



Trump takes on drug prices: What he can do

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President Donald Trump is expected to lay out a strategy to lower prescription drug prices this week in an effort to follow through on one of his key campaign promises: crack down on the pharmaceutical industry.

Health and Human Services Secretary Alex Azar suggested last week that Trump would take a tough stance on drugmakers, which caused some of their shares to fall.

"We'll be building on the proposals in the president's budget, but he wants to go further," Azar said at World Health Care Congress, adding that the "entire system is under review."

Drug prices rose nearly 25% from 2012 to 2016, according to health insurer Aetna.

While critics have said the president has been slow to follow through on promises to address drug prices, here's what Americans could hear from the administration on the topic this week.

Rebates

There is skepticism over whether the discounts given to insurance companies by drugmakers are actually passed on to patients.

Food and Drug Administration (FDA) Commissioner Scott Gottlieb has cited the rebate process as one way the industry is inflating prices.

The Trump administration is seeking to pass a larger portion of rebates directly on to consumers, particularly Medicare patients. As it stands, insurers say consumers benefit from rebates through lower costs, though throughout recent months some companies, like Aetna and UnitedHealth, have implemented policies to give those discounts directly to patients.

Increasing competition

Increasing competition among drugmakers is another way the administration could reduce high prescription prices.

One way to do that, which has been championed by Gottlieb, is to encourage faster review of generic drugs to promote increased patient access.

Sponsoring cross-border access to drugs is a policy that would also achieve that goal and potentially garner bipartisan support, according to Jeffrey Singer, a senior fellow at the Cato Institute and founder of Valley Surgical Clinics.

“Allowing Americans [to] purchase FDA-approved prescription drugs from pharmacies in Canada and Mexico should be low-hanging fruit,” Singer told FOX Business. “The president rightly points out that health insurance competition across state lines drives down prices and increases choice. The same forces are in play when people have the added option of buying the same drugs at lower prices from the other side of the border.”

Another way to make the industry more competitive is by classifying more prescription drugs as over-the-counter, which makes them more easily accessible to consumers and saves patients from having to pay the expenses associated with doctor’s visits, Singer added.

Reform patent laws

Over the long term, Singer said the U.S. needs to look at updating patent laws. Under the current system, he pointed out, drugmakers can maintain patents on their “evergreen” products simply by reformulating drugs that have already been approved, which allows the company to maintain a “monopoly” on pricing.

“About 74% of new drug patents are reformulations of existing drugs, adding an average of 6.5 years of patent extension,” Singer said.

Drugmakers often go to great lengths to renew patents on popular products. Last year, for example, Botox maker Allergan came under fire for transferring ownership of its dry-eye medication, Restasis, to a New York state American Indian Tribe in order to extend its patent by using the tribe’s sovereign immunity as protection against competition. It eventually lost that protection in court.

The president was initially expected to deliver a speech on lowering drug prices last week.