

GOVERNMENT “NEGOTIATION” THREATENS ACCESS TO MEDICINES



When the government intervenes to set the price of medicines, experts agree access to current and future medicines for seniors and people with disabilities is threatened. There are several approaches to government price setting in Medicare currently in play in Congress that are all cause for concern. Here's why.

If the goal is to produce budgetary savings, the government “negotiating” medicine prices in Medicare will inevitably impact patient access to certain medicines, whether through a formulary, long-term impacts on competition and/or future R&D.

CONGRESSIONAL BUDGET OFFICE, 2019

“Negotiation is likely to be effective only if it is accompanied by some source of pressure on drug manufacturers to secure price concessions. For example, authority to establish a formulary could be a source of pressure. In the absence of such pressure, the Secretary’s ability to issue credible threats or take other actions in an effort to obtain significant discounts would be limited.”ⁱ

HAYDEN CONSULTING GROUP, 2020

“At a minimum, the implementation of government price controls on a segment of the market will likely create substantial confusion and complexity for patients, CMS, payers, and drug manufacturers. More likely, the approach to mandated price concessions will have a variety of negative intended and unintended consequences... [government price control] brands will likely be forced to offer such low prices, that payers are apt to dramatically limit the portion of the market that is available to non-[government price control] brands, all but eliminating early line patient access...”ⁱⁱ

With the government setting the price of medicines through “negotiation,” the threat of a 95% tax or other mechanisms could result in access restrictions like those seen in foreign countries where governments determine which medicines are and are not available to their citizens.

For example, the first transformative CAR-T cancer therapy was available in the United States seven months before any other country, while patients in countries like Canada and Japan waited nearly two years for it to be available.

Similarly, a groundbreaking treatment for drug-resistant forms of HIV approved in the United States was not available in any of the H.R. 3 countries until 18 months later. Today, that treatment is still not available in Australia, Canada, Japan or the United Kingdom.

Allowing the government to set the price of medicines through “negotiation” or other mechanisms discourages continued investment in the development of new medicines, jeopardizing access to future treatments and cures.

CONGRESSIONAL BUDGET OFFICE, 2021

“Proposed regulation of some drug prices would affect the sales volumes of existing drugs and, as a result, expected returns on R&D on future drugs; in turn, lower expected returns would result in fewer new drugs. Changes to regulation of clinical trials would also affect the supply of new drugs.”ⁱⁱⁱ

VITAL TRANSFORMATION, 2021

“Using the Lower Drug Costs Now Act (“H.R. 3”) as an example, we find that implementation of international reference pricing in the United States would reduce by 90%+ the number of medicines developed by small and emerging biotechs – 61 fewer medicines over 10 years.”^{iv}

Voters Strongly Support Protecting Access to Their Medicines and R&D

65%

of Americans oppose negotiation if it could lead to less research and development of new medicines.^v



65%

of Americans oppose negotiation if it could limit people’s access to newer prescription medicines.^v



65%

oppose changing the law in Medicare to allow the government to restrict access to medicines for seniors and people with disabilities to save money for the federal government.^{vi}



75%

are concerned negotiation would take away power from doctors to prescribe the medicines that best meet the needs of seniors and people with disabilities.^{vi}



74%

are concerned negotiation would allow the government to restrict access to medicines that seniors and people with disabilities may currently use.^{vi}



There are better ways to reduce what patients pay for their medicines. Sacrificing access to medicines is not it.

- i. Congressional Budget Office Letter to Senator Chuck Grassley, May 17, 2019. <https://www.cbo.gov/system/files/2019-05/55270-DrugPricesMedicare.pdf>
- ii. Hayden Consulting Group, “Controlling Competition: The Impact of Government Price Controls on Competition and the Market - #1,” November 16, 2020. <https://www.haydencg.com/post/controlling-competition-the-impact-of-government-price-controls-on-competition-and-the-market-1/>
- iii. Congressional Budget Office, “Research and Development in the Pharmaceutical Industry,” April 2021.
- iv. Vital Transformation, “H.R. 3 and Reference Pricing. Total Market Impact,” March 22, 2021. http://vitaltransformation.com/wp-content/uploads/2021/04/HR3_4.5.21_v10.1.pdf
- v. Kaiser Family Foundation, “KFF Health Tracking Poll - May 2021: Prescription Drug Prices Top Public’s Health Care Priorities,” June 3, 2021. <https://www.kff.org/health-costs/poll-finding/kff-health-tracking-poll-may-2021/>
- vi. Morning Consult/PhRMA, “May-June Polling Data,” June 4-7, 2021. <https://www.phrma.org/economic-impact/may-june-polling-data>