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- Multi-faceted group of problems that are driving higher prescription drug prices
- Bipartisan Budget Act of 2018 provisions to address drug prices and costs
- President’s Budget for FY 2019 proposals to address drug costs and drug spending

Getting to the Root of High Prescription Drug Prices
Drivers and potential solutions
OUTLINE OF REMARKS BY CHARLES E PHELPS, PHD
COMMONWEALTH FUND CONFERENCE CALL; FEBRUARY 26, 2018

I. President’s budget did three main things:
   A. Capped Medicare Part D (pharma costs) out of pocket costs.
   B. Shift some drugs from Part B (doctors’) into Part D
      i. Adds some bargaining power (since there is none now in Part B)
   C. Requires insurers to pass along at least 1/3 of discounts granted by pharma
      i. But we don’t know how much they are doing now and who keeps what.

II. The National Academies of Sciences, Engineering and Medicine (NASEM) report:

   Making Medicines Affordable: A National Imperative

   A. Accelerate market entry of generics and biosimilars to enhance competition.
      1. Prevent pay for delay, clearly an anticompetitive act.
      2. Preclude anti-competitive mergers.
      3. Minimize “evergreening” patent extensions
      4. Reciprocal drug approval arrangements with trusted nations
      5. Eliminate FDA backlogs on generic entrants

   B. Consolidate and apply government purchasing power, strengthen formulary
      design, and improve drug valuation methods.

   C. Assure transparency of financial flows in the supply chain.

   D. Control Direct to Consumer Advertising (DTC) including eliminating tax
      deductibility of DTC ads, seek industry code of conduct.

   E. Cap out of pocket spending on Part D. (DONE in the Budget).

   F. Fix Orphan Drug Act so “blockbuster” drugs do not receive multiple benefits
      of this program.

   G. Several others; information to consumers; fix 340B program.

III. Important Context: The growth in prescription drug coverage (now 85% of spending) has
     obliterated any potential market pressure to control prices of new and old pharmaceutical
     products. There is no “market” now in the usual sense.

IV. The Council of Economic Advisors (CEA) report identifies a real issue – the disparity in
     prices between the US and other nations – but draws the wrong conclusion about what to do
     about it.