Transcript: POLITICO's "Pulse Check" podcast
Recorded May 17, 2018, at the Hubert H. Humphrey building

Audio file: https://simplecast.com/s/57a53687

Dan Diamond: Secretary Alex Azar, welcome to POLITICO's "Pulse Check."

Alex Azar: Thanks Dan, great to be with you.

Diamond: The drug price plan that you've been giving speeches on, that your team has deployed to talk about — is this the top priority that you have from the president right now?

Azar: Yes, although I've got four main priorities — but at the moment this certainly is the top, and I can tell you of all things that I deal with with the president, and that we deal with here at HHS as I've said, I have not had a single phone call or meeting with the president where drug pricing has not been top of the agenda.

I could be in [with him] talking about the opioid crisis and drug pricing is going to be also on the agenda.

Diamond: So he brings it back.

Azar: Always.

Diamond: How would the president judge success of this plan? How would the American people judge it, in your mind?

Azar: So success will be around really the four problems that we're trying to solve.

The first is list prices. Do list prices start moderating and eventually go down? Do we start getting better negotiated deals in [Medicare] Part D? And for the first time ever successfully bring negotiation and discounting in [Medicare] Part B that's our — so that's the retail program — Part D is the retail drug program for seniors.

Diamond: So physicians...

Azar: So that's when you go to the pharmacy. Part B is the physician-administered drug program, and those are the ones where you're going to your doctor's office or a hospital and you're actually getting an I.V., and you're infused by the doctor or the doctor is injecting you. We don't get any real discounts there — so do we start seeing negotiations, systems of negotiation and discounts there.?

Are we able to reduce [the] third problem — reduce patients out-of-pocket spending at the pharmacy or when they get the bill from the hospital?

And finally, are we able to bring greater fairness around foreign investment, foreign country investment, in [research and development]. Are they starting to pay more of their fair share.

Diamond: Those are all big priorities that require systemic change. So what is the time horizon? When would we be able to judge if those goals are successful?

Azar: So this is not a moment in time, as I made clear even when we announced this. This is not a one-and-done, announce a plan, and all of a sudden — overnight — drug pricing, a complex, over 400 billion dollar enterprise in the United States, is "fixed."

This has actually been something that from day one of the administration has been worked on. You've got Dr. Gottlieb in FDA, with an aggressive generic drug program, with the historic level of drug approvals. You've got the change that [CMS] Administrator Verma has made around reimbursing drugs in hospitals that has reduced what senior citizens pay out of pocket. This is going to be a multi-year constant effort.

We are rewiring an entire sector of the American economy here. So it's going to be progressive accomplishments. Just this week we approved ... a biosimilar [of] Epogen — one of the most important drugs in Medicare — and we now have a biosimilar product of that. We've released a new Medicare dashboard with greater transparency around drugs and drug price increases. We're communicating this week out to pharmacy benefit managers telling them that we find gag rules at the pharmacy level unacceptable.

So it's just going to be a constant, constant cadence of action by us over the weeks months and years ahead.

Diamond: One idea that candidate Donald Trump pushed was importing drugs from Canada. That's not in your plan. Did you have to talk the president out of that idea?

Azar: So the president I have discussed every aspect of the ways in which one can try to deal with this crisis. The president has always — even [when] he spoke about this before — has always said "import drugs if it can be safely done."

Our watchwords... we have three goals on any ... we had a three, three-part test that we used on any intervention that we were doing.

First: Is it effective? Is it going to actually deliver results? I just... I'm not a politician, Dan.

Diamond: Well, you are HHS secretary. That's a Cabinet-level...

Azar: But I'm a health policy leader. I want to drive results. I'm a solution-oriented person trying to drive results. Make our systems better. Is it effective? Not some gimmick. Not to make a headline. Not to get the day one hit but something that, rather, will create sustained, good results over time. So is it effective.

Second: Is it safe? We will always be uncompromising in standing up for the safety of our health system for our citizens.

And third for us: Does it respect patient choice? Does it still provide access and choice for patients with them in the driver's seat?

So the issue of importing drugs. It fails really at least in two respects there.

The first is safety. Because when people talk about importing drugs, generally what they're talking about is effectively open borders. They're not talking about... and listen... if we take Canada. The Canadian drug supply is obviously safe, ok? The American drug supply is a crown jewel. It is obviously safe. When you walk into an American pharmacy or a Canadian pharmacy, that is one of the great guarantees that we all have.

My worry is so many Americans are falling into a canard of "Canadian pharmacies" when they buy over the Internet. Those drugs, there is no guarantee whatsoever that what they're getting is ... a drug that one would get in a Canadian pharmacy. It could be counterfeit from China or any other country. And frankly any of those drugs one has to be on the watch for because you don't know. I can tell you — I was in the drug industry before.

Diamond: I've heard.

Azar: The counterfeiting is so exceptional. We would get counterfeit versions of our drugs that had so mimicked counterfeiting countermeasures that even our scientists could not tell that it was adulterated subpotent, overpotent, different ... different inactive ingredients without putting it in a mass spectrometer and doing that type of testing. So good.

Diamond: Vermont just approved a plan to import drugs from Canada. They need HHS to certify that plan. Will you do it?

Azar: All I can say is that there has never been an FDA commissioner who's been able to conclude that any regime for importing drugs from ... Canada could be executed in a way ... where we could guarantee the safety of our drugs in our system. We have a closed distribution system.

On this front, let us say ... The question of effectiveness of doing this. Let us hypothesize that we could wire the American closed distribution system with another country's closed distribution system. And hence drugs that are bought in Canada through a more socialist buying system, that drives down prices because they basically cover fewer drugs and prevent access to the country ... It's take it or leave it. Here's a price, take it or leave it. Let's say we could wire that together... So that you could have safe transmission... Why is Canada going to want to do that? Why are they going to allow all of their drugs that they get to flow into the U.S.?

Diamond: So taking your point that maybe the Canada solution isn't the long-term fix. And you said that that is a gimmick. What about some of the other ideas that you have put forward? Putting list prices in ads [or] we're trying to raise the price abroad. How are those going to significantly lower costs for the American taxpayer?

Azar: Each step [is] part of a very complex puzzle of actions here, and this is one of the challenges frankly with communicating, is the deep complexity in this space.

Putting list drug prices in television ads. So why would you do that? Well, I actually think it's an important part of fair balance. I believe consumers should have a right to know that information.

They're going to spend money going to a doctor — which is what the pharma company wants them to do, spend money, go to a doctor, ask your doctor about X drug. I think you need to know the benefits, the side effects and also what the cost that they're seeking would be.

Diamond: Those prices are often fake, as you know and our listeners know. The —

Azar: They're not fake, though, for the patient who pays out of pocket a share of that or has a high deductible plan and has to pay that cost.

Diamond: You announced this plan last Friday. We're talking a week later. There has been a wave of coverage, often critical. Were you prepared for that backlash?

Azar: I think one of the learnings is just how complex the issues are in the drug channel. That's why I have been really trying to hammer home to people, number one, the changes that we're affecting here, they are revolutionary, they are deep, and they are coming. So I think across each of those, there is just people ... it's been a failure of some to recognize. I've seen even stock analysts, who are really quite smart individuals generally, totally missed the boat here and not get just how significant the changes to how the drug channel will operate will be as we execute against this program.

There are some commentators who get it, who are deep experts in this field. People need to do a bit more reading and looking, listening, and understanding. I think that the socializing of this is

increasingly understood. We're seeing the trade groups rear their heads there. Even they are finally getting it.

Diamond: Though the Community Oncology Alliance just came out and said, "we have a physician survey. Our doctors are extremely worried about this plan."

We saw some of this in the Obama administration when they pushed their own drug price plan. How prepared are you for the backlash that will inevitably come from pharma, from the Hill?

Azar: Well, you know my friend Andy Slavitt — who ran CMS in the Obama administration — has commented that what we're doing is so revolutionary that the secretary will need a very stiff spine to stand up against all the pressure that will come against him.

I can only tell you that I have the complete support of the president in stiffening my spine and fighting back against the special interests here to drive this change. The president is adamant that change will happen. And he's not asking me "what is this interest group, that interest group think?" What he's asking me "is it gonna achieve the objectives of driving down drug prices?"

Diamond: You said on Hugh Hewitt's show this week that the media doesn't want this drug price plan to succeed. What did you mean by that?

Azar: No, I didn't say that the media didn't want it to succeed. I think we all want any plan that we would have, or others would have to succeed to solve this problem.

What I said was that I don't think that the media wants the president to be viewed as succeeding in connection with... in connection with this. I think, I tend to generally believe people have a good intent. So I think they, I think everybody, wants... One would be happy if we were able to bring better list prices to people, better negotiation to our government programs, better out of pockets for senior citizens. So no, I don't question in any way people's intentionality in that regard.

Diamond: One big aspect of the plan that we really haven't talked about is this idea of pushing Part B and Part D together for negotiation. Why will that benefit patients and not necessarily the PBMs [pharmacy benefit managers] or other players who've gotten rich off the existing system? How do you know it will work?

Azar: So first off, I know the math of how it's structured right now. In Part B, where we're paying I think about 28 billion dollars a year for drugs, we're paying essentially sticker price plus a markup. So anything, anything is going to be better and drive savings in that program, ok?

So whether we bring the tactics of Part D and private sector negotiation into [Part] B — which is also a perfectly legitimate option that we are open to, if we can operationalize that — or if we do, as I've talked most recently, move categories of drugs or the entirety of the Part B drug program into this retail Part D program administered and negotiated by the private sector, the program will derive savings and seniors will derive savings in terms of their out-of-pocket spending from those changes.

Diamond: President Trump as candidate did promise that Medicare — the full power of it — would be deployed to negotiate prices. You've said that that's a gimmick and that that wouldn't work. Even Peter Orszag has said that without the full ability to set a formulary, Medicare wouldn't be able to achieve all the possible advantages.

What is the right tradeoff here? What does Medicare need to do to be a full-fledged negotiator that could walk away from the table like a private insurer could?

Azar: So actually... I do want to clarify. What I've said is the president called for Medicare negotiating and doing better bidding. We're doing it in a very sophisticated way — this is the way the president thinks as a businessman. He says, "where are we not negotiating well and using the full power of Medicare?"

We're not using it in these protected classes and otherwise in Part D where we're not getting as good of a deal as we could. And we're not doing it at all in Part B. So we're bringing them there.

The only thing that has been criticized or raised around ... using the power of Medicare to negotiate is what you said, which is are we using Medicare to create a single national formulary exclusive for seniors where that is the only option people have. That, that we fundamentally don't believe in because what is the beauty of our system now - especially the way the Part D drug program works — is I as a senior citizen remain in the driver's seat.

And so I can look at this plan, and this plan may have generous coverage for these types of drugs that I need and use. I can choose that. It may cost me a bit more out of pocket to ... pay that premium. I can choose that.

I may choose a cheaper plan or one that steers towards a different benefit structure, but I'm in the driver's seat.

If I'm in England, I don't have any choice. It is take it or leave it. Get on an airplane to the United States if you have cancer and you need access to different therapies that the National Health Service has decided they're not going to pay for as they jammed on the pharmaceutical companies for discounts and they decided to cut.

The power is, you don't cover various drugs. That's how ... That's how the socialist systems do that. And you do not create competition and you don't have choice for your citizens. That for us is a bedrock of protecting seniors' access. That's why I said that third goal, it's first safe, effective and the patient having choice is critical.

Diamond: You were a top executive at Eli Lilly. Was the plan always to work in the drug industry and come out and reform it later? Or was this a realization you had when talking to President Trump?

Azar: I will say, I've very much inspired by President Trump on this. The president sees the tremendous impact of drug prices on everyday Americans, not just their out of pocket but the impact it has on premiums and then the overall cost for the health care system and ... the way in which he is so driven on this.

This is really one of the, it is one of the most important things that the president is focused on and wants to achieve results on. I cannot overstate his level of personal commitment and drive and energy around this. So I say to — whether it's stock market analysts or the media or just my fellow citizens — do not in any way underestimate the vigor and drive of the president and hence of me in delivering here.

Diamond: Your friends and colleagues in the drug industry, have they been welcoming to you? Can you go back to them like you normally would?

Azar: [Laughter.] I really don't care, honestly.

You know, I'm here to serve the American people in this job. That is ... that is the only thing that I care about. And we have an agenda to deliver on, as I've said in some recent remarks.

I hope that any part of these various industries — whether it's the insurance industry, the pharmacy benefit managers or the drug industry — that they will come to the table with constructive solutions.

I know, from having run multibillion dollar businesses here, how complex this world is. It is always better if they can come to us with solutions that don't have unintended consequences that can deliver and put American patients first on the objectives that we've talked about.

But if they don't, that ain't going to stop us. We are moving forward. You can be part of this, giving us your best ideas or you can be obstreperous, but it's happening. Change is coming.

Diamond: Secretary Alex Azar, thank you for sharing your ideas on POLITICO "Pulse Check."

[As microphones were being removed; HHS gave permission to use this.]

Diamond: You were nominated six months ago, you were confirmed four months ago. When do you feel like this is all your portfolio — like how much can still be the last guy and how much is you?

Azar: First, great respect for the previous secretary. For me, coming to HHS is coming home. The only challenge I have is when I come upstairs off the elevator, there's still a part of me that feels I need to be turning to the right, to the deputy secretary's office instead of turning to the left to the secretary's. And then when I'm sitting in my office every once in a while I keep expecting Secretary Leavitt or Secretary Thompson to come in and say "What are you doing in my office?"

Diamond: It's like the ghost of them haunts the building. Psychologically, they're still here.

Azar: I cannot tell you even on the first day just how comfortable it feels. It is very much my home. I'm dealing with so many of the same people whether it's the folks from the administration or the career folks who've been here from before when I was here, with deep relationships...

I feel a little bit just like Rip Van Winkle. I took a 10-year nap and here I am, I'm awake and back.