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Azar Targets Drug Rebates and Medicare Part B for Drug Pricing Policy Changes

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Health and Human Services (HHS) Secretary Alex Azar has continued to promote and expand on the Trump Administration's new Drug Pricing Blueprint through media appearances and congressional testimonies over the past several weeks.

In a Senate Health, Education, Labor and Pensions (HELP) Committee hearing on June 12, Azar called particular attention to the idea of eliminating drug rebates to pharmacy benefit managers (PBMs) and encouraging a pricing system "where PBMs and drug companies just negotiate fixed-price contracts." Under the current system, drug manufacturers set initial list prices and PBMs negotiate discounts or rebates down from those list prices. Azar contended that eliminating drug rebates and using fixed-price discounts would better incentivize companies to set lower list prices. Azar believes HHS has the regulatory authority to eliminate rebates in Medicare Part D. Replacing the drug rebate system with a fixed-price contract system may have major implications for the drug industry. There is uncertainty regarding the details of how a fixed-price contract system would operate and whether the Trump Administration could implement such a change without Congress.

Azar also highlighted the Administration's intent to implement changes to drug pricing in Medicare Part B. HHS plans to initiate a Center for Medicare and Medicaid Innovation (CMMI) demonstration project to test new methods of paying for Medicare Part B drugs, including moving physician-administered drugs into Part D and/or incorporating Part D price negotiation mechanisms into Part B. HHS intends to introduce the demonstration to evaluate how best to make the transition work for patients.

The implications of the Trump Administration's proposed drug pricing changes will depend on the specific actions that HHS and Congress take in the coming weeks and months. The Administration appears to be dedicated to making drug-pricing issues a long-term focus.