

## Market says meh to presidential drug pricing orders



[Lisa Urquhart](#)



**There was a time when President Trump could mention drug pricing controls and move markets. Now, not so much.**

If any further proof were needed that the markets are not taking Donald Trump's efforts to address drug pricing seriously, look no further than to today's opening bell. No big pharma stocks showed any sign of reaction to the US president's attempts to lower patient out-of-pocket costs with four executive orders announced on Friday.

Arguably, the market reaction, or lack of it, is not surprising. The scant detail around all the proposals and the unrealistic timelines have left the measures looking like a last-minute attempt by President Trump to rally his base and drum up support for the November election, rather than like serious policy.

A closer look at the measures shows just how hard it will be for Mr Trump to achieve any of the aims he has set out.

### **Access to affordable lifesaving medications**

This order would require community health clinics funded by the federal government to provide insulin and EpiPen at cost, and would tie future funding of these clinics to maintaining these price levels, without any mark-up from the discounted Medicaid price. On the surface it is hard to see any pharma objections to this measure. But industry fears centre on any policy being expanded beyond the low-income families Medicaid usually covers, and the uninsured. If President Trump is targeting seniors with his healthcare measures then the legislation would have to be extended to Medicare, and encompass products beyond insulin and EpiPen. It is here that he will run up against objections from pharma companies, as well as significant legislative hurdles.

### **Drug imports**

Out of all of the proposals this is likely to be the most controversial, and the hardest to implement. While the thrust of the order again relates to insulin – one of the areas where there has been the most controversy around price-gouging – it could also be extended to other drugs. And herein lies the problem. Not only is it highly likely that the Canadian government would be very unwilling to see drug supplies intended for their own citizens cross the border, the size of the Canadian population means that this is not a realistic solution for the US. And, if there were any issues that pharma companies would be willing to go to court over, this and reference pricing would be the two front-runners. Any change to the current situation could take years to

implement.

### **International reference pricing**

The essence of this order tackles one of Mr Trump's biggest bugbears: differential pricing in different markets. To level this out he is proposing to benchmark the pricing of Part B drugs to the lowest price available in economically comparable countries. The only problem is what constitutes a comparable country? As so often with unpalatable decisions, Mr Trump is initially leaving it up to someone else - the pharma companies. They have been tasked with coming up with the solution to this incredibly complex issue by August 24, and if they do not the order will come into force. But, unlike the other measures outlined by Mr Trump, this one is also unpopular within the Republican party, some members of which see it as price-fixing by another name, so again it will be hard to implement.

### **Eliminating kickbacks to PBMs and middlemen**

Passing negotiated discounts on prescription drugs to patients should logically be a winner. But there are concerns that if rebates are ended then drug companies, rather than lowering the cost of drugs, would keep any savings. This is not the first time that Mr Trump has wheeled out this policy; previously this was quickly walked back after projections showed that it might in fact raise Medicare premiums for seniors by \$170bn over 10 years. This time there is a caveat that the executive order will not be passed into law if it does raise premiums, so once again with the maths still not sorted out the reality of this policy seeing the light of day is questionable.

### **Are you sitting uncomfortably?**

Mr Trump has invited pharma executives to the White House on Tuesday to discuss the new executive orders. This promises to be a slightly tougher and much more awkward meeting than the last time the pharma bosses gathered. And, as some analysts have pointed out, the work that many of the companies have done to speed a Covid-19 vaccine to market, not to mention the president spending billions of dollars of taxpayers' money on this aim, could give them a stronger position to push back on the proposals.

Then there is also the option of waiting things out for pharma execs, given Mr Trump's falling ratings over the Covid-19 crisis. Even if Mr Trump does win in November the execs are unlikely to be sweating too hard, given the difficulties politically, legally and logistically of implementing these measures. And if he loses, the Democrats, with their own very similar drug pricing ambitions, will face many of the same hurdles.