

Trump speech on prescription drug prices cheers pharmaceutical giants

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On Friday, President Donald Trump gave a long-anticipated speech on soaring prescription drug prices that made clear he will not take any significant action to address the issue, despite his populist rhetoric.

Having previously assailed the pharmaceutical industry for “getting away with murder,” in his Rose Garden remarks Trump proposed a few tepid palliatives such as increasing competition.

With his typical braggadocio, Trump framed his plan as the “most sweeping action in history to lower the price of prescription drugs for the American people.” In reality, it is entirely in line with the financial interests of the drug companies and health insurers and will do virtually nothing to stop their profit-gouging.

Trump denounced the “tangled web of special interests” that have kept drug prices high, but went out of his way to ensure that this web remains undisturbed. There will be no real effort to “derail the gravy train for special interests,” as Trump put it.

While there had been some initial anxiety among pharmaceutical investors before the speech, their concerns were quickly laid to rest. “We have not seen anything about that speech which should concern investors,” Ronny Gall, a security analyst at Sanford C. Bernstein & Company, told the *New York Times*. He added that Trump’s speech was “very, very positive to pharma.”

The stocks of major drug companies and pharmacy benefits managers rose immediately following the speech. Health insurer Aetna rose 2.3 percent and UnitedHealth gained almost 2 percent. Drug maker Pfizer’s shares rose 1.3 percent, while Merck’s stock increased 2.8 percent.

Trump’s plan, titled *American Patients First*, includes eliminating the gag rule on pharmacists that prevents them from informing patients when it is cheaper to purchase a drug out of pocket instead of through insurance, speeding up the approval time of over-the-counter medications, and reconsidering how Medicare

pays for some high-priced drugs.

The plan could potentially require drug makers to list the price of drugs in television advertisements, but there is little chance of this going forward due to opposition from the pharmaceutical industry.

Trump vowed to take on pharmacy benefits managers (PBMs) that negotiate rebates for insurers. “Our plan will end the dishonest double-dealing that allows the middleman to pocket rebates and discounts that should be passed onto consumers and patients,” he said. Facing public outrage over drug prices, the drug industry has attempted to shift blame onto PBMs, a tactic Trump is now following.

“Getting rid of rebates and other price concessions would leave patients and payers, including Medicaid and Medicare, at the mercy of drug manufacturers’ pricing strategies,” Mark Merit, the president and chief executive of the PBM trade group Pharmaceutical Care Management Association, told the *New York Times*.

Trump came out against even minor reforms that might interfere with drug companies charging whatever price the market can bear. For example, in a reversal of his campaign promises, he opposed allowing Americans to import cheaper drugs from abroad or allowing Medicare, the largest purchaser of prescription drugs in the US, to negotiate drug prices.

Both of these measures have long been opposed by the industry’s trade group, Pharmaceutical Research and Manufacturers of America (PhRMA), which spent nearly \$26 million on lobbying in 2017, according to the Center for Responsive Politics. In the first three months of this year, the industry has already spent nearly \$10 million for lobbying.

These measures are also opposed by Trump’s Food and Drug Administration commissioner Scott Gottlieb, who has close ties to the drug industry, and his secretary of Health and Human Services, Alex Azar, a former top

executive at the drug firm Eli Lilly.

Newspaper reports recently revealed that Swiss drug maker Novartis paid Trump's former attorney Michael Cohen \$1.2 million in "consulting" fees last year, despite the fact that Cohen lacked any qualifications to provide such services.

"The payments to Cohen are just another indicator of how deep the corrosive influence of the pharmaceutical industry goes in the Trump administration," Peter Maybarduck of Public Citizen told *Reuters*. "It makes sense that proposals we see coming out of the administration would be somewhat limited."

Continuing with his "America First" rhetoric, Trump condemned foreign governments that "extort unreasonably low prices from US drug makers." He was referring to countries that do not allow themselves to be extorted by the industry to the same degree as the United States, which has the highest drug prices in the world.

Allowing drug makers to raise prices in other countries would do nothing to bring down prices in the United States. It would only further fill the coffers of the pharmaceutical industry. Moreover, the price controls and regulations in other countries have not made it unprofitable to sell drugs there.

"With our price regulations, drug companies are still making profits—just lower profits than in the United States," Dr. Mitchell Levine, the chairman of Canada's Patented Medicine Prices Review Board, told the *New York Times* after Trump's speech.

Democrats, whose proposals for addressing prescription drug prices do not go beyond allowing Medicare to negotiate prices and permitting Americans to import cheaper drugs, were quick to condemn the plan.

"President Trump offered little more than window dressing to combat the rising cost of drugs—a problem that is pinching the pocketbook of far too many Americans," Democratic Senate Minority Leader Chuck Schumer said after the speech. "We Democrats have offered a better deal on prescription drugs through true transparency, Medicare Part D negotiations, and a cop on the beat to police and stop exorbitant price hikes."

On the same day as Trump's speech, the office of Elijah Cummings, the ranking member of the House Committee on Oversight and Government Reform, released a new report, "Skyrocketing Drug Prices: Year One of the Trump Administration."

The report highlights a number of double-digit price hikes last year among the 20 best-selling drugs, including a 29.2 percent increase in the price of Lyrica

(manufactured by Pfizer), an 18.9 percent increase in the price of Humira (AbbVie) and an 18.9 percent increase in the price of Enbrel (Amgen). Fourteen of the 20 best-selling drugs saw such double-digit price hikes.

The FDA approved Lyrica in 2004 to treat diabetic nerve damage. In 2017, a year before its patent was set to expire, Pfizer developed an extended release version, allowing it to extend the company's monopoly on the drug. Humira, the top-selling drug in the US and the world last year, was approved in 2002 for the treatment of rheumatoid arthritis. It had \$16.9 billion in sales in 2017, costing patients \$38,000 a year after discounts and rebates. Enbrel, which was approved in 1998 for the treatment of rheumatoid arthritis, generated \$8.7 billion in sales for Amgen in 2017.

"According to the data," the report notes, "the three largest US-based drug companies in 2016—Pfizer, Merck and Johnson & Johnson—increased the prices of eight of their nine best-selling drugs in the first year of President Trump's tenure, increasing the prices of seven of these drugs by double digits. Two of the companies, Pfizer and Merck, took price increases on all three of their best-selling drugs."

These same companies now stand to reap billions as a result of the Trump tax cuts. For example, Amgen will save a reported \$7.68 billion in taxes on overseas holdings, while Pfizer will see an extra \$10.7 billion in income due to the tax cuts.

"AbbVie, Pfizer, Merck and Amgen each announced stock buyback plans of \$10 billion, and Celgene announced a buyback plan of \$5 billion," says the report.

No drug companies have indicated that they will use any of the windfall from the tax breaks to lower drug prices.



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