

## Fickle Trump showers disappointment on biopharma's golden day



[Jonathan Gardner](#)

So long, relief rally, hello uncertainty. The double blow of President-elect Donald Trump's denunciation of high drug prices plus the middle-of-the-night Senate vote to ease repeal of the Affordable Care Act raises questions about how much biopharma companies will be able to charge Medicare patients, and how many people will have commercial coverage.

In both cases the leaders calling for change have not given the sector any idea of what comes next; Mr Trump's call for "bidding" only confuses the matter on drug prices. Whatever reassurance the sector felt when he defeated his more anti-pharma rival, Hillary Clinton, has now evaporated.

It is not as though Mr Trump's words about drug pricing should come as a surprise. It was not quite a year ago that he [spoke favourably](#) about the idea of drug price negotiation, a fact that was surprisingly forgotten by the traders who rushed back into biopharma after the election because they feared Ms Clinton more ([Trump win brings uncertainty to pharma](#), November 9, 2016).

A proposal for the federal government to negotiate prices for Medicare Part D puts at risk many billions of dollars. The programme accounted for \$128.7bn in 2014 when government and beneficiary spending are included, according to *EvaluatePharma* data, a significant chunk of the \$297.9bn that the Centers for Medicare and Medicaid Services estimates was spent on prescription drugs in the US.

The absence of a competitive bidding proposal from Mr Trump's official campaign documents probably encouraged the belief that the idea had been dropped.

### **About face, march!**

However, yesterday Mr Trump, without being prompted on the topic, said, "We're the largest buyer of drugs in the world and yet we don't bid properly, and we're going to start bidding and we're going to save billions of dollars over a period of time."

This launched a round of translation and interpretation in the analyst world. Some assumed that he was referring to direct negotiation of prices sold to Medicare beneficiaries under part D of the programme, while ISI Evercore's Umer Raffat considered whether he meant something more along the lines of a competitive bidding scheme used to purchase durable medical equipment like diabetic testing supplies and wheelchairs.

Nevertheless, if the statement did not completely reverse the post-election relief rally, it certainly killed its momentum. The Nasdaq biotechnology and S&P Pharma indices were both off 3% after Mr Trump's comments at a news conference, his first such formal appearance before the media since the election.

### **Shrinking buyer pool?**

Meanwhile, the effort to do away with the Affordable Care Act advanced in Congress last night, with the Senate narrowly approving on a budget resolution that would enable a repeal bill to pass with a simple majority, rather than the 60-vote supermajority usually needed.

Given that more than 20 million people have coverage under the Act, commonly known as "Obamacare", the implications of the effort to repeal the programme without an explicit replacement should raise concerns in the sector.

If it is true that markets hate uncertainty almost as much as they hate bad news, then this has to be a trying time for anybody investing in the pharma sector, especially since Mr Trump has given such misleading signals on pricing. An administration and a Congress can hardly be called pro-business if the confusion they sow damages valuations and disrupts strategic decision-making.

To contact the writer of this story email Jonathan Gardner in London at [jonathang@epvantage.com](mailto:jonathang@epvantage.com) or follow [@ByJonGardner](#) on Twitter

