IN CASE YOU MISSED IT

Via the Wall Street Journal:
Drug Price Controls Mean Fewer Cures

The *Wall Street Journal* Editorial Board recently **published** a piece that highlights how the Biden-Harris Administration's so-called Inflation Reduction Act (IRA) is killing patient hope for new medicines through government price controls.

With the Biden-Harris Administration releasing the "negotiated" prices for certain drugs in Medicare on August 15, 2024, the WSJ Editorial Board sets the record straight on how **the IRA is killing hope for patients who want new lifesaving medicines.**

WORD ON THE STREET

Via the Wall Street Journal Editorial Board:

- *"President Biden and Kamala Harris plan to celebrate the Inflation Reduction Act's two-year anniversary this week.* ***What they won't mention in their exultation is the damage the law is doing to the development of new medicines****."*

- *"A portent came last week from* ***Charles River Laboratories****, a top research contractor that helps drug makers with clinical trials. The company warned in its quarterly earnings report that* ***pharmaceutical companies are slashing research and development owing to the IRA's drug price controls****."*

- *"The IRA let Medicare "negotiate" prices for 10 to 20 drugs a year and a total of 60 by 2029. Negotiate is a euphemism for extortion: Drug makers that don't*

participate or reject the government's price face a daily excise tax that starts at 186% and climbs to 1,900% of a drug's daily revenue."

- *"The law also requires manufacturers to pay the government rebates on medicines sold to Medicare if they raise prices more than the rate of inflation, and puts them on the hook for more of the entitlement's Part D costs.* ***Democrats used the resulting estimated "savings" of some $160 billion to pay for the green new deal****."*

- *"But subsidized solar panels won't help if you get sick.* ***The inevitable, albeit invisible, result of Democrats' raid on pharmaceutical companies will be fewer new medicines****."*

- *"But the IRA encourages companies to develop medicines first for larger populations to maximize revenue before they become eligible for Medicare price controls—seven years after government approval for small-molecule drugs and 11 for biologics.* ***This means that treatments for diseases affecting smaller populations may never be developed****."*

- *"The incentives are especially perverse for cancer drugs since it can take a decade before they become first-line therapies. Only then do drug makers recover their investment, but price controls may prevent them from doing so."*

- *"Drug makers also have less incentive to pursue studies for follow-on indications of existing medicines. While the IRA exempts orphan drugs for rare diseases from price controls, the drugs lose this dispensation if they are approved for other indications.* ***Why spend hundreds of millions of dollars on a study if there might not be a payoff****?"*

- *"Some 90% of drug candidates fail in clinical trials, and manufacturers sometimes never recoup their investment on even those that are approved. They use profits from their few commercial successes to finance research and development into new medicines and to compensate investors.* ***The IRA threatens this risk-reward model****."*

- *"The Biden-Harris Administration has proposed increasing the number of medicines subject to Medicare price controls to at least 50 a year and extending IRA inflation rebates to private plans to finance new entitlements.* ***Tim Walz has gone further as Governor of Minnesota by establishing a government board to fix drug prices for all payers****."*

THE BOTTOM LINE

As **recognized** by the nonpartisan Congressional Budget Office (CBO) last year, medical innovation, including new medicines, holds the power to significantly reduce federal health care spending by curing and reducing the financial and health burden of disease. More importantly, these innovative drugs provide hope for a cure to American families faced with life threatening diseases.

Policymakers need to fully understand the tradeoffs associated with proposed policies that could stifle medical innovation along with the corresponding direct impact on the federal budget, and, more importantly, American patients and families.

The House Budget Committee Health Care Task Force has been working with CBO and independent experts and stakeholders to sound the alarm on the dangerous impact of the IRA's drug price control on patient access to innovative drugs and examine solutions to improve patient outcomes and reduce federal health care spending.

Last fall, the House Budget Committee held a roundtable to examine the CBO's projections of how the IRA will impact patient access to new medications. Following the roundtable, Chairman Jodey Arrington (R-TX) and Health Care Task Force Chair Michael Burgess, M.D. (R-TX), led a **letter** to CBO requesting an analysis of their approach to modeling policies that impact patient access to new medicines.

Ultimately, CBO acted on the request and **issued** a call for new research in the area of new drug development for independent researchers and experts to submit data and information to help inform CBO's analysis on new drug development.