

**Must reads from the 2017 POLITICO Pro Policy Summit
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By POLITICO Pro Staff**

Full videos from the Summit are available [here](#).

State flexibility could save Obamacare; coverage debate has ignored health care costs
Health Care Reform: Now What?

Congress still can't decide whether to kill Obamacare or pass a bill to fix it — with the latter surprisingly being a more likely scenario. But it might take a nudge from President Donald Trump to get a bipartisan Senate repair bill it over the hump.

"I think we have a good chance of passing a bipartisan bill in both [House and Senate] said Rep. Frank Pallone (D-N.J). "Most Americans want us to improve the Affordable Care Act, and most members of Congress do as well."

But more work has to be done before any deal is done. Many lawmakers will agree that they should fund the subsidies that help low-income people cover out of pocket expenses. But the GOP doesn't want to sign off on those payments without something in return: giving states a lot more flexibility to adapt some Obamacare provisions, said Tevi Troy, CEO of the American Health Policy Institute and a health official in the second Bush administration.

Democrats are wary of giving too much flexibility, afraid some states could water down patient and consumer protections, including access to essential health care benefits.

Former Kentucky Gov. Steve Beshear, a Democrat who implemented the ACA successfully in his state, was doubtful that the congressional leadership would get a compromise repair bill through. "They need to head to the White House" and get Trump involved, he said.

One thing all the panelists agreed on: No matter what happens on Obamacare, the country will still have to deal with health care costs.

"We all sit here and say we want to cover more people, [but we] can't do that if we don't deal with the underlying cost problem," said Marilyn Tavenner, the head of America's Health Insurance Plans.

Space tourism industry warns against of over-regulation

The New Space Race: Rethinking NASA for the Age of Private Space Exploration

Rep. John Culberson, whose subcommittee oversees NASA appropriations, said he'd like to see the space budget climb back up to two or three percent of gross domestic product — a substantial increase from .5 percent of GDP today but still short of the four percent level during the height of the Apollo program. Yet he acknowledged it may take a major discovery to “electrify” the public to support that level of investment.

The Texas Republican, who is also an amateur astronomer, was wide-eyed with excitement about one upcoming mission that he thinks may be able to spark such interest: the unmanned mission to study the saltwater oceans of Europa, one of Jupiter's moons, where NASA hopes to discover life. He bragged that due to his legislative work, “it is illegal for NASA not to fly this mission.”

Culberson also told attendees he envisions private companies like Virgin Galactic soon offering space travel services akin to “catching a cab outside the hotel” to reach to low-earth orbit.

George Whitesides, the company's CEOs, urged the government not to stifle such private space ventures like his, which plans to send tourists into space as soon as next year. “We don't want to screw it up by overregulating,” he told attendees. “There's some really enlightened policy right now as it pertains to human space flight, and I think we need to maintain that regulatory framework.” Whitesides said he envisions eventually sending millions of private citizens into orbit, insisting that “NASA's job has not been to open up space for the rest of us, it's been to explore.”

Social media companies are in congressional crosshairs

Government-backed hackers: How America can thwart overseas digital assailants

Conversation with California Rep. Adam Schiff, ranking member of the House Intelligence Committee

Rep. Adam Schiff (D-Calif.) detailed the questions that remain unanswered as his committee probes Russia's alleged digital meddling in last year's presidential election. Recently, Schiff and his staff have been digging into the role that Facebook and other social media platforms played in helping spread Russian misinformation about the election. “There's a lot that we need to know further from the social media companies,” said Schiff, adding he wanted executives from Facebook to testify about the Russian entities that purchased geographically targeted political ads during the campaign. Schiff declined to put a timeline on the House investigation, but shot down the notion that the panel would issue an interim report in the near future, something Senate investigators have considered.

He also called for a bigger federal role in securing election software: “We need to encourage states to require that vendors of election software be transparent with the federal government so we can identify vulnerabilities that can be exploited.”

Read more: [Schiff: House won't issue interim report on Russian hacking](#)

North Korea poses gravest cyber-security threat

Conversation with Dmitri Alperovitch, co-founder of cybersecurity firm CrowdStrike

CrowdStrike co-founder and CTO Dmitri Alperovitch painted a grim picture of the foreign cyber threats the U.S. faces from digital adversaries, singling out North Korea as particularly concerning. “Out of all the nation states that we face in cyberspace ... North Korea worries me by far the most,” he said, calling the regime’s hackers “incredibly capable” and possessing the motivation to target the U.S. financial sector if they believe war is imminent. “They absolutely have the capability,” Alperovitch said. Meanwhile, Iran is becoming more engaged in digital economic espionage as Tehran slowly reintegrates into the global economy following the country’s agreement to wind down its nuclear program in exchange for the lifting of economic sanctions. “We’ve been seeing a steady pick-up in Iranian intrusion activity,” Alperovitch said. Iran is also engaged in “destructive attacks” in the Middle East and has entered into digital proxy wars through the regime, a development Alperovitch called “extremely worrying” because it can escalate into a traditional shooting war between countries.

A 2015 agreement between the U.S. and China to curb the digital theft of corporate secrets appears to be keeping Beijing’s hackers at bay — for now. “We’ve been seeing a drop in activity since that agreement,” said Alperovitch. Still, “it hasn’t stopped,” he added. “It’s not complete cessation.”

Trump administration considering sunset clause on NAFTA

An interview with Commerce Secretary Wilbur Ross

Commerce Secretary Wilbur Ross launched a forceful defense during his interview of the president’s trade agenda, telling POLITICO editor-in-chief John Harris that Trump is right to withdraw from NAFTA if he does not get the changes he would like to see in the ongoing renegotiation. Ross also said the U.S.-South Korea free trade agreement has not been as beneficial as anticipated and said dealing with the problem of North Korea’s missile program will not stop the administration from fulfilling campaign promises and cracking down on China’s trade practices.

Ross also confirmed a POLITICO report that the U.S. is considering adding a “sunset” proposal in NAFTA 2.0, which would automatically terminate the deal after five years unless all three parties agree to renew it — marking the first time a member of the Trump administration had publicly acknowledged the idea was on the table.

“In any negotiation, if you’re not prepared to withdraw at the end of the day if you don’t get a reasonable deal, you don’t have a negotiating position. And it doesn’t make any sense to bluff: President Trump is not a bluffer. Anybody who has dealt with him over the years, as I have, knows that,” said Ross.

Referring to the idea of withdrawal, Ross said: “It’s a very real thing, but it isn’t the preferred option. The preferred option is to fix what’s wrong with it.”

Asked about a deadline to wrap up NAFTA talks: “The political calendar is such that if we don’t get a deal more or less by the end of the year — not a precise day, but more or less that time zone — it will get harder and harder.”

FDA to delay nutrition labeling rules; may add regulations on opioids
Regulating in the Trump Era: The Case of the FDA

FDA Commissioner Scott Gottlieb discussed his approach to food and drug regulations in a deregulatory climate. While some regulations are old and obsolete, he argued, in some cases the FDA may be more interventionist in creating rules to restrict things like opioid prescribing to fight addiction.

“I don’t think about it as more or less regulation,” Gottlieb said. “The way I approach it is ... thinking about what our public health challenges are and how we’re going to address them.”

FDA is also moving on an agency-wide effort to expand transparency, Gottlieb said, including considering releasing “complete response letters” — which explain why a drug or device is not being approved. FDA also wants to provide better access to drug adverse event reports, which are often hard for clinicians to search and use.

On food policy, Gottlieb provided some key updates on pending rules. Gottlieb revealed the FDA will be pushing back the compliance deadline for the new nutrition facts labeling by a year, but then later tweeted that he misspoke and that the timing will be “closer to 18 months.”

Some in the food industry had advocated for 2021, or a date that would line up with USDA’s coming GMO disclosure rules. On menu-labeling, which would mandate calorie counts at restaurants, movie theaters and grocery store, the commissioner said FDA is not reopening that rule. “Menu labeling is here to stay,” Gottlieb said, though business will have until May 2018 to comply.

Read more: [FDA chief: Boosting competition is key to tackling drug prices](#)

Tech companies face growing pressure to create jobs outside Silicon Valley
Rust Belt to Tech Belt

Steve Case cautioned tech companies to be “careful” with backlash toward the industry brewing in Washington and said the big players should make more investments outside of Silicon Valley. “There is this growing sense, and you’re starting to hear it more in D.C., ‘Maybe these companies are a little too powerful. Maybe Silicon Valley is a little bit out of touch with the reality out there,’” the venture capitalist and AOL co-founder said. Some companies are already starting to do so, with Amazon recently saying it could locate a second headquarters anywhere in the country. But California Democratic Rep. Ro Khanna, who represents a chunk of Silicon Valley, said companies like Amazon shouldn’t be seeking tax breaks up front for such investments. “That can lead to a race to the bottom. And it takes advantage of communities that may not have the infrastructure. This is why I think we need a federal policy that will help encourage investment,” Khanna said.

Read more: [Steve Case warns tech firms to be “careful” about growing backlash in Washington](#)

Summit poll: Amazon should consider Detroit

Summit attendees have some advice for Amazon as it considers where to build a second North American headquarters. An overwhelming 75 percent of those who responded to a poll at the Pro Summit say the online retailer should choose a region that needs jobs versus a city that already has strong job growth and a ready high-tech workforce. Sixty percent suggest Amazon choose Detroit or another former big-city industrial powerhouse.

(Disclaimer: These polls of Pro Summit attendees were not scientific.)

Driverless car industry welcomes regulatory framework

America is in a race for leadership in driverless car technology, said John Krafcik, CEO of Waymo, Google's self-driving car initiative. "There's an important thread of American competitiveness here, and I think you could make the case that self-driving cars really are the next space race. It's critically important that we get it right." The technology of autonomous vehicles "probably is the hardest" and most important aspect to perfect, but their first widespread application could be shared-mobility fleets in dense, urban areas, Krafcik suggested.

Although policy remains a challenge to realizing the technology, Krafcik praised Washington policymakers for the steps made toward creating a regulatory framework for driverless cars, saying, "We're off to a good start." Consumer acceptance — a recent POLITICO/Morning Consult poll showed 51 percent of people weren't interested in even riding in a driverless car — is another crucial challenge the nascent industry has to face, but one that is "solvable."

"Once you get people in the car, they tend to feel confident and comfortable," Krafcik said. Autonomous vehicles could lead to job losses as well as new job gains, Krafcik said, adding that there is time for society to prepare. "I think we have to think so carefully and compassionately about the sorts of local disruptions that we might have, because we will, right?"

Brady: Trump will 'find someone' to work on tax

The View from Ways and Means: Prospects for Tax Reform

House Ways and Means Chairman Kevin Brady (R-Texas), acknowledging Trump's cooperation with Democrats on major policy issues, said Republicans would welcome working with Democrats on areas of common ground within tax reform.

"If Republicans aren't willing to unite and deliver on tax reform, he'll find someone else," to work with on tax reform, said Brady, who also kept the door open to working with Democrats on the tax overhaul. "That doesn't preclude bringing the best minds ... from our Democratic colleagues [to the table] as well."

"I think there's common ground to build on," Brady said, though he signaled that much work remains, including passing a budget.

"We need to take a hard look at all that underbrush in the code," to drive business rates lower and preserve immediate expensing for large purchases in a tax overhaul.

Meanwhile, the top Democrat on the House Ways and Means Committee is optimistic about possible bipartisan coordination on tax reform.

Rep. Richard Neal (D-Mass.) said he thinks there's "room there for conversation" on "building out" tax reform around provisions aimed at aiding the middle class.

"I think there's some room given that for the moment, just for the moment, that the administration seems to be in sync with the middle-class positions that we would adopt," he said.

Summit attendees disagree on tax reform — but agree that stocks overvalued

Among Summit attendees, there was no consensus on where to put priorities for tax reform. Reducing individual tax rates was deemed tops by 31 percent of respondents, 22 percent voted for reducing the corporate tax rate, 20 percent said repatriation of offshore earnings. But many aren't sure at all with 27 percent saying none of the above.

Only 11 percent said they think tax reform will be accomplished by the end of 2017, despite it being the top stated priority of Trump.

Attendees, by a large majority, also agreed that the stock market is overvalued. Of those polled, 72 percent said — after being told the S&P 500 has added \$2 trillion in value since Trump took office — deemed the market overvalued. Another 20 percent said it's accurately valued, while 7 percent said it's undervalued.

White House will push a new corporate tax rate **An Interview with Treasury Secretary Steven Mnuchin**

Look for a specific corporate rate in an upcoming outline on tax reform, Treasury Secretary Steven Mnuchin said, as well as details on plans to get rid of the business deduction for borrowing and changes to companies' write-offs.

The details are set to be released during the week of Sept. 25.

"I think you'll have extensive details on all of that," Mnuchin said when asked about the debate on the corporate rate, interest deductibility and expensing.

He also said the tax reform plan isn't going to cut income taxes on top earners.

Separately, Mnuchin wouldn't say whether Treasury would allow mortgage giants Fannie Mae and Freddie Mac to keep some capital, rather than sending profits to the U.S. government every quarter. But he said he has told their regulator that he still expects dividends to be paid.

"I've been pretty consistent with [Federal Housing Finance Agency head] Mel Watt," Mnuchin said. "We expect our dividends to be paid."

Mnuchin also defended his request to take a government plane on his honeymoon, insisting it was about national security and not "convenience."

"Let me be clear: I'm very sensitive to the use of government funds," Mnuchin said. "I've never asked the government to pay for my personal travel, and this was purely about alternatives of how I'd be able to be involved for national security."

Read more: [Mnuchin: Honeymoon plane request was "not about convenience"](#)

Republican strategy for holding the House comes down to two words: Nancy Pelosi

The Battle for the House: 2018

There is "no indication" that the White House will intervene in House GOP primaries, said Joe Pileggi, political director of the NRCC.

"Our job is to protect our members in the primary," Pileggi said. "We have a great relationship with the White House."

Pileggi and Dan Sena, executive director of the DCCC, disagreed over the influence of President Donald Trump and how either party can garner the House majority. For Pileggi, the key to keeping the Republicans on top came down to two words: Nancy Pelosi. While Democrats, Sena said, are keying in on opportunity. There are 60 to 85 races this cycle that are viable targets for Democrats, Sena said, adding, "We will spend in any race if the option is viable."

Read more: [NRCC: "No indication" White House will intervene in GOP primaries](#)

Tax reformers ignoring long-term debt

Raising the Debt Ceiling: The Challenge of Long-Term Debt

Congress' current push for tax reform could serve as a springboard to address long-term U.S. debt. But a narrower partisan approach probably won't yield reform of so-called entitlement programs or new revenue ideas — and putting it off risks long-term disaster. As of last week, the debt stands at more than \$20 trillion.

"We're in what I would call concern-about-the-debt-free zone," said former Sen. Kent Conrad, a North Dakota Democrat. Neither the left nor the right wants to tackle the national debt right now, panelists said, because party bases have other priorities. The American Enterprise Institute's James Pethokoukis said Republicans have abandoned some tools for deficit-neutral tax reform.

"There's not any political reward for doing so," Conrad said. "The reward is, if you're on the left, in promising lots of things that would be free — Medicare for all, free college. On the right ... they're even confused by where the reward lies."

Net Neutrality reversal likely to face legal challenge

The Future of Net Neutrality

At the Pro Summit's net neutrality session, officials representing AT&T and wireless companies were at odds with a policy director for Reddit on whether Congress can or should reach a bipartisan deal to enshrine net neutrality protections. Jessica Ashooh, Reddit's director of policy, said policymakers are "not there yet" and is "puzzled" at the rush to repeal the Obama-era 2015 rules at the FCC, noting that net neutrality even wildly divided the administration's supporters in the Trump subreddit. AT&T Vice President Brent Olson and Robert McDowell, chief public policy adviser at Mobile Future, both pushed for legislation and insisted this would provide needed certainty for industry. Gigi Sohn, a Democratic former FCC aide who helped write the rules, said she didn't trust the current GOP-led Congress to produce legislation to protect the public interest and said she'd rather take her chances in court defending the 2015 regulations.

Failing technology a 'true crisis' for federal government **Making Government Tech Work: What Will it Take?**

The Trump administration's Office of American Innovation continues to engage with tech CEOs despite serious divides they have had with Trump over issues including DACA and climate change, said Matt Lira, special assistant to the president for innovation policy and initiatives. Modernizing government technology resonates with people on both sides of the aisle. "There are people in the Valley that support us," Lira said, acknowledging that "they're maybe not the average or the mean." Ted Ullyot, a partner at venture capital firm Andreessen Horowitz who focuses on policy and regulatory affairs, added that government tech programs established a strong following in the Valley during the Obama administration and could continue to leverage that reputation to attract promising talent. "USDS had built a good brand," he said of the U.S. Digital Service. "This administration, like many administrations before it, is focused on bringing the best tech minds into government."

Lira also said government technology systems are "failing routinely."

"The systems aren't optimized anywhere near the private sector," he said. "It's a true crisis in the federal government."

Lira said the initial collapse of Healthcare.gov during the Obama administration was not an "outlier" among government projects in the problems it faced.

Read more: [Trump aide: White House still talking with tech CEOs about government IT](#)

NAFTA partners shoot down sunset clause proposal **NAFTA: The View from Canada and Mexico**

The Canadian and Mexican ambassadors to the U.S. presented a largely united front on the ongoing renegotiation of NAFTA. Both envoys urged caution in adjusting the trade deal's rules of origin, warning that too many changes could do more harm than good, while Canada's David MacNaughton also stuck up for Mexico when he criticized U.S. attempts to implement a domestic content provision as "inconsistent with a trilateral trade agreement." Both MacNaughton and Mexican Ambassador Geronimo Gutierrez laid out some priorities and red lines for NAFTA, including the need to include an investor-state dispute settlement mechanism.

Despite threats of U.S. withdrawal from the agreement, Gutierrez struck an upbeat note. "We have a good communication with different officials in the administration and at the Cabinet level, and I think that things are perhaps a little bit better than they look."

MacNaughton said Trump's threats of NAFTA withdrawal make the talks more difficult: "For every action, there is an equal and opposite reaction. And that doesn't make it any easier."

Both ambassadors were skeptical of a five-year sunset clause on NAFTA, noting that it would create uncertainty for businesses including those in the U.S. "If every marriage had a five-year sunset clause, I think our divorce rate would be a heck of a lot higher than it is right now," McNaughton said.

On a separate but somewhat related issue, MacNaughton also said the U.S. and Canada are close to reaching a deal on a longstanding issue between the two countries over softwood lumber, noting that just one aspect — whether Canada should be allowed to make extra sales to the U.S. when U.S. producers can't meet domestic demand — remains unresolved.

Read more: [NAFTA partners shoot down U.S. flirtation with “sunset” proposal](#)

Bair: Student loan repayment system on track

The Student Debt Crisis: The Future of College Loans Under Trump

The Trump administration's proposal to reshape the income-driven federal student loan repayment system will be beneficial to students in the long term, former Federal Deposit Insurance Corporation chair Sheila Bair said.

“I think the concept is right and it builds on the direction that the Obama administration was going,” Bair said.

Bair said she expects payments that account for a higher percentage of a student's income over a shorter period of time will save students money by lowering what they'll pay in interest. She said she also supports the administration's proposal to meld five current programs into one. “They want to simplify, which I think it's good,” she said.