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OPINION | REVIEW & OUTLOOK

Trump's Drug Price Panic

He adopts Biden-like controls that would harm U.S. innovation.

By [The Editorial Board](#)

July 26, 2020 5:19 pm ET



President Donald Trump arrives at a ceremony to sign executive orders on prescription drug prices in the South Court Auditorium at the White House on July 24, 2020 in Washington

PHOTO: DREW ANGERER/GETTY IMAGES

President Trump's decline in the polls is getting more expensive by the day. The next virus spending bill will cost trillions, and late Friday the President made a

pitch for seniors with haphazard executive orders to lower drug prices. His prescription is akin to what Democrats are offering: more government control.



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“I’m unrigging the system that is many decades old. We’re doing something that should have been done a long time ago,” the President said at a press conference. “Previous administrations did nothing—absolutely nothing—as drug lobbyists, special interests, and foreign countries freely ripped off our citizens.” Did Bernie Sanders ghost write his remarks?

Mr. Trump’s executive orders resurrect proposals by his Administration that were shelved because of practical and legal difficulties. Take his order essentially to ban drug-maker rebates in Medicare Part D. Drug makers negotiate rebates with pharmaceutical benefit managers in return for placement on formularies. Insurers use these rebates to lower premiums.

However, the rebates also cause drug makers to increase their list prices, especially for products with fierce market competition like insulin. This is one reason many Americans have experienced sticker shock at the pharmacy counter in recent years.

Novo Nordisk’s insulin FlexPen list price has increased 310% since 2003 while the net price after discounts has declined 21%. The list price for Eli Lilly’s insulin product Humalog U100 increased 51.9% between 2014 and 2017 while the net price fell 8.1%. Sanofi’s insulin portfolio is 25% less expensive on net than in 2012 but its list prices have increased 126%.

The Department of Health and Human Services last summer dropped a proposed regulation to eliminate rebates from Medicare after government actuaries projected it would increase premiums and out-of-pocket costs for most participants. The Congressional Budget Office also forecast the rule would increase federal spending by \$177 billion between 2020 and 2029.

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Yet Mr. Trump on Friday ordered HHS to resurrect the rule as well as a drug importation plan that has also been on ice since July 2019. Allowing drugs to be imported from foreign countries where they are sold at lower prices has been a Democratic household remedy for decades and is part of Mr. Biden's health-care plan.

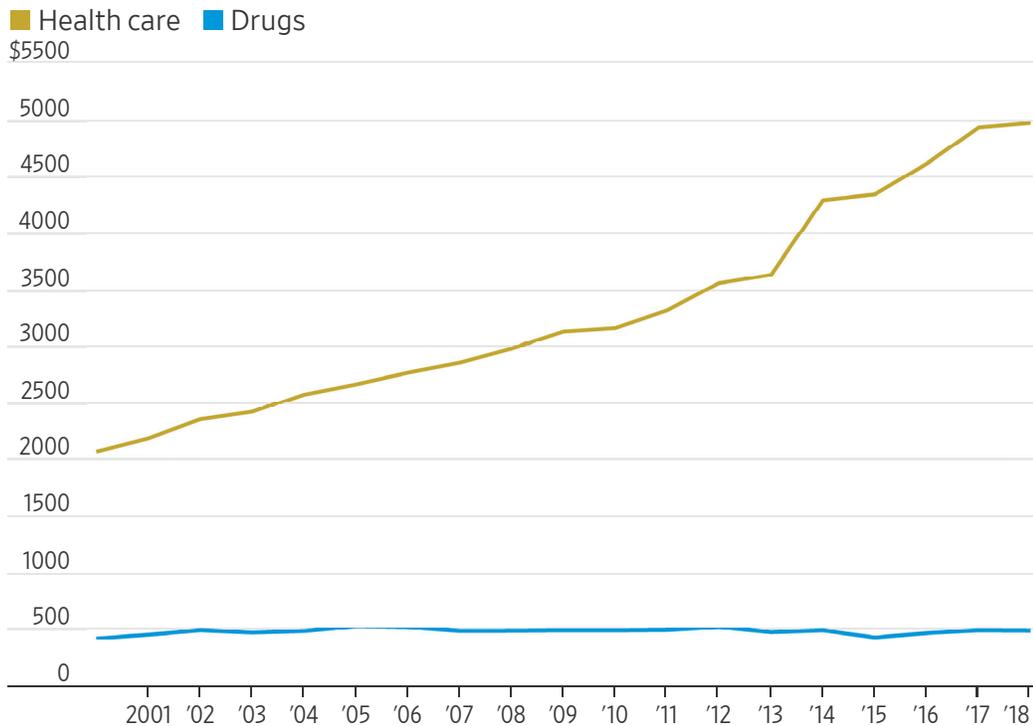
But this antidote too is problematic. Most generic drugs are already far cheaper in the U.S. than in Canada, and importing more expensive biologic products presents non-trivial safety risks. Many novel therapies in the U.S. aren't available in Canada because of government price controls. The same is true of most countries.

The President on Friday issued drug makers an ultimatum: Produce a plan to lower prices within 30 days or he will impose foreign price controls on Medicare. Mr. Trump accuses the world of "free-riding" on the U.S. because our higher drug prices underwrite development of new treatments. But other countries also have to wait longer for new treatments.

According to the Galen Institute, 96% of new cancer therapies are available in the U.S. compared to 73% in Germany, 66% in France and 54% in Japan. Government price controls in the U.S. will reduce drug-maker spending on research and development, especially in fields like Alzheimer's where experimental therapies have met with little success.

The Reality of Drug Prices

Average annual out-of-pocket spending by households on prescription and nonprescription drugs versus on all health-care services, 2000-2018



Source: Bureau of Labor Statistics

It could also surrender America's lead in innovation to China, which has been pouring billions into gene therapies and oncology drugs. Does Mr. Trump want the U.S. to be as dependent on China for cancer drugs as antibiotics? This is also a good question for House Democrats and Mr. Biden, who have supported an international price index and other government controls.

Mr. Trump's drug-pricing orders are a me-too Democratic plan. He would do better running on a platform of innovation, competition and faster cures. Generic drug approvals have increased by about a third since 2015. Last year the Food and Drug Administration approved the first generics for the anti-overdose nasal spray Narcan as well as Lyrica, which treats neuropathic pain.

More competition is one reason consumer out-of-pocket drug spending has stayed roughly flat since 2002 even as insurance spending has tripled, according

to the Bureau of Labor Statistics. Prescription drug prices fell overall by 1% in 2018, the first decline since 1973. (See the nearby chart.)

Mr. Trump could promise to accelerate approval of gene therapies like Luxturna, which treats a rare form of vision loss. He could point out how Mr. Biden wants to establish a drug rationing board akin to the United Kingdom's National Institute for Health and Care Excellence (Nice), which restricts treatments based on cost and "quality-adjusted-life-years" benefits.

Drug and biotech innovation is one of America's great comparative advantages, and now both political parties want to strangle it.

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