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**Subject:** President Trump & Secretary Azar Speeches re: New "International Pricing Index" Model

Today, President Trump and Department of Health and Human Services (HHS) Secretary Alex Azar delivered speeches in conjunction with the [release](#) of an Advanced Notice of Proposed Rulemaking (ANPRM) on the "International Pricing Index" (IPI) Model. Potential components of an IPI model, based on HHS documents, include:

- Medicare will set Part B payments at a "Target Price" based on the discounts manufacturers offer in other countries – this is estimated to result in "roughly a 30% savings in total spending" for selected Part B drugs in the model
- The model will be phased in over 5-years
- The model will launch in 50% of the country, with the "opportunity to scale up over time"
- Provider payment would change from the current ASP add-on payment to a "set payment amount for storing and handling drugs that would not be tied to drug prices"
- IPI Model participants would include physician practices and hospital outpatient departments (HOPDs) that furnish the model's included drugs in the selected model geographic areas. Participation would be mandatory for these participants.
- CMS is considering whether to also include durable medical equipment (DME) suppliers, Ambulatory Surgical Centers (ASCs), or other Part B providers and suppliers that furnish the included drugs in the model.
- The IPI model proposes to initially focus on single source drugs and biologicals, and the model will include drugs that HHS "identifies from international pricing data." HHS notes that the model "could over time include multiple source drugs and Part B drugs provided in other settings."
- CMS intends to use a "number of private sector vendors" to supply the drugs, take on the financial risk of acquiring drugs, and bill for the drugs. Medicare will pay vendors based on the Target Price, and vendors would have "flexibility to offer innovative delivery mechanisms," such as electronic ordering
- CMS will be considering stakeholder comments on these and other issues as it considers a proposed rule on the IPI model in Spring 2019

In his remarks, Secretary Azar stated that President Trump has already taken more action to tackle drug pricing than "any other President in history," including direct personal intervention with manufacturers in certain instances. Secretary Azar stated that HHS intends to "change the entire system of how we pay for drugs in this country," and that today's announcement on the IPI model is just one step in this process. He added that there is "more action and progress coming" on drug pricing ahead.

Secretary Azar also noted that while he understands that stakeholders will challenge the Administration's actions, the Administration is steadfast in his efforts to "put American patients first" on drug pricing issues, such as through the IPI model.

President Trump opened his remarks by outlining the numerous drug pricing actions that have been implemented since the release of the *American Patients First* blueprint, including a record

breaking number of FDA generic approvals for life-saving drugs – such as the EpiPen. He stated that his Administration is focused on addressing “global freeloading,” stating that the American middle class is “basically subsidizing research and development for the entire planet.”

He noted that Medicare and its beneficiaries would see significant savings if Medicare Part B prices were indexed to certain international prices under the IPI model, particularly drugs to treat blindness and bone disease. He stated that such measure is needed to address the fact that there is “no negotiation whatsoever” in the current Part B system, and stated that today’s model is akin to a “favored nation” clause. He labeled the policy as a “revolutionary change” that will have a “tremendous” impact on beneficiaries. He added that today’s action addresses an urgent policy issue, noting that a Democratic Congressman recently told him that drug pricing is actually more important to his constituents than healthcare.

He added that the proposal will also fix the “broken” payment system where doctors are reimbursed higher fees for more expensive drugs. He stated that the flat fee provided under the IPI will be “much better” for patients and “very well may be better for doctors.”

President Trump closed his speech by stating that he will continue to focus on drug pricing, noting the positive impact that the new negotiation tools granted to Medicare Advantage (MA) plans and other actions by his Administration have already had on patient premiums. He criticized Democratic efforts to implement a “socialist” Medicare platform, and stated that he expects that Democrats may actually “come along with us” once they understand the Administration’s drug pricing approach through IPI and other policies. He also noted that the Administration will “always” protect seniors and those patients with pre-existing conditions, as well as ensure that “every action puts America first.”

The HHS Fact Sheets and news release are attached for reference.