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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



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.