

Pharmaceuticals

US to cut Rx drug price; no impact on generics

The US president Donald Trump signed an “Executive Order” (EO) to bring the prices for prescription (Rx) drugs in line with other developed nations. The EO institutes the “Most-Favoured-Nation (MFN)” price model (international reference pricing for prescription drugs) for drugs as a ceiling which means the US will pay for drugs at same levels as the lowest paid by other countries. This time MFN model has expanded its coverage for both Medicare and Medicaid (earlier in 2020, it was only for Medicare). This came after yesterday’s indication by Donald Trump to reduce Rx by 30-80% after the studies published by HHS on drug price difference (in Feb’24), which highlighted that overall US prices were 277% of the other countries in which US drug brands were 422% and top-60 brands were 504% of the other countries, while generics were only 67% of these countries. However, several things are still unclear such as which drugs, companies, and comparably developed nations. Moreover, within 30 days, officials need to communicate MFN price targets to pharma manufacturers to bring prices in line with comparably developed nations. The policy also intends to bypass middlemen (PBMs) by establishing a mechanism through which American patients can buy their drugs directly from manufacturers at an MFN price. The EO will take additional action to lower drug prices, including by providing massive discounts to low-income patients for lifesaving medicines, facilitating importation programs, and increasing the availability of generic and biosimilar medicines. The EO is likely to face legal challenges from the pharma companies once again (erstwhile MFN was legally blocked in 2020-21). In our view, the generic companies are unlikely to have any impact. Moreover, Sun Pharma with its specialty business (15-18% of sales) in the US may see some impact of MFN price ceiling for a few of its products like Ilumya, Winlevi, Odomzo, Cequa, which are marketed in other developed markets, whereas Sun’s other products like Levulan, Absorica, Bromsite, Xelpros, Yonsa, Sezaby, Sprinkle portfolio, and the recently-approved Leqselvi (Deuruxolitinib) are marketed only in the US.

Establishing Most-Favoured-Nation Pricing

- Within 30 days, the Secretary shall, in coordination with the Assistant to the President for Domestic Policy, the Administrator for the Centres for Medicare and Medicaid Services, and other relevant executive department and agency officials, communicate MFN targets to pharma manufacturers to bring prices in line with comparably developed nations.

If significant progress is not made to the extent consistent with law

- the Secretary shall propose a rulemaking plan to impose MFN pricing;
- the Secretary shall consider certification to the Congress that importation will pose no additional risk to the public’s health and safety and result in a significant reduction in the cost of prescription drugs under which waivers will be granted to import Rx drugs on a case-by-case basis;
- the authority to the extent consistent with law, undertake enforcement action against any anti-competitive practices identified;
- the Secretary of Commerce shall review and consider all necessary action regarding the export of pharma drugs or precursor material that may be fuelling the global price discrimination; and
- the Commissioner of Food and Drugs shall review and potentially modify or revoke approvals for those drugs that may be unsafe, ineffective, or improperly marketed.

YE March	Rec.	TP (INR/share)
Pharma		
Alkem	ADD	5,700
Aurobindo	ADD	1,350
Dr. Reddy's	REDUCE	1,220
Eris Life	BUY	1,500
IPCA	BUY	1,800
Lupin	ADD	2,330
Mankind	ADD	2,830
Sun Pharma	BUY	1,970
Torrent Pharma	ADD	3,640
Zydus Life	ADD	1,120
Healthcare		
Apollo Hospitals	BUY	7,520
Max Healthcare	REDUCE	1,020
Medplus	BUY	900
Dr Lal Path labs	ADD	3,080
Metropolis	ADD	2,050

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Exhibit 1: Calculated U.S. Versus Other Countries' Price Indexes, 2022

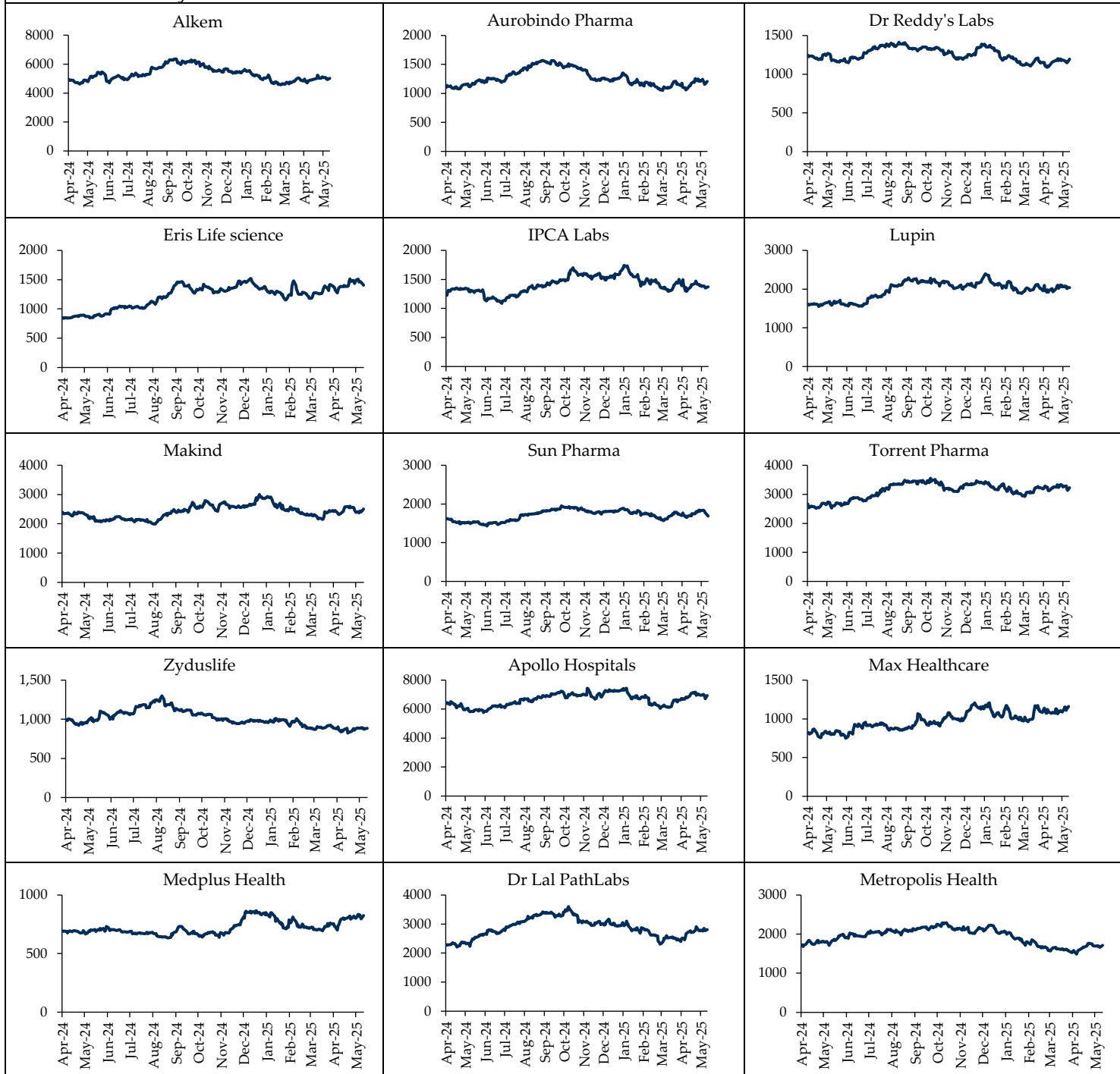
Country	Main Results	Brand-Name Originator Drugs	Top 60 Drugs by U.S. Sales	Unbranded Generics Without Biologics	Unbranded Generics and Brand-Name Non- Originators
United States	100	100	100	100	100
All countries ex- US	278	422	504	67	100
Australia	370	500	591	63	80
Austria	276	379	463	38	69
Belgium	321	414	478	49	90
Canada	229	324	374	39	58
Chile	260	748	716	76	40
Colombia	267	1,165	1,138	49	42
Czechia	354	453	553	54	106
Estonia	503	1,074	1,252	51	70
Finland	323	422	472	65	89
France	326	445	516	53	89
Germany	294	387	441	56	87
Greece	407	871	830	53	82
Hungary	389	513	552	64	112
Ireland	292	397	422	44	78
Italy	268	355	406	46	93
Japan	347	464	591	49	95
Korea	391	703	837	25	53
Latvia	495	747	842	55	78
Lithuania	427	625	667	63	106
Luxembourg	414	661	710	48	81
Mexico	172	402	426	51	46
Netherlands	333	589	627	66	94
New Zealand	288	372	394	85	122
Norway	248	417	441	43	57
Poland	404	525	650	79	119
Portugal	402	518	602	74	113
Slovakia	442	566	626	83	136
Slovenia	424	583	691	52	88
Spain	284	362	448	44	80
Sweden	333	418	466	71	99
Switzerland	219	339	376	19	38
Turkey	1,028	1,581	1,457	178	236
United Kingdom	270	385	439	47	79

Source: Authors' analysis of 2022 sales and volume data from IQVIA, undated (run date May 19, 2023), HSIE Research

Exhibit 2: ...calculated U.S. Versus Other Countries' Price Indexes, 2022

Country	Biologics	Non-biologics	Other Country Weights	Fisher Index	Active Ingredient Level	Retail Prices	U.S. Net Price Adjustment	Brand-Name Originators with Net Price Adjustment
United States	100	100	100	100	100	100	100	100
All countries ex-US	359	226	458	357	320	173	278	381
Australia	417	335	519	438	305	230	370	438
Austria	324	237	385	326	219	172	276	377
Belgium	355	288	363	341	282	200	321	435
Canada	272	196	318	270	215	143	229	276
Chile	531	206	439	338	267	162	260	500
Colombia	916	189	451	347	252	166	267	779
Czechia	394	314	490	416	317	220	354	535
Estonia	1,111	353	788	630	418	313	503	743
Finland	354	295	530	414	272	201	323	444
France	374	280	394	359	275	203	326	426
Germany	326	264	420	351	255	183	294	320
Greece	630	325	586	488	348	253	407	598
Hungary	417	364	521	450	360	242	389	501
Ireland	324	264	456	365	249	182	292	396
Italy	307	234	353	307	241	167	268	569
Japan	447	268	588	452	328	216	347	391
Korea	573	293	523	452	374	244	391	708
Latvia	715	384	673	577	406	308	495	660
Lithuania	519	354	615	512	369	266	427	605
Luxembourg	585	321	525	466	319	258	414	443
Mexico	326	122	244	205	186	107	172	311
Netherlands	400	304	571	436	282	208	333	433
New Zealand	299	280	504	381	278	179	288	378
Norway	331	197	477	344	218	155	248	408
Poland	481	343	541	467	421	251	404	603
Portugal	444	366	544	468	329	250	402	635
Slovakia	485	398	597	514	330	275	442	520
Slovenia	515	355	539	478	330	264	424	519
Spain	323	250	402	338	268	177	284	621
Sweden	337	329	506	411	294	208	333	393
Switzerland	282	173	318	264	196	136	219	293
Turkey	1,070	985	1,489	1,237	996	641	1,028	1,611
United Kingdom	326	226	392	326	274	168	270	434

Source: Authors' analysis of 2022 sales and volume data from IQVIA, undated (run date May 19, 2023), HSIE Research

1 Yr Price history**Rating Criteria**

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

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