

A Surgical Approach To High Prescription Drug Prices

June 4, 2018 | Grace-Marie Turner

President Trump's [plan](#) to lower prescription drug costs uses a surgeon's scalpel to address a range of issues, offering nearly 30 policy recommendations to modernize payment policies, weed out counter-productive regulations, improve price transparency, and expand competitive price negotiations.

The plan reflects the complexity of the industry and the regulatory system that governs government approval and payment for prescription drugs. While it has some barbs, the blueprint respects the need to provide incentives for companies to continue to invest in research, to protect intellectual property rights, and provide the greater transparency and lower costs consumers are demanding.

White House health policy advisor [Katy Talento](#) previewed the president's [speech](#) about the plan during a presentation to the Independent Women's Forum WomenLEAD [Summit](#), forecasting major announcements "about an issue that the president feels very strongly about."

Two days later, President Trump unveiled the program in a [Rose Garden speech](#) and released a 39-page white paper about an industry that provides patients with "the greatest medicines in the world" while acknowledging that high prices and high out-of-pocket costs are impeding access.

The [HHS white paper](#), "American Patients First," is a comprehensive analysis of the problems driving the drug pricing and costs problem, including other countries' price controls that mean they free-ride off of U.S. investments in research, and the mind-bogglingly complex web of payment policies, rebates, discounts, and fees that the U.S. imposes, artificially boosting prices.

One example of a recommendation in the report: Some pharmacy gag clauses prohibit pharmacists from telling patients they could pay a lower price for their drugs if they paid directly rather than running the prescription through their insurance policy. A generic prescription, for example, may cost only \$4 to fill, while a patient's co-payment for the same drug may be \$40.

One of the immediate action items the administration says it will take is to "prohibit Part D contracts from preventing pharmacists' telling patients when they could pay less out-of-pocket by not using insurance." The administration also will include in its Part D Explanation of Benefits "information about drug price increases and lower-cost alternatives."

In an early victory for the administration: Amgen announced soon after the president's speech approval of *Aimovig*, a first-of-its-kind treatment for migraines—at a price 30% below analysts' expectation.

This earned a presidential retweet of a @SteveForbesCEO tweet:

Forbes suggested in his tweet that “Middlemen like Pharmacy Benefit Managers, insurers & hospitals would do well by passing discounts on to patients.” The tweet linked to a [Stat News article](#) on the announcement by Amgen, which partnered with Novartis on the drug.

Katy Talento, Special Assistant to the President on the Domestic Policy Council at the White House, was extensively involved in developing the administration’s blueprint on prescription drug pricing.

She worked closely with Health and Human Services Secretary [Alex Azar](#) who is the former president of Eli Lilly’s USA affiliate and earlier served as general counsel and deputy secretary at the department he now heads.

Food and Drug Administrator Scott Gottlieb also was a key partner. He is working at FDA to speed new drugs to market, from specialty to cancer treatments to generics. He tweets prolifically at @SGottliebFDA about the work he is doing in reducing the time from discovery to approval in order to lower the costs by expediting the approval process.

In addition to 30 specific policy changes listed in the report, the administration also asks consumers for input on an even longer list of other ideas and seeks guidance on the best way to implement changes.

Katy said the president is acutely focused on prescription drug prices and consumers’ frustrations with the lack of price transparency, not only for prescription drugs but throughout the health sector. If consumers must pay \$50 or more at the pharmacy, the administration notes, they are four times more likely to walk away without filling their prescription—adversely impacting their health outcomes.



One proposal that is getting a great deal of attention is the president's suggestion that drug companies who advertise their products to consumers also be required to announce how much the drug costs.

Drug prices are distorted by rebates, taxes, hidden discounts throughout the supply chain, and complex government payment formulas. They not only drive up the list price of drugs but confuse everyone in the system about what a drug actually costs. More transparency will go a long way toward leveraging greater competition.

The administration also is focusing on specialty drugs: "A growing number of complex drugs account for a growing percentage of health care spending," according to the report. "Though these drugs offer hope to the 1 percent of insured beneficiaries who use them, they account for 35-40% of health plan spending."

Katy also focused on the Medicare Prescription Drug (Part D) program in her Independent Women's Forum talk. The report highlights the value of the program in providing incentives for private drug plans to negotiate the best price and the importance of allowing consumers to shop for the plan that offers the best price and the drugs they need.

Among the recommendations for immediate action, the Trump administration says it will reform the Medicare Part D Prescription Drug Program "to give plan sponsors significantly more power when negotiating with manufacturers" and allow "more substitutions in Medicare Part D to address price increases for single-source generics."

Democrats have consistently called for government negotiation of drug prices in Medicare. But governments don't negotiate; they dictate prices. Numerous studies have shown the government would do no better than private companies in price negotiations, but its threat of heavy-handed price controls would impede investment in new medicines.

When Part D began in 2016, the Congressional Budget Office estimated that initial premium costs would average more than \$35 a month. But 10 years later, average premiums are still below that level. Part D has come in 45% under expected costs, primarily because it is built on a model of consumer choice and competition.

In addition to drug pricing, Katy's portfolio also includes Obamacare, opioids, and pro-life and religious liberty policy. She is an epidemiologist with extensive experience in policymaking—having worked in several U.S. Senate offices and for several major committees before joining the Trump team. And she brings extensive experience in the field—with Mosquito Zone International to provide malaria protection for energy company workers in Asia and Africa, and with the Whitman-Walker Clinic, the nation's largest community-based HIV/AIDS treatment and prevention organization.

So when she talks about policy, she understands the problem from both a policy and practical level. And she knows the problems are too complex to be solved by a few sweeping government mandates but instead require bold but careful and targeted solutions.

Also during the Independent Women's Forum summit panel, which I moderated:

- Katy and I talked about the critical opioid problem, which she says has been growing for decades and now kills 100 people a day—more than car accidents or breast cancer. She described the initiatives the president outlined, working with doctors on prescribing practices, for example, so unused opioid prescriptions don't sit in a family's medicine cabinet until they vanish onto the streets. She also described the administration's determination to go after cartels and deals through stronger law enforcement and to focus on better treatment and prevention.
- We also discussed the prospects that Congress will return to Obamacare to give people relief from the extraordinarily high deductibles, soaring premiums, and restrictions on choices of doctors and hospitals.
- And we discussed a project of the Health Policy Consensus Group that is [gaining attention](#) and attracting growing support from policy experts in the states, advocacy organizations, to provide people relief from Obamacare's soaring costs and lack of choice.