

2,140 in 2014, primarily driven by Congress's decision in the Affordable Care Act to expand 340B program eligibility. The program is fully funded by drug manufacturers, who give the discounts in exchange for access to the Medicaid market. The discounts directly impact their bottom line and decrease revenues.

In our view, hospitals and health clinics may see decreased margins if the 340B program is reformed to limit provider eligibility, while drug manufacturers may see increased revenues due to the decrease in discounts required to be given.

GENERIC / FDA

The Trump administration is also pushing for expedited reviews of generic drug approvals. Year-to-date, the Food & Drug Administration (FDA) approved 12 first-time generic drug approvals, which permit a manufacturer to market a generic drug product in the U.S. Eighty first-time generic approvals were granted in 2017, while seventy-three were granted in 2016. The Department of Health & Human Services (HHS) noted further opportunities to promote generic drugs by (1) encouraging the sharing of drug samples to facilitate generic drug development and (2) requiring pharmaceutical companies to disclose the list price of drugs in advertising.

In our view, the push to increase generic drug approval benefits pharmaceutical companies with large generic drug offerings. Companies such as Mylan (MYL), the #2 U.S. generic drug manufacturer by sales & prescriptions dispensed, & Teva Pharmaceuticals (TEVA), the #1 U.S. generic drug company with top three leadership in over 30 countries, may be able to increase revenues and grab market share from specialty/branded drug manufacturers, such as Allergan (AGN) & Mallinckrodt (MNK).

MEDICARE / MEDICAID

Medicare and Medicaid are two government-run programs created in 1965 to address the inability of older and lower-income Americans to buy private health insurance. Under current regulations, Medicare is not allowed to negotiate prices directly with drug manufacturers. Candidate Trump embraced the concept of allowing Medicare to negotiate directly, with rebates going to Medicare members. President Trump continues to discuss direct Medicare negotiations. However, this could take months or years to implement.

In our view, the Medicare plan will continue to not be allowed to negotiate directly with drug manufacturers. We think this removes a regulatory overhang from the drug manufacturer industry and relieves some government pressure to lower drug prices.



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