



The Daily Dish

## Drug Trips

DOUGLAS HOLTZ-EAKIN | JUNE 21, 2022

Some drug trips are bad trips, and with this administration they seemingly come in threes.

**Bad Trip #1:** *The Build Back Better Act (BBBA) Drug Proposals.* These proposals retain just enough life to remain scary. Way back at the beginning, they were just incredibly [bad drug policies](#) that featured price controls, abusive taxation, and diminished innovation. Now, in a breathtaking act of intellectual midgetism, they have been reinvented as anti-inflation policy. Eakinomics kids you not. Consider this exchange with National Economic Council Director Brian Deese and Margaret Brennan on [Face the Nation](#) this past Sunday:

DEESE: "...the single most impactful thing that we could do right now is to work with Congress to pass legislation that would lower the costs of things that families are facing right now—

MARGARET BRENNAN: –Like what now?

DEESE: –like prescription drugs, we could lower the cost of prescription drugs by allowing Medicare to negotiate better prices that would actually lower federal spending, and it would lower the cost that people pay.”

My [dictionary](#) defines inflation as “a persistent, substantial rise in the *general* level of prices” [emphasis added]. As a conceptual matter, it is pretty hard to make the leap from the “general” level of prices to a specific market, like pharmaceuticals. As a practical matter, it is quite the claim that 100 percent of the Consumer Price Index (CPI) inflation problem will be solved by policy directed toward the 1.392 percent of the CPI that is prescription drugs. If you buy that, I’ve got some land in Florida....

The BBBA drug proposals aren’t good drug policy and they aren’t anti-inflation policy at all.

**Bad Trip #2:** *TRIPS Waiver.* Yes, indeed, a trip that is TRIPS (Trade-Related Aspects of Intellectual Property Rights). This is a slightly through-the-looking-glass trip because TRIPS was agreed upon by the World Trade Organization to protect the property rights of those engaged in international trade. On this [recent occasion](#) the ministers convened for the express purpose of weakening those very protections for COVID-19 vaccines.

How much they were weakened is open to debate (Spoiler Alert: AAF’s Tom Lee will be weighing in on this in the near future), with *The Wall Street Journal* summing it up as: “The measure is far less ambitious than the [original proposal made by India and South Africa in October 2020](#) to ease severe vaccine shortages in developing nations. They had sought more extensive IP waivers including on vaccines, treatment and tests....”

But the bottom line is that this administration (and its predecessor) sought to undercut the very innovation incentives that had delivered the most highly successful vaccines for COVID-19. And for what? It is 2022 and there is a global vaccine glut. All the administration has accomplished is setting a poor precedent without putting another vaccine in another arm. Terrific.

A TRIPS waiver is enough to make your confidence waver.

**Bad Trip #3:** *The Centers for Medicare and Medicaid Services' (CMS) Aduhelm Decision.* Recall that Aduhelm is the Food and Drug Administration (FDA)-approved Alzheimer's treatment. After its approval, CMS increased the monthly Medicare Part B premium by \$21.60, the largest dollar increase in its history. Roughly \$11 of the premium increase was advertised as a "contingency reserve" to defray the costs of the new Alzheimer's drug.

CMS then declined ordinary reimbursement of Aduhelm, instead requiring that one be enrolled in a clinical trial to get coverage. This established a precedent that there might be two gatekeepers for advanced therapies – FDA and CMS – and that the latter might undercut the return to a risky, long-term research endeavor.

As with the bad TRIPS (above), there is a debate about how harmful this is overall (the chaotic FDA approval process did nobody any favors), but it is directionally negative without question. And even better, CMS did not mitigate the premium increase!

The Aduhelm decision is one of the policy moments CMS probably hopes people forget.

What would be a good drug trip? Maybe next Congress a new leadership will take up the [bipartisan proposals](#) to redesign Part D. Good policy, good politics, and getting something done on drug prices. That would be a good trip.