotiations and implementation of tariffs can drive up medication costs, while international supply chain disruptions might create shortages of essential medicines. However, there are some positive aspects to consider. The industry's increased focus on small molecule drug innovation could eventually provide better treatment options for auto accident injuries. Additionally, although price increases are a concern, several factors will likely slow their impact. These include existing fee schedules, Average Wholesale Price (AWP) establishment, and the Consumer Price Index (CPI), all of which typically respond gradually to market changes.

## **Five Proactive Strategies for Payers**

To prepare for the likelihood of these changes, payers can consider several strategies.

1. Enhancing risk assessment and pricing models to account for potential increases in drug costs and supply chain disruptions will be crucial. Regular reviews and updates of policies will ensure they reflect the current health care landscape and regulatory environment.
2. Maintaining open lines of communication with policyholders, health care providers, and regulators will help insurers stay informed about changes and address any concerns promptly.
3. Leveraging technology, such as advanced analytics and artificial intelligence, helps improve risk management, claim processing, and customer service.
4. It's also vital for insurers to stay informed on regulations and actively participate in industry discussions to advocate for policies that support the insurance sector.
5. Leveraging advanced bill review technologies can also help to address the potential impact of policy changes and provide insights into leveraging informed decision-making in this new environment.

## **Conclusion**

While the long-term benefits of increased innovation and domestic drug production may be positive, the immediate effects may be delayed in property & casualty due to cost controls already in place. By staying proactive and embracing innovation, payers can navigate these challenges and continue to provide effective coverage for their policyholders. In our next article, we'll explore how insurers adapt to these changes through enhanced data analysis and strategic insights as part of their bill review program.

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