



Weekly Checkup

The Biden Administration's Plan for Tackling Drug Prices

CHRISTOPHER HOLT | SEPTEMBER 24, 2021

Earlier this month the Biden Administration released the president's "Comprehensive Plan for Addressing High Drug Prices." AAF's Margaret Barnhorst wrote about the details [here](#), but suffice it to say that both "comprehensive" and "plan" are extraordinarily generous terms to apply to the report. Still, **the report itself does provide some useful insights into President Biden's approach to drug prices and signals to Congress what his priorities are.**

In April, President Biden addressed a joint session of Congress, laying out what at the time was being called his American Families Plan, which along with the American Jobs Plan, now serve as the bones of the reconciliation package moving through the House. At the time, I wrote in the [Weekly Checkup](#) that Biden's decision to avoid endorsing specific drug pricing policies—like those included in Speaker Pelosi's H.R. 3—gave cover to moderate Democrats who opposed extreme progressive drug policies and didn't want to vote for them. The Biden Administration seems to have recognized this and is pivoting to curtail moderate Democratic opposition to H.R. 3's policies as their inclusion in the reconciliation package has become increasingly tied to the rest of health policies that Democrats hope to enact.

The report explicitly calls on Congress to pass legislation allowing Medicare to negotiate drug prices, and apply those prices to the private health insurance market, in addition to government programs. The report also gives a nod to legislative efforts to cap beneficiary spending in Medicare Part D, penalize manufacturers that increase their prices faster than inflation, and equalize reimbursement for biologic drugs and biosimilars. **But even as the president embraces progressive drug pricing policies, the report is light on details and steers clear of some of the most controversial issues such as reference pricing and the use of "march-in-rights."**

Much of the report is focused on calling for congressional action, but where it does touch on potential administrative actions it is similarly light on details. There are allusions to potential demonstration projects—using the Centers for Medicare and Medicaid Innovation Center—to test outcomes-based drug payments, reducing health disparities, and providing incentives for providers to prescribe "high-value therapies," among other vague concepts. **Overall, the report seems aimed at assuring progressives and the public at large that the president is really very serious about tackling drug prices, but there isn't much in the way of concrete action or specific details here.**

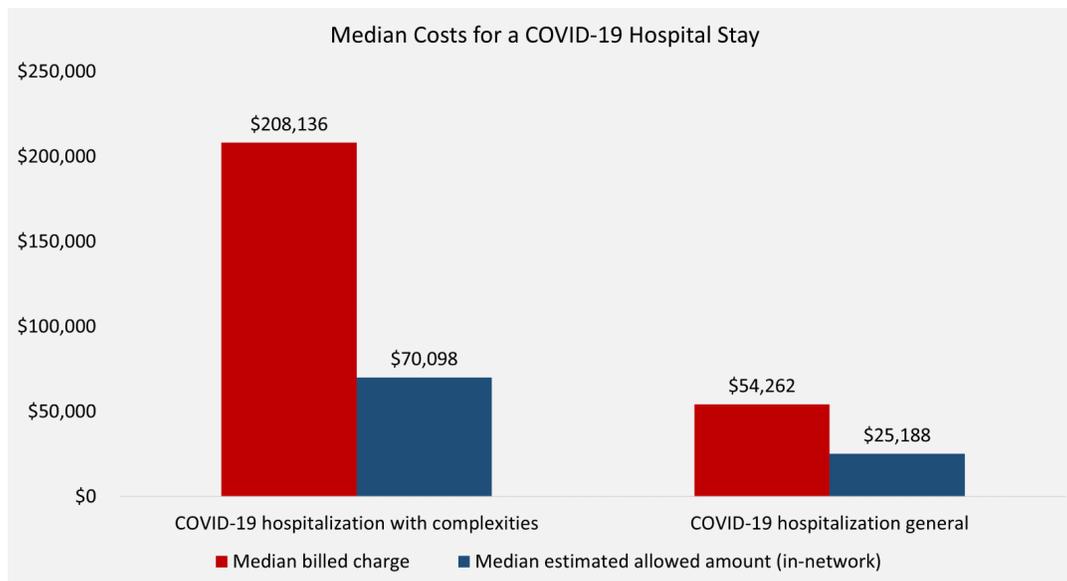
In 2016, then-candidate Trump shook up the drug pricing debate, endorsing a host of progressive policies, such as having Medicare negotiate drug prices and importation of foreign drugs. Ultimately, as president he couldn't achieve any significant drug pricing reforms, and Democrats rode to power in 2020 at least in part on pledges to tackle drug prices—for real this time. But **Democrats, like Republicans, only really agree that "something" should be done and are struggling to unify around a legislative package of reforms. The Biden Administration's plan might be an effort to help bring lawmakers together, but it just isn't substantive enough to function as more than fig leaf claim to have tried.**

CHART REVIEW: MEDIAN COSTS FOR A COVID-19 HOSPITAL STAY

Margaret Barnhorst, Health Care Policy Fellow

According to new [data analysis](#) from FAIR Health, the median billed charge for a COVID-19 hospital stay with complexities—those involving treatment in the intensive care unit or use of a ventilator— is \$208,136. The “billed charge” is the amount that an uninsured patient or a patient in an out-of-network hospital would be charged for such a COVID-19 hospital stay. For patients with health care coverage, however, health insurance plans negotiate an “allowed amount” with in-network providers, which is a discounted price the providers have agreed to accept as full payment from the insurance plan (and the patient if any cost-sharing responsibilities apply). FAIR Health estimates that for private health insurance plans the median allowed amount for an in-network COVID-19 hospitalization with complexities is \$70,098. For general COVID-19 hospitalizations without complexities the median billed charge is \$54,262, and the estimated allowed amount for in-network private health insurance plans is \$25,188.

These estimated allowed amounts for private plans are considerably higher than payout estimates for public insurers; before the recent surge in the Delta variant of COVID-19, various [analyses estimated](#) the Medicare fee-for-service for a COVID-19 hospitalization around \$20,000. The Kaiser Family Foundation recently used this value to [estimate](#) that preventable COVID-19 hospitalizations for unvaccinated adults cost over \$5 billion from June to August 2021; the new FAIR Health analysis of private health insurance payouts means this number may be even higher, however.



Source: [FAIR Health](#)

TRACKING COVID-19 CASES AND VACCINATIONS

Jackson Hammond, Health Care Policy Analyst

To track the progress in vaccinations, the Weekly Checkup will compile the most relevant statistics for the week, with the seven-day period ending on the Wednesday of each week.

Week Ending:	<u>New COVID-19 Cases: 7-day average</u>	<u>Newly Fully Vaccinated: 7-Day Average</u>	<u>Daily Deaths: 7-Day Average</u>
22-Sep-21	121,532	237,021	1,556
15-Sep-21	146,684	339,901	1,545
8-Sep-21	143,098	316,337	1,422
1-Sep-21	160,200	382,111	1,483
25-Aug-21	153,919	357,318	1,291
18-Aug-21	142,836	306,498	1,037
11-Aug-21	123,759	244,107	782
4-Aug-21	100,614	216,592	537
28-Jul-21	70,847	209,396	375
21-Jul-21	45,086	227,563	278
14-Jul-21	29,417	248,316	234
7-Jul-21	16,165	244,052	196
30-Jun-21	13,926	324,196	234
23-Jun-21	11,967	409,532	253

16-Jun-21	12,361	630,538	293
9-Jun-21	15,309	734,936	357
2-Jun-21	14,999	527,261	389
26-May-21	22,266	827,381	445
19-May-21	27,909	1,071,181	520
12-May-21	34,875	1,283,711	557
5-May-21	45,476	1,482,285	587
28-Apr-21	52,024	1,518,050	619
21-Apr-21	61,012	1,537,671	632
14-Apr-21	68,635	1,792,705	640
7-Apr-21	64,584	1,618,895	621
31-Mar-21	64,411	1,402,152	702
24-Mar-21	57,294	986,647	737
17-Mar-21	53,668	1,044,186	860
10-Mar-21	54,216	974,733	1,121
3-Mar-21	61,017	933,795	1,357
24-Feb-21	64,931	858,719	1,727
17-Feb-21	73,547	756,240	1,911

10-Feb-21	100,645	714,619	2,358
3-Feb-21	129,501	493,712	2,725
27-Jan-21	159,886	342,174	3,175

Sources: Centers for Disease Control and Prevention [Trends in COVID-19 Cases and Deaths in the US](#), and [Trends in COVID-19 Vaccinations in the US](#).

Note: The U.S. population is 332,770,054