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## Health Policy Update – February 2, 2018

### President Trump Delivers State of the Union Address

On January 30, President Trump delivered his first State of the Union Address. In his speech, the President vowed to tackle high drug prices, renewed his call for Congress to pass “Right to Try” legislation, and applauded Congressional leaders for repealing the Affordable Care Act’s individual insurance mandate as part of last year’s tax reform bill.

The President also pledged to address the nation’s opioid crisis, although he announced no new policies other than highlighting the need to get “tougher on drug dealers and pushers.”

Notably absent from the speech was a call for Congress to pass legislation to stabilize the individual insurance marketplaces. A bipartisan stabilization bill authored by Senators Lamar Alexander (R-TN) and Patty Murray (D-WA) has been under consideration in the Senate since last fall. It is expected to be included in an upcoming spending bill on February 8.

To read Trump’s State of the Union Address, [CLICK HERE](#).

### Alex Azar Sworn In as HHS Secretary

On January 29, Alex Azar was sworn in as Secretary of Health and Human Services, after being confirmed by the Senate on January 24. Azar previously worked for HHS under President George W. Bush, first as General Counsel and then as Deputy Secretary. After stepping down in 2007, he worked for Eli Lilly, where he ran the company’s U.S. operations until January 2017.

During his swearing in ceremony, President Trump announced reducing drug costs as Azar’s top priority as HHS Secretary.

Throughout the confirmation process, Azar expressed an openness to exploring a PBM-type model to reduce Medicare’s Part B drug costs, though he rejected allowing the government to negotiate Medicare Part D prescription drug prices directly. Azar also indicated support for mandatory bundled payment programs, which is a departure from the Administration’s current policy.

To read more about Secretary Azar, [CLICK HERE](#).

To view the swearing in ceremony, [CLICK HERE](#).

### Congress Passes CR That Funds CHIP For 6 Years, Delays ACA Taxes

On January 22, Congress agreed on a short-term spending bill to continue funding the government for an additional three weeks, ending a three-day government shutdown.

The current continuing resolution funds the government at current levels until February 8, reauthorizes CHIP for six years, delays the health insurance tax for one year, and delays the “Cadillac tax” and medical device tax for an additional two years. Democrats agreed to the measure after Senate Majority Leader Mitch McConnell (R-KY)

promised to hold a vote on a bill to protect Deferred Action for Childhood Arrival (DACA) recipients before the February 8 deadline.

To read the full text of the continuing resolution, [CLICK HERE](#).

## **Avalere Releases Report on Impact of 340B Cuts**

Last week, Avalere Health issued a report analyzing the impact of CMS' recent decision to significantly reduce payments for drugs purchased by hospitals under the 340B program and reallocate the savings across all hospitals to increase reimbursements for other non-drug items and services. The report, which was sponsored by the Community Oncology Alliance, found that 85 percent of hospitals will actually see an increase in their Part B reimbursements, even after the payment change goes into effect. Only one percent of hospitals will see a net cut of 10 percent or more. Rural hospitals, which are exempt from the change, would see an even greater financial benefit under the new rule.

CMS first announced that it will be reducing 340B drug payments as a part of the 2018 Outpatient Prospective Payment System (OPPS) final rule, which went into effect on January 1. Early this year, a coalition of hospital groups led by the American Hospital Association, the Association of American Medical Colleges, and America's Essential Hospitals filed a lawsuit against CMS to stop the cuts, however it was rejected by a U.S. District Court judge. On January 9, the groups announced plans to appeal the ruling.

The 340B drug discount program, intended to increase access to drugs for low-income Americans, has been criticized for allowing many hospitals to take advantage of cheaper drugs without having to show how the resulting savings are used to provide better patient care.

To view the full study, [CLICK HERE](#).