

Prescription Drug Costs

President Trump signed an executive order 6 August directing the federal government to buy certain drugs solely from American factories. The so-called “Buy American” order could represent a seismic shakeup of the drug industry: No one knows exactly how much of the American drug supply chain is produced abroad, but some experts insist up to 90% of critical generic drugs are made at least partially abroad. It remains unclear, however, how broadly the order will be implemented — the executive order does not specify what drugs it covers. Instead, the order directs the Food and Drug Administration to decide which medicines will be subject to the new requirements. Certain drugs can also be exempted from the executive order if they’re too expensive to make in the U.S. or the U.S. isn’t already making them.

Government officials, like the head of the Department of Veterans Affairs, can opt out of buying American drugs if the product is not produced “in sufficient and reasonably available commercial quantities” in the United States or buying the product in America would raise procurement costs by 25 percent. White House trade advisor Peter Navarro told reporters, that those caveats were “standard waivers that you have in all ‘Buy American’ orders.” The order covers certain medical supplies that are deemed essential, as well.

The coronavirus pandemic has fanned anxieties in Washington over America’s dependence on India and China for certain critical drugs. In recent weeks, both Democrats and Republicans in Congress have penned legislation attempting to retool America’s drug supply chain. But Trump’s proposal is the most dramatic action to date. “If we learned anything from the [coronavirus] pandemic, it is simply that we are dangerously overdependent on foreign nations for our essential medicines, for medical supplies — like masks, gloves, goggles and the like — and medical equipment, like ventilators,” Navarro said. Trump’s proposal is likely to increase the already-escalating tension between the drug industry and his administration. The new order comes on the heels of four sweeping drug pricing executive orders that

Trump released two weeks ago. Drug makers, major business groups, economists, and conservative organizations have already made it clear they oppose the idea; many have publicly urged the White House to rethink the policy idea since Navarro began talking up the policy in March. They have warned that a “Buy American” order could raise domestic drug prices, since both labor and materials are much more expensive in the U.S. — which could cut against one of Trump’s signature health care planks going into the November election. “Taxpayers and patients will pay more for drugs and medical supplies,” a group of more than 250 economists warned in a letter to the White House earlier this year. The order, however, includes some benefits for industry, too.

The order includes a directive to HHS to accelerate approval of FDA applications for drugs developed in the U.S., as well as a directive for government agencies to pen lucrative long-term contracts with domestic manufacturers. It also includes provisions directing the Environmental Protection Agency to relax certain environmental restrictions that some say make it difficult to invest in new types of drug manufacturing in the U.S. Navarro insisted that deregulation of industry and incentives for new forms of manufacturing would help keep drug prices down.