

# NATIONAL REVIEW

## Trump Tackles the Art of the Drug-Price Deal

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July 22, 2018

Unlike previous Republican presidents, Donald Trump has relished bashing some businesses. One week it's Amazon for supposedly getting cut-rate shipping from the U.S. Postal Service. The next it's Harley-Davidson for shifting some of its production to Europe.

But perhaps the most consistent corporate target of President Trump's ire has been pharmaceutical companies. He has long complained of "the injustice" of companies setting high drug prices in the U.S. while cutting deals with government-run health-care systems in other countries to sell the same drugs at cheaper prices. This week, he was back on the attack in a tweet:

Pfizer & others should be ashamed that they have raised drug prices for no reason. They are merely taking advantage of the poor & others unable to defend themselves, while at the same time giving bargain basement prices to other countries in Europe & elsewhere. We will respond!

Trump was referring to Pfizer's decision to raise prices on more than 100 prescription medicines. Its price of a 100-milligram Viagra tablet rose to \$88.45, up from \$73.85. A bottle of Xalatan, eyedrops for glaucoma, went from \$89.38 to \$107.05. Such hikes make an overall difference — prescription-drug expenses were 12 percent of all health spending in 2015, up from only 7 percent during the 1990s.

The president's jawboning has had some impact. Last Thursday, Merck & Co. Inc. joined Pfizer and Novartis AG in rolling back some prices and keeping others in line with inflation.

But what's really expected to roil the economic waters that Big Pharma swims in is a series of White House initiatives that Trump, more than a year ago, signaled were coming. Last week, they were made clear with a torrent of announcements from federal agencies.

First, the Food and Drug Administration declared that it would crack down on the gaming of regulations that keeps drug prices artificially inflated or hinders competition from cheaper generic drugs. The FDA will try to end bottlenecks to the approval of cheaper, generic drugs.

Second, the FDA released a plan to promote the growth of biosimilars, which are generic copies of expensive drugs that fight diseases such as cancer or anemia. Branded drug companies have abused the rules on generic approval to hold up competition, costing American consumers billions. The Trump administration is finally going to bring real competition to this market, which represents fully 40 percent of U.S. spending on prescription drugs.

Third, FDA commissioner Scott Gottlieb has established a working group to consider allowing importation of drugs from other countries at certain times, such as when a generic-drug company that is the sole provider of a medication significantly raises the price of that drug. Sudden price increases and other supply disruptions “can leave patients without access to drugs they need,” Gottlieb said in announcing the study.

Astronomical price increases on sole-source generic drugs are what led to the 2015 media firestorm surrounding Martin Shkreli, the pharma CEO who raised the price of the drug Daraprim by 5,000 percent overnight, from \$13.50 per pill to \$750 per pill. Shkreli was sentenced to prison earlier this year for securities fraud.

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Finally, the White House’s Office of Management and Budget is reviewing a plan to change how pharmacy benefit managers, the middlemen who operate between drug companies and the pharmacist, get compensated. Drug companies give rebates to these managers; the Health and Human Services Department believes that the rebates push drug prices up, so it wants to curb or eliminate them.

On this reform, the administration might be hunting beneath the wrong tree. Anthony T. Lo Sasso, of the University of Illinois’s School of Public Health, and Ike Brannon, of the libertarian Cato Institute, find in a [new study](#) that

these rebates are the product of a healthy negotiating process between pharmacy benefit managers and manufacturers, one that serves to inject a modicum of market discipline into a market where it would be otherwise absent. We see no reason that abolishing such a system would result in lower drug prices, and suggest that the most likely outcome from such a prohibition would be another, more convoluted system that imprecisely replicated the rebate system.

It is precisely because our prescription-drug policies are as convoluted as any Rube Goldberg device that reforming them is so difficult. The initiatives that the Trump administration has announced will move the needle in a more market-oriented direction, but the complexity of the current system is now so great that real progress in reducing drug prices is going to be incremental. Still, just slowing their upward march and allowing more consumer choice would be a welcome departure from today’s drug-price dystopia.