

Height Commentary

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Pharmaceuticals & Drug Pricing

Trump To Pharma: We Can Do This The Easy Way, Or We Can Do This The Hard Way

THE TAKEAWAY

President Trump's surprise announcement that the White House will "in two weeks" host pharmaceutical executives "to announce voluntary massive drops in prices" is consistent with his Administration's "bully pulpit" strategy of cajoling the drug makers into industry-led changes to drug pricing. The announcement gives drug makers a choice between doing drug pricing the "easy way" or the "hard way." In the coming weeks, they can quickly identify drug pricing decreases worthy of the President's praise or face the threat of being in the President's crosshairs, eliciting more public outrage and escalating the likelihood of more severe regulation.

Yesterday, during a bill signing ceremony, President Trump [announced](#) that the White House will have "another exciting news conference" on "healthcare in a few weeks" where "some of the big drug companies will announce voluntary massive drops in prices." The statement [surprised](#) many lobbyists. However, in our view, it is consistent with this Administration's "bully pulpit" strategy of forcing industry-led changes to drug pricing.

Given HHS Secretary Alex Azar's success in managing the President's policy shift, if not his rhetorical shift, on drug prices since taking the position in January 2018, we believe the announcement was most likely coordinated internally.

The announcement is the most extreme form of bullying we have seen yet; the President effectively said: "we can do this the easy way, or we can do this the hard way." Drug companies can either come to the President with an announcement that is at least promotable to the public as a drug price decrease, or they can risk public condemnation by the President. This pits drug company against drug company to avoid the President's crosshairs, and it discourages them from holding together and facing the drug pricing policy debate as a unified industry. At best, companies that don't comply with the request will face more public shaming; at worst, the industry will face more severe regulatory threats.

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The open question is how significant a drug company's announcement will have to be to curry favor with Trump. Will drug companies be able to get away with repurposing recent announcements, such as Sanofi (**SNY**) and Regeneron's (**REGN**) price cut for Praluent, [announced](#) earlier this month? We think they will have to go a bit further.

While there is no information on the timing of the upcoming news conference, we believe it will likely come *after* Secretary Azar testifies before the Senate Health, Education, Labor & Pension (HELP) Committee on [June 12](#). Political optics are more favorable if the Secretary hints at a forthcoming announcement rather than if he is questioned by skeptical Senators about every detail.

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COMPANIES MENTIONED IN THIS REPORT

Sanofi Shs Sponsored American Deposit Receipt Repr 1/2 Sh (SNY), Regeneron Pharmaceuticals Inc (REGN)

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