

4sight Health Roundup Podcast
Critiquing Trump's Latest Plan to Lower Drug Prices
5/15/25

David Burda:

Welcome to the 4sight Health Roundup podcast, 4sight Health podcast series for healthcare revolutionaries, outcomes matter customers count and value rules. Hello again, everyone. This is Dave Burda, news editor at 4sight Health. It is Thursday, May 15th. I'm back from my annual spring fishing trip. The good news is we caught lots of fish and no one died. Those are our two KPIs in that order. The bad news is the price of a dozen minnows, which we use for bait, jumped 67%. For as long as I could remember, a dozen minnows cost \$3. Now they're \$5 a dozen.

Welcome to the Trump economy. Everything costs more, and we're supposed to like it because he's an economic genius. Well, he put his economic genius to work earlier this week when he announced a new plan to lower prescription drug prices for consumers. We're gonna critique that plan on today's show with Dave Johnson, founder and CEO 4sight Health, and Julie Murchinson, partner at Transformation Capital. Hi, Dave. Hi, Julie. How are you two doing this morning, Dave?

David W. Johnson:

Our tricolor beach in the backyard beach Street bloomed this week in spectacular fashion. You know, it's tricolor because the leaves are, are, are green, pink, and white. I mean, just incredible. Nature's ability to leave us breathless is inspiring. So in a chaotic moment, I'm focused on nature's incredible beauty and the timeless power of renewal.

Burda:

Yeah. You know, we wanna get one of those tricolor beaches for our backyard, so...

Johnson:

Yeah. Do it.

Burda:

Yeah. I'm glad to hear you. You like it? That's great, Julie, how are you?

Julie Murchinson:

I'm well. I'm in sunny, beautiful high income tax, California, and I gotta say

Johnson:

Welcome back.

Murchinson:

Yeah, San Francisco's hopping again, like, it really feels like it's, it's getting its beat back. It's exciting to see.

Burda:

Yeah. No, that is good news. Okay, before we talk about Trump's plan to lower drug prices, let's talk about price increases in your personal lives. The 67% increase in the price of minnows really hit me where I lived last week. <Laugh> Dave, is there anything you buy that's important or personal to you that's experienced a noticeable price increase?

4sight Health Roundup Podcast
Critiquing Trump's Latest Plan to Lower Drug Prices
5/15/25

Johnson:

Well, I'm, I'm gonna stick with the seafood metaphor. So we've got a Mariano's grocery store right across the street from us, and we often go in and buy a \$10 box of, of cold shrimp with cocktail sauce as an appetizer. And the price is still the same, and the box is still the same size, but I think there's at least a third to 40% fewer shrimp in that box than there used to be a couple years ago, <laugh>. So there are all kinds of ways to raise prices, man.

Burda:

Oh, yeah, yeah. You gotta watch the account number, right? Yeah. Julie, how are you, are, are you paying substantially more for something that you and you alone love?

Murchinson:

Well, it's funny, for me, it's about Starbucks drinks. I feel like now, when I walk into a Starbucks, I, like, you can't get out of there for under seven 50 or eight bucks a drink for some reason, like, it's crazy <laugh>. So I should really consult chat GPT or something to figure out if there has been a real increase in prices in the last six months. But I certainly feel it.

Burda:

Well, on top of the higher prices for Minnows, we paid \$150 a day for a boat and motor. That's a double of what it was last year. 75 bucks, you know, where's the most favored nation executive order for boat rentals? You know, maybe have to give them a plane or something. Anyway, let's talk about this executive order that Trump issued on May 12th. After you waded through all the rhetorical bellowing, it does two things. First, it directs HHS to facilitate, that's a word they ignore in other contexts. Direct to consumer purchasing programs for drug companies that sell their products to American patients at the most favored nation price. That basically means if you sell a drug to consumers in another country at a lower price, [00:05:00] we automatically get that same lower price too, because we live in a most favored nation. Second, it directs HHS to communicate most favored nation price targets to drug companies to encourage them to lower their prices. If drug makers don't do that voluntarily, they could face price regulations and other punitive actions. Dave, how do you think big pharma will react to this executive order? Does the order have any chance of making drugs more affordable for consumers? And is there any other policy solution you'd recommend to lower drug prices?

Johnson:

Big pharma's laughing all the way to the bank. If you look hard enough Shakespeare has a quote for almost every situation. And as I was prepping for this podcast, I kept thinking about Macbeths' famous soliloquy about life "... out, out, brief, candle life's, but a walking shadow, a poor player that struts and frets his hour upon the stage and has heard no more. It is a tale told by an idiot full of sound and fury signifying nothing." All our listeners need to know about this big, most favored nation pricing announcement is that the stock prices of the big pharmaceutical companies went up on Monday the day after the announcement.

Burda:

<Laugh>, I just love that. Yeah. I'm sorry. Yeah, go ahead. <Laugh>

Johnson:

You know, the marketplace was clearly expecting an announcement, a plan with, with more teeth. The plan as it is, really has no details lots of vague threats, including importing lower cost drugs from other nations. How is that for ironic tariffs plus, I guess, right? Or negative tariffs? We can figure that out later. What's truly surprising, given the intense focus on drug prices, is that the proposals in the Trump's first term to curb drug prices were far more detailed and potentially effective. So, I guess what's surprising is why didn't the Trump administration billed on all of that great work? You remember the drug basket proposal that that came out where they were gonna collect information and, you know, the US would pay a, a, a basket price. Lots of detail there. And that one truly scared the pharmaceutical industry. And, you know, I was also thinking about Simon and Garfunkel. So where have you gone? Alex Azar, a nation turns its lonely eyes to you, right? He, he was the one engineered that solution Trump also swung and missed on a most favored nation's drug policy near the end of his first term. It got held up in the courts, and the Biden administration dropped the proposal. So this proposal, the one that came out this week lots of sound and fury signifying nothing. Trump will soon move on to other topics, and the headlines will follow him. That's kind of the way our country works these days. Regarding what policy proposals could work it's complicated. Market failure is rampant throughout the pharmaceutical sector. All parties, manufacturers, distributors, PBMs, pharmacies are guilty of, of profiteering in the extreme sources of this profiteering are multiple FDA grants monopoly pricing power in its patents. All they really do is say that a drug has efficacy. Once they grant the patent, it's whatever the market will bear. Our regulatory framework allows non-competitive vertical integration. So you've got these massive companies like United and CVS that control way too much of supply chain. Massive government capture the regulatory and legislative process. The system tolerates monopolistic control of supply, distribution and pricing of generic drugs. That's what Mark Cuban is trying to address in his Cost Plus drug company. Drug efficacy and physician preference are real issues that get in the way of getting the right drugs to the people who really need them. And if we wanna, you know, turn this around, we gotta fix all of it. You can't have piecemeal improvement. You know incremental improvement on a fundamentally broken system doesn't work. So my guess is that we'll have to take that up in another podcast someday, but let's not spend too much time thinking that this most favored nation status proposal on drug pricing is going to do anything significant.

Burda:

Yeah. Yeah. Sounds like yesterday's news already. Thanks, Dave. Julie, any questions for Dave?

Murchinson:

Well, Dave, I have kind of a non-question question for you. <Laugh>. You know, Trump seemed to, in one of these, articles knock other countries down a notch by saying that they forced drug companies into pricing that the companies weren't entirely comfortable with. Which, okay, I don't, I don't know if I buy that, but he also indicated that he's prepared to use economic leverage to get the countries to pay more for drugs. So let's assume pharma drops prices here and they go to other countries to fill that gap. Like, do you think they're gonna do that?

Johnson:

Yeah. Yeah. This is a, if pigs could fly kind of question. I, I <laugh> the answer to your hypothetical question, Julie, I, is, yes. You know, the US is 5% of the world's population, but it supplies over 50% of the revenues to pharmaceutical companies. If somehow overnight that percentage went down to 25% pharma is going to have to find sources of revenue in other nations. And if there truly is piggybacking on the United States, which I'm sure there is then other countries would end up paying more. And there ought to be a way to figure out how to do this through the marketplace. But it's so bollocks'd up in our country between all the different actors inside the system that it's hard to imagine that we could get to that type of clean solution. So Trump's not wrong. And it's a good talking point. I just don't think, you know, allowing, I don't know you know, some country to import more cars into the US will, will somehow allow the US to pay less for drug prices or whatever other form of economic leverage he's planning to use. Or he is, as we've talked about before, he is strangely stuck in the William McKinley era of how global markets work. So yeah. But anyway, the answer to your question is yes. If, if everything else were, you know, were equal we could we could shift some of the cost of pharma to other countries.

Burda:

Yeah, yeah. If pigs could fly. Right. Thanks. Thanks, Dave. Julie, you're up. What was your first reaction when you heard about the executive order? Is it gonna work or fail, and why? And what can market innovators do to make this all go away?

Murchinson:

Well, like Dave seeing the fact that pharma company stocks jumped, you know, that's a, that's a statement. And as the Washington Post said, chops plan to lower us drug prices contains threats, but few teeth. So the real mechanisms and what he's put out there, you know, don't seem too well-defined or strong. But when I step back to think about all the different innovators around, you know, that could be around this issue, there's a lot there in a good position to help, especially those that are in the transparency or compounding or direct to consumer business.

Johnson:

Yeah.

Murchinson:

So I'd expect, you know, the direct to consumer model is to get a boost. Pharma companies are already looking at bypassing the traditional channels like the big three PBMs and retail pharmacies to align with these DEC models. So, you know, the telehealth companies like Kim's or Rowe or Amazon Clinic, and, you know, so many of these digital pharmacies that fill prescriptions with much more simplified logistics and, you know, many fewer intermediaries they should see a boon if this, you know, really moves forward. And Dave, I mean, price transparency is gonna get its day in the sun here, which could certainly increase demand for price comparison and other affordability tools. I mean, you know branded drug availability there will be just disruption if MFN really kind of goes through and digital tools like glx even like a naviHealth, maybe, like those solutions that like highlight the MFN kind of compliant options and help to guide patients towards more affordable generics or biosimilars. Or even the compounded, right? You can see that we could do a lot to navigate here which is already

happening in these tools, right? But it just provides even more of a basis for that. And some payers may even start to look at drugs differently and favor drugs with, you know, the better effectiveness and data and start to really look at companion apps and things that could help drive adherence to certain drugs that they, you know, that they want folks to be on if pricing is kind of less of an issue. So there could be some digital monitoring boost here as well. I mean, it goes without saying that AI is gonna have a role here, but I think these compounded pharmacies, like obviously there's a little bit of buzz on Capitol Hill around what's gonna happen to them, but I think they're, they're here to stay and they could get a big boost here. So there, there obviously are risks to some of these digital solutions and what could happen here. Like if, if you're a business today that's, you know, tied to the pharmaceutical supply chain or a specialty drug delivery from like a branded perspective, you could see some, you know, revenue nosedive here. But I do think that there's a lot of upside.

Burda:

Yeah. Yeah. Cut out the middle man. Thanks, Julie. Dave, any questions for Julie?

Johnson:

Yeah, that, that compounding comment you make, Julie, is absolutely fascinating. I sometimes wonder that just the intrinsic level of demand for these GLP one drugs, if, if that just enormous demand will somehow blow open the whole system, right? Because we simply can't afford to pay 1500 bucks a month for for these drugs when other countries are paying 50 bucks a month, right? And and so how does that all work itself out? Maybe that's enough of a <laugh> of a meteor from from the marketplace to to change things. But anyway, I'm, I'm gonna kind of pick up on some of your themes there related to transparency. So other countries negotiate directly with pharma manufacturers for drug prices. By contrast, the US relies on an intricate and opaque set of negotiations between drug manufacturers and intermediaries to determine drug prices. How much of this issue of excessively high drug prices in the US goes away or could go away by forcing transparency on PBMs and wholesale drug distributors, or just taking them out of the equation altogether?

Murchinson:

Yeah, that's a great question. I mean, when you look at what PBMs, how PBMs price, if anyone actually understood it and spread pricing rebates, like there is just, we have, they have created this I don't even wanna call it a puzzle. It's like a jungle <laugh> <laugh> that, you know, you kind of can't make your way through. And it creates a lot of confusion. And then you like slap onto that. Okay, so what is Medicare Part D? And like, how do you you know, how do you think about branded versus generic? And how do you then design formularies? And I mean, there's just so much confusion. And Brody, you did a great piece on this last fall. Oh, thanks. So I'd encourage all listeners to go back to that. But it is again, transparency could go a long way, Dave. Like a lot of the things that you always talk about, if we just took it down to the studs and rebuilt how to think about pricing, I think that's why, I mean, I'm biased, but some of these newer PBMs that are transparent.

Johnson:

Yeah.

Speaker 3 (45:13):

And cost based, like, it's, it's just a different way of thinking about it. And frankly, better for everybody.

Burda:

Thanks, Julie. I think by now, everyone knows that Trump never backs up his threats with action, all show a no blow. He's also the one who famously said that no one knew healthcare could be so complicated. So, you know, if he can't come up with a plan to replace the ACA after all these years, there's no way he can execute a plan to lower drug prices. So maybe he should start with something smaller like minnows. All right. Let's talk about other big healthcare news this week. Julie, what else happened that's worth mentioning?

Murchinson:

Well I think you've probably seen that Michael Dowling from Northwell has stepped down after 23 years at that system, and he's been a powerhouse, CEO of Northwell. And I would encourage everyone to go back and read his story. Started off at the bottom of the barrel there. He's truly kind of one of those American dream stories. So I expect it'll be tough to fill his shoes, but, you know, interesting times there.

Burda:

Yeah. Yeah. Interviewed him many times. Very candid, straightforward always a good interview. Dave, what other healthcare news should people know about?

Johnson:

What the hell is going on with UnitedHealthcare? <Laugh> Ooh, ooh, on April 11th, its stock price was 599 bucks a share. Yesterday it closed at \$308 a share down almost 50%. They fired Andrew Witty, the CEO. Is there a market reckoning going on? Maybe this could also be a focus of a future podcast. What is going, what the hell is going on at UnitedHealthcare Group?

Burda:

Maybe Witty wanted to spend more time with his family, right? Thanks, Dave, Thanks Julie. Great show. And that is all the time we have for today. If you'd like to learn more about the topics we discussed on today's show, please visit our website@4sightthehealth.com. You also can subscribe to the roundup on Spotify, Apple Podcast, YouTube, or wherever you listen to your favorite podcasts. Don't miss another segment of the best 20 minutes in healthcare. Thanks for listening. I'm Dave Burda for 4sight Health.