



## Pharmaceuticals

### | Healthcare

## Drug prices in the US: a new bill proposed by House Speaker Nancy Pelosi

### The new bill is using the basket price's idea again

Yesterday, the House speaker (Democrat) Nancy Pelosi unveiled her drug pricing bill. Since leaks occurred in the past few days, the content of this bill was no longer a surprise for anybody. The key elements are the following:

- The HHS Secretary would be able to negotiate the prices of as many as 250 drugs which are the costliest to the healthcare system (taking into account prices but also volumes). The maximum price to be negotiated would be no more than 1.2 times the average price of six countries (Australia, France, Germany, Canada, Japan and UK). If a manufacturer refuses to enter into negotiations, it will get a penalty starting at 65% of previous year sales of the drug, increasing by 10% every quarter the manufacturer is out of compliance. Drugs with generics or biosimilars will not be included into the list;
- This negotiated price should be proposed to payers for commercial plans (other than Medicare and Medicaid plans), but the payers may decide not to apply it;
- When the price is negotiated, it then cannot increase more than the inflation calculated starting in 2016;
- The out-of-pocket for Medicare (part D) should not be over USD2,000 per patient per year. The catastrophic coverage (donut hole) would be modified and pharma companies will be responsible for 30% of the drug costs above the cap (today pharma companies do not contribute above the catastrophic threshold set at USD5,100 per year).

### Republicans are not supporting the bill

This bill follows the bipartisan Prescription Drug Pricing Reduction Act (PDRA) passed by the Finance Committee last July (and proposed by Sen Grassley and Sen Wyden) and has some overlaps with the latter (that is why Donald Trump has tweeted "it's great to see Speaker Pelosi's bill today").

However Republicans have immediately stated that they will reject the price-setting provisions (item 1 of this note).

### Just the start of a volatile year to come

This new proposal shows clearly that the year to come will be rich in propositions regarding drug prices made by the presidential candidates in the US, but we continue to think, like many other observers, that it will be extremely difficult to significantly change the existing healthcare system and the way drug prices are fixed and negotiated without reforming it entirely. We note that while the DJ was down yesterday, Pharma stocks were up despite Pelosi's bill release.

### BG Coverage

NOVARTIS | BUY - Top Picks | CHF106  
 ROCHE HOLDING | BUY - Top Picks | CHF340  
 MERCK KGaA | BUY | EUR109  
 SANOFI | BUY | EUR92  
 VALNEVA | BUY | EUR6  
 ASTRAZENECA | NEUTRAL | 7440p  
 GLAXOSMITHKLINE | NEUTRAL | 1660p  
 IPSEN | NEUTRAL | EUR142  
 NOVO NORDISK | NEUTRAL | DKK358  
 UCB | NEUTRAL | EUR69  
 BAYER | SELL | EUR64  
 MEDINCELL | CORPORATE | EUR10  
 BASILEA PHARMACEUTICA | BUY | CHF73

### Last rating Change:

VALNEVA - 8/27/2019  
The Clock is Ticking

MEDINCELL - 7/29/2019  
An interesting read-across from recent deal signed by Durect

IPSEN - 7/12/2019  
We are firm on fundamentals, but cautious on timing

NOVARTIS - 7/2/2019  
Top Picks for Q3 2019: Roche stays; DBV and Novartis jump in

IPSEN - 7/2/2019  
Top Picks for Q3 2019: Roche stays; DBV and Novartis jump in

### Last FV Change:

ASTRAZENECA - 8/30/2019  
A busy month of August with Lynparza and Farxiga leading the flow

VALNEVA - 8/27/2019  
The Clock is Ticking

ASTRAZENECA - 8/2/2019  
China and the US to drive AZ much higher

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