

Opinion **Coronavirus**

Coronavirus shows risk of Trump cuts to health spending

Private sector may not be able to pick up the slack on drug and vaccine development

GILLIAN TETT



The spread of the coronavirus raises questions about US cuts to health spending © Getty

Gillian Tett FEBRUARY 6, 2020

Donald Trump was about 40 minutes into his State of the Union speech on Tuesday before he mentioned the “C” word that is sowing fear: coronavirus. “We are coordinating with the Chinese government on the coronavirus outbreak . . . my administration will take all necessary steps to safeguard our citizens,” the US president said, after boasting of American prowess in medical innovation. “We have approved a record number of affordable generic drugs, and medicines, at a faster clip than ever before.”

He sparked rapturous applause in the hall. Medical observers watching on television, however, may have been wincing. Despite the rhetoric, the grim truth is that the spread of the [coronavirus](#) raises two questions that investors must ponder: has Mr Trump’s war on what he calls “the deep state” undermined the White House crisis-fighting skills? And how quickly can the private sector respond, given the capricious incentives in the pharmaceutical sector?

Linda Bilmes, a public finance expert at the Harvard Kennedy School, outlined the first issue in a [chilling essay](#) this week. She notes that Mr Trump — unlike Barack Obama before him — has been trying to starve the Centers for Disease Control. For the 2020 fiscal year, his budget proposed slashing CDC funding by 19 per cent or \$1.3bn. This included a White House proposal to cut \$100m (or 17 per cent) from federal spending on “zoonotic” infectious diseases that move from animals to humans, such as coronavirus or Ebola. He had previously proposed reductions of 10 per cent each in 2018 and 2019.

Thankfully, Congress blocked most but not all of this squeeze. But the White House did move in 2018 to disband the National Security Council’s global health security and biodefence directorate which Mr Obama had created in response to the 2014 Ebola crisis.

That prompted the departure of Tim Ziemer, who ran the directorate and previously served George W Bush. “It is not clear who in the Trump administration will be responsible for co-ordinating US efforts in the event of a global pandemic,” Ms Bilmes wrote.

White House officials insist they have [solved the problem](#) by putting Alex Azar, health and human services secretary, in charge of a crisis committee to fight the coronavirus. [Mr Azar said](#) his committee will promote co-ordination among agencies and is “working with many drug sponsors who have potential therapeutics”.

One hopes so. But Ron Klain, who served as Ebola tsar under Mr Obama, worries about the lack of a White House point person. “There is no authority to resolve disputes between federal agencies; no one to hold agencies accountable; no one to resolve competing requests for congressional funding; and no one to draw on the resources of the security agencies,” [he writes](#).

The cuts are driven by the Trump administration’s view that reducing bureaucracy will unleash problem-solving innovation in the private sector. But there are reasons to think this does not apply to pharmaceuticals. Returns on US pharma research and

think this does not apply to pharmaceuticals. Returns on US pharma research and development have shrivelled from 10 per cent in 2010 to below 2 per cent last year, according to a [Deloitte report](#). This puts pressure on R&D budgets. Although venture capitalists have been pouring money into biotech, there are growing concerns over [whether it will be sustainable](#) or sensibly directed.

There remains deep uncertainty about what will happen to drug pricing and the medicine approval process. Not only are some of the Democratic presidential candidates talking about revamping healthcare, but Mr Trump also has drugmakers in his sights. He declared this week, not for the first time, that he is “taking on the big pharmaceutical companies” to reduce drug prices. The recent acceleration in drug approvals reflects an Obama-era [expansion in regulatory funding](#), which Mr Trump initially [tried to reverse](#).

If, as we all hope, the coronavirus does not spread widely, none of this will matter in the short term. But, if nothing else, the crisis should be a wake-up call for the White House — and investors. In the long term the US desperately needs credible policies that encourage more medical innovation and entrepreneurship while also making drugs more affordable. This will require intelligent government subsidies and consistence and transparent regulation.

The White House also needs to show love — or at least respect — for those maligned government bureaucrats who are so crucial in preventing crises. It was silly to disband Mr Obama’s Ebola-fighting initiatives and it is a symptom of a bigger trend. Let us hope that ordinary Americans do not suffer as a result.

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