



The Daily Dish

The Forthcoming – Maybe – Executive Order(s) on Drug Prices

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Eakinomics: The Forthcoming – Maybe – Executive Order(s) on Drug Prices

For months there have been swirling rumors that the president would take executive action to reduce drug prices. But Washington is full of rumors, and you can lose a lot of money betting on any of them. Yesterday, however, *Politico Pulse* went public with this story: “[WHITE HOUSE MULLS A REBATE RULE REVIVAL](#) — The major drug pricing proposal could make a comeback as part of a series of looming White House executive orders.”

Recall that the [rebate rule](#) was proposed and then dropped by the administration. It would have required that any manufacturer-provided rebates be passed along by pharmacy benefit managers (PBMS) and insurers to the ultimate Medicare customer. This change would have reduced the very large out-of-pocket costs for some seniors. Without the rebates as a subsidy, however, Medicare Part D premiums would rise; the politics of higher premiums killed the rebate rule at the time.

But that is not all! *Pulse* also reported: “In addition to the rebate rule, aides have discussed issuing orders that would call for formulating a so-called favored nations rule linking government payments to lower prices abroad, moving U.S. drug manufacturing back onshore and targeting hospitals that receive drug discounts under the 340B program.”

The “favored nations” rule appears to be a variant of the [international price index rule](#) for Medicare Part B that price-fixes domestic drugs by [regulating](#) them to match the lowest price received among a set of comparison nations. Price-fixing in any flavor is distasteful. Moving U.S. drug manufacturing back onshore is a bit ambiguous. It could mean the [misguided](#) “Buy America” notion aimed at Chinese supply chains. Or, it could mean the misguided idea of [re-importing](#) drugs back to the United States. Misguided is the only thing one can be sure of. Finally, “targeting” hospitals sounds ominous, since almost certainly the problem is the [340B](#) program itself.

So, from a policy perspective the only idea with a positive sign in front of it is the rebate rule, and I have always preferred that it be done legislatively and applied to the entire commercial market and not just Medicare. (And a reminder to those objecting to higher premiums: That’s how insurance is supposed to work – everyone pays a bit more in premiums so that a few people do not suffer a financial assault from their drug costs.) But it is the politics that confuse me the most.

The entire pharmaceutical world is engaged in a massive race to find COVID-19 vaccines and save our collective bacon from the coronavirus. Is this really the right time to whack it with destructive price controls that will slash revenue, deprive it of the financial wherewithal to provide said vaccines cheaply, and cut future innovation as well? Importation picks the same battle; it’s just less likely to “work.” It’s also at odds with bringing drugs in from places like China. The cognitive dissonance between importation executive orders and

Buy America will be a bit hard to finesse in public. And if you want to target the same hospitals that have been the front lines of the battle against COVID-19, well, just name Edward John Smith your campaign manager and be done with it. People have often told me that bad policy is good politics, but it sure doesn't look like that to me.

So, maybe. Maybe this is the correct list under consideration. Maybe the president goes ahead with them. But maybe he does not. Let's hope it's the latter.