Trump's Executive Orders Move Biotech, Healthcare in Right Direction

By Alex Berezow, PhD — June 27, 2019

Credit: Public Domain/Wikipedia [1]

The Trump Administration issued two executive orders relating to biomedical science in recent days. The first involved the regulation of biotechnology products, and the second involved transparency in healthcare costs. We believe both are a step in the right direction.

Executive Order on Agricultural Biotechnology

The first executive order [2], issued June 11, makes a sweeping change to the regulation of agricultural biotechnology products. Most importantly, it tells agencies to regulate end products, not the processes by which they were derived. For instance, a product that has been genetically edited to be resistant to a pest should not be treated any differently than one that was obtained through traditional crossbreeding. Furthermore, the order insists that biotech products be regulated in a way that is proportionate to the risks that they pose.

Combined, these two facets represent an enormously important reform to biotech regulation. There is broad scientific consensus that the safety of a product is unrelated to whether it was developed using biotechnology.

Not all biotech proponents are equally enthused, however. Dr. Henry Miller, who was founding director of the FDA's Office of Biotechnology, believe the changes don't go far enough. In an email to ACSH, he believes that the order will only apply to gene edited products and not transgenic products (i.e., GMOs), which will still be subjected to a sluggish case-by-case review.

Still, we believe that, at the very least, the executive order sets the right tone for future regulation. In general, the biotech community believes that products should be regulated based on their inherent qualities, not the process by which those qualities were introduced. Hopefully, this will speed up regulatory approvals.

Executive Order on Healthcare Price Transparency

The second executive order [3], issued June 24, seeks to lower healthcare costs by requiring price transparency. A passage from the order's purpose reads:

> *"[P]atients often lack both access to useful price and quality information and the incentives to find low-cost, high-quality care. Opaque pricing structures may benefit powerful special interest groups, such as large hospital systems and insurance companies, but they generally leave patients and taxpayers worse off than would a more transparent system."*

There are numerous problems with our Gordian knot of a healthcare system, with price transparency being just one of many. It is an economic truism that prices serve as market signals, and both producers and consumers interpret these signals to make business decisions. In most markets, transparency likely drives prices down due to competition. If McDonald's is selling burgers for 25 cents less than Burger King, it is attempting to take away business from Burger King. From McDonald's perspective, it's a win-win; customers get cheaper food, and McDonald's gets a bump in revenue.

But it's not clear that the healthcare market works like this. People don't generally shop around for healthcare services. Additionally, a prospective patient may not have multiple providers from which to choose, which means the market isn't entirely competitive. (The same is true of airline tickets.) This has led to fears that transparency would actually cause prices to rise.

How so? Because in a market in which there are few competitors, providers could simply choose to match each other's prices. If Hospital A is charging $1,000 for a procedure and Hospital B is charging $800, transparency might make Hospital B raise its rate to $1,000. Believe it or not, this has actually happened before. In the Danish concrete market [4], transparency caused prices to rise 15-20%.

Additionally, there are other problems that prevent lower costs. Todd Myers of the free market think-tank the Washington Policy Center wrote in an email to ACSH, "The big problem with pricing isn’t lack of transparency. It is the third-party payer system. Insurance companies know exactly how much something costs because they pay the bill. So, they negotiate the price with the providers or they set a price and then anyone who can meet it is part of their preferred provider system."

Mr. Myers concluded, "If you aren’t paying, what do you care whether it costs $5 or $500? Transparency is a good step, but it alone doesn’t create the incentive for patients to shop around."

ACSH's Director of Medicine, Dr. Chuck Dinerstein, is also skeptical that price transparency will change much of anything. He said, "For a hospital to provide you with a price, they would need information that they do not have, like your insurance, additional medical problems to stratify your risk, and a prediction as to your chance of complications that would change the final diagnosis – all of which are used to determine what they charge and what a particular insurance will pay."

Dr. Dinerstein added, "The system of hospital payments is as convoluted and dark as that for prescription drugs. And like the efforts in that arena, you are witnessing a Kabuki dance which will result in you being told a number that has little value in making a wise health care choice."

Still, price transparency is a cornerstone of free markets and seems to work overall. Even though we support price transparency, we should be clear-eyed enough to realize that it is not a cure-all solution. It is one step in the right direction. But many more reforms must be implemented to bring healthcare costs down.

Links

[1] https://en.wikipedia.org/wiki/Biotechnology#/media/File:Rose_grown_from_tissue_culture.jpg
[2] https://www.whitehouse.gov/presidential-actions/executive-order-modernizing-regulatory-framework-agricultural-biotechnology-products/
[3] https://www.whitehouse.gov/presidential-actions/executive-order-improving-price-quality-transparency-american-healthcare-put-patients-first/
[4] https://www.nytimes.com/2019/06/24/upshot/transparency-medical-prices-could-backfire.html