

NEWS BRIEF

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Trump Signs Executive Order to Lower Medicare Drug Prices

On Sunday, Sept. 13, 2020, President Donald Trump signed an executive order aimed at lowering drug costs for Medicare recipients.

The plan is to link the cost of drugs to what other nations pay for them. Specifically, the order instructs the Department of Health and Human Services (HHS) to examine a payment scheme where Medicare pays “no more than the most-favored-nation price,” referring to other developed countries.

The order will apply to both Medicare Part B and Part D drugs, even those sold at pharmacies. It will not affect drug prices beyond those paid by Medicare recipients.

The [new executive order](#) expands on a previous version, which the president introduced on July 24. At the time, the White House was still working on an agreement with drug manufacturers. Those plans have since fallen through, so Trump decided to forge ahead with this new order.

When will prices lower?

It’s anyone’s guess as to when the order will actually reduce prices for Medicare patients. The HHS secretary must still explain additional policy details and test pricing models before any effects happen.

This is further complicated by heavy resistance from drug manufacturers, as this executive order will undoubtedly impact their profits. Manufacturers themselves claim this move will stifle innovation and allow foreign countries to have undue sway over American drug prices.

What’s next?

Since policy details still have to be determined, and there may be legal challenges from drug companies, lower Medicare prices are still likely a ways off.

Employers should stay tuned for updates from Kinloch Consulting Group, Inc., but otherwise operate as normal.

We will keep you apprised to any notable changes.

