

DANGERS OF IMPORTING RISKY PRICE SETTING SCHEMES

Policymakers in Washington, including House Speaker Nancy Pelosi (D-CA) and President Donald Trump, are considering plans to replace the current market-based system for determining the value of prescription medicines with a system based on international reference pricing. If enacted, these policies will import to the United States price controls adopted by countries with health care systems that deny patients access to the newest cures and treatments.

Adopting foreign price setting would be detrimental to patients and America's scientists and researchers ushering in the next generation of new cures, including those working around the clock to eradicate COVID-19.

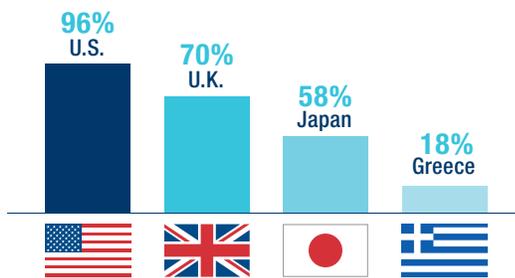
Here's why:

Foreign price setting will restrict patient access to new treatments.



Nearly **90% of all new medicines** launched since 2011 are available in the U.S., compared to just **50%** in France, **48%** in Switzerland, and **46%** in Canada.

PERCENTAGE OF **NEW CANCER DRUGS** AVAILABLE TO PATIENTS.



American patients can access **96% of all new cancer medicines** within two months of launch. By contrast, patients in Greece, Ireland, and Italy, wait an average of **41, 23, and 21 months**, respectively.

<https://catalyst.phrma.org/setting-the-record-straight-on-international-reference-pricing>

<https://phrma.org/-/media/Project/PhRMA/PhRMA-Org/PhRMA-Org/PDF/G-I/PI-Model---Comparison-of-Availability---cancer-meds---072020.pdf>

America's innovative medicine pipeline will be at risk.



Speaker Pelosi's drug pricing bill will lead to **nearly 40 fewer new drugs** coming to patients in the next two decades, according to the Congressional Budget Office.

Price fixing in OECD countries slashed global R&D spending by between **\$5 billion and \$8 billion**, enough to fund the discovery of **three to four new drugs per year**.

Prior to adopting price controls, European companies **invested 24% more** on prescription drug R&D than U.S.-based companies. By 2015, European-based companies had fallen behind their U.S. counterparts by **40%**.

Eliminating government price setting in OECD countries would lead to a **12% increase in R&D** and the development of **13 new drugs** per year.

<https://www.cbo.gov/system/files/2019-10/hr3lrr.pdf>

<https://www.help.senate.gov/imo/media/doc/Aldonas-SenHELP-Rx-2-17-05.pdf>

<https://www.nber.org/papers/w12676.pdf>

https://tools.ispor.org/research_pdfs/58/pdffiles/PHP216.pdf

Foreign price setting will undermine the U.S.-based biopharmaceutical economy.



Importing foreign price setting would jeopardize the American biotech industry's **1.74 million employees** and **8 million supporting jobs**.

Adopting foreign price controls into just Medicare Part D would extract between **\$500 billion and \$1 trillion** out of the biopharmaceutical industry, according to a CBO analysis of part of Speaker Pelosi's drug pricing bill.

The biotech industry ranks **just 36th** among all American industries in profitability. **Less than 10%** of all public U.S. biopharmaceutical companies are profitable.

Factset, BIO Industry Analysis

THE SMART WAY TO LOWER DRUG COSTS

Virtually every part of the U.S. health care system is more expensive than in Europe. Foreign free-riding on American innovation is a serious problem that harms America's patients and our broader health care system. Instead of rewarding this bad behavior, the United States should continue leading the world in biomedical innovation and force other countries to pay their fair share for medicines. Pursuing price controls in lieu of these solutions would be a reckless distraction from the work U.S. scientists are undertaking to end the COVID-19 pandemic and would jeopardize American leadership in medical innovation.



Rather than impose government price setting, policymakers should address perverse incentives in the insurance system, increase competition, and lower out-of-pocket costs for patients.

According to a poll by Morning Consult, voters think the best way to lower prescription drug costs is to **promote competition**, rather than imposing government price setting.

46% of voters think it is most important that policymakers lower the cost people pay out of pocket for their medicines, more important than any other action tested.

https://www.bio.org/sites/default/files/BIO_Polling_Memo_4.3.19.pdf

According to a poll by Kaiser Family Foundation:



62% of people would oppose government negotiations with drugmakers if they lead to less R&D for new drugs.



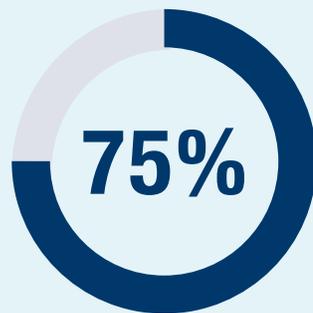
65% would be opposed to government negotiations if they limit access to new medicines.

<https://www.kff.org/health-reform/poll-finding/kff-health-tracking-poll-october-2019/>



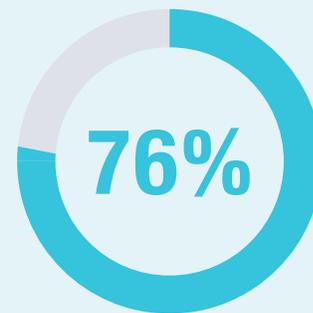
Policymakers should work to promote fair trade agreements that force other countries to respect American innovation and improve Medicare for seniors.

A strong majority of voters believe it's important for the U.S. to require other countries to **raise their standards around intellectual property protections**.



Morning Consult poll, April 2019.

A strong majority of voters support legislation that would **cap or limit what seniors in Medicare Part D pay out-of-pocket for prescription drugs**.



Morning Consult poll, April 2019.