

Trump Seeks to Squeeze Drugmakers' Revenues to Pay for Tax Cuts

By [Rachel Cohrs Zhang](#) - Bloomberg

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- President Donald Trump is pressing congressional Republicans to force drugmakers to accept lower prices on prescriptions covered by Medicaid, similar to prices charged in certain foreign countries.
- The strategy could potentially ease the issue of cutting hundreds of billions of dollars in government spending to fund tax cuts, but risks antagonizing the pharmaceutical industry.
- The proposal is a new one and faces obstacles, including drafting legislation and getting it cleared by budget analysts, as well as opposition from conservative Republicans who view it as "socialist price controls".

President Donald Trump has set his sights on the pharmaceutical industry to shoulder part of the cost of his tax cuts, pressing congressional Republicans to force drugmakers to accept lower prices on prescriptions covered by Medicaid.

Trump asked House Republicans to mandate the government health program for low-income and disabled Americans get the lowest price for drugs that certain foreign countries are charged, the White House confirmed in an email to Bloomberg. The president made the request during ongoing talks over how to cut hundreds of billions of dollars in government spending to fund tax cuts.

The strategy could potentially ease one of the most contentious issues dividing Republicans as they seek to offset some of the cost of the tax

cuts: whether to force millions of low-income Americans off Medicaid health coverage.

But it risks antagonizing a powerful Washington lobby. The pharmaceutical industry has fiercely fought efforts to lower the prices federal programs pay for drugs.

It's also unclear how much savings the approach would generate. Medicaid already gets a set discount off the lowest price a drug maker offers in the domestic private market.

"There's every reason to believe Medicaid is getting an incredible price for most drugs," said former Biden administration Centers for Medicare and Medicaid Services official Kristi Martin.

The request is the first public indication that Trump is returning to a theme from his first term — that the US overpays for drugs compared with other countries. However, his earlier plans were focused on the Medicare program, which includes older adults and is the nation's largest payer for medicines.

"This is utterly unsurprising on one hand, but the details are a little surprising," said Benedic Ippolito, a senior fellow in economic policy studies at the conservative think tank the American Enterprise Institute.

The pharmaceutical industry, battered by legislative losses under former President Joe Biden's term, has aggressively lobbied for favorable policies this term. Executives have traveled to Trump's Mar-a-Lago resort club, trumpeted investments in domestic manufacturing and argued their case in White House meetings. Trump even gave [Eli](#)

[Lilly & Co.](#) CEO Dave Ricks a call-out at a public White House event Wednesday, saying Ricks “sweet talks” him about pushing reform to pharmacy middlemen.

While the pharmaceutical industry has notched some wins with temporary relief on tariffs and an industry-friendly provision in a recent executive order, Trump’s revival of his policy idea executives most dislike is bad news.

“Government price setting in any form is bad for American patients... At a time when we are facing growing competition from China, policymakers should focus on fixing the flaws in the U.S. system, not importing failed policies from abroad,” PhRMA spokesperson Alex Schriver said in a written statement.

The proposal to apply an international drug pricing element to Medicaid is a new one, and is a curveball in talks that have largely centered on complex details of how state Medicaid programs are funded and who should be eligible for health coverage. Those proposals would financially hurt state governments, health insurers and hospitals and drive millions of Americans off the insurance program.

Obstacles remain. Drafting legislation from scratch and getting it cleared by budget analysts in time to assemble a package this summer is a formidable task. Conservative Republicans in both chambers of Congress have in the past opposed the policy on the grounds that it constitutes “socialist price controls,” as Senator [Mitch McConnell](#) [said](#) when Democrats floated the idea.

Without details, it's impossible to tell whether the savings could be enough to fund the hundreds of billions of dollars lawmakers are seeking. Medicare makes up a [roughly three times larger](#) share of retail drug spending than Medicaid, according to a 2017 analysis by the nonpartisan health policy research firm KFF.

“It would be very difficult to get big budget savings from Medicaid drug spending on the scale of what we’re talking about,” Ippolito said.

Politico first reported Trump’s request on international reference pricing.